



Victoria Government Gazette

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Victorian Energy Efficiency Target Act 2007

NOTICE OF INTENTION TO DECLARE A DISCOUNT FACTOR

I, Lily D'Ambrosio, Minister for Energy, Environment and Climate Change and Minister responsible for the administration of the **Victorian Energy Efficiency Target Act 2007** ('the Act'), give notice under section 19(3) that I intend to declare a discount factor under section 19(4) of the Act, to be used to calculate the carbon dioxide equivalent of greenhouse gas emissions to be reduced for the refrigerated cabinet activity prescribed under Schedule 2, Part 32 of the Victorian Energy Efficiency Target Regulations 2018 ('the Regulations').

Proposed discount factor

I propose to declare a discount factor of 0.5 for a prescribed activity under Schedule 2, Part 32 of the Regulations where the product installed is listed on the Essential Service Commission's register as belonging to product class 1 to 11 (inclusive) under the Greenhouse and Energy Minimum Standards (Refrigerated Cabinets) Determination 2020 (Cth) ('GEMS 2020 Determination').

Proposed period

The proposed discount factor is intended to commence on the day that the declaration of a discount factor is published in the Government Gazette and ending on the date on which I revoke the proposed declaration by notice published in the Government Gazette.

Reasons for the Proposed Discount Factor

Under section 19(2) of the Act, discount factors are to take into account any uncertainty associated with the reduction of greenhouse gas emissions that would eventuate from a specified prescribed activity or specified class of prescribed activities but for the existence of the Victorian Energy Upgrades program ('VEU program').

The amount of carbon dioxide equivalent of greenhouse gases to be reduced by refrigerated cabinets installed under Schedule 2, Part 32 of the Regulations (the 'RC activity'), and therefore the number of Victorian Energy Efficiency Certificates ('VEECs') generated by the installation of a refrigerated cabinet, is determined by comparing the efficiency of the product installed against an assumed 'baseline' efficiency.

The greenhouse gas reduction calculations for the refrigerated cabinet activity assume that either an old existing refrigerated cabinet ('RC') is being replaced, or where a RC is installed as a new appliance, the consumer would have purchased a new less efficient product available on the market if incentives were not available through the VEU program.

From early 2022, stakeholders have contacted the Department of Environment, Land, Water and Planning ('the Department') with concerns that the abatement calculations for the RC activity may be inaccurate resulting in high incentives which are driving installations that do not result in a genuine reduction of greenhouse gas emissions. In particular, the Department is aware of instances where:

- RCs have been installed in premises that have no pre-existing need to store or display food or drink;
- the number of RCs installed at some premises exceeds the genuine refrigeration needs of those premises;
- RC products have been installed that are not suitable for their intended use (e.g., chiller products that are not designed to store perishable items being used to store those items); and
- commercial grade RCs have been installed in environments where a domestic refrigerator or freezer would be better suited (e.g., workplace breakrooms, offices or hotel mini-bars).

The GEMS 2020 determination divides the 15 product classes into either integral or remote RCs. An integral RC is a unit that is designed to have its condensing unit housed within, or directly

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attached to, the cabinet (i.e., a plug-in unit that does not require a licensed electrician for installation). A remote RC is a unit that requires connection to a separately-housed condensing unit and must be installed by a licensed electrician. A review of the RC activities undertaken since October 2021 has shown that the majority of products installed are integral.

The Department has been investigating these concerns and has determined that, on the whole, the greenhouse gas abatement calculations for the installation of integral RCs does not reflect the level of greenhouse gas emissions that is likely to eventuate from these activities.

The baseline efficiency for all RC products is based on the average of:

- the estimated energy efficiency of a pre-existing RC; and
- the average market efficiency of a new RC available on the market and registered under the GEMS 2020 Determination.

This baseline assumes at least 50 per cent of products installed are replacing old inefficient RCs.

The Department consulted with stakeholders on proposed baseline levels in July 2021. Following stakeholder feedback, the Department revised the baseline levels for all product classes under the GEMS 2020 Determination. One of the key reasons was to meet stakeholder requests to harmonise with the New South Wales Government's Energy Savings Scheme.

Based on installation data provided by the Essential Services Commission, including the rate of installations and the types of products being installed, as well as reports of products being installed in unsuitable quantities and at premises where there is no genuine need, the Department is concerned that the majority of installations of integral RCs do not involve the replacement of existing RCs.

Given that the abatement calculations (and incentives) for this activity assume that only half of upgrades would be new installations, the higher proportion of new installations means the current incentives for the activity are not reflective of the actual emissions abatement occurring.

To account for this greenhouse gas abatement uncertainty associated with the installation of integral RCs, it is proposed to apply a discount factor to these products.

It is the Victorian Government's intention that the declaration of this discount factor will enable the Department time to conduct a detailed review of the RC activity to address this uncertainty. This review will cover all aspects of the RC activity, including:

- the assumed product baseline and upgrade efficiency levels;
- whether the abatement calculations should vary depending on whether an existing product is being decommissioned; and
- imposing limits on the type, location or number of products that can be installed.

Submissions on proposed discount factors

Public comment is invited on this proposal to declare a discount factor.

All comments must be in writing and sent via email to energy.upgrades@delwp.vic.gov.au or sent as a hard copy submission to: Victorian Energy Upgrades, Department of Environment, Land, Water and Planning, PO Box 500, East Melbourne, Victoria 8002.

If you make a submission please ensure to state whether the department can publish your submission.

All submissions must be submitted by 6 June 2022.

All submissions made in writing within the required timeframe will be considered in my determination of whether to declare a discount factor. All stakeholders will be informed of my determination via the Victorian Energy Upgrades website: Latest VEU news, energy.vic.gov.au

Dated 23 May 2022

Lily D'Ambrosio MP
Minster for Energy, Environment and Climate Change

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