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Working for an Australia free of poverty

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Submission regarding energy efficiency provisions of Residential Tenancies Regulations 2020

The Brotherhood of St Laurence (BSL) welcomes this opportunity to comment on proposed changes to the *Residential Tenancies Act 1997.* Our submission is focused on the issues related to energy efficiency.

Victoria's proposed requirement for energy-efficient heaters represents an important first step in improving the efficiency of rented homes, and we commend the Government for its work to date.

However, heating comprises only part of a household's energy consumption, and broader standards remain necessary to address the poor efficiency of many rented homes. We urge the Victorian Government to strengthen the proposed standard and continue introducing standards beyond heating.

This submission addresses the following points:

1. Our support for, and the need to strengthen, the heating standard and other proposals
2. The importance of energy efficiency standards beyond heating
3. The need to properly enforce compliance with the standards

BSL strongly supports the introduction of a minimum standard for heating. However, the proposed heating standard should be strengthened to 4 stars.

The proposal to require an 'efficient' fixed heater in rented homes is laudable, but the efficiency requirement of two stars is too low. BSL supports requiring a 4-star rating for new and/or replacement heaters rather than a 2-star rating.

The case for a higher star rating is as follows:

1. Requiring a higher rating would save tenants money and lower greenhouse emissions with relatively little additional cost to landlords. As the table below shows, spending an extra $370 on a higher-efficiency unit of approximately the same capacity could save the tenant more than $3,200 over ten years.

Model	Star rating (heating)	10-year running cost[1]	Purchase & install cost[2]	Type
Kelvinator KWH-62HRE	★★	$10,783	$1,479	5.5 kW window/wall
Toshiba RAS16N3KV2A	★★	$9,129	$1,745	5.3 kW split
Rinnai HSNRQ50B	★★★★	$7,561	$1,849	5.2 kW split

2. Allowing 2-star units to be installed may lead to unintended outcomes counter to the intent of the regulation. These include:

    - The potential for landlords to install window/wall units, which are loud, inefficient and often poorly installed with gaps that allow draughts into the home. Along with the inefficiency issue, this may create safety risks (e.g. poorly mounted units falling out of windows, trip hazards, and electrical safety hazards).
    - The possibility that tenants will not use a two-star unit because they fear they are inefficient and therefore costly to run. Tenants may be more confident using a higher-rated heater.

3. Pre-2010 air-conditioners are less efficient and not comparable to current ones, but may inadvertently be perceived as compliant.

    - The energy ratings for air conditioners were recalibrated in 2010, meaning that pre-2010 units carry a rating label that is not comparable with newer ones, though it looks similar (Australian Government Department of Resources, Energy and Tourism 2013). For example, a 2-star air conditioner from before 2010 would be too inefficient to be legally sold in Australia today, yet it may appear to fulfil the new heating standard. A 5-star unit from before 2010 is roughly equivalent to a modern 2-star unit, therefore raising the rental standard to 4 or 5 stars would lessen this problem (although there would still be a disparity between old and new 5-star units).

Recommendation 1: The electricity and gas efficiency requirement for heaters should be increased to 4 stars.

Class 2 dwellings should also be required to install heaters (with appropriate exemptions for properties where it is impractical).

The proposed standards exclude Class 2 dwellings (i.e. flats) from the energy efficiency requirement on heaters. While we acknowledge that some apartment buildings present barriers to installing split-system air-conditioners or gas heaters, many do not. The Brotherhood believes it would be more appropriate to require flats to meet the energy efficiency requirement, with exemptions available for properties where it is legitimately impractical.

Recommendation 2: Class 2 dwellings should be included in the heating standard, with exemptions for properties where it is impractical to meet the standard.

[1] http://www.energyrating.gov.au/calculator, accessed 17 December 2019, using default assumptions.

[2] Retail appliance websites, accessed 17 December 2019. Assumed installation cost of $600 for split systems (which require an electrician) and $200 for window/wall units (which do not).

Unsafe gas heaters should be required to be removed to meet the standard

The heating standard should be used to require the removal of unsafe gas heaters from rented homes.

Un-flued gas heaters are restricted and described by Energy Safe Victoria (2019) as potentially 'extremely dangerous'.

Open-flued heaters operated under certain conditions have caused deaths in Victoria (see Energy Safe Victoria (2019) for an explanation of the issues). Safety alerts have been released for specific open flued gas heaters in Victoria. However, these potentially unsafe heaters remain in many rented homes and may continue to under the new rental standards.

Factors determining the risk from open-flued gas heaters include:

- the type and age of the heater,
- the servicing regime,
- the practices of home occupiers,
- the physical characteristics of the dwelling, including ventilation, weather sealing and exhaust fans – all of which can change over time, and
- the presence or absence of appropriately installed and sited CO alarms.

The BSL is gravely concerned that the combination of factors and mixed responsibilities between landlords, property managers and tenants makes it foreseeable that there will be more deaths from homes with these heaters. We note the Coroner's recommendation in 2018 to implement a strategy to phase out all open flued gas heaters (see Hawkins 2018).

To minimise risk, the BSL believes there should be a requirement for the replacement of open flued gas heaters within a specified timeframe. Prior to the removal deadline, mandated checks with tough penalties on landlords for non-compliance are needed.

Recommendation 3: The new rental standard should require the replacement of open-flued heaters by a set date, and the Government should investigate removing un-flued heaters through standards.

We support the other new standards and regulations related to energy efficiency

The Brotherhood supports the intent of the proposed standards relating to dishwashers, allowing tenants to make small efficiency improvements, weatherproofing, and mould.

In relation to weatherproofing and mould, we are concerned the standard as drafted will be difficult to enforce because it will be difficult to determine the cause of any given mould, and that the proposed standard should also prohibit mould caused by appliances or ventilation (e.g. broken exhaust fans or windows that do not open or cannot be opened without compromising security).

We also support the requirement to disclose embedded network status and the presence of asbestos.

Recommendation 4: The standard for mould and damp should be revised to clarify the meaning of 'caused by or related to the building structure' and include mould caused by faulty appliances or inadequate provision of secure ventilation options.

Broader energy efficiency standards for rented homes remain necessary

Heating comprises only part of a household's energy consumption, and the Brotherhood believe broader standards remain necessary because:

1. Beyond heating, many rented homes are inefficient, expensive and unhealthy to live in

While requiring fixed heaters will reduce renters' reliance on expensive-to-run portable electric heaters, it will not address the broader inefficiency of many rented homes, which strain renters' budgets and can harm their health. The annual, non-heating-related cost of running an efficient home can be thousands of dollars less than an inefficient one, which is hugely significant for low-income renters and represents money that can be saved or spent on other essentials.

Many rented homes are inefficient and, partly as a consequence, renters are overrepresented in energy stress. Fewer than half of Victorian tenants report having reverse-cycle air conditioners, thick curtains or ≥4-star appliances, and only 4% report having solar panels (Newgate Research 2018). Many renters spend a large share of their disposable income on energy and housing, with more than a quarter spending over 41% (ACOSS & Brotherhood of St Laurence 2018). Renters are more likely than homeowners to report being unable to heat/cool their home adequately or pay bills on time – forcing many to choose between using energy and purchasing other essentials – and are more likely to require a Utility Relief Grant (ACOSS & Brotherhood of St Laurence 2019, Roy Morgan Research 2015).

Beyond heating, poor-quality housing is associated with poor health and higher mortality rates in summer and winter. For example, damp or mouldy homes can increase the risk of respiratory illness and asthma (Braubach et al. 2011) and improving home energy efficiency is associated with improved mental health and lung function, reduced incidence of COPD and high blood pressure, and reduced mortality and severity of asthma (Liddell & Morris 2010, Barton et al. 2007, International Energy Agency 2014). Inefficient homes also contribute to climate change by wasting energy, and improving them will be a necessary part of Victoria's commitment to reaching net zero emissions by 2050.

2. Broad standards are the most effective way to improve rented homes' efficiency

Minimum standards also remain necessary because they are the best way to improve rentals' energy efficiency on a large scale. Landlords have little incentive to install upgrades, and often a disincentive because like-for-like replacements can be tax-deductible while improvements cannot (ACOSS 2013). Tenants do not have the right to make most upgrades, nor necessarily the incentive given that most leases are shorter than the payback times of many upgrades. Voluntary schemes have seen limited take-up (for example the Solar Homes program's renters stream) and most landlords are unaware of them (Newgate Research 2018).

What broader standards should cover

We encourage the Victorian Government to expand standards to other household features, such as:

- hot water systems, which could be required to meet a standard at the time of replacement
- lighting, particularly banning halogens
- R3 ceiling insulation, with exemptions for properties where it is impractical
- rooftop solar, possibly as an alternative to other major items (e.g. hot water systems).

Compliance needs to be properly enforced

To have their intended benefits, the new minimum standards must be enforced in a meaningful way. Relying on renters to correctly identify deficiencies and request urgent repairs or risk going to VCAT is not adequate. In many cases, renters will be unfamiliar with their rights and unable to assess whether a home complies. For example, many renters will not know what adequate weatherproofing looks like and, where a heater's energy rating label has been removed, it will be difficult for renters to ascertain whether it is efficient enough. Even if they know their home is noncompliant, many renters will also be afraid of the potential consequences of confronting their landlord, such as rent increases, evictions and bad rental histories.

Recommendation 5: Provisions for enforcing compliance with the minimum standards should be strengthened, with consideration given to audits and fines for noncompliant landlords.

Please contact Damian Sullivan (e: dsullivan@bsl.org.au m: 0405 141 735) or David Bryant (e: dbryant@bsl.org.au ph: 03 9483 2470) for further information about this submission.

Yours sincerely,

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