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**Brotherhood  
of St Laurence**

Working for an Australia free of poverty

Environment, Planning and Sustainable Development Directorate  
ACT Government

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**Submission regarding ‘minimum energy efficiency standards for rental homes in the ACT’ consultation paper**

The Brotherhood of St. Laurence (BSL) welcomes this opportunity to provide feedback on the ACT Government’s consultation paper regarding minimum energy efficiency standards for rented homes, and the accompanying regulation impact statement (RIS). The BSL has been advocating for rental standards for many years, and has delivered, and conducted research on, a range of energy efficiency pilots with low-income households, such as programs providing Victorian Residential Efficiency Scorecard home assessments and retrofitting over 700 efficient hot water systems and 88 “deep” energy efficiency retrofits (e.g. insulation, heaters, and draught sealing).

The BSL strongly supports minimum energy efficiency standards for rented homes, which we see as a vital policy that will lower cost of living and improve health and comfort for renters, particularly the people facing disadvantage who we work with. Standards are particularly effective at improving the quality of the poorest quality homes, which are often rented by people on low incomes. People in these poor quality homes are too often in an unenviable position – high rent and low income give them limited choice in the market, if they end up in a poor quality home (as they often do) they face higher electricity bills or poor health and wellbeing outcomes. Minimum standards can go some way to addressing this issue.

Standards will also contribute to Australia’s climate change response and improve air pollution.

The ACT’s proposed ceiling insulation standards are an important first step in improving the efficiency of rented homes and we commend the government for its work on them. However, we believe that the standards should also be extended to require efficient heaters, and to phase out gas appliances. We would also support the star-rating option being adopted as an “either / or” alternative to meeting the insulation and heating standards (see below for further detail).

This submission responds to selected questions raised in the consultation paper.

**1 Q2. [...] Do you support the initial adoption of a ceiling insulation standard? Why or why not?**

The BSL strongly support the introduction of a ceiling insulation standard, but believe the standards should also be extended to efficient heaters and to phase out gas appliances. In our view, standards are the best way to improve the efficiency of rented homes, because they overcome the split-incentive problem whereby neither landlords nor tenants have an incentive to improve the home. We would also support the introduction of the star-rating-based upgrades, including as an option where the standards

could be met by either a) installing appropriate insulation and heating devices OR b) meeting a certain star level. This could provide more flexibility to landlords and promote the use of accredited ratings tools. It would be important to ensure the star rating is high enough to ensure a decent thermal comfort in the home. At the same time, an efficient heater should be a basic entitlement in any home in cold climates.

### 1.1 The RIS does not adequately account for the benefits of energy efficiency

In our view, the regulation impact statement accompanying the consultation paper does not adequately account for the benefits of improving energy efficiency in rental homes.

The RIS's decision to discount energy savings on the basis that the costs of the savings will be transferred to other households does not account for equity. Most low-income households are renters in the ACT (Australian Bureau of Statistics 2021), so even if the costs of energy savings were transferred to homeowners, it's likely that this would be a progressive redistribution.

The benefits to the households who save energy should not be overlooked, in our view. Low- and medium-income households are more likely than richer households to spend money they save on energy, often on essentials, creating more economic stimulus that is not accounted for (Denniss, Grudnoff & Richardson 2020).

It is unclear why the RIS assumes that 'a large proportion of the costs avoided by the tenant are unavoidable fixed costs' (p.39) when all savings will come from the variable, not fixed, component of tenants' bills. This also seems to assume that all customers are on an offer where their retailer is making minimal profit (i.e. one where the retailer could not reduce their profit margin), which is unrealistic. If these costs were not assumed to be fixed and therefore not necessarily recouped from other customers, the benefits would be much greater.

The RIS also appears to omit important benefits, such as:

- The merit order effect of energy efficiency, which could lower energy market prices
- Most of the health benefits of energy efficiency, which are widely acknowledged (International Energy Agency 2014)
- The savings to government healthcare spending, which in itself can pay back the cost of energy efficiency programs (Rosenow, Platt & Demurtas 2014)
- The reduction of the potential future winter peak in electricity usage as the ACT electrifies
- Increased resilience to extreme weather (heat and cold), which will become increasingly valuable as the climate continues to change
- The need to phase out the use of gas, and the likelihood that landlords or the ACT Government will incur costs associated with replacing gas appliances eventually, regardless of minimum standards
- The societal benefits of employment created by introducing standards

### 1.2 Standards should also mandate efficient heaters

The BSL believe that the minimum standards for rented properties should also mandate energy efficient heaters, as Victoria has done. Heating is a necessity for health (World Health Organization 2018, p. xvii), but a major cost for households in the southern states. (We accept that a small number of very high

efficiency houses may not need fixed heating, however, there are currently too few of these homes to warrant them stopping a standard being in place).

As the RIS found, about three-quarters of ACT tenants use highly inefficient electric resistance heaters (ACIL Allen 2021, p. 8), which use approximately three to six times as much energy as a reverse-cycle air conditioner per unit of heat produced (Renew 2018). This creates a large cost for renters, or alternatively causes renters to ration heating to the detriment of their health – a common response in low-income households.

The Victorian RIS for its minimum standards, for example, found that the savings of its heating requirement outweighed the costs by about 3:1 (Regulatory Impact Solutions 2020, p. 124). A shift to efficient heating (particularly reverse cycle air-conditioning for heating) is likely to contribute to lower winter peaks, particularly once sufficient market penetration is reached.

### **1.3 Standards should phase out gas in line with the ACT Government's climate strategy**

Only mandating ceiling insulation, not electric heaters, would fail to address the need to phase out gas in homes that the ACT Government has identified, and leave little time to act in future. We would support the adoption of a heating standard that disallowed new gas heaters now, followed by further standards to phase out gas appliances in future.

Few landlords will electrify their rented properties without standards because they have little incentive to do so. In the absence of policy, it is therefore unlikely that rented homes will transition to electricity-only at the pace required to meet the government's net-zero-by-2045 plan. To illustrate, the scenario presented in the ACT Government's (2019, p. 39) climate strategy assumes that most homes will be disconnected from gas by 2030 – just eight years' time. If we do not start now, there will be little time to replace most rented homes' heaters, cookers and hot water systems within eight years, given that ceiling insulation alone requires a 2–5-year transition period. If rented homes consequently lag behind owned homes in electrification, they may face rising and unaffordable gas prices as the gas network becomes increasingly underutilised.

## **2 Q9. Should rental providers be required to formally apply for an exemption, including submitting evidence? [...]**

Yes, in our view, landlords should be obliged to apply and face scrutiny where they believe their property should not be required to meet the minimum standards. This will mitigate the risk of landlords attempting to gain exemptions for illegitimate or frivolous reasons.

The exemption process should be made as simple as possible, however, with appropriate checks and balances.

## **3 Q18. Should "DIY" or use of unaccredited installers in rental properties be disallowed?**

Installers of insulation should be required to meet safety standards. Correctly installed insulation is very safe, but installing insulation wrongly can cause significant harm to both tenants and installers, as well as compromising the performance of the insulation.

#### 4 Q24. How should the minimum standard be enforced and non-compliance addressed?

The minimum standard should be enforced through requiring photos of the complying features to be included in condition reports and a program of random audits. Audits will be particularly important if the standard only requires ceiling insulation of a certain rating, which is very difficult or impossible for tenants to assess on their own. If there is no such threat of audits, there will be little to stop landlords claiming they comply when they do not.

To reduce the need to address non-compliance, a targeted advertising campaign, via diverse channels and with translation to relevant languages should be put in place to highlight: the benefits of the standards; the date landlords need to meet them; any incentives that are in place to help meet them; where landlords can get free advice on compliance and any penalties for non-compliance.

Following appropriate advertising and the provision of incentives to meet the standard, non-compliance should be addressed through a similar approach to New Zealand's, where 'exemplary damages' of up to \$7,200 are owed by the landlord to the tenant, with a minimum amount (see Tenancy Services 2019), providing the dispute could not be resolved by discussion between the two parties. Landlords should also be made to comply with the standard. Consideration should be given to the tenant being able to arrange the upgrade if the landlord doesn't, with the requirement the landlord pays for the measures.

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Yours sincerely,

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