



30 January 2025

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Department of Energy, Environment and Climate Action  
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Dear Ms Jacobs,

**Re: VEU Regulatory Program Targets and Greenhouse Reduction Rates 2026 and 2027**

The Victorian Greenhouse Alliances congratulate the Victorian Government on the extension to the Victorian Energy Upgrade (VEU) program to 2045 and the undertaking of an evaluation of the VEU program. We are pleased to provide this submission to the Department of Energy, Environment and Climate Action consultation into the VEU program's 2026 and 2027 targets, and the proposed greenhouse reduction rates, whilst a full strategic review of the VEU program is ongoing. The Victorian Greenhouse Alliances (VGA) are formal partnerships of local government and statutory authorities working collaboratively to drive large-scale climate action for emissions reduction and community resilience across 70 of Victoria's 79 municipalities.

The primary climate change accountabilities of local government are designated within Victorian legislation. The *Local Government Act 2020* S. 9(2)(c) states "the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted." Additionally, the *Climate Change Act 2017* explicitly states that climate change decisions should be based on the Act's guiding principles including being evidence-based, integrated and equitable.

The VEU Program occupies an important place in local government programs and aligns with VGA objectives which include:

- Reducing greenhouse gas emissions of council systems and their communities to work towards a safer climate for future generations;
- Reducing the long-term cost of energy for councils, residents and business, with a focus on low income households;
- Upgrading aged building stock to an appropriate level of climate resilience as weather extremes rapidly become more pronounced;
- Ensuring municipal communities are given opportunities to live and work comfortably and safely, without fear of major financial expenses from energy bills and/or technology purchases.

The VEU program is a tool consistent with the Intergovernmental Panel on Climate Change (IPCC) identified pathways to limit warming to 1.5°C above pre-industrial levels and is considered one of Victoria's most significant mitigation undertakings to date via its model of pricing carbon and lowering financial barriers to energy efficiency. Local government is responsible for developing, maintaining and decarbonising a vast network of energy-driven facilities, buildings and infrastructure including public lighting that service local communities, business, and the general public. The VEU program has been a valuable enabler within local government's capital works and emission reduction programs.



## The preferred target option and key impacts

This VEA submission has taken a number of factors into account, whilst recognising this is a two year regulatory scenario as the VEU Strategic Review is underway.

In 2024/25 the VEU program, with each corresponding year's emission factors, was able to mitigate a total of 6.7 Mt CO<sub>2</sub>-e. In 2026/27 the 'preferred target' option seeks to drop this to 4.3 Mt CO<sub>2</sub>-e. This also equates to less VEECs available to the market. This reduction would reduce the level of the program's emissions reductions, impact how approved providers and partners utilise the VEU Program, has the capacity to disrupt provider business models, would shift energy retailer expectations, and ultimately may work to erode trust and certainty in the VEU program's future.

Restricting the amount of VEECs available to the market from the VEU Program, may contribute to further increasing the VEEC price, which has already risen by over 72 per cent since 2020, and is currently over-valued due to high demand and low supply of VEECs. This pricing, along with the cessation of low-cost VEEC upgrades and unsolicited marketing, has seen decreases in uptake in 2023 and 2024. Further reducing VEEC supply by 45 per cent in 2026 is an abrupt adjustment and takes the VEU Program back to VEEC numbers of a decade ago. The benefits will be largely restricted to energy retailers who will be required to purchase fewer certificates and therefore will not pass on those VEEC costs to energy consumers. However, a VEEC adjustment does not guarantee retailers from increasing energy fees in 2026/2027 due to other factors, nor does reducing retailer VEEC liability guarantee a reduction in their projected energy fees.

The recently released Victorian Greenhouse Gas Emissions Report 2022<sup>1</sup> notes that Victoria's emissions rose by 4.8 Mt CO<sub>2</sub>-e in 2022, primarily from transport and changes to LULUCF calculation methods and climate impacts generating increased forest emissions. The Victorian Greenhouse Alliances are in agreement that, while transport and LULUCF emissions reductions are essential, the rapid and intense onset of climate impacts upon Victorians does not permit the luxury of an immediate explicit focus on emissions reductions in transport and LULUCF. This focus would require extensive research, trialling and engagement whereas immediate, high-value mitigation can be implemented without delay via relatively low-cost energy-based programs like the VEU Program.

In consideration of this, the Victorian Greenhouse Alliances strongly endorse the implementation of science-based emissions targets in all reviews and updates of the VEU program. The IPCC in its AR6 Synthesis Report 2023<sup>2</sup> have stated with high confidence that to limit global warming to around 1.5°C with limited overshoot, global greenhouse gas emissions need to peak before 2025 at the latest, be reduced by 43% by 2030, and to achieve net zero by 2050. Updated Victorian climate projections confirm that these findings apply to Victoria (Victoria's Climate Science Report 2024). As such, Victoria and Victorian Government Programs, need to ensure immediate emission reductions at the maximum speed and intensity that can be achieved.

### **Recommendation 1: The VEU 2026/2027 Target**

That the VEU program apply Option Three of 6.0 Mt CO<sub>2</sub>-e in 2026 and 7.3 Mt CO<sub>2</sub>-e in 2027 in order to maintain VEEC supply to meet demand, encourage the VEEC price to level out, maintain the level of VEU program emissions reductions, and preserve existing industry expectations of the program.

<sup>1</sup> [https://www.climatechange.vic.gov.au/\\_\\_data/assets/pdf\\_file/0020/726203/victorian-greenhouse-gas-emissions-report-2022.pdf](https://www.climatechange.vic.gov.au/__data/assets/pdf_file/0020/726203/victorian-greenhouse-gas-emissions-report-2022.pdf)

<sup>2</sup> IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.



## Impact of VEU changes to activities and fees

Local government currently implements a number of successful electrification and energy efficiency upgrade programs for residents and business which are largely designed to maximise use of the VEU program. For example there are three energy efficiency and decarbonisation programs - *Solar Savers*, *MASH*, and *Electric Homes*<sup>3</sup> currently or formerly delivered by members of the Victorian Greenhouse Alliances, which actively reach residents and business of 30 Victorian municipalities. Many councils have developed specific council incentives to try and reach vulnerable and low-income households; however, local government typically has less access to funds to achieve the desired rate of incentivisation across this cohort.

The VEU Program has few low-medium cost technologies and appliances incentivised at a level able to be accessed by these households. Of particular note, ceiling insulation, a high-value energy efficiency and climate resilience item with no ongoing costs, was withdrawn from the VEU Program in 2018 due to low uptake. While some low-cost activities are earmarked to be retired – i.e. in-home displays, weather sealing and low-flow shower roses - the Victorian Greenhouse Alliances propose that weather sealing be retained. In the last year there were over 287,000 weather sealing activities across the state, significantly more than shower roses and in-home displays. Importantly, weather-sealing is a low-cost activity that low income/vulnerable households are able to access and have immediate benefit from, and which local government is able to facilitate uptake and random audits of within energy efficiency programs.

It is unlikely the low-income cohort, particularly those living in homes 30+ years old, live in energy efficient homes. Census data shows that approximately 51 per cent of Australia's housing stock pre-dates 1991 and the National Construction Code (NCC) contemporary thermal building standards. In regional Victoria, for example, 60 per cent of residents are in the 'lowest' and 'medium lowest' income quartiles<sup>4</sup>. Without a proactive, coordinated approach by state and local governments it is these residents who will be most burdened with rising energy prices and under-performing homes as the climate changes. It will take a partnership approach between local and state governments to reach and educate these residents and apply VEU rebates.

Regional Victoria currently has no Approved Providers, which has established inequity of access to VEU rebates in many regional areas, and created a trust deficit in relation to unfamiliar energy efficiency providers. Regional businesses seeking Accredited Provider status are more likely to be small to medium sized, and have limitations with VEU fees and paperwork. Due to a range of factors such as unsolicited marketing, regional communities are more likely to trust local providers and installers, rather than businesses from metropolitan areas who are likely to take longer to respond to emergency maintenance and repair callouts, charge for lengthy travel, and do not have a reputation to draw from in trusted community circles.

### **Recommendation 2: Implement a VEEC Priority cohort sub-target**

That the VEU Program prioritise low-income and vulnerable households by implementing a VEEC priority cohort sub-target, similar to the South Australian REP Scheme<sup>5</sup>, review funding models to offer deeper subsidies, and partner with local government through the Victorian Greenhouse Alliances to deploy activities and reach target households through established and new programs.

<sup>3</sup> <https://solarsavers.org.au>, <https://www.goulburnmurraysolarsavers.org.au>, <https://www.cvga.org.au/mash.html>,

<sup>4</sup> Source: Australian Bureau of Statistics, Census of Population and Housing 2016 and 2021. Compiled and presented by .id (informed decisions).

<sup>5</sup> <https://www.energymining.sa.gov.au/industry/energy-efficiency-and-productivity/retailer-energy-productivity-scheme-reps>



**Recommendation 3: Introduce, reintroduce, & retain low and medium cost activities that can be activated by local government**

That the VEU Program review low-cost high-value activities such as ceiling insulation and weather sealing for inclusion in the VEU Program, and partner with local government through the Victorian Greenhouse Alliances to deploy these activities and reach target households through established and new programs (eg: *Electric Homes, Solar Savers, Goulburn Murray Solar Savers*).

**Recommendation 4: Ensure the regional cost-benefits are balanced for local Accredited Providers**

That the VEU Program establish a fee subsidy and/or rewards program specifically to enrol regionally based Accredited Providers and ensure the cost-benefit of becoming an Accredited Provider is a worthwhile and valued component of the regional business model.

**Recommendation 5: Redesign the VEU website**

That the VEU website be redesigned using a User-Centred Design approach that places people at the centre of the program, enables easy finding of Accredited Providers, allows user-centred feedback on suppliers with outdated information to the VEU web team, and aids to lower knowledge and trust barriers preventing people from taking up VEU-based upgrades.

The Victorian Greenhouse Alliances would welcome the opportunity to further consult with the Victorian Government on the VEU Program, leveraging the respective capabilities, expertise, and resources of both levels of government.



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*This letter has been approved through the Greenhouse Alliances governance structures but may not have been formally considered by individual members. The submission does not necessarily represent the views of all members.*