Public Consultation Paper: Review of the GEMS Computer Monitors Determination

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Public Consultation Paper: GEMS Computer Monitors Determination due to expire in 2024

This public consultation paper seeks input on the *Greenhouse and Energy Minimum Standards (Computer Monitors) Determination 2014*. This determination is due to expire (sunset[[1]](#footnote-2)) on 1 October 2024. It is standard process for determinations to expire after 10 years, unless a review finds sufficient reason for the determination to be renewed.

Sunsetting requires government to consider whether a determination is still necessary. This is referred to as a ‘fitness-for-purpose’ test[[2]](#footnote-3) and is central to the sunsetting review process. A sunsetting review aims to assess whether the sunsetting instrument continues to have a purpose and is efficient and effective.

The Computer Monitors determination was reviewed and found to be effective and efficient. The benefits of the determination are greater than the cost of the regulation. The minimum energy performance standards (MEPS) are too low to be effective, but there is still value in retaining the energy rating label.

## Background

The Equipment Energy Efficiency (E3) Program enables collaboration between the Australian Government, states and territories and the New Zealand Government to deliver a single, integrated program on energy efficiency standards and energy labelling for equipment and appliances. The E3 Program undertakes a range of activities under the *Greenhouse and Energy Minimum Standards Act 2012* (the GEMS Act) in Australia and the *Energy Efficiency (Energy Using Products) Regulations 2002* in New Zealand, to improve the energy efficiency of appliances and equipment sold in Australia and New Zealand. These include energy rating labelling and setting MEPS.

The E3 Program is overseen by the Energy National Cabinet Reform Committee and advised on energy efficiency matters by the Energy Efficiency Advisory Team (EEAT) of officials from participating jurisdictions. The Commonwealth Department of Industry, Science, Energy and Resources (the Department), on behalf of EEAT, reviewed this determination and prepared this consultation paper.

The objective of determinations under the GEMS Act is to promote the development and adoption of products that use less energy or produce fewer greenhouse gases. The GEMS Act allows the Australian Government to set mandatory minimum efficiency requirements (MEPS) for products, to drive greater energy efficiency for regulated products. It also allows the Australian Government to set nationally-consistent labelling requirements, to increase Australians’ awareness of options to improve energy efficiency and reduce energy consumption, energy costs and greenhouse gas emissions.

The *Greenhouse and Energy Minimum Standards (Computer Monitors) Determination 2014* is due to expire on 1 October 2024. The supporting standard is AS/NZS 5815 *Information technology equipment-Energy performance of computer monitors* with AS/NZS 5815.1:2012 Part 1 providing the testing methods and AS/NZS 5815.2:2013 Part 2 setting the MEPS and labelling requirements.

## Review of the Computer Monitors Determination

The objective of the determination is to promote the adoption of more energy efficient computer monitors to reduce energy costs and greenhouse gas emissions. This review used the following criteria to assess if the determination is still efficient and effective:

* Has there been a significant change in registration numbers and sales numbers?
  + This can provide information on shifts in the market over time and whether the product is becoming obsolete
* Is the determination still reducing energy use and greenhouse gas emissions?
  + It was beyond the scope of this review to determine greenhouse gas emissions savings, but high level energy savings have been estimated.
  + The range of efficiencies of registered products is also a metric for the effectiveness of the determination. A broad range of efficiencies indicates that the determination is likely to be preventing some inefficient products from entering the market. It also indicates that there may be scope to make the MEPS requirement more stringent, to further increase the average efficiency of new products sold.
* Are the financial benefits higher than the regulatory costs of the determination?
* If the determination is repealed, is there a risk that imports with lower energy efficiency will enter the market?

The computer monitors review is summarised in **Table 1** below. The review drew upon Greenhouse and Energy Minimum Standards (GEMS) registration data, New Zealand sales data and retail sales data from GfK[[3]](#footnote-4).

### Table 1: Criteria for review of determination

|  |  |
| --- | --- |
| Change in registration numbers | Slight increase, spike in 2020 |
| Change in sales | Slight increase, spike in 2020 |
| Objective of determination still applicable | Yes. Computer monitors still have a range of energy efficiencies. Few are 1 star |
| Products are always compliant and easy to regulate | Yes |
| Yearly regulatory cost of determination | Cost = $1,182,450 Benefit = $16,020,000 Net benefit =$14,837,550 |
| Risk of low efficiency imports | Low |
| Determination effective and efficient | Yes for energy rating label. No for MEPS (too low). |

## Cost Benefit Analysis

The cost benefit analysis was calculated for the determination sunsetting, because this is the default if no action is taken.

### Table 2: Reduction in energy savings if the determination sunsets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Australian Sales per year | New Zealand Sales per year | Cost of Energy (kWh) | Increase Energy Consumption (kWh over a year) | Total reduction in savings per year |
| 890,000 | 330,000 | $0.30 | 40 | $16,020,000 |

### Table 3: Reduction in regulatory costs if the determination sunsets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Administrative Cost to Business per year. | Cost to Business Registration fees per year. | Cost to Business testing per year. | Government cost per year | Total reduction in cost per year |
| $189,000 | $118,800 | $715,500 | $159,150 | $1,182,450 |

#### Annual energy savings because of the determination

The annual energy savings realised because of the determination is 40 kWh per computer monitor. This figure was provided by New Zealand and is estimated from New Zealand efficiencies and sales data. This figure was used as a proxy for the Australian market and the energy savings from computer monitors sold in Australia.

#### Sales and Registration

Annual retail sales of computer monitors is estimated to be 445,000 per year based on GfK data. The GfK data, however, is only for retail sales and does not include commercial sales. There is no readily available data for commercial sales, so this high level analysis assumes that commercial sales equal retail sales.

There has been a steady increase in monitor sales over the period of the determination. Computer monitors are assumed to be replaced every five years on average.

The Australian and New Zealand computer markets are small compared with the international market. There were over 16 million computer monitors imported into Australia from 2010 to 2019. This includes computer monitors that are out of scope of the determination, such as digital signage.

The number of monitors registered under GEMS is 270 per year. The registration fee cost to business is $440 per registration.

#### Cost to Business

It is assumed there is no additional cost to business for new software, training or changes to administrative practices, because the determination has been in operation since 2014. The administrative cost to business of registration, compliance and labelling is estimated to be $189,000 per year.

The cost to business of testing a monitor in an approved laboratory is $2,650, based on GEMS compliance costs. It is assumed that all registered products require testing. The total cost to business of the determination is estimated to be $1,023,300 per year.

#### Cost to Government

The yearly government administration and compliance cost is estimated at $159,150 based on internal cost estimates for GEMS compliance and registration. Annual compliance costs for computer monitors are estimated to be $45,750. The government cost per registration is $420 according to the 2017 GEMS fee review.

## Policy Options

The policy options for regulating the energy efficiency of computer monitors include: expanding the scope, increasing the MEPS, renewing the determination unchanged, or allowing the determination to expire.

Renewing the Determination

Renewing the determination with minimal changes would continue to support consumer choice by providing information through the energy rating label (ERL). There is still value in having an ERL to provide consumers with information on energy efficiency, when purchasing a computer monitor. The ERL is an easy way to communicate the difference in energy efficiency between different models, because the ERL is widely recognised and generally understood by consumers. There is little cost to businesses in continuing to use the ERL, because the business processes to design and display the label are already in place.

Increasing the MEPS and scope

The MEPS and the energy efficiency of the star rating could be increased. The most common star rating for registered computer monitors is 6 stars with a small number registered above 8 stars and a few below 2.5 stars. Raising the MEPS and recalculating the star rating so that a monitor that currently earns 3 stars becomes a 1 star product, would remove all monitors with only 1 to 2.5 stars. This would reduce the number of registered monitors on the market by 91.

The scope of the determination could be expanded to include signage display screens, such as those used in stores to display menus. These screens can be imported as computer monitors or TVs (if they have a television tuner). There is little information available about the number of signage display screens sold in Australia and New Zealand.

Increasing the scope of the determination or increasing the MEPS would require a full Regulatory Impact Statement (RIS) process. A full cost benefit analysis and consideration of these options is outside the scope of this review.

## Conclusions

Allowing the determination to sunset could increase the overall energy use of computer monitors, increasing the total cost to the community. Renewing the determination with minimal changes would continue to support consumer choice by providing information through the ERL. This analysis shows that there is still value in having an ERL to provide consumers with information on energy efficiency. While the savings per monitor purchased are small relative to the average purchase price of the monitor, there is still a benefit to the community in cumulative energy savings, because of the number of monitors sold each year.

If no further information is received from stakeholders, the review is likely to recommend a full analysis is undertaken to determine the costs and benefits of increasing the MEPS and labelling requirements. The determination is likely to be retained, pending any RIS process.

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1. [Explanation of sunsetting on the Attorney General’s website](https://www.ag.gov.au/legal-system/administrative-law/legislation-act-2003#sunsetting) [↑](#footnote-ref-2)
2. <https://www.ag.gov.au/sites/default/files/2020-07/Guide%20to%20Managing%20Sunsetting%20of%20Legislative%20Instruments.pdf> [↑](#footnote-ref-3)
3. GfK POS Market Intelligence: Monitors, STB and PCs, 2020 [↑](#footnote-ref-4)