18th of November 2019

Improving energy efficiency of existing home to create healthy, safe and affordable homes

To COAG Energy Ministers,

The 40 organisations supporting this letter are urging COAG Energy Ministers to improve the energy efficiency of existing homes by supporting the measures and activities outlined in this letter at the upcoming Council of Australian Governments (COAG) Energy Council meeting on 22 November 2019.

We have welcomed previous statements on the importance of improving energy efficiency for existing homes and the Energy Council's support for the consultation process for the Trajectory for Low Energy Existing Homes. The upcoming COAG meeting is an important opportunity to reconfirm this commitment and agree on actions that will deliver substantial benefits to people, the environment and the economy.

Support for Improving Energy Efficiency in Existing Homes[1]

Everyone deserves to live in a home that is safe, comfortable and affordable. Improving the energy efficiency for existing homes is one of the most effective ways to reduce the size of energy bills and the risk of homelessness, as well as improving health and wellbeing, reducing deaths from extreme heat and cold, especially for the 3 million people who live below the poverty line.

Improving the energy efficiency of existing homes will also reduce greenhouse gas emissions, improve the reliability and security of the energy grid, reduce energy costs through reducing peak demand, create thousands of jobs, and improve economic productivity. For example, if all recommendations from the Report for Achieving Low Energy Existing Homes Version 5.0 were introduced by 2022 in all jurisdictions, it would deliver benefits with a net present value of $5 billion and reduce greenhouse gas emissions by 52.7 MtO2e by 2050 (based on conservative assumptions and a very limited selection of the total range of benefits).[2]

Importantly, in an environment of economic uncertainty, accelerating implementation of energy efficiency measures for existing homes will help boost investment and job creation by the private sector.

There is strong community support for energy efficiency measures in Australia[3] and many of the measures proposed for Australia have been successfully implemented in New Zealand, the European Union and several American states. Early implementation of a systematic and comprehensive plan to improve the energy efficiency of existing homes will deliver substantial benefits to people, the environment and the economy and should be seen as a high government priority for immediate action.

While we support the Trajectory for Low Energy Existing Homes Report's proposed intermediate action plan, there are two areas that need strengthening:

- **Policies and measures to support people on low incomes**

  People on low incomes are most at risk of high energy bills and poor health outcomes as a result of inefficient housing. Positive outcomes for low-income Australians must be prioritised by implementing mandatory minimum energy efficiency standards for rental homes including specific measures to support implementation in public, Aboriginal[4] and community housing. There is also a need for an ongoing financial support scheme to assist low-income owner-occupiers assess and improve the energy efficiency of their homes.

- **Clear commitment from COAG to implement energy efficiency measures**

  We would also like to see COAG Energy Ministers *commit* to implement energy efficiency measures, not just give support for an Interim Action Plan. While we understand jurisdictions will need to undertake a Regulatory Impact Statement (RIS) before implementing measures, we would argue the benefits have been established and the RIS should go to the "how" and "when" the policy or measure should be implemented, not "if". Too often we have seen governments walk back from policy before specific commitments to targets or program/policy outcomes have been made.

Recommendations

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[1] See appendix 1 for further information of risks, barriers and benefits.

[2] Department of Environment and Energy (2019) Report for Achieving Low Energy Existing Homes, draft document, September 2019, Version 5.0

[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

[4] Where we refer to Aboriginal housing we are inclusive of Aboriginal and Torres Strait Islander housing and include State owned and Managed Indigenous Housing (SOMIH), Indigenous Community Housing Organisations (ICHO) and housing provided under the National Partnership Agreement on Remote Indigenous Housing (NPARIH) and the National Partnership Agreement on Remote Housing (NPARH) which followed it.

In light of the above, we are urging you to support our calls and agree to the following at the COAG Energy Council meeting on the 22nd of November 2019:

- Endorse the proposed Intermediate Action Plan laid out in the report for Trajectory for Low Energy Existing Homes, in the time frame recommended.

In addition, we are calling on the COAG Energy Council to *commit* to:

- Improve the energy efficiency of existing homes in line with the goal of achieving zero energy (and carbon) ready new homes.*
- A process to develop long-term and interim targets for improving energy efficiency for existing buildings over time, in line with the goal of achieving zero energy (and carbon) ready new homes.*
- Introduce mandatory disclosure of home energy performance at point of sale.#
- Introduce mandatory energy efficiency standards for rental properties including private, public, Aboriginal and community housing.
- Prioritise financial support for low-income owner-occupiers to improve energy efficiency of their homes and agree to establish an ongoing scheme to support low-income owner occupiers to undertake energy efficiency audits and upgrade the energy efficiency of their homes.
- Prioritise improving the energy efficiency of all public, Aboriginal and community housing and agree to work with Housing Ministers on a plan including to collect data, set targets, and provide additional funds to upgrade or replace with more energy efficiency housing.
- Develop a social marketing campaign ahead of introducing new measures to accelerate support and uptake of measures and improve their effectiveness.

We note that any national agreement should not hinder initiatives in individual states that may seek to implement solutions on a faster time frame or with more ambitious outcomes.

Australian Council of Social Service
ACT Council of Social Service
Anglicare Australia
Australian Health Promotions Association
Better Renting
Brotherhood of St Laurence
Climate Health Alliance
Co Health
Community Housing Industry Association Australia
Community Housing Industry Association Victoria
Conservation Council SA
CoolMob
Council of the Ageing
Doctors reform Society
Energy Efficiency Council
Environment Centre NT
Environment Victoria
Ethnic Communities Council of NSW
GEER Australia (Group of Energy Efficiency Researchers)
Life Without Barriers
NSW Council of Social Services Nature Conservation Council
NT Council of Social Service
Public Health Association
Public Interest Advocacy Centre
Queensland Council of Social Services
Renew
Services for Australian Rural and Remote Allied Health
Shelter National
Shelter NSW
Shelter TAS
Shelter WA
St Vincent de Paul Society
Tasmanian Council of Social Services
Salvation Army
Uniting Communities
Tenants Union NSW
Victorian Council of Social Service
Western Australian Council of Social Service
Yarra Energy Foundation

* Noting that some limitations may exist for some existing homes and exemptions may need to apply

Noting we will need to eventually move to mandatory energy efficiency standards for owner occupier homes to realise all the benefits

Appendix 1

All Australians deserve a healthy, safe, affordable home

Poor energy efficient homes contributing to poor outcomes for people, community and economy

The poor energy performance of many homes in Australia, 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 unaffordable to run, and are too cold in winter and too hot in summer.

This is a critical issue for the 3 million people living in poverty[i] who face the difficult choice between cutting back on energy use, to the detriment of their family's health and safety, or going without other essential services such as food and medicine to afford energy bills. In some cases, people are forced to pay the energy bills over paying rent on time and end up homeless.

The poor energy performance also means we are underutilising one of the cheapest ways to reduce greenhouse gas emissions and reduce costs of the energy market.

The problem is the vast majority of Australia's 9.5 million homes were built before adequate minimum energy efficiency standards were introduced for residential buildings in 2005. Recent data released by the Department of Environment and Energy found new homes have an average rating of 6.1 stars whereas existing homes have an average rating of only 1.7 stars. The performance lags behind other major economies.

There are significant barriers to improving energy efficiency of existing homes

Affordability: People on low incomes spend significantly more of their income on electricity and gas (on average, 6.4%) compared to households on the highest income quintile (who pay an average of 1.5% of income). They also have little choice or control in improving the energy efficiency of their homes or access renewable energy, because they cannot afford the upfront costs of upgrades.

***Split incentive*:** In rental properties landlords are reluctant to invest in energy upgrades especially if they cannot recoup costs or allow tenants to invest. This is demonstrated by significantly lower uptake of solar rooftop, insulation and other energy efficiency measures.[ii] There must be recognition that owners of investment properties are making an active choice to provide a housing service and have responsibilities to provide a safe, affordable and decent home to their tenants.

***Awareness and information*:** People are sold or leased homes without knowing what the costs to run the home will be. There is a lack of standard information on best ways to improve the energy efficiency of homes.

***Ownership structure*:** Public housing is owned and managed by Government and are subject to government policy and budgets. 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. [iii,iv]

***Existing laws and regulation*:** Landlords can offset the cost of repairs made to properties against their taxable income only when they replace like for like. Make good clause requires tenants to return properties to original state which disincentives tenant investment in energy efficiency as savings won't be realised.

***Motivation*:** unlike new homes, there is no requirement or incentive to improve the energy efficiency of existing homes.

Barriers can be overcome with appropriate, targeted and systematic policies to ensure everyone benefits. The European Union, a number of American States and New Zealand have implemented a range of measures that we can draw and learn from.

Improving housing energy performance has multiple benefits

Improving the energy efficiency of our homes is a moral imperative and has multiple benefits for people, the community, the electricity grid and governments through:

- ***Lower energy bills**:* Modelling has found that a one off investment of $5,000 on efficiency upgrades such as hot water system, heating and cooling appliances, insulation, lighting for the average house could cut energy bills by up to $1,139 per annum depending on the region.[v] St George Community Housing retrofitted 1400 community housing places across NSW, saving tenants an average of $570 each year.
- ***Improved health and well-being:*** The poor energy efficiency of our homes is imposing significant health risks, particularly in extreme weather events and among vulnerable groups such as children, the elderly and those with pre-existing illnesses. For example, the heatwave in south-eastern Australia in 2009 is estimated to have contributed to 374 excess deaths,[vi] while a recent international study concluded that more people die from the effects of chronic cold in Australia than in Sweden.[vii] Unaffordable energy bills are driving more and more people into debt and driving social isolation, creating mental and physical distress. Improving the energy efficiency of homes will lead to a reduction in extreme temperature related deaths and illnesses, poor stress related mental and physical health outcomes and reduced pressure on health services and budgets.
- ***Social equity:*** People on low incomes, renters and social housing tenants are more likely to live in poor quality housing. Implementing measures to systematically improve the energy efficiency of **all** homes will result in people on low income being able to access homes that are cheaper to run and healthier to live in, improving social equity.
- ***Reduce risk of homelessness***: Improving energy efficiency and reducing energy bills can reduce the risk of homelessness for people on low incomes, particularly those who rent their homes and who face difficult choices between paying utility bills and rent.[viii]
- ***Low-cost emission reductions:*** Homes contribute more than 11 percent of Australia's greenhouse emissions.[ix] Reducing building sector emissions could deliver 28 per cent of Australia's 2030 emissions reduction target at low to negative cost. The Trajectory for Low Energy Existing Homes Report, found if all the Reports recommended policies were introduced by 2022 in all jurisdictions they could deliver 52.7 MtC02e by 2050 (based on conservative assumptions and a limited range of the benefits). Failing to capture low-cost opportunities in the building sector will increase the cost of meeting international commitments, by requiring potentially higher cost reductions in other sectors of the economy.[x]
- ***Improved resilience of the electricity system:*** Australian homes account for around 24 percent of electricity demand – even more in peak periods such as heatwaves.[xi] Where both network investment and wholesale energy prices are driven by periods of peak demand, reducing demand by improving efficiency can reduce the need for costly network and generation investment resulting in lower prices for all, while also reducing the risk of blackouts at peak times.[xii] The Trajectory for Low Energy Existing Homes Report, found if all the Reports recommended policies were introduced by 2022 in all jurisdictions they could deliver 429.3 PJ of energy by 2050 (based on conservative assumptions and a limited range of the benefits).
- ***Job creation**:* Energy efficiency is already a major job creator in Australia. Recent analysis found that implementing energy efficiency improvements to Australian homes and businesses would create an extra 120,411 FTE job-years of employment.[xiii]
- ***Economic Stimulus*:** The Trajectory for Low Energy Existing Homes Report, found if all the Reports recommended policies were introduced by 2022 in all jurisdictions they could deliver a net present value of $5 billion by 2050 (based on conservative assumptions and a limited range of the benefits). Energy bill savings freed up for spending elsewhere in the economy would contribute to further economic stimulus and job

creation. In an environment of economic uncertainty, accelerating implementation of energy efficiency measures for existing homes will also support much needed economic stimulus.

The benefits of investing in improving energy efficiency of existing homes is significant. Public polling[xiv] shows there is strong community support for energy efficiency measures in Australia.

Without government intervention to address clear market failures, the costs of inefficient homes will continue to fall disproportionately on low income and disadvantaged households who are most in need.

Based on the costs and benefits, the early implementation of a systematic and comprehensive plan to improve the energy efficiency of existing homes will deliver substantial benefits to people, the environment and the economy and should be seen as a high government priority for immediate action.

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

[ii] QCOSS (2016) Choice and Control? The experiences of renters in the energy market. https://www.qcoss.org.au/choice-and-control-experiences-renters-energy-market

[iii] 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.

[iv] 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

[v] ACOSS and BSL (2019) Energy Stressed in Australia. https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf

[vi] Department of Health and Human Services 2009, *January 2009 Heatwave in Victoria: an Assessment of Health Impacts*, Government of Victoria

[vii] A. Gasparrini et al., 2015, "Mortality risk attributable to high and low ambient temperature: a multi-country observational study", *Lancet*, vol. 386 p. 369

[viii] Liu, E., Martin, C. and H. Easthope 2019, *Poor quality housing and low-income households*, Shelter Brief 63, City Futures Research Centre for Shelter NSW

[ix] Department of Environment and Energy 2018 *ibid*.

[x] ASBEC, ClimateWorks Australia 2018 *ibid*.

[xi] Department of Environment and Energy, *Australian National Greenhouse Accounts: National Inventory by Economic Sector*, February 2018, page 2

[xii] Australian Sustainable Built Environment Council (ASBEC) and ClimateWorks Australia (CWA) 2018, *The Bottom Line: The household impacts of delaying improved energy requirements in the Building Code*

[xiii] Green Energy Markets 2019, *Energy Efficiency Employment in Australia*, commissioned by Energy Efficiency Council (EEC) and Energy Savings Industry Association (ESIA)

[xiv] 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

Participants from the BSL's Home Energy Efficiency Program. Photo © Cara Bradley, BSL

Contact:

Kellie Caught
Senior Adviser, Climate and Energy
ACOSS
kellie@acoss.org.au