

## Government Energy Management Policy

### Description:

4. **Procurement arrangements** to use the Government's purchasing power to economic advantage in the reformed energy sector. They will also boost value for money acquisition and market acceptance of energy efficiency and renewable energy.

### responsibilities

The four strategies are implemented under the responsibilities and obligations of all parties as listed below.

4. **Procurement arrangements** to use the Government's purchasing power to economic advantage in the reformed energy sector. They will also boost value for money acquisition and market acceptance of energy efficiency and renewable energy.

### responsibilities

The four strategies are implemented under the responsibilities and obligations of all parties as listed below.

The Department of Energy, in generally overseeing the application of this Policy, is supported through consultation with SEDA and DPWS.

Guidance is provided in the guidelines relevant to this Policy. These guidelines are recommended best practice that complements the mandatory requirements of this Policy.

### All Agencies

The prime responsibility for the success of the Policy lies with individual agencies. To this end, the Policy relies on the key principle that chief executives are accountable for their agency's energy use, including performance and achieving reductions. It also relies on agencies making energy management an integral part of their business management.

As the Policy is focused on outcomes, each agency has the flexibility to adopt an approach to suit its own corporate objectives and operational circumstances. Agencies have a range of options to achieve the outcomes that contribute towards the Government's overall objectives. To choose their approach, agencies should use the guidelines relevant to this Policy as a starting point; the guidelines are not intended to be prescriptive or exhaustive.

### Each agency shall:

- **Establish accountability** by nominating the agency energy manager. The role shall be assigned to a senior executive who reports to the chief executive. While delegation to the agency energy manager and staff is discretionary, all energy management responsibilities remain ultimately with the chief executive. The performance agreement of the chief executive and the agency's asset strategy shall include these responsibilities and indicators, and reflect agency energy performance.
- **Establish performance goals** by periodically setting and updating the agency's energy management goals which

will contribute towards realising the Government's commitment in this Policy. These goals shall be included in the agency's annual report, together with an outline of the agency's energy management plan.

- quantitative goals (eg energy use targets in terms of a performance indicator, target level of renewable energy as a percentage of total energy use, target level of greenhouse gas emissions)
- action-oriented goals (eg upgrade nominated facilities, launch staff awareness program).
- **Monitor Performance** by regularly recording, analysing and monitoring all the agency's energy consumption (quantities and costs), as part of managing energy use. This information shall also be assembled for annual reporting purposes, where appropriate.
- **Report** the agency's energy consumption annually to the Department of Energy, which manages the government energy and greenhouse gas database. The information (in the format provided by the Department of Energy) shall include details on cost, quantity and greenhouse gas emissions for each asset category (eg buildings, transport, plant) and energy type (eg electricity, gas, solid fuels, petroleum products, renewable energy).
- **Publish performance** by reporting on outcomes against goals in the agency's annual report, including the quantified reductions achieved and the chief executive's key performance areas for energy management.
- **Adopt best practice** by ensuring energy efficiency is built-in during the procurement (ie briefing, planning, designing, specifying and such like) of new and refurbished assets, in accordance with the sustainable energy guidelines for new assets. This includes preparation of the Energy Efficiency Statement (EES).

### **Department of Energy**

The Department of Energy's mission is to provide energy sector advice to the NSW Government and appropriate high level industry regulation that facilitates the development of safe and efficient energy markets based on sustainable and environmentally sound principles.

It has a major role in the Government's reform program in the gas and electricity industries. The reforms are designed to secure the benefits of competition for consumers at state level and to prepare these services for progression to a national energy market, while incorporating appropriate environmental outcomes in respect of greenhouse gas emissions.

In relation to energy efficiency and management in NSW, the department:

- Facilitates the implementation of greenhouse and ecologically sustainable development strategies within the NSW energy sector
- Advises the Government on regulatory policy
- Leads NSW involvement in the development of nationally coordinated energy efficiency and management policies, and monitors outcomes
- Administers the energy labelling scheme.

**The department, in respect of NSW public sector energy management, shall have the responsibility to:**

- **Oversee the Policy application** including:
  - advising the Government and agencies on the policy and relevant issues
  - developing and advising on recommended targets and appropriate baselines for the Government and agencies
  - advising DPWS on energy purchasing on behalf of the Government.
- **Publicly report** on aggregate performance against targets.

Sustainable Energy Development Authority (SEDA)

SEDA's mission is to reduce the level of greenhouse gas emissions in NSW by investing in the commercialisation and use of sustainable energy technologies.

Sustainable energy technology, as defined in the *Sustainable Energy Development Act*, includes products, processes, practices and designs that provide one or more of the following:

- Improve efficiency in the use of energy
- Facilitate the production of energy from renewable energy reserves (eg solar, wind)
- Facilitate the production of energy in ways that minimise levels of greenhouse gas emissions and other adverse environmental impacts (eg cogeneration)
- Enable energy-using activities to use forms of energy that minimise levels of greenhouse gas emissions and other adverse environmental impacts.

SEDA operates under the following general principles:

- It is primarily an implementing agency, rather than a policy development or regulatory body. However, it does make recommendations to appropriate bodies and the Government on relevant issues.
- It intervenes where market failures hinder adoption of sustainable energy technologies.
- It does not compete in markets where other sectors are likely to capture the majority market potential, but facilitates selected business opportunities in such situations.
- It supports technologies on the path to commercialisation with broad market transformation potential, but not fundamental research.
- It actively seeks and initiates programs and funding opportunities consistent with its mission. This includes joint ventures, accepting royalties and offering grants.

***In keeping with its mission, SEDA also implements initiatives and programs that facilitate the outcomes of this Policy. SEDA will also:***

- **Advise** the Department of Energy in:
  - policy and relevant issues to the Government and agencies
  - recommended targets and baselines for the Government and agencies.
- **Facilitate**, in conjunction with DPWS, energy management education and training, and awareness programs.

#### ***Department of Public Works and Services (DPWS)***

The Government is providing a sharper focus on service delivery, reducing wastage and eliminating duplication. DPWS supports this objective through facilitating whole-of-government policies and providing client-focused services.

In particular, DPWS:

- Develops policy and provides leadership in the areas of:
  - asset management
  - procurement
  - environmental design.
- Provides impartial advice and assists in policy implementation.
- Manages procurement, including chairing the State Contracts Control Board.
- Provides services, such as management of government buildings in the Crown Portfolio.

DPWS is also uniquely placed to liaise with service providers, such as contractors and suppliers.

DPWS provides totally impartial advice and solutions to meet the needs of other agencies. In so doing, DPWS has direct and indirect influence on energy use in the public sector.

***Under this Policy, DPWS shall have the responsibility to facilitate the Government's objectives through its:***

- **Asset management** responsibilities, including the preparation of energy management guidelines.
- **Procurement** responsibilities, by facilitating implementation of energy efficiency, renewable energy solutions and

other greenhouse gas abatement strategies in:

- new and refurbished buildings and infrastructure
  - goods and services
  - motor vehicles and transport
  - specific procurement initiatives such as energy performance contracting
  - appropriate guidelines for procurement of new assets, and goods and services, as well as guidelines for energy performance contracts.
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- **Interfacing with industry** on behalf of the Government, with energy services providers relevant to its procurement responsibilities.
  - **Impartial advice** to the Department of Energy in:
    - policy and relevant issues to the Government and agencies
    - recommended targets and baselines for the Government and agencies.
  - **Services** to the Government and agencies, including the provision or facilitation, in conjunction with SEDA, of energy management education and training, and awareness programs.

### **Government Energy Managers' Network**

The Government Energy Managers' Network is the working level forum for agency feedback, disseminating information, sharing and discussing energy management issues of common interest, and identifying opportunities for the common good of agencies.

The network comprises the agency energy managers and representatives from the Department of Energy, SEDA and DPWS.

### **references**

1. **The National Greenhouse Strategy** (Publication anticipated in late 1998) Commonwealth of Australia
2. **Energy Performance Contracting - Interim Guidelines**(July 1997) NSW Government
3. **Building Energy Manual** (1993) NSW Public Works NSW Office of Energy
4. Other guidelines under preparation include:
  - Energy management guidelines
  - Sustainable energy guidelines for new assets
  - Procurement and purchasing guidelines.

New South Wales Government

## **GOVERNMENT ENERGY MANAGEMENT POLICY**

*Reducing Greenhouse Emissions from Government Operations*

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## **FOREWORD**

Each year, NSW public sector agencies use energy estimated to cost \$480 million. This energy use is responsible for over four million tonnes of greenhouse gas emissions. The NSW Government recognises that there are significant financial and environmental benefits to be gained through improved energy management. To achieve these benefits, agencies will adopt this *Government Energy Management Policy* as part of their normal business operations.

The Policy expresses the Government's commitment and responsibilities under the *National Greenhouse Strategy*. By pursuing measures within its own operations, the Government is demonstrating leadership within the community in reducing greenhouse gas emissions.

Each agency will benefit from implementing the Policy. Agencies will achieve reductions in recurrent expenditure on energy through improved management and cost-effective investments. The Policy also includes a commitment that allocations for general government sector agencies will not be reduced as a result of energy efficiency improvements.

One of the broader benefits that this Policy brings to NSW is the support it provides to the developing sustainable energy services industry. Through agency investments in energy efficiency, renewable energy technologies and other sustainable energy initiatives, the Government will contribute to the growth of a stronger industry which, in turn, will facilitate reduced greenhouse gas emissions.

New South Wales cannot benefit from the Policy without each agency accepting responsibility for their contribution to its success. Chief executives will be accountable for outcomes through their performance agreements. However, the Policy is flexible enough to allow each agency to adopt an approach to suit its own corporate objectives and operational circumstances. The Policy's strategies are structured around a balance of voluntary actions, best practice guidelines, and a minimum of mandatory requirements.

The *Government Energy Management Policy* is an exciting initiative which brings environmental, financial and economic benefits to government, industry and the wider community. We are pleased to commend this Policy to all agencies.

The Hon Bob Debus, MP Minister for Energy

The Hon Ron Dyer, MLC Minister for Public Works and Services

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### policy statement

The NSW Government is committed to lower and sustainable levels of energy use and greenhouse gas emissions in its own operations, reaffirming its focus on the twin goals of better financial performance and improved environmental outcomes.

Australia, as a signatory to the *Kyoto Protocol to the United Nations Framework Convention on Climate Change*, undertakes to limit its overall greenhouse gas emissions to no more than 8% above 1990 levels by 2008-12. Energy use contributes more than 50% of Australia's greenhouse gas emissions. Clearly, the efficient use of energy must be central to any greenhouse gas abatement strategy, and indeed underpins the *National Greenhouse Strategy*.

Energy management is a key to improving efficiency, reducing energy use and abating greenhouse gas emissions. The reduction in recurrent expenditure, through the NSW public sector embracing energy management, also makes good economic sense; and as a part of total asset management and the strategic framework for procurement, it helps towards more cost-effective service delivery.

***WITH THIS POLICY, the Government is committed to achieve and sustain reduced greenhouse gas emissions and significant energy cost savings in a coordinated and comprehensive manner across the NSW public sector. Reduced energy consumption, greater use of 'green' energy technologies, and buying energy economically are all integral to this objective.***

***Through this Policy, the Government leads by example, and plays a vital part in growing a vibrant energy services industry in NSW.***

This commitment extends to all aspects of energy use in the Government's operations, from buildings to motor vehicles, and agencies are expected to contribute towards realising the Government's overall objective for reductions.

Specific reduction targets are, or will be set, for appropriate categories of energy use. One goal, already announced, is to reduce the statewide total energy consumption of government buildings, where cost-effectively feasible, by:

- 15% of the 1995 level by 2001
- 25% of the 1995 level by 2005.

Other reduction targets will be phased in progressively.

The Policy also includes a commitment that allocations for general government sector agencies will not be reduced by the energy cost reductions achieved through energy efficiency improvements. The retained savings provide agencies the added incentive and means to invest in further efficiency improvements or greenhouse mitigation measures such as 'green' energy from renewable sources where feasible.

In addition, agencies are encouraged to examine their existing internal financial and management arrangements to identify, for remedial action, barriers which inhibit energy efficient outcomes.

### scope

This Policy covers all energy use in NSW public sector agencies, including:

- Buildings
- Infrastructure
- Transport and motor vehicles
- Plant and equipment
- Goods and services.

In order to achieve and report on the outcomes for the whole NSW public sector:

- The Policy is mandatory for all general government sector agencies

- Public trading enterprises are encouraged to adopt the principles of the Policy as an integral part of their business, thereby contributing to NSW's broad environmental outcomes while pursuing good business practice.

## benefits

NSW public sector agencies spend an estimated \$480 million in energy use annually. Of this total, government buildings account for an estimated \$180 million.

In terms of greenhouse gas emissions, the NSW public sector energy use is estimated to contribute over 4 million tonnes of carbon dioxide annually. Government buildings account for an estimated 2 million tonnes of this emission level.

Putting potential benefits into perspective, the reduction goal set for government buildings alone translates to:

- By 2001:
  - Up to \$30 million savings a year
  - Over 300,000 tonnes less carbon dioxide emitted a year
- By 2005:
  - Up to \$50 million savings a year
  - Over 500,000 tonnes less carbon dioxide emitted a year.

There are also considerable financial benefits flowing from the introduction of market-based competition in the energy sector. The electricity sector led the way in deregulation, with gas reform following progressively. Under market conditions, combined purchasing of energy by government agencies offers the potential to deliver cost savings additional to those from reducing energy consumption.

Another benefit of the combined energy purchasing arrangements is the stimulus it adds to the renewable energy market by buying a portion of electricity as *Green Power*.

Likewise, the flow-on effect of public sector energy management activity means more business opportunities for a stronger energy services industry in NSW.

## strategies

The strategies to fulfil the Government's commitment are based on a simple philosophy balancing voluntary actions, best practice guidelines and a minimum of mandatory requirements.

The four key strategies are:

1. **Long-term framework** to ensure ongoing energy management and intrinsically energy-efficient new assets. It provides the assurance that the gains achieved are maintained by the agencies thereafter and not eroded with time. The framework includes:
  - specific responsibilities and obligations for agencies
  - making each agency, through its chief executive and energy manager, accountable for managing its energy use in accordance with this Policy
  - setting goals, monitoring performance and reporting against these goals
  - the government energy and greenhouse gas database, as an objective means to measure outcomes
  - best practice energy management guidelines
  - sustainable energy guidelines for new assets
  - procurement and purchasing guidelines to ensure agencies achieve objectives of this Policy.
1. **Voluntary programs** and initiatives to encourage agencies through incentives and assistance. These programs generally have specifically focused outcomes, features over and above the minimum requirements of the long-term framework, and a finite life. The Sustainable Energy Development Authority's (SEDA) *Energy Smart Government Buildings* is the first of such programs which complement and enhance the long-term-framework.

2. **Tools** and facilitation methods, such as energy performance contracting, streamlined financing, training and resource kits, which are designed to overcome barriers to achieving energy efficiency.

One such tool, energy performance contracting, provides guaranteed energy efficiency outcomes, including a guaranteed level of savings. It thereby dispels barriers, such as, uncertainty and enables capital improvements to be funded from the guaranteed consequent savings. Energy performance contracting was launched by Department of Public Works and Services (DPWS) in July 1997, with support of SEDA and Treasury.

This strategy includes appropriate systems and guidelines to enable all agencies to use such tools.

As a minimum goal, each agency shall set its own targets aligned with the overall Government targets, including those already announced and reinforced in the Policy Statement. Each agency should aim to better the Government targets, as better outcomes mean greater benefits to the agency.

Other agency goals may include the following:

The department will collate agencies' energy consumption and greenhouse gas emissions by establishing and managing the government energy and greenhouse gas database. The database is to be used for strategic planning, for reporting, as a management resource accessible to agencies for the development of agency energy management and greenhouse gas mitigation strategies, and as an element in coordinated government energy purchasing.

In addition, SEDA will advise DPWS, in the implementation of sustainable energy and other greenhouse gas abatement strategies in public sector procurement, including the preparation of appropriate guidelines.

DPWS also formulates and manages energy purchasing for the public sector, using the Government's purchasing power to complement and reinforce savings gained from energy efficiency improvements.

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