

NATIONAL PARTNERSHIP AGREEMENT ON ENERGY EFFICIENCY

Council of
Australian
Governments

An agreement between

- the **Commonwealth of Australia** and
- the **States and Territories**, being:
 - ◆ The State of New South Wales
 - ◆ The State of Victoria
 - ◆ The State of Queensland
 - ◆ The State of Western Australia
 - ◆ The State of South Australia
 - ◆ The State of Tasmania
 - ◆ The Australian Capital Territory
 - ◆ The Northern Territory of Australia

This agreement sets out specific action to be taken by the Commonwealth, State and Territory Governments to maximise cost-effective energy efficiency gains across the economy.

National Partnership Agreement on Energy Efficiency

INTERGOVERNMENTAL AGREEMENT

PRELIMINARIES

1. This Agreement is created having regard to the provisions of the *Intergovernmental Agreement on Federal Financial Relations*, and should be read in conjunction with that Agreement and subsidiary schedules, except where varied by this agreement.

Preamble

2. Improvements in energy efficiency can improve the productivity of our economy, allow households and businesses to achieve savings on their energy bills and deliver significant low cost greenhouse gas abatement.
3. The Commonwealth Government has proposed that the Carbon Pollution Reduction Scheme (the Scheme) will be the primary mechanism for reducing greenhouse gas emissions in Australia. It is anticipated that the Scheme will drive a reduction in greenhouse gas emissions through placing a cap, and therefore a price, on greenhouse gas emissions.
4. A carbon price will provide an incentive for households and businesses to use energy more efficiently. A carbon price alone, however, will not realise all the potential cost-effective opportunities to improve energy efficiency across the Australian economy. Market barriers, such as split incentives, information failures, capital constraints, early mover disadvantage and transaction costs need to be addressed to remove impediments to investment in energy efficiency by households and businesses.
5. Improving energy efficiency will allow households, businesses and industry to manage their energy consumption better and to reduce the impact of the Scheme on their total energy costs.
6. Improving energy efficiency will also help to lower the energy intensity of the Australian economy overall, and this, together with a decrease in the emissions intensity of the production of that energy, will be the main contributor to Australia's carbon abatement.
7. While Governments agree that existing energy efficiency initiatives, such as the National Framework for Energy Efficiency (NREE) and individual jurisdiction programs, are making important contributions to improving energy efficiency, the need to transition to a low carbon future gives renewed impetus to deliver a step change in energy efficiency and to realise the benefits from cost-effective energy-saving initiatives.

8. In October 2008, the Council of Australian Governments (COAG) agreed to develop a National Strategy on Energy Efficiency, to accelerate energy efficiency efforts, to streamline roles and responsibilities across all levels of governments, and to help households and businesses prepare for the introduction of the Scheme.
9. The Strategy will substantially improve minimum standards for energy efficiency and accelerate the introduction of new technologies through improving regulatory processes and addressing the barriers to uptake of new energy efficient products and technologies.

PART 1 – FORMALITIES

Parties to this Agreement

10. In entering this Agreement, the Commonwealth and the States and Territories recognise that they have a mutual interest in improving outcomes in the area of energy efficiency and need to work together to achieve those improved outcomes.

Term of the Agreement

11. This Agreement will commence as soon as all Parties sign the Agreement and will expire on 30 June 2020, or earlier as agreed in writing by the Parties.

Effect of this Agreement

12. On 30 April 2009, COAG agreed to a Memorandum of Understanding (MoU) on the National Strategy on Energy Efficiency 2009-2020 to provide guidance on the development of this Agreement and the measures in Attachment A. This Agreement supersedes that MoU, incorporates activities under the NFEES and gives effect to the National Strategy on Energy Efficiency.

Delegations

13. The Senior Officials Group on Energy Efficiency is authorised to oversee and co-ordinate the development of Implementation Plans on behalf of the Parties.

Interpretation

14. Unless otherwise specified, the following terms and definitions are used throughout this Agreement:
 - (a) *Agreement*: this National Partnership Agreement, including any attached plans, schedules or annexures.
 - (b) *COAG*: the Council of Australian Governments (COAG), or any body delegated by COAG to operate on its behalf within the context of this Agreement.
 - (c) *Implementation Plans*: plans which include a range of considerations for the implementation of particular measures, as outlined in Part 4.
 - (d) *Memorandum of Understanding or MoU*: The Memorandum of Understanding on the National Strategy on Energy Efficiency 2009-2020 agreed by COAG on 30 April 2009.

- (e) *Measures*: The actions that, collectively, will assist in delivering cost-effective energy efficiency gains across the economy and implement and give effect to this Agreement. They comprise the initial set of actions outlined in Attachment A and further actions which might be agreed under this Agreement.
- (f) *Ministerial Councils*: Ministerial Councils established by COAG, as well as the Building Ministers' Forum and other relevant bodies, which might have direct responsibility for overseeing implementation of measures under this Agreement.
- (g) *National Framework for Energy Efficiency (NFEET)*: an existing package of energy efficiency measures agreed by the Ministerial Council on Energy in August 2004 (first stage of the NFEET) and December 2007 (second stage of the NFEET).
- (h) *Parties*: the Commonwealth, States and Territories.
- (i) *Performance Benchmarks and Indicators*: the benchmarks and indicators used to monitor the progress towards achievement of the activities as specified in the Implementation Plans.
- (j) *Scheme*: the Carbon Pollution Reduction Scheme – the Commonwealth Government's emissions trading scheme that will be Australia's primary policy tool for driving reductions in emissions of greenhouse gases.
- (k) *Senior Officials Group on Energy Efficiency (SOG-EE)* – the body of senior officials representing the parties to this Agreement that will initially be charged with overseeing this Agreement's implementation, as outlined in Part 6.

PART 2 – OBJECTIVES, OUTCOMES AND OUTPUTS

Objectives

- 15. Through this Agreement, the Parties commit to implementing a range of measures that, collectively, will assist in delivering cost-effective energy efficiency gains across the economy.
- 16. This Agreement will provide a nationally consistent and coordinated approach to energy efficiency, which recognises the need for flexible approaches across jurisdictions and allows for the emergence of innovation that targets regional conditions and local expertise. It will complement the Scheme, by focusing on addressing market failures and other barriers that impede the carbon price from effectively encouraging the take-up of energy efficiency opportunities. Implementation will particularly target regions and sectors of the economy where the take-up of energy efficiency measures may otherwise be delayed.
- 17. This Agreement encompasses a broad range of areas where substantial energy efficiency opportunities exist: commercial buildings; residential buildings; appliances and equipment; industry and business; government; transport; skills and training; innovation; and advice and education.
- 18. This Agreement will contribute to the following objectives:
 - (a) Australia transitioning into a low carbon economy;
 - (b) Australian households and businesses reducing their energy consumption and costs;

- (c) the development and adoption of new energy efficient technologies, and enhanced innovation in energy-using products and processes;
- (d) an Australian workforce that is trained, skilled and qualified to assist with Australia's transformation into a low carbon economy; and
- (e) Commonwealth, State and Territory Governments demonstrating clear leadership through the energy efficiency of their own operations.

Outcomes

19. The Agreement will contribute to the following outcomes:
 - (a) reduced cost of carbon abatement under the Scheme – thereby strengthening the capacity for Australia to achieve more stringent targets over time;
 - (b) substantial growth in the number of highly energy efficient homes and commercial buildings;
 - (c) consumers and businesses that are well-educated on energy efficiency and able to make cost-effective energy use decisions;
 - (d) the adoption of highly efficient and innovative industrial processes, thus reducing the energy intensity of the Australian economy compared to business-as-usual;
 - (e) consumers and businesses using more efficient appliances, equipment and vehicles for residential, commercial and industrial applications;
 - (f) the deferral of costly network augmentation through reducing energy demand and hence deferring future costs associated with new infrastructure; and
 - (g) the availability of skills and education programs to ensure that Australia's workforce is trained and fully engaged to achieve Australia's energy efficiency potential.

Outputs

20. The objectives and outcomes of this Agreement will be achieved through implementation of measures under four broad themes:
 - (a) assisting households and businesses transition to a low-carbon future;
 - (b) reducing impediments to the uptake of energy efficiency;
 - (c) making buildings more efficient; and
 - (d) governments working in partnership and leading the way.
21. The initial set of measures under this Agreement are set out in Attachment A, which incorporates existing measures under the NFEES. The timing for implementation of each of these measures will be set out in their respective Implementation Plans, recognising that this is a ten year strategy.
22. Further measures may be developed over the lifetime of the Agreement to recognise new opportunities for cost effective initiatives and improvements in technology. Additional measures, that are to form part of this Agreement, will be agreed to by all Parties through COAG.

PART 3 – ROLES AND RESPONSIBILITIES OF EACH PARTY

23. Parties recognise that each level of government in Australia – Commonwealth, State and Territory, and local – has an important role to play in improving energy efficiency. Collaboration between Governments will be critical to implementing this strategy.
24. Determining the level of government that should act requires consideration of which Government has the appropriate power to act (for example, if the activity comes within the Commonwealth's heads of power under the Australian Constitution), which can deliver objectives at the lowest cost, and which is best placed to coordinate delivery.
25. Jurisdictions' responsibilities are generally based on the 'subsidiarity' principle: that is, that the lowest level of government with the ability to address the problem should do so. State and Territory and local government delivery should generally be used where their understanding of local issues and capacity to implement will lead to better outcomes.
26. The Strategy will adopt a national approach for energy efficiency policy and measures where national standards and consistency are needed for optimal outcomes.
 - (a) The appliance market is a national one with products sold in all States and Territories. Governments have agreed to adopt national legislation for Minimum Energy Performance Standards to ensure a seamless regulatory system for businesses across the nation, reflective of the single national market, and support a move to more ambitious standards over time.
 - (b) Similarly, a nationally consistent regulatory framework for energy efficiency of commercial and residential buildings, based on consistent performance standards, which recognise climatic differences, is needed to ensure consumer and industry confidence in the rigour of building energy ratings and improve the efficiency of information measures such as mandatory disclosure.
 - (c) Consistency is also required to apply the national building code and standards to reduce compliance costs, with regional variations limited to demonstrable differences in climatic requirements.
27. National approaches also afford significant economies of scale. Coordination between different levels of government will be essential to maximise the effectiveness of energy efficiency measures, such as incentive programs, and where it is necessary to ensure measures are complementary to the Scheme. For example, the Energy Efficient Homes package is of a scale where COAG agreed to re-direct State and Territory funding for other energy efficiency programs such as insulation programs to home energy advice programs.
28. Generally, State and Territory Governments direct policy design and program delivery in areas where specific issues have been identified that relate to local circumstances or to promote regional opportunities. States' and Territories' access to local and regional knowledge enables them to assess the success of national measures and augment or amend these measures to suit specific local needs.
29. As relevant, Commonwealth, State and Territory Governments will collaborate with local governments to ensure that the best outcomes are achieved at regional and community levels. At the local level, State and Territory Governments are well placed to act as brokers, coordinating planning measures that cut across local councils, leveraging investment and providing support to local councils and other groups in delivering programs.

30. Many energy efficiency measures will require interaction with households or businesses to help realise the benefits from changed behaviours. Businesses, industry organisations, community groups and other non-government organisations have a major role to play, working with all levels of government, in helping secure the full potential of energy efficiency.
31. Coordinated and flexible approaches across jurisdictions can in some cases facilitate the emergence of innovative measures, or measures that target regional conditions, or that benefit from leveraging local delivery networks and expertise, without compromising the benefits of streamlined national action.
32. Joint program design and delivery between the Commonwealth and States and Territories, or between jurisdictions, can leverage the inherent strengths of each jurisdiction, while providing for additional program scope through co-financing.
33. Clear and consistent messages on energy efficiency are needed. Collaborative approaches which promote information sharing between jurisdictions can facilitate better consumer and industry access to information. Governments will conduct their information campaigns according to agreed common principles and messages to ensure coherent energy efficiency messages are conveyed to the public.
34. To realise the objectives and commitments in this Agreement, each Party has specific roles and responsibilities, as outlined below.

Role of the Commonwealth

35. The Commonwealth will have responsibility for:
 - (a) working with the States and Territories to ensure the development of Implementation Plans for agreed measures under this Agreement;
 - (b) contributing funding as specified in Part 5 of this Agreement;
 - (c) the delivery of measures as specified in Attachment A to this Agreement and the Implementation Plans; and
 - (d) reporting as specified in Part 4 of this Agreement.

Role of the States and Territories

36. The States and Territories will have responsibility for:
 - (a) working with the Commonwealth and one another to ensure the development of Implementation Plans for agreed measures under this Agreement;
 - (b) contributing funding as specified in Part 5 of this Agreement;
 - (c) the delivery of measures as specified in Attachment A to this Agreement and the Implementation Plans; and
 - (d) reporting as specified in Part 4 of this Agreement.

PART 4 – PERFORMANCE BENCHMARKS AND REPORTING

Performance Benchmarks and Indicators

37. Implementation milestones and performance benchmarks and indicators will be specified in the Implementation Plans.

Implementation Plans

38. The Senior Officials Group on Energy Efficiency (SOG-EE) will identify the need for, prioritise, and oversee and co-ordinate the development of, Implementation Plans, as appropriate, for the measures under this Agreement, within three months of the commencement of the Agreement. Implementation Plans are not required for measures that are implemented by a single jurisdiction.
39. In general, the Implementation Plans should include resources, strategies, consultation mechanisms, outputs, implementation milestones, performance benchmarks and indicators, timeframes, roles and responsibilities, and reporting processes.
40. Where applicable, Implementation Plans will identify the need for Regulatory Impact Analyses, and implementation of applicable measures will depend on the outcomes of the Regulatory Impact Analyses, and measures may be amended in light of these assessments.

Reporting

41. The reporting arrangements outlined in this Part are interim arrangements only. Long-term reporting arrangements will be agreed by COAG and implemented following the completion of the review of current ministerial council arrangements (agreed by COAG on 30 April 2009).
42. Ministerial Councils and jurisdictions as tasked by COAG will provide an annual report on their respective areas of responsibility under this Agreement to COAG via the SOG-EE.
43. The SOG-EE will provide an annual consolidated report on the overall progress made in implementing this Agreement to COAG within three months of the end of the financial year, on the basis of the Ministerial Councils' and jurisdictions' individual reports.
44. To ensure transparency, Ministerial Councils and implementing bodies should ensure that stakeholders are kept informed of progress in implementing the measures outlined in Attachment A.

PART 5 – FINANCIAL ARRANGEMENTS

Funding

45. The Agreement builds on existing government programs at a Commonwealth, State and Territory level and substantial investments and commitments made by all Parties to driving energy efficiency in their own jurisdictions over the past decade.

46. The Parties note that, initially, specific funding of \$88.3 million over four years is being provided for the delivery of the joint activities identified in Attachment A.
47. The Parties recognise that this Agreement introduces additional measures and is of ten years duration, and, as a result, additional funding contributions and resources beyond existing commitments will be required over the life of the Agreement to drive implementation. These requirements and, where appropriate, cost sharing arrangements will be considered through normal budget processes.
48. The Parties agree to ensure that sufficient resources are allocated to implement measures committed to under this Agreement, subject to, where appropriate, cost sharing arrangements and normal budget processes. The timing of implementation of measures with financial implications will depend on available financial resources.

PART 6 – GOVERNANCE ARRANGEMENTS

Oversight arrangements

49. The oversight arrangements outlined in this Part are interim arrangements only. Long-term oversight arrangements will be considered by COAG following the completion of the review of current Ministerial Council arrangements agreed on by COAG on 30 April 2009. New arrangements will be implemented through an amendment to this Agreement.
50. COAG will provide the overall strategic direction for the National Strategy on Energy Efficiency and task Ministerial Councils or jurisdictions with undertaking the specific actions outlined in the measures table.
51. Implementation Plans will be approved by the relevant Ministerial Council, where applicable.
52. The relevant Ministerial Councils will oversee the implementation of measures tasked to them, following completion of the relevant Implementation Plans, consistent with COAG's directions.
53. The SOG-EE will identify the need for, and oversee and co-ordinate the development of, Implementation Plans for the measures under the Agreement, and will monitor progress in implementing the agreed measures, coordinate reporting, and provide a high-level assessment of performance against this Agreement to COAG.

Review of the Agreement

54. The Agreement will be evaluated and reviewed in 2015 to:
 - (a) determine the level of improvement in energy efficiency performance over the Agreement's first five years;
 - (b) assess the overall progress in meeting the objectives and outcomes of the Agreement;
 - (c) identify the potential for further enhancements to the Agreement, in light of prevailing economic conditions and technological advances;

- (d) assess the effectiveness of the measures in contributing to the objectives of the Agreement, taking into account the agreed Implementation Plans, and including identifying alternative approaches to the measures' implementation; and
 - (e) review implementation of the measures – to identify whether implementation has been successful as well as the likely availability of data for a subsequent assessment of program impact.
55. The detailed terms of reference and process for the review are to be agreed by COAG and will include public and industry consultation and an independent assessment.

Variation of the Agreement

56. The Agreement may be amended at any time by agreement in writing by all the Parties and under terms and conditions as agreed by all the Parties.
57. A Party to the Agreement may terminate its participation in the Agreement at any time by notifying all the other Parties in writing.

Dispute resolution

58. Any Party may give notice to other Parties of a dispute under this Agreement.
59. The Nominated delegates of the Parties in dispute will attempt to resolve any dispute in the first instance.
60. If a dispute cannot be resolved between the relevant delegates, it may be brought to the SOG-EE for consideration.
61. If a dispute cannot be resolved by the SOG-EE, it may be referred by a Party to COAG for consideration.

Attachments

Attachment A – National Strategy on Energy Efficiency (Measures Table).

The Parties have confirmed their commitment to this agreement as follows:

Signed for and on behalf of the Commonwealth of Australia by

The Honourable Kevin Rudd MP
Prime Minister of the Commonwealth of Australia
July 2009

Signed for and on behalf of the State of New South Wales by

The Honourable Nathan Rees MP
Premier of the State of New South Wales
July 2009

Signed for and on behalf of the State of Victoria by

The Honourable John Brumby MP
Premier of the State of Victoria
July 2009

Signed for and on behalf of the State of Queensland by

The Honourable Anna Bligh MP
Premier of the State of Queensland
July 2009

Signed for and on behalf of the State of Western Australia by

The Honourable Colin Barnett MP
Premier of the State of Western Australia
July 2009

Signed for and on behalf of the State of South Australia by

The Honourable Mike Rann MP
Premier of the State of South Australia
July 2009

Signed for and on behalf of the State of Tasmania by

The Honourable David Bartlett MP
Premier of the State of Tasmania
July 2009

Signed for and on behalf of the Australian Capital Territory by

The Honourable Jon Stanhope MLA
Chief Minister of the Australian Capital Territory
July 2009

Signed for and on behalf of the Northern Territory by

The Honourable Paul Henderson MLA
Chief Minister of the Northern Territory of Australia
July 2009