



## **Australian Government**

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### **Department of Climate Change, Energy, the Environment and Water**

# **COST RECOVERY IMPLEMENTATION STATEMENT**

## **Greenhouse and Energy Minimum Standards 2024–25**

Charging for regulatory activity involves government entities charging individuals or organisations in the non-government sector some or all the minimum efficient costs of a specific government activity. The Australian Government Charging Policy (AGCP) and Cost Recovery Policy set out the policies under which government entities design, implement and review charging for regulatory activities. The Cost Recovery Implementation Statement is the public document to ensure transparency and accountability for the level of the charging and to demonstrate that the purpose for charging, as decided by Government, is being achieved.

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## 1. INTRODUCTION

### 1.1. Purpose

This Cost Recovery Implementation Statement (CRIS) provides information on how the Department of Climate Change, Energy, the Environment and Water (DCCEEW) implements cost recovery charging for the Greenhouse and Energy Minimum Standards (GEMS) program. It also reports financial and non-financial performance information for the GEMS program and contains financial forecasts for the 2024–25 financial year and three forward years. DCCEEW will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

The GEMS Regulator, a nominated DCCEEW representative, administers the *Greenhouse and Energy Minimum Standards Act 2012* (GEMS Act) and maintains the Energy Rating Product Registration system including the Energy Rating Registration Database and the Energy Rating Calculator.

The GEMS Act is Australia's national legislative framework for appliance and equipment energy efficiency. Its objectives are:

- to give effect to certain obligations that Australia has under the Climate Change Convention and the Paris Agreement;
- to facilitate the operation of an intergovernmental scheme involving the Commonwealth and other participating jurisdictions in relation to equipment energy efficiency; and
- to promote the development and adaptation of products that:
  - use less energy; or
  - produce fewer greenhouse gases; or
  - contribute to reducing the amount of energy used, or greenhouse gases produced, by other products.

Under the GEMS Act, a product that uses energy or affects the amount of energy used by another product and is in a product class covered by a GEMS determination, is known as a GEMS product. GEMS products can only be supplied or offered for sale, or used for a commercial purpose, if:

- the model of the product is registered under the GEMS Act against the relevant determination; and
- the product complies with the determination; and
- the supply, offer, or use complies with the determination.

The GEMS program also promotes energy efficiency by providing information to consumers through energy rating label requirements. Consumers can also access an Energy Rating Calculator to find and compare energy efficiency products which require a label.

The Australian Government's charging policy decision for the GEMS program was for full cost recovery for the registration service and phased-in cost recovery for the compliance monitoring and enforcement activities, with an expectation to transition over time to full cost recovery. Charges are imposed when applicants apply to register a product and when existing registrants apply to vary a registration.

## 2. POLICY AND STATUTORY AUTHORITY TO CHARGE (COST RECOVER)

### 2.1. Government policy approval to charge for this regulatory activity

The Australian Government announced its decision to establish the GEMS program as part of the 2012–13 Budget. In the budget papers, funding was announced to establish a nationally consistent legislative framework for Greenhouse and Energy Minimum Standards. The framework would replace seven state and territory

legislative frameworks, harmonising Australia's equipment energy efficiency regulations. It was also announced that the costs of product registration would be fully recovered, while recovery of the costs of compliance monitoring would be phased in from 2012–13, in accordance with the Australian Government Cost Recovery Guidelines.

The budget papers can be found at [archive.budget.gov.au/2005-06/index.htm](http://archive.budget.gov.au/2005-06/index.htm).

The policy authority for the GEMS program provides for full cost recovery for the processing of registration applications and for the monitoring of compliance. The GEMS regulator implements this authority through the imposition of registration charges to recover the immediate costs of application processing and compliance monitoring. These implementation settings are reviewed on an annual basis to determine whether charges continue to cover the program's relevant outputs and associated costs.

## 2.2. Statutory authority to charge

[\*Greenhouse and Energy Minimum Standards \(Registration Fees\) Act 2012\*](#) (GEMS Fees Act)

Subsection 8(1) of the GEMS Fees Act provides that the GEMS Regulator may, by legislative instrument, specify fees for registration applications. These fees are payable by a person who applies to register a product under section 41 of the GEMS Act.

Whilst the charge is described as a registration fee, it is established under a taxation Act and operates as a cost recovery levy in the context of the Australian Government Charging Framework.

[\*GEMS \(Registration Fees\) Act 2012 Supplementary Explanatory Memorandum\*](#)

The explanatory memorandum provides that registration fees may only recover the costs incurred processing applications to register products under the GEMS Act, and costs incurred monitoring compliance with the Act. Costs incurred processing registration applications may include costs such as the staff required to process and approve applications, the costs of the establishing and maintaining the online portal and database for registration applications, the cost of procuring specialist advice to identify whether niche products comply with relevant standards, or the cost of communicating with existing and prospective applicants. Costs incurred in compliance monitoring may include testing products for compliance with relevant standards, training inspectors and conducting store audits or online monitoring to identify whether products comply with standards, and the cost of communicating with persons who are required to comply with the Act.

[\*Greenhouse and Energy Minimum Standards \(Registration Fees\) Instrument \(No. 1\) 2025\*](#)

This instrument specifies the fees for each regulated product class that must be paid when a person applies to register a model of a regulated product.

[\*Greenhouse and Energy Minimum Standards \(Fees for GEMS Regulator Services\) Instrument 2019\*](#)

This instrument specifies fees for the GEMS Regulator varying a registration to add an additional model in the same family and updating a registration with a new test report.

## 3. CHARGING (COST RECOVERY) MODEL

### 3.1. Outputs and business processes of the activity

The GEMS regulatory model places the Australian community and regulated entities at the centre of regulatory practice. Regulatory activity is broadly categorised as:

- setting requirements for product registration
- assessing and monitoring compliance

- responding to non-compliance.

These regulatory activities are supported by engagement and education and evaluation.

The outputs, description of business processes and specific examples relating to the GEMS program are described in Table 3.1.1 below.

**Table 3.1.1 – GEMS program outputs and business processes included in the charging arrangement**

Cost group	Outputs Business Processes <i>Examples</i>
<b>Program management and administration</b>	<b>Business System Administration:</b> Developing, acquiring, testing, implementing, and supporting applications and business systems.  <i>Specific examples include the maintenance of the GEMS Product Registration System, the GEMS Register and the production of GEMS Registration Certificates.</i>
	<b>Stakeholder Engagement:</b> Engaging with persons, businesses, organisations, and peak industry bodies, attending consultative committees and industry meetings, and the maintenance of public facing information.  <i>Specific examples include the production of the GEMS Annual Report and GEMS Cost Recovery Implementation Statement, supplier education materials, the maintenance of the Energy Rating Website and the Energy Rating Calculator and working with industry to determine priorities and designing regulations for new products.</i>
	<b>Business Improvement:</b> Assessing, monitoring and managing business performance, including improvements to regulatory authority, business processes and cost management.  <i>Specific examples include the development of procedures and processes that provide guidance to GEMS staff when assessing application and renewals and staff development and training.</i>
<b>Assurance</b>	<b>Verification:</b> Activities undertaken to provide stakeholders and departmental executive with confidence that systems and processes are operating in accordance with their intended design and associated documentation.  <i>Specific examples include conducting regular sample tests of data in the GEMS Product Registration System and conducting cyber security assessments.</i>
	<b>Surveillance:</b> Monitoring the activities, documentation and behaviour of regulated entities or groups to assess overall program compliance. Surveillance differs from inspection as it is conducted on the regulatory system and not against the behaviour of individual participants.  <i>Specific examples include the selection of products for testing, undertaking store visits, investigating reports of non-compliance and data analysis.</i>
<b>Intervention</b>	<b>Assessment:</b> Assessing information to determine if it meets necessary requirements and conditions. This includes all preparatory work (such as confirming necessary requirements and conditions) and post work (such as assessment report preparation).

Cost group	Outputs
	Business Processes
	<i>Examples</i>
	<i>Specific examples include the assessment of applications for registration of GEMS products and applications to vary the registration of a GEMS product.</i>
	<b>Issue approvals/certification:</b> Issuing decisions to grant an approval or permission in relation to an assessment of information. This includes activity relating to the creation of evidence for a decision. <i>Specific examples include activities provided to an individual, business or organisation by the GEMS Regulator or their delegate to communicate the approval of an application to register a GEMS product.</i>

### 3.2. Costs of the regulatory activity

The department's costs for delivering the GEMS program in 2024-25 are outlined in Table 3.2.1 below

**Table 3.2.1 - cost breakdown estimates for 2024-25**

Output	Direct costs (\$m)	Indirect costs (\$m)	Capital costs (\$m)
Workforce and Business Management	-	-	-
Business Systems Administration	0.392	0.050	-
Stakeholder Engagement	0.281	0.076	-
Policy and Instructional Material	-	-	-
Business Improvement	0.025	0.007	-
Risk Management	-	-	-
Verification	2.352	0.053	-
Surveillance	0.294	0.079	-
Incident Management and Investigation Support	-	-	-
Corrective Action	-	-	-
Assessment	0.039	0.011	-
Issue Approvals / Certification	2.402	-	-
<b>Total</b>	<b>5.785</b>	<b>0.276</b>	-

\* Indirect costs are calculated as approximately 27% of direct expenses. GEMS program indirect costs are not currently recovered and are funded by the Department of Climate Change, Energy the Environment and Water.

The overall costs of the GEMS program include direct and indirect costs.

Direct cost attracted by the GEMS program and included its charging arrangement cover:

- The cost of employee salaries and salary on-cost, such as superannuation loadings and long service leave loadings. Employee costs are allocated to the charging arrangement based on the amount of effort directed to the GEMS program by departmental staff.
- The cost of materials and services supplied to the department in direct relation to the GEMS program. These include contracted organisations who provide assessment services, undertake in-store compliance surveillance or undertake laboratory testing and access to relevant technical standards.

Indirect costs are also included in the charging arrangement to fund the necessary contribution to the GEMS program from the department's enabling services functions. These enabling services provide infrastructure, expertise and support GEMS program's human resource, financial management and information and communications needs.

There are no capital costs included in the charging arrangement.

The direct and indirect costs are allocated to the outputs based on the effort applied toward those outputs. Employee costs, including indirect costs, are allocated to the outputs based on surveys of staff on where they direct their time. Supplier costs are allocated to the outputs using a similar methodology to that for employee costs.

The main cost driver for the GEMS program is the scope of products that are subject to regulation and the risk that non-compliant products are offered for sale on the Australian market.

The following outputs and their associated costs are relatively fixed and don't vary immediately or greatly with the volume of registration applications. These outputs are delivered to support regulatory outcomes, regardless of the level of industry activity or demand for services. Costs allocated to these outputs are based on the necessary effort required to deliver and maintain the output by GEMS program staff.

- Business Systems Administration
- Stakeholder Engagement
- Business Improvement
- Verification
- Surveillance

In contrast, the following outputs and their associated costs are variable in relation to the volume of registration applications. These outputs are delivered in direct response to the level of industry activity and demand. Costs are allocated based on the level of effort required from GEMS staff to meet that demand.

- Assessment
- Issue Approvals/Certification

The level of effort required by and allocated to the outputs is monitored throughout the year and adjusted annually where required.

### 3.3.Design of the regulatory charge

The type of cost recovery charge applied in the charging arrangement is informed by the characteristics of the outputs delivered through the GEMS program.

The relationship between outputs and the charge types is summarised in Table 3.3.1 below.

**Table 3.3.1 – relationship of outputs to charge types**

Output	Nature of the output	Charge type
Business Systems Administration Stakeholder Engagement Business Improvement Verification Surveillance	Provided on behalf of the regulated group. Effort and activities are not conducted at the request, or for the particular benefit of individuals or organisations.	Cost recovery levy
Assessment Issue Approvals / Certification	Provided to a specific individual or organisation at their request and for their immediate benefit.	Cost recovery levy

Under current settings, costs associated with the Assessment and Issue Approvals/Certification, while characterised as fee-for-service activity, are recovered through a cost recovery levy. These settings contribute to

efficiencies in the billing and collection requirements of the arrangement by combining the fee-for-service and leviable costs into the same rate of charge.

The charge point for the recovery of GEMS program costs is established against the application to register a GEMS product. The implementation settings are applied to recover the immediate costs of processing and application and registering a product and a portion of compliance monitoring costs.

The methodology for the structure of the cost recovery charges establishes separate bands for different product types. Charge bands consider product-specific market conditions such as size of market, technical complexity, risk and impact of non-compliance and the level of surveillance and testing required. An additional charge is applied to recover the cost of assessing variations to the registration of products.

Rates of charge for each band are calculated through a weighted cost approach based on the comparative effort required to assess applications for different products.

The average cost is calculated by dividing the cost of the relevant outputs over the expected volume of registrations.

The rates of charge are provided in Table 3.3.2 below.

**Table 3.3.2 – Rates of charge for registration applications**

Charge Band	Charge Type	Charge Rate
Band 1	Cost recovery levy	\$440
Band 2	Cost recovery levy	\$540
Band 3 *	Cost recovery levy	\$670
Band 4	Cost recovery levy	\$780
Variation	Fee-for-service	\$210

\* Band 3 electric motor applications may elect to register a shorter period of 2.5 years at \$335 per registration, or the full 5 year period at \$670 per registration. The estimated volume and revenue for Band 3 registration has been calculated based on 52 x 2.5 year registrations and 1812 x 5 year registrations.

GEMS charges are also published on the Australian Government [Energy Rating](#) website.

The relationship between outputs, types and rates of charge and estimated total cost and estimated total revenue is summarised in Table 3.3.3 below.



**Table 3.3.3 – Cost/revenue relationship**

<b>Output title</b>	<b>Estimated cost (\$m)</b>	<b>Type</b>	<b>Charge Rate</b>	<b>Estimated volume</b>	<b>Estimated revenue (\$m)</b>
Business Systems Administration	0.442	Cost Recovery Levy	Variable Refer Table 3.3.2	5,520 (total volume for all registrations)	3.060 (total estimated revenue for all registrations)
Stakeholder Engagement	0.357	Cost Recovery Levy	Variable Refer Table 3.3.2		
Business Improvement	0.032	Cost Recovery Levy	Variable Refer Table 3.3.2		
Verification	2.406	Cost Recovery Levy	Variable Refer Table 3.3.2		
Surveillance	0.373	Cost Recovery Levy	Variable Refer Table 3.3.2		
Assessment	0.050	Cost Recovery Levy	Variable Refer Table 3.3.2		
Issue Approvals / Certification	2.402	Cost Recovery Levy	Variable Refer Table 3.3.2		
<b>TOTAL</b>	<b>6.062</b>				<b>3.060</b>

## 4. RISK ASSESSMENT

The Charging Risk Assessment (CRA) tool has been used to assess the risk associated with the GEMS program cost recovery. The overall risk associated with the cost recovery of GEMS is low. The Department considers the risk is being managed appropriately. This is based upon the following considerations:

- There are currently no proposed changes to the cost model and there will be no differing cost impacts on regulated entities.
- Revenues and the associated level of activity under this cost recovery arrangement are essentially driven by demand.
- The risks to this cost recovery arrangement are a large, unexpected increase or decrease in product registrations.
- The Department manages the risks by monitoring and reviewing both revenue and activity levels monthly. This allows the Department to identify any issues or trends in a timely manner and allow reallocation of resources as required, within the resourcing constraints of the Department.

To manage risks related to recovery of revenue, the GEMS team monitors and reviews revenue and activity levels monthly. This allows timely identification and rectification of issues, including the reallocation of resources as required.

Cost recovery revenue is also reported in the department's Annual Report in accordance with the *Public Governance, Performance and Accountability Act 2013*.

## 5. STAKEHOLDER ENGAGEMENT

The stakeholders for the GEMS cost recovery are those entities that are connected to the supply of regulated appliances. This can include manufacturers, importers, wholesalers, retailers and the industry bodies who represent them. The Department communicates with stakeholders about the GEMS cost recovery in person, by emails and through publishing information on the energy rating website.

The GEMS Regulator conducts an annual survey of regulated entities to understand their views, issues and overall satisfaction with the services offered by the GEMS Regulator. The next survey will be conducted in September/October 2025 and is open to people who have registered a product or made an enquiry in the previous financial year.

Each year the GEMS Regulator publishes an annual report detailing performance over the past year. The Annual report for the GEMS Program is contained in the Department's Annual report.

The GEMS Regulator is continually looking to make improvements to the efficiency and effectiveness of the administration of the GEMS program. There have been no changes to registration charges since the introduction of the GEMS Act in 2012 except for a reduction in the rate of charge for a variation made to a registration (reduced from \$250 to \$220 in March 2019).

The GEMS Regulator intends to undertake a review of charges and the current charging arrangements in 2025-26 financial year to ensure they remain appropriate. Stakeholders will be consulted as part of any proposed changes to charges and charging structures, or to improvements that could be made.

## 6. FINANCIAL PERFORMANCE

Information on the financial performance of the combined total of all outputs is presented in the following sections.

### 6.1. Financial Estimates

Financial estimates for the 2024–25 budget year and the three forward years are presented in Table 6.1.1.

**Table 6.1.1 – Financial estimates for the budget year and forward years**

Financial Item	2024–25* (\$m)	2025–26 (\$m)	2026–27 (\$m)	2027–28 (\$m)
<b>Total expenses</b>	<b>6.062</b>	<b>6.251</b>	<b>6.474</b>	<b>6.705</b>
<i>Activities Charged For</i>	6.062	6.251	6.474	6.705
<i>Activities not Charged For</i>	-	-	-	-
<b>Total revenue</b>	<b>3.060</b>	<b>4.187</b>	<b>3.271</b>	<b>2.661</b>
<i>Charging income</i>	3.060	4.187	3.271	2.661
<i>Govt Contributions</i>	-	-	-	-
Balance = revenue – expenses	-3.001	-2.064	-3.203	-4.045
<b>Cumulative balance</b>	<b>-3.816</b>	<b>-5.880</b>	<b>-9.083</b>	<b>-13.127</b>

\*The annual review of the GEMS charging model identifies additional outputs and expenditure incurred by the department in the processing of registration applications and in the monitoring of compliance. This additional expenditure will be considered in any future review of the GEMS charges.

## 6.2. Financial Outcomes

Financial results for the previous financial periods are presented in Table 6.2.1 below.

**Table 6.2.1 – Historical financial results**

Financial Item	2020–21 (\$m)	2021–22 (\$m)	2022–23 (\$m)	2023–24 (\$m)
Expenses	2.977	3.750	2.155	1.729
Revenue	3.834	3.301	2.657	2.974
Balance = revenue - expenses	0.857	-0.449	0.502	1.245
<i>Less Remissions, rebates and adjustments</i>	-	-	-	-
Net balance	0.857	-0.449	0.502	1.245
<b>Cumulative Balance</b>	<b>-2.113</b>	<b>-2.562</b>	<b>-2.060</b>	<b>-0.815</b>

## 7. NON-FINANCIAL PERFORMANCE

In 2023–24, the GEMS Regulator approved 5,256 applications for registration. Applications for registration were approved in 1.8 days on average, not including time in which the GEMS Regulator was awaiting additional information from the applicant.

The annual GEMS stakeholder satisfaction survey was conducted in October 2023. Overall satisfaction with GEMS service delivery remained high with 83% of respondents reporting that they were satisfied or very satisfied. The survey also found that 92% of respondents were satisfied that their application for registration was processed in a timely manner.

During the 2023–24 financial year, the GEMS Regulator granted one exemption from one or more determination requirements. An additional 6 exemption applications were also successfully resolved without needing to grant exemptions.

Key outcomes achieved in 2023–24 include the following:

- Changes to the GEMS Act that came into effect in September 2023 via the *Greenhouse and Energy Minimum Standards Amendment (Administrative Changes) Act 2023*. Changes comprised administrative improvements to the GEMS Act. These amendments enhance and modernise the GEMS Act by making it easier for business and industry to comply with the regulations and provide flexibility to introduce more energy efficient products in the Australian market.
- Specific improvements that address recommendations from the 2019 Independent Review of the GEMS Act include:
  - making it easier for suppliers and businesses to sell custom or bespoke products (Recommendation 13)
  - extending ‘grandfathering’ provisions to compliant stock (Recommendation 18)
  - streamlining the application of test standards and granting exemptions (Recommendation 33).
- The department undertook market research looking at consumer attitudes to potential enhancements to the Energy Rating Label and use of the Energy Rating Label online. The behaviour-based research was undertaken in Australia and New Zealand and used a combination of focus groups, interviews, and survey. The research report was delivered in June 2024 and will inform future work on the Energy Rating Label (recommendations 29, 30 and 31).

A summary of historical and estimated levels of activity for the charging arrangement is outlined in Table 7.1 below.

**Table 7.1 – Historical and estimated volumes**

Registration model volumes	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
	Actual volume				Estimated volume			
Registrations	6,864	6,075	5,084	5,614	5,520	7,510	5,864	4,983

## 8. KEY FORWARD DATES AND EVENTS

Key events scheduled and anticipated to occur over the life of this CRIS (2024–25 to 2026–27) are listed in Table 8.1.

**Table 8.1 – Key forward dates and events**

Estimated timeframe	Event
September 2025	Publish CRIS for 2025-26 Budget Year
September/October 2025	Annual stakeholder satisfaction survey
Estimated February – April 2026	Potential stakeholder consultation on charges and charging arrangements

## 9. CRIS APPROVAL AND CHANGE REGISTER

Date of change	CRIS change	Approver	Basis for change
8/04/2024	Publication	Secretary, Department of Climate Change, Energy, the Environment and Water	Published operational results for 2022-23
16/06/2025	Approval	Assistant Minister for Climate Change and Energy	Update financial estimates for 2024–25 and key forward dates and events