

Response to Trajectory for Low Energy Existing Homes July 2019 Consultation paper

15 August 2019



Introduction

We welcome the opportunity to submit to the National Energy Productivity Plan (NEPP) secretariat on the Trajectory for Low Energy Existing Homes July 2019 Consultation paper.

ACOSS and our members work to eliminate poverty and inequality and create a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

The poor energy performance of many homes, combined with significant rises in energy costs over the past decade, and increasingly extreme weather fuelled by the climate crisis, means that a significant and growing proportion of the population are now living in homes that are damp, too cold in winter and too hot in summer.

As a result, people on low-incomes are made vulnerable, already burdened with the high cost of housing, they pay disproportionately more of their income on energy (on average, 6.4%) compared to households on the highest income quintile (who pay an average of 1.5% of income).¹

We welcome many of the initiatives currently underway in jurisdictions with respect to improving the energy efficiency of homes. However, with 3 million people living in poverty² and a climate crisis that is already occurring, there is an urgent affordability, health and economic imperative with respect to improving the energy efficiency of existing homes, which needs a systemic, coordinated, national and ongoing response.

The benefits to people, the economy, and society of improving the energy efficiency of existing homes are enormous, and includes for example energy bill savings, improved health and well-being,

¹ ACOSS and BSL (2018) Energy Stressed in Australia. <https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf>

² ACOSS (2018) Poverty in Australia 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

reduced homelessness, greater social equity, reduced demand on the energy grid, reduced emissions, and job creation, just to name a few.

It is with this sense of urgency and understanding of the broad benefits, that we provide feedback on the Trajectory for Low Energy Existing Homes July 2019 Consultation paper.

Before this submission specifically addresses the consultation questions in detail, we highlight the following key points:

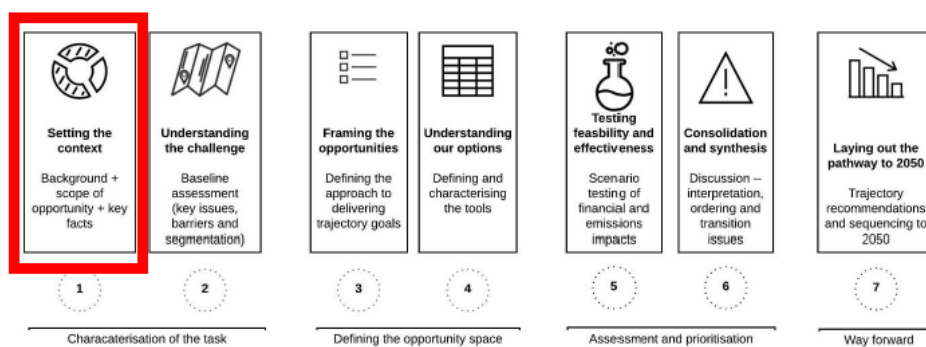
- We strongly support setting a trajectory goal to achieve zero energy (and carbon ready) for existing homes, ideally in line with the date that will be set for zero energy new homes.
- The proposed transition is too slow, the following should be considered.
 - We support the idea of planned and well-communicated short, medium and long-term trajectory targets, as this can provide certainty for stakeholders. The need to set these targets should not be used as an excuse to delay implementation, but can instead be staged.
 - We acknowledge it is difficult to set a trajectory for energy efficiency improvements for existing homes now, without a better understanding of (a) how this will be measured and (b) how it will be implemented across different tenure types. Rather than stepping through the process consecutively (which will delay implementation), we believe that several activities should be done in parallel, such as:
 - Developing a nationally consistent rating scheme that caters for different climate zones and is applicable to all housing types,
 - Developing detailed policy and implementation methods for each of the different housing tenures (including finance mechanisms),
 - Reviewing and implementing necessary regulatory reforms,
 - Building the capacity of industry, and
 - Designing and implementing an education campaign.
 - The design of policy measures and pace of the trajectory will likely differ depending on housing types, tenure types and jurisdiction, However, the trajectory for each should be consistent with the urgency of addressing the climate crisis and social inequity.
- The principles informing and guiding the trajectory process need to better reflect the stated objectives. We recommended the following principles:
 - Provide affordable, healthy and decent homes
 - Provide broad, long-term, scalable, systemic policy solutions
 - Prioritise solutions that benefit people on low-incomes or those experiencing disadvantage
 - Enable upgrades to housing to be zero energy (and carbon-ready) through thermal shell improvements, appliance upgrades and renewable energy generation (onsite) where able and necessary.
 - Provide financial incentives that are targeted to achieve an objective (such as accelerating a price reduction or supporting people on low-income as a priority)
 - Ensure measures are practical and cost effective, and consider all objectives in determining cost effectiveness.
 - Provide flexibility to enable the implementation design and pace of trajectory to vary depending on factors such as housing tenure and type, geography, and priorities in accordance with the principles above.

In addition, the objectives and principles should be clearly stated at the commencement of the Report, to reflect their importance and frame the Report.

- Solutions for people on low-income should be embedded in the mainstream policy options, with the implementation of policy solutions that benefit people with low incomes, renters and those in social and community housing, being prioritised.
- There is a need to differentiate between private, public and community housing rental as they have different issues, barriers and policy settings.
- Energy efficiency standards for rental properties should be mandatory but with a staged approach and supported by mandatory disclosure.
- There must be recognition that owners of investment properties are choosing to provide a housing service, and therefore landlords have responsibilities to provide a safe, affordable and decent home to their tenants.
- The paper could include more international examples regarding comparison of housing stock, energy efficiency programs, instruments, design for different housing tenure, staging and finance mechanisms. International examples can help demonstrate that we are behind other countries, it's doable in a short time frame, we can build on others' efforts and not start from scratch, and subsequently better understand the benefits.

Response to Consultation Paper Questions

1. Setting the Context



1.1 Are there any other key facts about the existing building stock that should be included?

- 1.1.1** The report should differentiate between different housing types. For example, research suggests that building energy efficiency is worse in private rental and social housing than in the general housing sector.

Relevant research includes:

- Better Renting (2019) [Baby it's Cold Inside: Energy Efficiency Rating in the ACT](#)
- QCOSS (2016) [Choice and Control? The experiences of renters in the energy market.](#)
- QCOSS (2018) [Shifting Power: Improving choice and control through energy efficiency minimum standards for rental housing in Queensland.](#)
- UNSW, City Futures research program, Shelter NSW Brief 61 (2017), [Equitable Density: The place for lower-income and disadvantage households in a dense city.](#)

- Shelter NSW (2019) [Poor quality housing and low income households research: more evidence of system-wide failures in housing](#). Brief no. 63.

1.1.2 The analysis should include a comparison of Australian housing stock to international housing stock. Research suggests that Australian homes have poorer efficiency than other developed countries. For example, according to research by Horne and Hales 2008 “Australian homes built to 2006 energy efficiency requirements generally achieve significantly lower thermal energy performance when compared to the international sample of modelled comparison dwellings”.

Relevant research includes:

- Horne, R, & C Hayles (2008) [Towards global benchmarking for sustainable homes: an international comparison of the energy performance of housing](#). Journal of Housing and the Built Environment, 23, 2008, 119–130.
- ACEEE (2018) [The 2018 International Energy Efficiency Scorecard](#).

1.1.3 The report should include a comparison of Australian and international regulatory environments to demonstrate how international regulatory environments are improving the energy efficiency of existing homes.

Relevant research includes:

- EEC (2019) [The World’s First Fuel: How energy efficiency is reshaping global energy systems](#), June 2019.
- ASBEC (2018) [Built to Perform: An Industry Led Pathway to a Zero Carbon ready Building Code](#).

1.2 Other – Align energy efficiency with helping address broader societal challenges

If we are to convince Governments and key stakeholders to support measures to improve energy efficiency for existing homes, we believe the report needs to inject a greater sense of urgency upfront for acting on improving energy efficiency for existing homes. This can be achieved by aligning measures to broader policy challenges and noting the strong public support³ for greater investment.

For example, there are 3 million people who live below the poverty line, and who are more likely to live in inefficient homes which significantly contributes to unaffordable energy bills, poor physical health (and in some cases, death in extreme weather events), and poor mental health exacerbated by bill stress and social isolation. Improving the energy efficiency of existing homes will significantly reduce energy bills and improve physical and mental health of many people living on low incomes. We would argue there is a moral obligation on Governments to act to ensure the health and wellbeing of people and prevent avoidable loss of life.

Further, we have an urgent task to reduce carbon emissions consistent with limiting global warming to less than 1.5 degrees above pre-industrial levels. The climate crisis continues to hit people on low-incomes and those experiencing disadvantage first and hardest. We need to rapidly reduce our emissions to limit the impacts. Energy Efficiency can play a key role in reducing emissions and improve the resilience of homes to extreme weather events such as heatwaves.

³ ACOSS, Property Council and EEC (2018) Energy Bills and Energy Efficiency: Survey of Community Views by YouGov Galaxy. <https://www.acoss.org.au/wp-content/uploads/2018/04/EEC-Survey-online-FINAL-.pdf>

We feel this scene setting and sense of urgency are currently missing from the report and should be prioritised from the outset of the report.

1.3 Other – Win, win, win, win, outline the many multiple benefits

Chapter 1 should also include a heading and provide content on the scope of opportunities for improving energy efficiency of existing homes.

While the consultation paper lists five objectives for improving the energy efficiency of homes, there are other benefits that should at least be recognised.

For example, the document *All Australians Deserve a Healthy, Safe, Affordable home*,⁴ which has been supported by 38 community organisations, identified a range of benefits including:

- Lower energy bills
- Improved physical and mental health and wellbeing
- Economic stimulus
- Job creation
- Improved resilience of the energy system and homes
- Low-cost emissions reductions
- Social equity
- Reducing homelessness

Further, the International Energy Agency (IEA) identified 15 benefits that may be realised by different stakeholders as a result of an energy efficiency initiative, as seen in figure 1 below.⁵

Recognition of these diverse benefits increases the value of acting on improving energy efficiency of existing homes to households, the economy and the public in general.

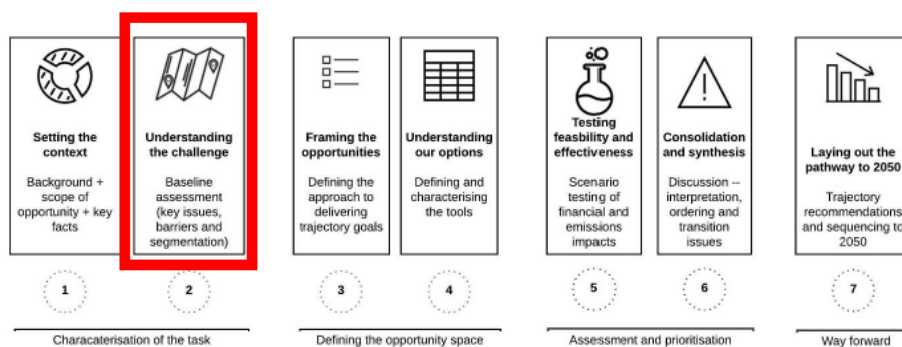
Figure 1. IEA Key Co-benefits from Energy Efficiency Initiatives



⁴ <https://renew.org.au/wp-content/uploads/2019/07/Community-Joint-Statement-for-Healthy-Affordable-Homes.pdf>

⁵ IEA (2014). Capturing the Multiple Benefits of Energy Efficiency, International Energy Agency. <https://webstore.iea.org/capturing-the-multiple-benefits-of-energy-efficiency>

2. Understanding the Challenges



2.1 Are there other challenges that should be included?

2.1.1 Section heading - Issues associated with energy efficiency in existing homes

We recommend the following changes are made:

- Under the “health impacts” section include issues relating to mental health and well-being, including relating to financial stress and social isolation. See for example Low Carbon Living report *Mainstreaming Low Carbon Retrofits in Social Housing*.⁶
- Under the “affordability” section include reference to the number of people who are struggling to afford energy bills. For example, reference 3 million people who currently live below the poverty line.⁷ It should also be noted that the split incentive is likely a greater barrier to energy efficiency measures than rental stress.
- Include homelessness, as an issue associated with poor energy efficiency. See for example *All Australians Deserve a Healthy, Safe, Affordable home*.⁸
- Include issues associated with renters’ rights, where the lack of rights means people who rent are disempowered and have no choice and control. See for example *Choice and Control? The experiences of renters in the energy market*⁹, which highlights the considerable barriers for renters seeking to reduce energy costs and usage.

2.1.2 Section heading - Barriers to uptake

We recommend the following changes are included:

- Change “housing affordability” to “affordability”. The ability to *afford to implement energy efficiency measures*, relates to a person’s capacity to pay, where housing affordability may be one contributing factor. For example, you may have someone who owns their own home so is not experiencing housing affordability issues, but is on a pension so does not have the disposable income to afford to invest in energy efficiency measures. There are 3 million people in Australia who live below the poverty line.

⁶ Daly D, Halldorsson J, Kempton L, Cooper P, 2018, Targeted review of evidence of direct and co-benefits of energy efficiency upgrades in low income dwellings in Australia. CRC for Low Carbon Living http://www.lowcarbonlivingcrc.com.au/sites/all/files/publications_file_attachments/20180515_rev_dir_co-benefits_low-income_dwellings.pdf

⁷ ACOSS (2018) Poverty in Australia 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

⁸ <https://renew.org.au/wp-content/uploads/2019/07/Community-Joint-Statement-for-Healthy-Affordable-Homes.pdf>

⁹ <https://www.qcooss.org.au/publication/choice-and-control-the-experiences-of-renters-in-the-energy-market-primary-tabs-viewactive-tabeditrevisions/>

Combined with high costs of living, these people struggle to afford energy efficiency measures.

- The section on split incentives needs to acknowledge the difference between private, public and community housing rental and the unique barriers and policy settings in each.
- Further, the split incentive is not just about who pays and who gets the benefits, but is also about the power of tenants to make decisions and demand upgrades to allow them to control their energy use through upgrades, for example. They may be afraid to ask for upgrades for fear of “rocking the boat”. QCOSS’s Choice and Control report (mentioned above) found landlords often rejected requests for energy efficiency improvements even if it was of no cost to themselves. Tenants need to be able to make appropriate modifications without the landlords’ permission.
- The low rental vacancy sentence on page 13 need to acknowledge the need for rent caps and the need to remove the ability of landlords to ‘evict without cause’ to improve the power of tenants to demand their rights.
- The section on ownership structure also needs to acknowledge the difference in ownership structure between private, public and community housing rental and the unique challenges this presents. For example:
 - Public housing is owned by State and Territory Governments and is subject to government policy and budget. It’s worth noting that investment in social housing for people on the lowest incomes, has shrunk from 5.6% to 4.7% of all housing over the past decade and a half.¹⁰
 - Community housing faces a number of barriers to improving energy efficiency in existing properties, including: regulation, lack of finance or financing models, lease periods and the fact that the majority of their housing is managed on behalf of the state.^{11,12}
- There is no published information on the condition of public and community housing, which makes it difficult to know the extent of improvements required and estimated costs to retrofit.
- Unique barriers facing Aboriginal and Torres Strait Islander housing should be acknowledged. See for example the [National Aboriginal and Torres Strait Island Housing Authority submission on the Closing the Gap refresh, \(2018\)](#).
- Unique barriers facing regional and remote housing should be acknowledged, including the higher cost of implementing energy efficiency improvements and lack of access to qualified trades and services. Bulk installation programs often avoid rural areas as the economies of scale do not exist.

2.1.3 Section heading - Specific areas for consideration

2.1.3.1 Vulnerable households

As mentioned in the introduction, while we welcome additional work being undertaken on issues and barriers for low-income and disadvantaged households, the solutions for people on low-incomes should be embedded in the mainstream policy options. Nonetheless, to

¹⁰ Data from the Australian Institute of Health and Welfare, the Productivity Commission’s Report on Government Services (ROGS) and the Australian Bureau of Statistics. Cited in ACROSS policy priorities for the next Australian Government: Housing and homelessness, March 2019 <https://www.acoss.org.au/wp-content/uploads/2019/03/ACOSS-Pre-election-priorities-housing-homelessness.pdf>

¹¹ Community Housing Association (CHIA) Victoria have recently completed some research to explore financing options and business models to allow community housing organisations Across Australia to share the cost of their investment in clean energy solutions with tenants. The research provided insights into issues and barriers for community housing providers across different jurisdictions. Contact CHIA Vic for more information.

¹² QShelter have developed a guide for Queensland community housing providers that may assist in exploring opportunities and financing options http://www.qshelter.asn.au/elements/2018/04/Energy-Management-for-CHPs_final-version.pdf

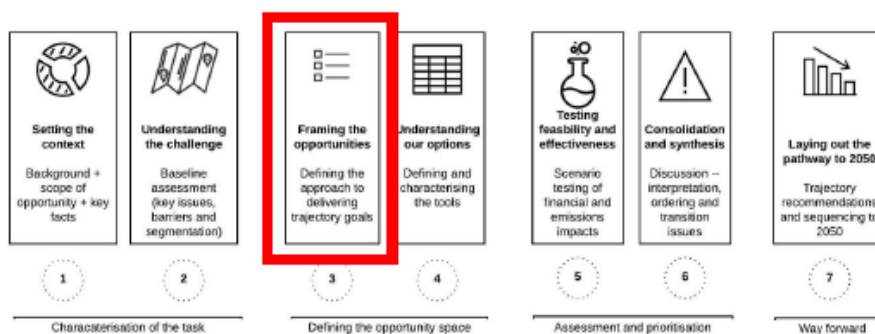
ensure vulnerable households are not left behind additional or more targeted measures are likely to be needed.

- The list of people made vulnerable on page 16 should be expanded to include:
 - Customers experiencing payment difficulty and not just necessarily those on a payment plan.
 - Customers referred by financial counsellor or other community worker.
 - Customers in receipt of any concession (including concessions such as medical cooling and heating concession schemes, Life Support Rebates, emergency concessions such as the Utility Relief Grants Scheme and Home Energy Emergency Assistance Scheme, Electricity Rebate, to name a few).
- In the section on *finance and capital constraints*, the report should acknowledge:
 - Three million people live below the poverty line.
 - Some households on government benefits like age pensioners may be asset rich, but income poor.
- In the section on *ownership structure and split incentive*, the report should differentiate between private, public and community housing and mention that the majority of households living in public and community housing are on very low or low-incomes.

2.1.3.2 Include Community housing and Aboriginal and Torres Strait Islander housing as a specific area for consideration

As noted above, there are unique challenges to improving energy efficiency faced by community housing providers including regulation, lack of finance or financing models, lease times, lack of transparency on performance and condition of housing, and lack of coordination on social housing planning. A key issue is that the majority of stock managed by community housing and aboriginal community housing providers, is managed on behalf of the owner, which is often the State Government and usually on relatively short lease arrangements. The report should give specific consideration to issues and barriers for community housing and Aboriginal Torres Strait Island housing.

3. Framing the opportunities



3.1 Are there any items that should be removed or included from the scope?

3.1.1 Section heading - Scope

The report argues that improvements to new homes can be effectively driven through a single regulatory instrument, with national application, but states that an equivalent single mechanism is not available to drive improvements in all existing homes.

While there is some truth in this statement, we would argue:

- that it is possible, and desirable, to develop a nationally consistent energy efficiency rating scheme, that accommodates different climate zones and is applicable to all existing homes (as demonstrated by the UK energy efficiency rating for existing homes);
- such a rating scheme could then underpin the development of a staged trajectory towards zero energy (and carbon-ready) homes;
- the pace of the trajectory could vary depending on housing and tenure type (private rental, community housing, public housing, owner-occupied, apartments, renovations) and jurisdiction (where required);
- the mechanism and incentives to achieve the desired rating could also vary depending on housing and tenure type (private rental, community housing, public housing, owner-occupied, apartments, renovations) and jurisdiction (where required)

Essentially what we would like to see is the development of nationally consistent, broadly applicable, long-term, scalable, and flexible, systemic policy solutions.

In addition to the three areas of focus listed in Box 1, we suggest a fourth focus be included:

- Identifying options that deliver nationally consistent, broadly applicable, long-term, scalable, and flexible, systemic policy solutions.

Box 1 Criteria to consider policy options, as identified in the Trajectory report.

- Identifying those options/interventions with demonstrated effectiveness in driving improvements in existing housing stock.
- Determining the policy and program options that are capable of, or require, or would benefit from, national implementation – i.e. through a national instrument or a harmonised approach supported by all jurisdictions.
- Identifying other ‘best practice’ interventions that are recommended for individual jurisdictions to pursue through their own processes and legislative/regulatory frameworks.

3.1.2 Section heading – Key principles for selection options (policy design)

We found the four principles outlined in the report fall well short of what is needed as a guide to select policy options to achieve the objectives outlined on page 8 of the consultation report.¹³

In particular we do not support the inclusion of principle three, that policy options “do not add undue additional administrative burden to existing initiatives”. We would argue that the current initiatives are not achieving the broad systemic long-term change that is needed to improve the energy efficiency of existing homes to meet the stated objectives. If the current State and Territory initiatives were meeting the objectives, we would not need this review. We need to take a wider view that looks beyond the current initiatives, rather than allowing the review to be limited by them.

We suggest the following principles be used to guide the evaluation of policy options:

¹³ Lower energy bills for households; Save energy (reduce wastage) for the wider economy; Improve comfort levels for, and potentially the health of, occupants; Improve resilience to extreme weather and blackouts (peak demand); and Reduce carbon emissions.

- Provide affordable, healthy and decent homes
- Provide broad, long-term, scalable, systemic policy solutions
- Prioritise solutions that benefit people on low-incomes or those experiencing disadvantage
- Enable upgrades to housing to be zero energy (and carbon-ready) through thermal shell improvements, appliance upgrades and renewable energy generation (onsite) where able and necessary.
- Provide financial incentives that are targeted to achieve an objective (such as accelerating a price reduction or supporting people on low-income as a priority)
- Ensure measures are practical and cost effective, and consider all objectives in determining cost effectiveness.
- Provide flexibility to enable the implementation design and pace of trajectory to vary depending on factors such as housing tenure and type, geography, and priorities in accordance with the principles above.

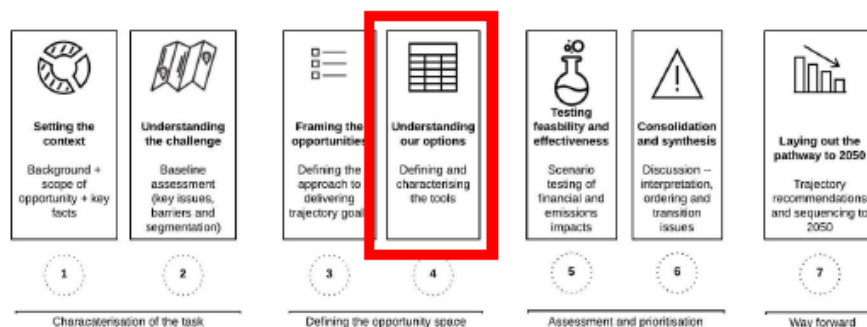
3.2 Are there any items that should be removed or included in the physical determinants?

We agree with the report's analysis that "existing buildings will generally have physical limitations of what is practical and cost-effective to improve", and that some physical determinants will therefore be out of scope for improving energy efficiency for existing buildings. We also agree that there are some programs or initiatives such as Greenhouse and Energy Minimum Standards (GEMS) that are being reviewed separately to this program. Nonetheless, where appropriate, we would welcome opportunities to accelerate or modify some of these other programs.

With this in mind we support most of what is proposed in table 1 in the consultation Report, regarding what's in and out of scope, with the following exception:

- **Public education should be 'in scope':**
 - **Public education campaign before measures are implemented** - We believe it will be important for an energy efficiency education campaign to be undertaken in parallel to the development of an energy efficiency rating scheme and design of policy measures. Public education can create awareness of the benefits of energy efficiency and build support for policy change. An effective public education campaign could accelerate policy implementation and avoid the need for an interim voluntary phase in some instances. There have been many successful public educational campaigns throughout the years that have led to significant behavioural change and support for public policy such as QUIT, keep Australia Beautiful, conserving water, to name a few.
 - **Independent information to promote measures** - There is also a need for clear and independent information when the scheme is being implemented, so all parties (renters, lessors, property agents and third-party exempt sellers) clearly understand the features of the regime, their rights and obligations and what to do if there is a dispute.
- **Consider water in scope at some stage** - we would welcome further consideration of how water efficiency measures could be incorporated at some stage, particularly where water efficiency measures directly correlate with energy savings, such as water efficient shower heads.

4. Understanding our options



4.1 Do the goals capture the key outcomes needed to achieve low energy existing homes?

We do not believe the current policy goals outlined in the Report (see box 2) are the right ones. The goals need to be measurable and aligned with real world outcomes.

Box 2 – Policy goals, as defined in the Trajectory report

1. Australians have access to high quality specific information to make an informed choice when buying or renting and act on it in a timely and appropriate way.
2. Targeted financing options are available to realise cost effective upgrades of existing homes (where upfront capital costs are involved).
3. Renters have access to energy efficient residential dwellings and solar PV.
4. Owners corporations are able to make, implement and facilitate, effective energy efficiency and solar PV upgrade decisions for apartment.
5. Residential building renovations take full advantage of energy efficiency upgrade opportunities.

We believe the goal should be to improve energy efficiency to zero energy (and carbon ready) of the various housing and tenure types - private rental, community housing, public housing, owner-occupied, apartments, and renovations - in order to achieve the stated objectives (page 8).

The report attempts to match instruments to the report's stated goals by way of a table (see appendix 1). However, we believe in order to consider how various policy instruments could support and/or achieve our proposed goals, you first need to consider the various barriers to achieving each of our proposed goals, and then link the potential instruments to those barriers. For example, see a sample table provided in figure 1 below.

Figure 1 - Sample table to assist identify appropriate primary and enabling policies and measures

Goal	private rental	community housing	public housing	owner-occupied	apartments	renovations
Barriers	Information	Split incentive	Affordability	regulation	governance structure	Physical limitations
Instruments						
Rating scheme	x	x				x

Voluntary disclosure	x					
Mandatory disclosure	x					
Minimum standards	x	x				
EEO schemes						
Finance mechanisms		x	x			
Audits	x	x				x
Training and accreditation						
Regulation change				x		

[Note this is not a completed table, but a sample of what it could look like]

While there is value in developing a detailed table such as the sample table to help inform policy options, we would agree with Renew’s submission that it would be valuable to differentiate between *primary policies* and *complementary/enabling policies*.

For example, to improve the energy efficiency of rental properties, the primary policy would be mandatory minimum efficiency standards, supported by complementary or enabling policies such as a rating scheme, landlord rebates, and tenant behavioural change programs.

4.2 Is there policy instruments that should be removed or included AND is there anything that should be removed or included to the policy instrument descriptions? What are additional policy options and design considerations?

4.2.1 Behavioural change programs

Behavioural change programs are typically resource intensive and have smaller and less systemic outcomes compared to other initiatives like mandatory energy efficiency standards. We would argue that rather than develop new isolated behavioural programs, any behavioural program should be built into other initiatives/programs/services. For example, energy audits as part of mandatory standards; orientation when moving into rental properties; or home care services energy programs for vulnerable households. Behavioural change programs should be a targeted complementary measure to support the uptake and success of other initiatives.

4.2.2 Energy Obligations schemes

Energy Obligation Schemes only drive low-cost low-impact energy efficiency measures and have had low take-up amongst people on low-incomes. We therefore do not see Obligation schemes as a primary policy instrument to achieve the Trajectory’s objectives, but rather a complementary measure.

We support a focus on harmonisation of state schemes, rather than replacement with a national scheme.

4.2.3 Energy efficiency rating scheme

- As indicated above, ideally we would want to see the development of nationally consistent energy efficiency rating scheme, which accommodates different climate zones and is applicable to all existing homes. A report by the Low Carbon Living CRC

review of rating tools¹⁴ found that stakeholders were critical of past efforts that had seen the emergence of numerous rating systems. A nationally consistent scheme would make setting and measuring trajectories for improvements against the goal of achieving zero energy (and carbon ready) existing homes. It would provide equity between housing tenure types and jurisdictions.

- The rating scheme should be performance based, except where, as part of a staged approach, self-assessment of basic energy efficiency measures might be considered as a first step.
- The rating scheme would require an independent audit to assess the home, provide advice on how to improve the rating and verify the final rating. The Audits and rating must be completed by trusted and independent third parties.
- The rating scheme should aim to be low-cost, easy to use, and communicated as a star or bar rating, with links to more detail if the stakeholder is interested.
- How the rating scheme is implemented, and the pace at which it is implemented, will likely vary depending on housing and tenure type (private rental, community housing, public housing, owner-occupied, apartments, renovations) and jurisdiction;

4.2.4 Voluntary and Mandatory disclosure

- We agree that providing information about a home's energy efficiency through a disclosure mechanism can help support quality decision-making and help create a market incentive for property owners to improve their home. However, such an approach will only be effective where decision-makers (buyers or renters) have some discretion in the choices they make on the basis of that information, and the information provided is consistent and comparable. Research suggests that disclosure on its own will have a limited impact in the private rental market, as seen in the ACT where 40 per cent of rental properties are disclosed as having no energy efficiency rating. This can be because in highly competitive markets prospective tenants have limited opportunities to discriminate between properties of differing quality. Or, prospective tenants cannot afford to discriminate as the cost of rent is the main determinant of decision making. This is particularly an issue for many very low-income renters who are homeless and eligible for social housing but are compelled to rent in the private rental market, with or without private rental subsidies. Consequently, we do not support disclosure being proposed as the sole policy instrument to drive improvements in the private rental market. Rather, disclosure should be mandatory for private rental properties coupled with mandatory energy efficiency standards.
- We would also support public housing requiring mandatory disclosure coupled with mandatory energy efficiency standards.
- We support disclosure for community housing, however this would need to be coupled with financial support, depending on management or ownership status of the dwelling.
- We support mandatory disclosure for owner-occupiers at the point of sale. Consideration would be given to introducing voluntary disclosure in the first instance followed quickly by mandatory disclosure.
- Compliance and enforcement mechanisms will be needed as part of mandatory disclosure to ensure lower rated houses are not left to low income households. QCOSS gives some examples of this in its Shifting Power report (2018) referenced above.

4.2.5 Minimum energy efficiency standards for private rental properties

¹⁴http://www.lowcarbonlivingcrc.com.au/sites/all/files/publications_file_attachments/rp3016_enhancing_the_market_for_energy_efficient_homes_final_report.pdf

- We support mandatory energy efficiency standards for private rental properties from the outset, noting we envisage the rollout of the mandatory standard be staged, with the rating being improved over time in line with goal to achieve zero energy (and carbon ready) homes.
- Mandatory standards are less likely to lead to rent increases because all properties are required to meet the standard, so supply and demand stays the same. Nonetheless, there should be some way to discourage rent increases as a result of the mandated energy efficiency standards and a way to monitor. For example, rent caps and the removal of ‘evictions without cause’ could be implemented to give tenants greater power and protect them against perverse outcomes.
- We prefer performance-based rating approach, with options to achieve performance rating tailored for climate zones, which would require an energy audit to identify measures to achieve rating. Audits and rating must be completed by trusted and independent third parties. A staged approach proposed by the *Victoria One Million Homes Alliance* could be implemented along the following lines:
 - In phase 1 – all homes would comply with a features-based list of cost-effective energy improvements. The features list would not require an energy audit.
 - In phase 2 – rental properties would have to meet a performance-based standard at point of lease, which would require an energy audit to identify improvements and verify rating. Rating would be communicated at point of advertisement.
 - Phase 3 – housing below a defined minimum rating cannot longer be legally leased.
- It would be ideal if a nationally consistent rating scheme (that caters for different climate zones) could be developed.
- Once the standard/rating scheme is developed a trajectory for improvement can be set. Ideally all states should aim to legislate and phase it in at the same time, but individual jurisdictions should not be able to hinder other states from implementing their programs.
- We do believe that improving the energy efficiency of rental properties should be viewed as the responsibility of an investor as part of their wider responsibility to provide a safe, comfortable, affordable and decent home. In this context the setting of the trajectory target should simply be regarded as a new determination what is an acceptable standard of housing, with the staging of the implementation of the trajectory and the enabling policies, intended to facilitate the implementation of this new standard (rather than being measures to mitigate the imposition of new burdens and costs upon landlords and investors). If incentives are considered to support mandatory energy efficiency standards for rental properties, they should be targeted and equitable. We are wary about incentives that reduce taxable income because they skew the benefits towards those on higher incomes. A flat rebate or subsidy for example would be a more equitable incentive.

4.2.6 Minimum energy efficiency standards for public and community housing

- We support mandatory minimum energy efficiency standards for public housing in line with the trajectory to achieve zero energy (carbon ready) homes. We believe government has a moral obligation to ensure public housing is safe, comfortable, affordable and decent. Development of policies and measures to increase energy efficiency for public housing will need to be tailored. As most tenants of public housing are on low-income improving energy efficiency for public housing, should be seen as a priority.

- We support improving energy efficiency for community housing in line with the goal to achieve zero energy (carbon ready) homes. Further consideration is needed to identify the best way to achieve this and could include eventual mandatory minimum energy efficiency standards for community housing in conjunction with appropriate time frames, financial incentives, and regulatory reform. As most tenants of community housing are on a low-income, improving energy efficiency for community housing should be seen as a priority.

4.2.7 Owner-Occupy housing

- We believe large-scale improvements across our entire existing housing stock will only be achieved through the establishment of mandatory standards applying to all homes – rented and owner-occupied. However, owner-occupier households on low-incomes, for example pensioners, will struggle to afford required upgrades and will need financial support. It will be necessary to phase in reform for owner-occupiers, starting with a mandatory disclosure scheme applying at the point of sale, and evolving overtime into mandatory standards with targeted financial support for low-income households.

4.2.8 Tax and Financial Instruments

- Incentives will differ depending on the house and tenure category and policy instrument. Further work and consultation will be needed during the policy mechanism design phase to identify appropriate incentives.
- Financial incentives should be targeted, based on need and support equitable outcomes. For example, incentives should aim to:
 - support people on low-income as a priority
 - achieve an objective, such as accelerating a price reduction
- It should be acknowledged that many funding programs are not taken up by landlords if they are not seeing any direct benefit, even if options are free or it improves the value of the property. This is why we support mandating energy efficiency standards for rental properties.

4.2.9 Fuel neutral

We support language around fuel neutral approach, but this should be consistent with reducing emissions in line with the Paris goal, and should not highlight certain fuels for special mention. I.e. gas.

For example, traditionally gas has been viewed as cheaper and cleaner than electricity produced by burning coal, this is no longer the case. Research by Renew found that the ongoing transition of the electricity grid to 100% renewable energy means that substituting electricity for gas consumption offers significant emission reduction opportunities, which will increase over time as the emissions intensity of electricity supply decreases.¹⁵

Fuels such as green hydrogen could play a significant role in our future economy and should be supported. Green hydrogen, including a role in improving the energy efficiency of homes in the future. However, Renew's most recent analysis¹⁶ found that electric appliances such as hot water heat pumps and reverse cycle air-conditioning are more efficient than gas

¹⁵ <https://renew.org.au/research/7809/>

¹⁶ <https://renew.org.au/renew-magazine/efficient-homes/emissions-intensity-of-household-electricity-vs-gas/>

appliances. Renew’s research found that when a home only has one gas appliance remaining, it is always better to replace it (when it is due for replacement) with an efficient electric one, in all circumstances and locations across the National Energy Market (NEM).

Even in places where the running cost of gas is lower than for electric appliances, it is outweighed by the value of abolishing the fixed charge of the gas connection.

We don’t support the concept of technology neutral least cost approach, which has in the past invariably lead to prioritisation of a limited number of “least cost” technologies, such as has happened with LED lighting, which may or may not lead to the measures actually required to deliver the broad suite of energy efficiency objectives and benefits (affordable bills, improved health and well-being, reduced emissions, energy system resilience etc.).

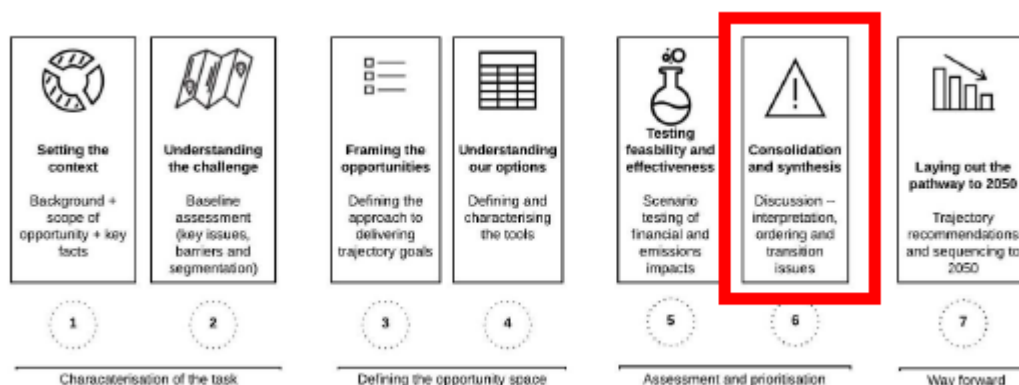
5. Testing feasibility and effectiveness



We support the comments made by Renew in their submission with respect to:

- Energy Obligation Schemes only drive low-cost low-impact energy efficiency measures and have had low take-up amongst people on low-income. We therefore do not see Obligation schemes as a primary policy instrument to achieve the objectives, but rather a complementary measure at best and should not be included in the impacts testing.
- The assumptions made around the uptake of mandatory disclosure are too low
- The report should consider using a discount rate of 2-3% (instead of 7%) which is close to the current and near-term financing for home loans.
- We support the public release of the sensitivity analysis.

6. Consolidation and Synthesis



6.1 What should be the focus areas for the next version of the modelling and report, noting the short timeframes?

6.1.1 *Model additional benefits*

In addition to measuring the net present value (NPV) of different scenarios it would also be useful, where possible, to also measure:

- Average bill savings per household.
- Impact on rent arrears and debt for social housing households.
- Emissions reductions.
- Savings to the electricity market.
- Potential impacts on improving health and wellbeing, i.e. reducing number of deaths, hospitalisation, and doctor visits (see for example, Sustainability Victoria's report *Comprehensive Energy Efficiency Retrofits to Existing Victorian Houses*¹⁷ and the Low Carbon Living CRC report on *Mainstreaming Low Carbon retrofits in Social Housing*¹⁸).
- Job creation (see for example the Energy Efficiency Council's analysis of job creation¹⁹).

6.1.2 *Look at impacts of policy across different income levels*

Where possible, the report should model the impacts of policies across different income levels to assess who benefits the most from different policy options. This will help identify where Governments should prioritise effort. For example, investing in improving energy efficiency for public and community housing would have greater benefits for people on low-incomes than investing in Energy White certificates schemes, which to date have had less benefit for low-income households.

6.1.3 *Analyse who benefits the most from different financial incentives*

In determining which financial incentives to recommend, it would be useful to understand how the different financial benefits being considered benefit or disadvantage particular stakeholders. For example, almost four in ten households (37%) who owned at least one other residential property were in the highest quintile of equalised disposable household income.

6.1.4 *Support modelling the costs and benefits of combined policy instruments*

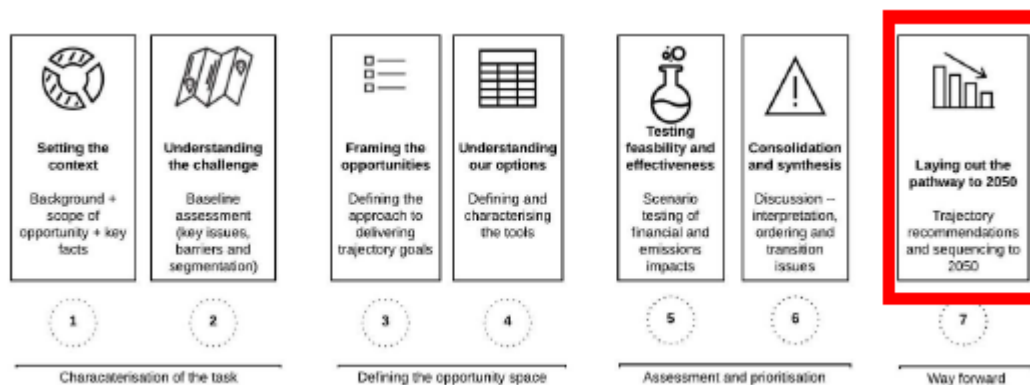
We support the next version of the report to include analysis of costs and benefits of combined policies. The analysis should focus on the priority policy options identified in this submission (i.e. minimum standards for rental properties, mandatory disclosure, and targeted support for low-income home owners).

7. Laying out the pathway to 2050

¹⁷ <https://www.sustainability.vic.gov.au/About-us/Research/Household-retrofit-trials>

¹⁸ Daly D, Halldorsson J, Kempton L, Cooper P, 2018, Targeted review of evidence of direct and co-benefits of energy efficiency upgrades in low income dwellings in Australia. CRC for Low Carbon Living

¹⁹ Kellie to insert



7.1 What do you consider are the key recommendations that should be included in this section?

We believe the staging and timeline proposed in the report (see box 3) is too slow and not consistent with the urgent need to reduce emissions, reduce energy bills and improve health and wellbeing outcomes for people made vulnerable by poor policy positions. It is also likely that some jurisdictions, such as Victoria, New South Wales and Queensland, will bring in measures earlier through the review of their rental tenancy's legislation and regulations.

Box 3 Proposed Sequencing of activities – page 56/57

1. 2019: Agree initial Trajectory for existing homes.
2. 2021: Update the Trajectory for existing buildings in line with the review of the Trajectory for new buildings (outlined in the current agreed Trajectory), and based on additional scoping for measures xxxx.
3. 2022: Establish national frameworks for relevant components of policy measures xxx, to enable jurisdictions to phase in voluntary schemes.
4. 2024: Review Trajectory for existing buildings in line with review of new buildings.
5. 2025: Establish national frameworks for relevant components of policy measures xxx, to enable jurisdictions to phase in mandatory schemes.
6. 2027: Review Trajectory for existing buildings in line with review of new buildings.

We believe a number of activities can be done in parallel and in a reduced timeframe. We would recommend something more akin to the following process:

- In 2019, publish a commitment to:
 - improve energy efficiency for existing homes, prioritising private rental, public housing, community housing, homeowners on low incomes; and
 - achieve zero energy (and carbon) ready existing homes, in line with the agreed trajectory for new homes.
- In 2020, undertake the following activities in parallel, with clear time frames/milestones for the work to be done (within two years):
 - Develop a nationally consistent energy efficiency rating scheme (2021)
 - Develop detailed policy design, where possible nationally consistent, for each housing tenure type (2021)
 - Work on developing regulations for audits, accreditation etc (2021)
 - Develop platforms to assist people access registered/accredited suppliers (2021)
 - Design (2020) and implement an education campaign (2021)

- Once the parallel work program above is completed, set milestones for implementation of policy design and trajectories for improving the energy efficiency rating, for each housing type, that is consistent with achieving zero energy (and carbon) ready homes in line with new homes agreed trajectory.

Contact

If you have any further questions please contact

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Appendix 1 – Key policy goals and instruments outlined in table 3 of the consultation report

Table 3 Key policy goals and instruments

Goals		1. Australians have access to high quality specific information to make an informed choice when buying or renting, and act on it in a timely and appropriate way.	2. Targeted financing options are available to realise cost effective upgrades of existing homes (where upfront capital costs are involved)	3. Renters have access to energy efficient residential dwellings and solar PV.	4. Owners corporations are able to make, implement and facilitate, effective energy efficiency and solar PV upgrade decisions for apartment.	5. Residential building renovations take full advantage of energy efficiency upgrade opportunities.
Policy instrument	EEO schemes		X	X	X	
	Voluntary disclosure	X		X	X	X
	Mandatory disclosure	X		X	X	X
	Behavioural change	X		X	X	
	Minimum standards	X		X ¹	X ¹	X ²
	Tax depreciation	X	X	X		
	Grant, rebates and subsidies	X	X	X	X	X
	Solar and other technologies for rentals			X ¹		
	Co-financing				X	X
	Green bonds & mortgages		X	X	X	X
	General information	X			X	X
	Industry training, accreditation and capability	X	X	X	X	X
	Trials and deployments e.g. batteries, solar, etc.	X		X	X	
	Equity measures	X	X	X	X	X
	Government leadership	X		X		

¹ Need to consider vulnerable consumer protections (Finkel 6.6).

² Need to consider renovations captured by National Construction Code requirements.

³ Behaviour change consists of items that encourage or overcome behaviour limitations, such as remote control of air conditioners, etc.

Based on consideration of work or initial research that is currently underway, international policy frameworks and stakeholders views (outlined previously), the coloured boxes in Table 3 prioritise areas for initial focus as follows:

	Established national mechanism with work underway by COAG Energy Council to identify opportunities
	Established state/territory/Commonwealth mechanism with work underway by COAG Energy Council to identify opportunities
	Work underway by COAG Energy Council to investigate/review to identify opportunities
	Significant stakeholder interest and some progress already made to investigate by some jurisdictions