



To: Department of Energy, Environment and Climate Action

16 January 2025

Setting new targets for the Victorian Energy Upgrades (VEU) program

We appreciate the opportunity to provide feedback on the regulatory impact statement (RIS) on proposed 2026 and 2026 targets for the VEU program.

About Environment Victoria

Environment Victoria is the leading not-for-profit environmental advocacy organisation in Victoria. With 96 grassroots member groups and over 200,000 individual supporters, we've been representing Victorian communities on environmental matters for over 55 years. Through advocacy, education and empowerment, Environment Victoria seeks significant and enduring solutions that will safeguard the environment and future wellbeing of all Victorians.

Introduction

Since 2009, VEU has incentivised Victorian homes and business to make more energy efficient choices, making an impressive impact on energy bills and greenhouse gas emissions. Most significantly, VEU has prompted a huge proportion of Victorian homes and businesses to replace inefficient lights and in the process has made modern, efficient LED lighting easily accessible and cost effective.

In 2025 the Victorian Government is contemplating new standards that will progressively replace major gas appliances in homes and businesses with efficient electric alternatives. As the RIS notes, this has implications for how the additional impact of VEU is determined. As gas ducted heating is removed and people change the way they heat (and cool) their homes, the very poor thermal efficiency of Victorian homes will become more apparent. This is an important consideration that is relevant to VEU.

The thermal efficiency of the Victorian housing stock represents a very large and untapped pool of certificate creation potential for VEU. Victoria is now in a good position to successfully deliver thermal upgrades to homes, including all types of insulation, sealing and glazing. The Residential Efficiency Scorecard is already in place to provide assessments by skilled practitioners, as are training and certifications for insulation installers. The Victorian Government needs to remove the roadblocks stopping thermal upgrades in VEU and kick-start this necessary work to make sure that the new appliance and rental standards are as beneficial and popular as possible.

Targets and regulatory scenarios

Our feedback on targets is limited to the main regulatory scenario where the Victorian Government implements requirements for newly-installed appliances and rented homes. These are necessary measures that must go ahead in order to slash energy bills and meet our climate targets.

Additionality

The main regulatory scenario assumes that adjustments are made to VEU's additionality rules. We are supportive of these adjustments in order to align VEU with the Gas Substitution Roadmap and provide off-budget support to households and businesses to move away from gas. Groups such as renters have always been structurally excluded from benefiting from VEU. The government's regulatory proposals for appliances and rentals present an opportunity for excluded groups to finally benefit from VEU, even if indirectly. For them to be excluded on the basis of additionality would not be fair.

Reforming additionality rules also allows a greater volume of uptake, which fuels momentum. The transition away from fossil fuels is a social-technical process that requires new ways of using energy to gain momentum, change trade practices and become normalised. The additionality concept as it currently stands in VEU is based on outdated economic dogma that assumes that every purchasing decision happens in isolation – it is simply wrong.

The RIS also notes that large energy users that formerly had obligations under the Environment and Resource Efficiency Plan (EREP) program, which ceased in 2013, are still excluded from VEU. In 2025 this exclusion is no longer justified. It is unfair to other large energy users, households and smaller businesses, and should be removed as part of additionality reforms.

Preferred target option

The RIS analysis indicates that Option 2 (5 million, 6 million certificates) would have the most equitable outcomes in terms of lower bills for non-participants and distributional outcomes. We agree that this option strikes the right balance while the program is going through a period of review and reform.

We note that several options, including the government's preferred Option 2, assume that new activities are introduced to the program. The government has not developed nor proposed specific new activities, but we note that those assumed for Options 3 and Alt.2 include additional thermal shell upgrades.

Regardless of which target option is implemented, new thermal shell upgrade activities should be implemented including updates to remove barriers from existing activities.

Emissions factors

The RIS assumes a stable electricity emissions factor during the target period. This is a sensible approach in the interests of households, businesses and scheme participants while the strategic review plays out.

Existing low-cost activities

Weather sealing

It is well known that the Victorian housing stock has poor weather sealing – the question for VEU is not whether market saturation has been reached for the existing activity, but what form of activity will drive weather sealing (and other thermal performance) upgrades.

In-home displays (IHDs)

IHDs should be discontinued unless there is evidence that IHDs installed as part of VEU, including apps, are a) being used and b) lead to energy savings.

Shower roses

The Low-flow shower rose activity should be reviewed and potentially ratcheted up – i.e. based on the average flow rate of products currently being installed versus the most efficient acceptable products available on the market.

We would be pleased to discuss any aspects of this submission in detail should you wish.

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