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Submission: Minimum energy efficiency standards for rental homes in the ACT consultation paper

The ACT Council of Social Service (ACTCOSS) welcomes the opportunity to respond to the consultation paper on minimum energy efficiency standards for rental homes in the ACT.[1] This submission outlines our view of why the establishment of minimum standards is an important social justice measure and provides our responses to each of the issues raised in the consultation paper: the proposed standard; support for introduction of the standard; implementation issues; and evaluation and review.

In summary, our submission:

- supports the initial adoption of a ceiling insulation standard of R2 as a bare minimum
- recommends that the ACT Government include complementary measures as part of the initial regulation
- recommends that the ACT Government provide a clear pathway to a more ambitious minimum standard over the next 5-10 years that includes:
    - Gradually raising the minimum ceiling insulation standard
    - Adding energy efficient electric heating and/or reverse-cycle air conditioning

[1] Environment, Planning and Sustainable Development Directorate, *Consultation paper: minimum energy efficiency standards for rental homes in the ACT* [pdf], ACT Government, Canberra, 2021, accessed 16 December 2021.

    - Adding energy efficient electric hot water
    - Further consideration of a performance-based standard
- recommends tailoring financial supports for rental providers through the Vulnerable Household Energy Support Scheme and the Sustainable Household Scheme which recognises rental providers' contributions to social benefit through the provision of affordable housing
- recommends ACT Government take an active approach to safety, quality assurance, and monitoring and enforcement
- suggests a range of evaluation and review options to track progress towards compliance and the impact of the regulation.

About ACTCOSS

ACTCOSS advocates for social justice in the ACT and represents not-for-profit community organisations. In partnership with Care, ACTCOSS leads the ACT Energised Consumers Project which is co-funded by Energy Consumers Australia (ECA) and the ACT Government. Through this project ACTCOSS advocates for residential, not-for-profit, and small business energy consumers in the ACT. Through this project, ACTCOSS also advocates for a just transition to net zero greenhouse gas emissions in the ACT and fair and just outcomes for low-income households in relation to energy more broadly. ACTCOSS is also a Healthy Homes for Renters campaign partner, supporting the national call for legally enforceable energy efficiency standards that require property investors to make their rental properties safe.

Minimum energy efficiency standards for rental homes and social justice

ACTCOSS welcomes this initial step by the ACT Government in delivering on its commitments in the ACT Climate Change Strategy 2019-25 and in the 2020 Parliamentary and Governing Agreement to:

- by 2021, introduce legislation for staged minimum energy performance requirements for rental properties to come into force in 2022–23; and
- implement a five-year, $50 million program to improve building efficiency and sustainability for social and public housing, low-income owner-occupiers, and the lowest performing rental properties; this includes upgrades to government housing, and financial incentives to implement minimum energy efficiency standards in rental properties.

ACTCOSS has long advocated for the introduction of minimum energy efficiency standards, including when they were proposed a decade ago under the Residential Tenancies (Minimum Housing Standards) Amendment Bill 2011.[2] As we noted then:

> Poor property standards without appropriate energy efficiency can result in crippling bills, discomfort and often health related problems – especially in cold jurisdictions such as Canberra. The most inefficient properties are likely to be the properties rented by people on limited incomes, who have the least capacity to pay for higher ongoing energy costs.[3]

Establishing minimum energy efficiency standards for rental homes in the ACT is an important social justice measure. It addresses a market failure and a power imbalance that results in inequitable social, economic and health outcomes for over one-third of Canberra's households who rent their home. Adequate minimum energy efficiency standards will contribute to improved individual and household wellbeing by reducing energy costs and financial stress and by improving thermal comfort and health outcomes. These standards will also contribute to community wellbeing by reducing greenhouse gas emissions and enhancing climate resilience.

Rental households in Canberra are paying the highest house and unit rents of any Australian capital city, and the ACT has the highest rate of low-income private rental households experiencing rental stress at 73%.[4] In March 2021, Anglicare Australia's Rental Affordability Snapshot found that out of 1,002 private rental properties advertised in Canberra none were affordable for households on working-age social security payments such as JobSeeker, Youth Allowance, and the Disability Support Pension. An extremely small proportion were affordable for households receiving the age pension or on the minimum wage.[5] In November 2021, the Rental Affordability Index found that Canberra is the least affordable city for low-income renters, being extremely or severely unaffordable for a person on JobSeeker Payment, an age pensioner, a part-time worker parent on benefits, and a hospitality worker.[6]

ACT's rental households have been hit hardest by rising housing and energy costs. Over the past five years Canberra rents have increased by 10%, while electricity and

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[2] See ACTCOSS, *Submission: Residential Tenancies (Minimum Housing Standards) Amendment Bill 2011*, ACTCOSS, Canberra, 2011, accessed 14 December 2021.

[3] ACTCOSS, *Submission: Residential Tenancies (Minimum Housing Standards) Amendment Bill 2011*, p. 3.

[4] ACTCOSS, *2021 ACT Cost of Living Report*, ACTCOSS, 2021, accessed 14 December 2021.

[5] Anglicare NSW South, NSW West and ACT, *Anglicare Research: Rental Affordability forcing more Canberrans into financial hardship* [media release], Anglicare NSW South, NSW West and ACT, 29 April 2021, accessed 22 June 2021.

[6] SGS Economics and Planning, *Rental Affordability Index: November 2021 key findings* [pdf], SGS Economics and Planning, Canberra, 2021, accessed 14 December 2021.

gas prices have increased by 28% and 26% respectively.[7] In 2021-22 regulated retail electricity prices for the average ACT household will increase by almost 12%.[8] The ACT is the only jurisdiction where electricity prices are forecast to increase in the period from 2020-21 to 2023-24.[9] The 2021 Energy Consumer Sentiment Survey found that electricity (65%) and housing costs (57%) were the two most concerning costs for ACT households, while the national figures show that electricity (72%) and housing costs (64%) were far more concerning for renters than for households with a mortgage (55% and 33%).[10]

The 2018 ACT Longitudinal Survey on Climate Change found that low financial resilience was most common among rental households (33%).[11] The survey also found that more than one-third of ACT region residents (35.9%) live in homes that perform poorly in heatwaves: they heat up quickly, cool down slowly, and high costs are incurred to cool them during extended heatwaves.[12] Among these households, 'renters were more likely than those with mortgages or who owned their home outright to report experiencing all heatwave-related health and social problems' – overall, rental households were found to have the lowest resilience to heatwaves.[13]

Research by Better Renting has found:

- two in five rental properties in the ACT are advertised with the lowest energy-efficiency rating[14]

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[7] ACTCOSS, *2021 ACT Cost of Living Report*.

[8] Independent Competition and Regulatory Commission (ICRC), *Retail electricity price recalibration 2021–22: standing offer prices for the supply of electricity to small customers*, Report 11 of 2021, ICRC, 2021, accessed 12 July 2021.

[9] Australian Energy Market Commission, *2021 Residential electricity price trends report*, AEMC, Sydney, 2021, accessed 14 December 2021.

[10] Energy Consumers Australia, *Sentiment Survey December 2021*, Energy Consumer Sentiment & Behaviour Surveys, Sentiment Survey December 2021, ECA website, accessed 14 December 2021.

[11] J Schirmer & B Yabsley, *Living well with a changing climate: findings of the 2018 ACT Longitudinal Survey on Climate Change* [pdf], Health Research Institute, University of Canberra, Canberra, July 2018, p. 33, accessed 14 December 2021.

[12] Schirmer & Yabsley, *Living well with a changing climate: findings of the 2018 ACT Longitudinal Survey on Climate Change*, p. 49.

[13] Schirmer & Yabsley, *Living well with a changing climate: findings of the 2018 ACT Longitudinal Survey on Climate Change*, p. 50.

[14] Better Renting, *Baby it's cold inside: energy efficiency ratings in the ACT*, Better Renting, Canberra, 2019, accessed 14 December 2021.

- inefficient rental properties deny ACT renters annual benefits worth almost $40 million[15]
- around 40 deaths per year in the ACT can be attributed to cold homes.[16]

Minimum energy efficiency standards for rental homes clearly have a critical role to play in reducing inequality and improving wellbeing in our community through better social, economic and health outcomes for rental households.

Proposed standard

The ACT Government is proposing the following as an initial minimum energy efficiency standard for rental homes in the ACT:

> Rental homes with less than R2 ceiling insulation are required to install or upgrade to a minimum of R5.

ACTCOSS supports the initial adoption of a ceiling insulation standard, with R2 being the bare minimum.[17]

We recommend that the ACT Government include complementary measures as part of the initial regulation (e.g., requiring draught proofing and/or curtain hanging where needed).

The ACT Government is well-positioned to support the delivery of these complementary measures at low or no cost and in partnership with not-for-profit community organisations through the extension of existing Actsmart programs such as the Low-Income Household Program (delivered by St Vincent de Paul Canberra/Goulburn) and the Renters' Home Energy Assessments (delivered by Australian Energy Foundation).

We welcome the ACT Government's emphasis that the R2 ceiling insulation standard is being proposed as an **initial** minimum energy efficiency standard. ACTCOSS recommends that the regulation provides a clear indication of, and demonstrates a greater ambition for, the further development of the minimum standard over the next 5-10 years. We recommend that the ACT Government sets out a pathway that includes:

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[15] Better Renting, *Frozen out: the burden of energy deficiency on people who rent*, Better Renting, Canberra, 2018, accessed 14 December 2021.

[16] Better Renting, *Unsafe as houses: cold-housing deaths in the ACT*, Better Renting, Canberra, 2019, accessed 14 December 2021.

[17] ACIL Allen's Regulatory Impact Statement notes that: 'The R-value of ceiling insulation is a measure of the ability of insulation to resist heat flow. R5 is a grade of roof insulation commonly used in new builds and considered a cost-effective option in the Canberra climate'.

- Gradually raising the minimum ceiling insulation standard to R3 and R4 over time and/or gradually adjusting a threshold based on the year of a home's construction (as proposed in the submission by Better Renting)
- Adding energy efficient electric heating and/or reverse-cycle air conditioning to the minimum energy efficiency standard
- Adding energy efficient electric hot water to the minimum energy efficiency standard
- Further consideration of a performance-based standard informed by the ACT trial of the Victorian/National Residential Scorecard.

Supporting the transition of rental homes to energy efficient electric heating/cooling and hot water will be a critical task under the ACT Government's commitment to phase out fossil-fuel gas. Renters are among those most at risk of being stranded on an increasingly expensive gas network through this transition.

We would be keen to see the addition of energy efficient heating/cooling to the minimum standard by 1 July 2025. The Regulatory Impact Statement did not assess the combined impact of having both a ceiling insulation and heater standard. We would expect that combining ceiling insultation, draught-proofing, and heating in a minimum standard would result in significant synergy, producing a greater impact in combination than that found when assessing them separately.

Support for introduction of the standard

ACTCOSS has welcomed the ACT Government's commitment to support the introduction of minimum energy efficiency standards for rental properties by allocating $50m over five years for the Vulnerable Household Energy Support Scheme (VHESS).

We recommend that the ACT Government:

- design the VHESS in consultation with key stakeholders, including tenant and community advocates, social housing providers, and private rental sector representatives
- conduct an energy efficiency audit of all social housing stock in the ACT to identify which properties do not meet minimum energy efficiency standards
- apply VHESS funds to ensure that all Housing ACT social housing stock meets the minimum standard
- give Housing ACT responsibility for ensuring housing managed by community housing providers under a head lease meets the minimum standard

- that beyond supporting upgrades to Housing ACT's social housing stock, the VHESS should:
    - be targeted at addressing the need for energy efficiency improvements in community housing, private rental, and low-income owner-occupied dwellings
    - provide funding to community housing providers to meet minimum standards
    - restrict private rental provider eligibility for funding to those participating in the affordable community housing land tax exemption scheme
    - provide a partial rebate and access to zero-interest loans to private rental providers who can demonstrate financial hardship and/or are charging rent below a designated affordability threshold
    - in the absence of a minimum heater standard, provide rebates and/or zero-interest loans to tenants to upgrade to more energy efficient portable heating appliances
- focus on providing financing rather than grant funding for those private rental providers who are not providing affordable housing – this could be achieved by actively encouraging private rental providers to apply to the Sustainable Household Scheme to access zero-interest loans for energy efficiency improvements for private rental properties.

Overall, any financial support for rental providers should recognise and reflect the social benefit contributed by community and affordable housing providers by providing funding or partial rebates combined with zero-interest loans. Support provided to private rental providers through either the VHESS or the Sustainable Household Scheme should be conditional upon agreement not to increase rent and not to pursue a no-cause eviction within a designated period (e.g., 12 months). Care needs to be taken to avoid any loss of security or affordability for tenants.

ACTCOSS is keen to maximise energy efficiency improvement benefits delivered to renters by linking with and building upon existing supports for low-income and otherwise vulnerable households. These include:

- Low Income Household Program (delivered by St Vincent de Paul)
- Solar for Low Income Program
- Renters' Home Energy Assessments
- Energy Efficiency Improvement Scheme (which includes a priority household target)
- a forthcoming co-governed energy literacy and education program with the community sector.

Implementation issues

Exemptions

The consultation paper states that:

> the proposed regulation will not apply to lower floor units in apartment blocks, where it is usually not physically feasible to install ceiling insulation and where upper units effectively provide insulation from outside temperatures.[18]

Any additional reasons for exemption – e.g., installation of ceiling insulation is not financially viable or physically impossible – should be specific and limited, with onus on the rental provider to apply for an exemption and providing proof they qualify. We support a temporary exemption where a tenant objects to work being undertaken with the exemption lapsing when that tenant vacates the property or otherwise consents to work being undertaken.

Where an exemption exists due to financial cost or physical structure, we support the view shared with us by St Vincent de Paul Canberra/Goulburn, that other options should be explored to improve the energy efficiency and thermal comfort of the rental home through alternative measures such as floor or wall insulation or energy efficient electric heating.

Compliance

ACTCOSS supports a phase-in period for rental providers to comply with the minimum standard that balances the need for a timely roll out with industry capacity and the need to ensure safety and quality. As a Healthy Homes for Renters campaign partner, we recently signed on to a national call for all rental properties to meet basic minimum energy efficiency standards by 2025.[19] In line with this call, we agree with the view presented by Better Renting in their submission that a phase-in period of around three years would be sufficient, with the initial regulation to come into effect from 1 July 2022 and compliance to be required by 1 July 2025.

Complementary measures

As noted above, we recommend that the ACT Government include complementary measures as part of the initial regulation we see the ACT Government as being well-placed to deliver complimentary measures through existing programs, in partnership with not-for-profit community organisations.

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[18] EPSDD, *Consultation paper: minimum energy efficiency standards for rental homes in the ACT*, p. 11.

[19] https://www.healthyhomes.org.au/news/open-letter-minimum-standards

Safety measures

It is critical to ensure that the introduction of the initial ceiling insulation standard is safe for all involved, especially for installers and tenants. We support the ACT Government's proposal to manage safety risks by:

- coordinating with CIT and relevant industry organisations to provide training and accreditation for insulation installers
- requiring similar safety standards as to those put in place for insulation installation activities under the Energy Efficiency Improvement Scheme (EEIS)
- tying any financial assistance to using accredited installers and the required safety standards
- an education campaign to discourage "DIY" installation
- allowing sufficient time for implementation so as not to put excessive capacity demand on the industry.
- commissioning independent audits of insulation installations completed under the regulation
- maintaining a list of products that have been verified to meet the current version of the relevant Australian Standard
- maintaining a list of companies that are pre-approved to retrofit insulation.

ACTCOSS strongly recommends that "DIY" or use of unaccredited installers in rental properties be disallowed under the regulation. Installation of ceiling insulation to meet the minimum standard should only be undertaken by accredited installers using an accredited product, with appropriate training and safety measures in place.

While "DIY" installation of complementary measures such as draught sealing and curtain hanging comes with significantly less risk of injury, death, or property damage, we recommend education tools and support programs be available to rental providers and tenants.

Quality assurance

In discussions with staff from St Vincent de Paul's Home Energy Efficiency Program, the following quality assurance measures were identified which ACTCOSS would also recommend:

- accredited service providers
- proof of installation from accredited service providers including:

    - certificate confirming installation date
    - photographic evidence of installation
- penalties for service providers failing in their compliance
- randomised, independent auditing throughout installation phase.

Monitoring and enforcement

It will be impossible for tenants to determine whether their current or prospective rental home meets the minimum ceiling insulation standard, and the onus should certainly not be on them to do so. ACTCOSS would welcome both of the following measures presented in the consultation paper:

- incorporating compliance with the minimum standard into the Standard Tenancy Terms in Schedule 1 of the Residential Tenancies Act such that it becomes a condition of the tenancy agreement. This would place a positive obligation on the rental provider to ensure the property meets the standard and, on the tenant, to report anything that requires maintenance or repair; and
- mandatory disclosure statements by the rental provider could be required in rental advertisements and to be provided to the tenant before a tenancy agreement begins to indicate whether the property meets the minimum standard, or if there is a valid exemption.

The ACT Government's preference is to take a 'light-handed' approach to monitoring and enforcing compliance to the regulation in the first instance. ACTCOSS recommends the ACT Government take a more active approach from the outset which would include:

- education and awareness raising for rental providers of the minimum standard and their responsibilities (and for tenants of their rights)
- establishing a system to record ACT rental properties, rental providers, and their compliance with (or exemption from) the minimum standard
- random audits to assess compliance
- financial penalties for non-compliance – ensuring that these are higher than the cost of compliance and recurring (e.g., every 6-12 months) until compliance is achieved.

As proposed by Better Renting, Access Canberra could be enabled through funding and legislation to support monitoring and enforcement of compliance through the keeping and checking of rental property records.

Evaluation and review

To track progress towards compliance and the impact of the regulation, we suggest that the ACT Government's evaluation and review could include:

- tracking of the number of compliant and non-compliant rental homes over time – in comparison to the known or estimated number of non-compliant rental homes prior to commencement of the regulation
- tracking of demand for ceiling insulation installation over time – checking against industry capacity and progress towards compliance deadline
- regular reporting on safety and quality over course of the phase-in period
- an additional action under the goal 3 of the ACT Housing Strategy aimed at achieving minimum energy efficiency standards in all social housing and report annually on progress against this – to provide a baseline against which to measure progress, the ACT Government should fund an energy efficiency audit of all social housing stock in the ACT to identify which properties currently meet or exceed minimum standards and which do not
- tracking private rental providers' uptake of financial support to meet the minimum standard through the VHESS and Sustainable Household Scheme
- monitoring impact on tenant's energy bills – before and after minimum standard was met, plus comparison to energy bills for tenants in properties with R2-R4 insulation
- surveys of tenants regarding their thermal comfort, health status, energy usage, and energy costs – before and after minimum standard was met
- National Residential Scorecard assessments of sample of rental homes – before and after minimum standard was met
- monitoring impact on rental prices – before, during, and after phase-in period for compliance (noting challenge of identifying causation) – using rental bond data linked to compliance data
- assessment of the distributional impact and social equity outcomes of minimum standards, focusing on low-income rental households as well as other key demographic characteristics where possible
- assessment of contributions to improved individual, household, and community outcomes against relevant ACT Wellbeing Framework indicators.

Further engagement and development

ACTCOSS welcomes the ACT Government's proposed initial minimum energy efficiency standard based on a ceiling insulation option, but this needs to be accompanied by complementary measures and a pathway to a more ambitious minimum standards in the next 5-10 years.

The establishment of adequate minimum energy efficiency standards for rental homes is an important social justice measure that will help to reduce inequality and improve wellbeing in our community. In assessing the effectiveness of this and any future regulation, greater importance needs to be placed on the distributional and non-monetary impacts of existing and proposed minimum energy efficiency standards. This must include analysis of the impacts across household income levels. Low-income households spend a much greater proportion of their incomes on housing and energy costs than higher income households. As a result, changes in housing and energy costs will have a disproportionate impact on these households which can either reduce or exacerbate inequality in our community.

ACTCOSS is keen to continue engage with the ACT Government and other stakeholders to guide the implementation, monitoring, evaluation, and further development of minimum energy efficiency standards for rental homes in the ACT. If you would like to follow up on any of the issues raised in this submission, please contact Mr Geoff Buchanan, Senior Policy Officer, ACTCOSS on 0415 082 701 or geoff.buchanan@actcoss.org.au

Thank you for considering our feedback on this important issue.

Yours sincerely,

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CEO

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MINIMUM ENERGY EFFICIENCY STANDARDS FOR RENTAL HOMES IN THE ACT

OVERVIEW

As a landlord and parent of adult children who rent a home, I support the ACT Government's proposal to introduce a minimum energy efficiency standard for ceiling insulation in rental homes to take effect in mid-2022. I suggest some steps that the ACT Government might consider to strengthen its approach.

SUMMARY

Commonwealth, State and Territory Governments have set an ambitious national agenda to improve the energy efficiency of less energy efficient older homes. Over half of ACT households reside in poorly insulated homes. Arguments for energy efficiency apply to homes whether owned or rented. The ACT Government should:

- Suggestion 1: ensure that strategies to improve the energy efficiency of existing homes cover rented and owner-occupied homes, where practical.

We should harmonise ACT standards with any national energy efficiency standards that Commonwealth, State and Territory Energy Ministers might endorse. The ACT Government should:

- Suggestion 2: clarify how its proposed minimum energy efficiency standard for ACT rental homes will align with a future national framework for minimum energy efficiency rental requirements that Energy Ministers have foreshadowed.

Voluntary measures will not be enough to overcome market failures that have led to many landlords not improving the energy efficiency of older rental properties. While minimum standards will ensure landlords invest to improve energy efficiency, we must also encourage landlords to voluntarily do so. Balanced strategies will reduce the risk of adverse outcomes, in particular the risk of landlords reducing the supply of affordable rental housing. The ACT Government should:

- Suggestion 3: introduce minimum energy efficiency standards
- Suggestion 4: consider complementary strategies to avoid adverse unintended market outcomes
- Suggestion 5: ensure minimum energy efficiency standards are flexible.

The ACT Government should empower prospective tenants to encourage landlords to voluntarily improve the energy efficiency of existing rental homes and even exceed minimum standards. The ACT Government should:

- Suggestion 6: introduce mandatory energy efficiency disclosure standards for rental homes by mid-2022.

The ACT Government could consider using ACT real estate agents to help drive home the benefits of improving energy efficiency to landlords and tenants. The ACT Government should:

- Suggestion 8: develop a communication strategy to help real estate agents explain the benefits of energy efficiency to tenants and landlords.

Real estate agents, if trained and accredited, could assess the energy efficiency of properties as part of their normal pre-rental inspection. The ACT Government should:

- Suggestion 9: consider accrediting real estate agents to assess the energy efficiency of rental properties.

It could be tricky to justify why ACT taxpayers should subsidise homeowners to instal insulation when they have enjoyed windfall capital gains on their homes. Nonetheless, the ACT Government might be able to justify a modest subsidy on externality grounds (to reduce greenhouse gas emissions) and because tenants will benefit. The ACT Government might wish to consider:

- Suggestion 10: expanding the ACT Energy Efficiency Improvement Scheme to provide modest discounts for landlords purchasing home insulation.

The ACT Government could explore the viability of a new financing arrangement to allow households to pay for energy efficiency improvements via their energy bill. This might address barriers that discourage landlords from investing in energy efficiency in rental properties and provide owner-occupiers another way to finance home insulation. The ACT Government should:

- Suggestion 11: consider an option to allow households to pay for energy efficiency improvements via their energy bill.

The ACT Government should protect tenants from unfair eviction (eviction without cause):

- Suggestion 12: consider introducing in mid-2022 tenant protections under the initiative to improve residential tenancies.

The ACT Government should allow a generous phase-in period of any new standard. By avoiding generous subsidies, we are unlikely to see a demand rush that bedevilled the 2009 Commonwealth Home Insulation Program. We should allow landlords flexibility in timing to implement the new standard, noting that a requirement on them to disclose the energy efficiency of a home to prospective tenants may see tenants encouraging landlords to insulate faster. The ACT Government should:

- Suggestion 13: set a five-year phase-in period.
- Suggestion 14: allow landlords flexibility in deciding when to insulate.

We need a flexible minimum standard as ceiling insulation will not be cost effective in all cases. Having a flexible standard and allowing exceptions is sensible risk management as we cannot predict how landlords will respond to the standard. The ACT Government should:

- Suggestion 15: exempt homes where the cost of installing ceiling insulation is excessive (above average cost, around $2000-$3000).
- Suggestion 16: exempt homes where the building design provides effective insulation, such as ground or middle floor apartments.
- Suggestion 17: allow landlords the flexibility to invest in alternative energy efficiency measures.

The ACT Government should work with energy retailers and the insulation industry to ensure the industry maintains safety standards and quality.

SETTING THE CHALLENGE

Energy Ministers have prioritised action to improve the energy efficiency of older homes to reduce household energy use and greenhouse gas emissions.

The Report for Achieving Low Energy Existing Homes, presented to Energy Ministers in November 2019 (November 2019 Report), notes there are more than nine million existing homes in Australia (houses and apartments), the majority of which rate below 3 stars under the Nationwide House Energy Rating Scheme (NatHERS). A star rating of 6 or above is the standard for new detached homes.

Increasing the energy efficiency of existing homes will lower energy bills for households, contribute to energy security and affordability, reduce carbon emissions, improve the comfort and health of households, and reduce the risk of blackouts by lowering peak demand.

An August 2013 study prepared for the Department of Resources, Energy and Tourism (August 2013 Study) found that homeowners could achieve a vast improvement in the thermal performance of older style houses and apartments by adding or increasing ceiling insulation. A 2005 Productivity Commission Report noted ceiling insulation has a rapid pay-back period of just two to five years.

In 2019, an ACT Government media release announced that 55 per cent of all Canberra households had inadequate ceiling insulation, which comprises renters and owner-occupiers.

Suggestion:

- That the ACT Government ensure that strategies to improve the energy efficiency of existing homes cover rented and owner-occupied homes, where practical.

ALIGN WITH NATIONAL REFORMS

The ACT Government should urgently clarify how its proposed minimum energy efficiency standards for rental properties will align with a future national framework for minimum energy efficiency rental requirements that Energy Ministers committed to in 2019.

The August 2013 study demonstrated that installing or upgrading ceiling insulation in a typical older house in the ACT might improve the NatHERS star rating from zero/one star to two stars, at modest cost (at the time, around $1 800). The study noted that achieving four stars would be very costly (total cost about $9000) as that would require sealing the home (window gaps etc) and improving glazing.

While the ACT Government is not proposing landlords meet a target star rating, if a new national framework were to do so, that could be highly problematic for ACT landlords. If a national framework set a minimum standard closer to four or six stars, that would add significant cost. Not only would landlords need to fund additional energy efficiency measures, but they might also need to renovate twice, which adds cost as renovations are cheaper if done in one job.

Suggestion.

- That the ACT Government clarify how its proposed minimum energy efficiency standard for ACT rental homes will align with a future national framework for minimum energy efficiency rental requirements that Energy Ministers have foreshadowed.

ADDRESSING MARKET FAILURE

The November 2019 Report highlights that market failure has led to many existing homes having poor energy efficiency. Low rental vacancy rates exacerbate market failure, as landlords are under little pressure to improve properties and renters are unlikely to demand improvements since the landlord can easily find other tenants.

Energy efficiency can be highly technical and difficult for individuals to understand, which can make people averse to undertaking a significant investment even if cost effective. “Information failure” means prospective tenants do not have the information that would enable them to encourage landlords to upgrade energy efficiency of rental homes. Landlords who improve energy efficiency would find it difficult to persuade tenants to pay more rent to recover the costs of the investment.

Market failure also arises from the “split incentive problem” where landlords are reluctant to upgrade the energy efficiency of a rental property because the tenant gets the benefit via lower energy bills.

There is a compelling case for the ACT Government to introduce minimum energy efficiency standards (a regulatory response to market failure). Many governments have tried the voluntary path, for example offering generous subsidies under the 2009 Commonwealth Home Insulation Program. Yet over half ACT household still live in under-insulated homes.

But we need to balance a regulatory response with strategies that encourage landlords to voluntarily improve energy efficiency and provide them with flexibility in how they get there. Balanced strategies will reduce risk of landlords selling or renovating and going up market. We do not want fewer affordable rental homes.

I suggest the ACT Government:

- introduce minimum energy efficiency standards

- consider complementary strategies to avoid adverse unintended market outcomes.
- ensure minimum energy efficiency standards are flexible.

STRENGTHEN INFORMATION ACCESS AND CLARITY

The ACT Government should empower prospective tenants to encourage landlords to voluntarily improve the energy efficiency of existing rental homes. The ACT Government could require that landlords provide prospective tenants with the energy rating of the home, indicate whether the home has ceiling insulation and provide an estimate of the annual energy bill for the home.

Prospective tenants would be better able to preference energy efficient homes, which would provide a strong financial incentive for landlords to upgrade the energy efficiency of their property. Landlords might be incentivised to go above the minimum standard as they could better justify charging higher rent.

The Environment, Planning and Sustainable Development Directorate website notes the ACT Government is considering options to require landlords to provide more information to prospective and current tenants on the energy rating of rental homes

The ACT Government should also leverage work that Energy Ministers are leading to develop a national framework for energy efficiency disclosure. Disclosure will help buyers and sellers make informed choices and encourage improvements by the seller or buyer.

Homeowners need advice on what measures work best. For example, the August 2013 Report highlighted that improving building sealing, installing awnings and/or changing floor coverings have less impact on energy ratings than ceiling insulation.

Suggestions:

- The ACT Government introduce mandatory energy efficiency disclosure standards for rental homes by mid-2022.

ENLIST REAL ESTATE AGENTS TO COMMUNICATE CHANGE

The Productivity Commission found that initiatives to improve information available on the energy efficiency of homes to prospective tenants or purchasers had limited impact. The ACT Government might consider using ACT real estate agents to help explain and drive home to landlords and tenants the benefits of voluntarily improving energy efficiency. They could:

- encourage landlords to improve the energy efficiency of rental homes (through being able to charge higher rent), and
- explain to tenants the financial advantages of renting an energy efficient home (as energy savings exceed higher rent).

The ACT Government could work with the real estate sector to develop a communication strategy that would help real estate agents explain the benefits of energy efficiency to tenants and landlords, which could leverage the information provided in mandatory energy efficiency disclosure.

Real estate agents, if trained and accredited, could assess the energy efficiency of a vacant property when they conduct the usual initial property assessment. Agents could add the cost of doing so to their normal fee. The ACT Government would need to explore practicality of this option with industry experts.

I suggest that the ACT Government:

- develop a communication strategy to help real estate agents explain the benefits of energy efficiency to tenants and landlords
- consider accrediting real estate agents to assess the energy efficiency of rental properties.

FINANCIAL INCENTIVES

The ACT Government has asked for feedback on whether it should offer landlords a financial incentive to insulate a home. It could be

tricky to justify why ACT taxpayers (especially those unable to afford to buy a home) should subsidise homeowners who have enjoyed windfall capital gains on their homes.

Nonetheless, the ACT Government might consider expanding the ACT Energy Improvement Efficiency Scheme to allow landlords to access a (modest) up-front discount when purchasing home insulation. The ACT Government might justify a small subsidy on externality grounds (there are benefits of reducing greenhouse gas emissions) and because the ultimate beneficiaries will be the tenants. The ACT Government would need to subsidise energy retailers to offset the cost, which is a reason to limit the size of any discount.

I also suggest the ACT Government consider an option to change how households finance energy efficiency improvements, both to directly address the split incentive problem, to help owner-occupiers finance energy efficiency improvements and to avoid a need to call on the ACT Budget for a subsidy.

Energy Ministers asked state and territory governments explore opportunities to strengthen and expand energy efficiency obligation schemes to provide incentives for homeowners to invest in energy efficiency. The November 2019 Report suggested Energy Ministers consider an option where households repay the cost of investments to improve the energy efficiency of existing homes via energy bills.

The ACT Government could implement such an option under the ACT Energy Improvement Efficiency Scheme. The energy provider would finance the cost of upgrading the energy efficiency of an existing home via a contract with the energy consumer (owner occupier or tenant). The energy provider could advise the energy consumer on other cost-effective options in addition to ceiling insulation. The energy consumer would repay the energy provider through a premium added to their energy bill which, if set over an extended period, could provide a positive cash flow benefit as reductions in energy bills would exceed repayments.

See a diagram of this program in **Figure 1**.

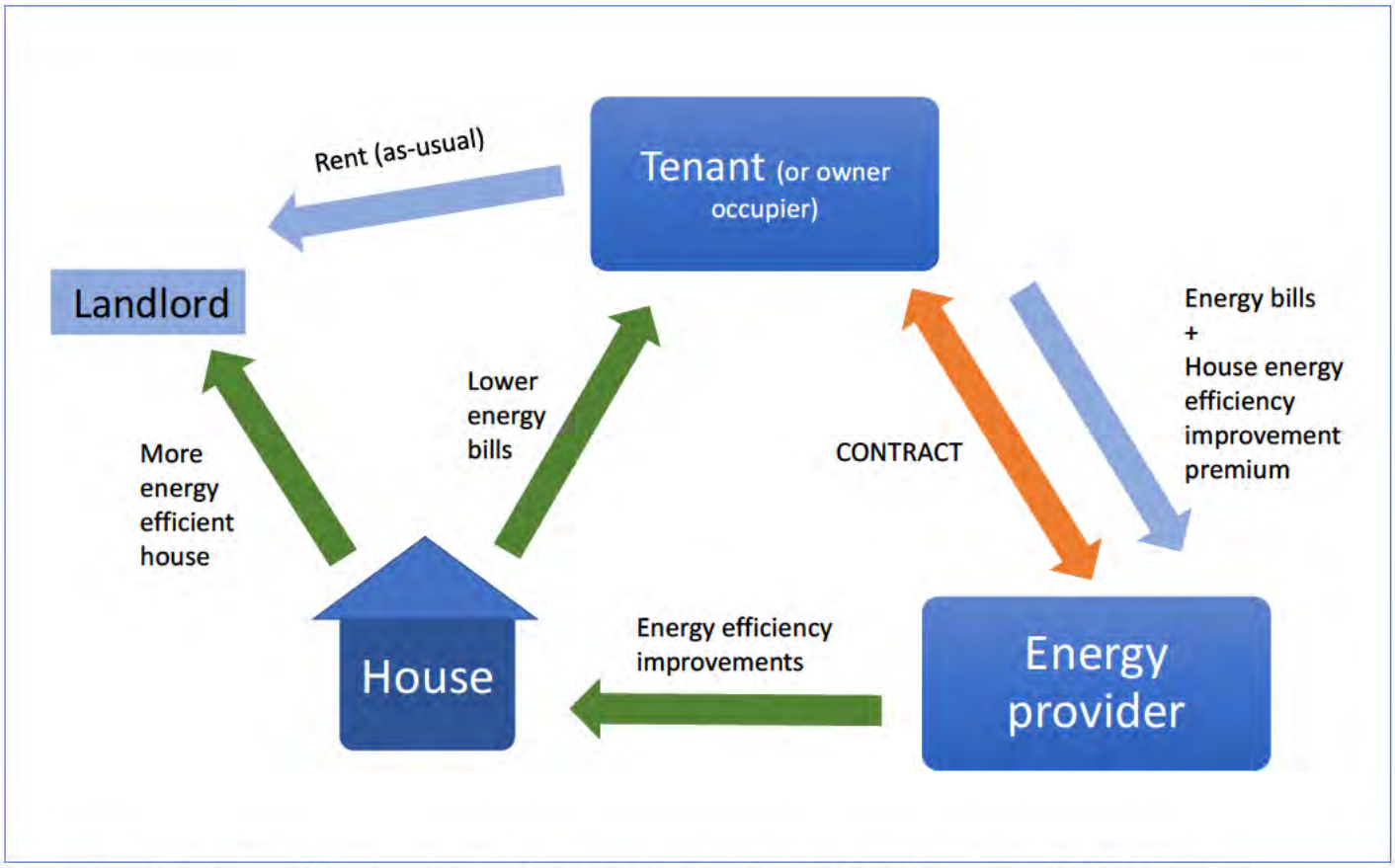

Figure 1: *Energy efficiency program through tenant contract with energy provider to fund house energy efficiency improvements*

The option would solve the split incentive problem as landlords would not fund the investment and would help cash constrained owner occupiers invest in energy efficiency as there is no upfront cost. Energy providers receive a return via the interest on loans. There would be no need to subsidise from the ACT Budget.

Tenants should have the right to enter the scheme without seeking landlord consent, and the ACT Government should only allow landlords to object if they can show sound cause, for example, if a property is to be renovated.

The ACT Government would need to work through legal issues with industry stakeholders. While landlords could not compel existing tenants to enter the scheme (as the tenant holds the energy account) landlords could enter the scheme after a tenant vacates.

The ACT Government should require that landlords disclose the arrangement to prospective tenants and include the repayments in the advertised rent so that tenants understand the full cost. Future tenants would be bound to continue repayments and purchase energy from the energy retailer. There may be questions of liability if a tenant does not pay their energy bill, but those might be handled within current legal frameworks. If a landlord moves into the rental home, they will take over the repayments.

Tenants might ask why they are paying for capital improvements to a landlord's property. However, if landlords funded the investment, they would ask for more rent, so the impact should be the same. The option might avoid some landlords selling up as they would not need to pay the up-front cost to insulate a home.

I suggest the ACT Government consider:

- expanding the ACT Energy Efficiency Improvement Scheme to provide modest discounts for landlords purchasing home insulation
- an option to allow households to pay for energy efficiency improvements via their energy bill (energy bill option).

PROTECT TENANTS

The ACT Government should protect tenants from unfair eviction, which might arise where landlords:

- use the need to install ceiling insulation as an excuse to evict a tenant without cause
- evict a tenant without cause who requests ceiling insulation, or
- evict a tenant without cause who arranges for ceiling insulation to be installed under the energy bill option.

A CHOICE magazine report in 2018 found that 68 per cent of renters were concerned that raising a request for a repair could see their rent increase, while 44 per cent feared it could get them evicted. CHOICE also reported that many people feel scared or unable to report poor insulation for fear of being evicted by their landlord.

The ACT Government has completed public consultations (through the ACT Your Say program) on an initiative to improve residential tenancies. Under this initiative, the ACT Government would prevent landlords from evicting tenants without cause.

If possible, the ACT Government should introduce minimum energy efficiency standards for rental homes with its proposal to improve residential tenancies, as a rental housing reform package. This would provide the ACT Government the opportunity to articulate a practical policy agenda while protecting tenants from eviction if they seek to improve the energy efficiency of their home.

Suggestion:

- the ACT Government consider introducing in mid-2022 tenant protections under the initiative to improve residential tenancies.

FLEXIBLE TIMING

To avoid pressuring the busy ACT construction sector, the ACT Government should allow a generous phase in period, say five years, for the energy efficiency standard. So long as the ACT Government avoids paying generous subsidies to encourage landlords to instal insulation, we are unlikely to see the rush that bedevilled the 2009 Commonwealth Home Insulation Program.

The ACT Government should allow landlords flexibility in deciding when they would insulate, which could be:

- when a tenant is place (if the tenant agrees)
- at the commencement stage of a new lease, or
- when the landlord undertakes other renovation work.

However, if the ACT Government mandates energy efficiency disclosure standards, the landlord and real estate agent would disclose to prospective tenants that a property is uninsulated and that energy bills may be higher as a result. That disclosure requirement may see tenants pressuring landlords to insulate homes faster.

The ACT Government will need to work with energy retailers and the insulation industry to ensure they maintain existing safety standards and quality. If the ACT Government accredits real estate agents to assess the energy efficiency of rental properties, they could inspect the home to check that insulation is in place prior to renting out.

I suggest the ACT Government:

- set a five-year phase in period
- allow landlords flexibility in deciding when to insulate.

FLEXIBILE STANDARDS

While ceiling insulation is cost effective, there will be exceptions. Some homes might have roof designs that make installing ceiling insulation problematic, others might require additional work to deliver a measurable efficiency gain. Ground or middle storey apartments are insulated by apartments above.

We need flexible minimum energy efficiency standards. In some properties, alternatives to ceiling insulation might be more cost effective, depending on property design and condition.

Without flexibility, some landlords might decide it is more cost effective to re-build/renovate and go upmarket or sell. Granting flexibility is sensible risk management as we cannot predict how landlords as a group will respond to minimum energy efficiency standards.

Some rental homes will remain uninsulated at the end of five years, which might suit some households. The Productivity Commission found that energy costs typically account for only a small part (about three per cent) of most households' expenditure. Decisions to rent for some are driven by other factors, such as the general amenity of the property and/or proximity to schools, shops and/or workplaces.

Nonetheless, mandating energy efficiency disclosure will help prospective tenants make better informed choices irrespective whatever their priorities. I suggest the ACT Government:

- exempt homes where the cost of installing ceiling insulation is excessive (above average cost, around $2000-$3000)
- exempt homes where the building design provides effective insulation, such as ground or middle floor apartments
- allow landlords the flexibility to invest in alternative energy efficiency measures.

Alex Dolan

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ALEXANDER WATSON Home Insulation

Environment, Planning and Sustainable Development Directorate

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To whom it may concern,

Alexander Watson Insulation (AWI) strongly supports the introduction of minimum standards in the ACT. The attached submission sets out AWI's responses to the questions in the Consultation Paper and as a member of the Energy Efficiency Council, they largely echo the EEC submission. However, we draw your attention to two points that expand on the EEC submission:

Safety Measures

AWI recommends that in the absence of any higher level insulation training, installations should only be conducted by companies that can demonstrate vast experience in retrofitting insulation to existing homes. The Home Insulation Program in 2009-2010 highlighted the dangers in assuming that insulation companies that primarily work in the new build market could safely pivot to retrofits. Whilst the training that CIT currently offer is a sufficient starting point for a worker to join an experienced crew, it does not cover the specialist skills required in a manner that would allow a newly trained person to commence trading outside the oversight of an experienced retrofit team. Further explanation of this point is provided in Question 17 of our response.

Top-Ups of Ceiling Insulation

AWI recommends that top-ups are permitted and the required R value should be a system (or total) R value rather than product R value. Using a system R value as the requirement will avoid reductions in actual performance due to thermal bridging as well as provide cost effective top up options when the existing insulation is in good condition and does not require removal for electrical compliance reasons. By setting the performance standard as a system R value, more consistent thermal outcomes will be achieved with greater value for money options available to landlords. Further explanation of this point is provided in Question 19 of our response along with the attached thermal performance predictions for a typical Canberra home.

AWI look forward to working with the ACT Government to safely deliver insulation retrofits to rental properties. If you have any questions relating to this submission, please contact me via jeremy@alexanderwatson.com.au

Warm regards,

Jeremy Watson

Director
Alexander Watson Insulation

Submission to the Minimum energy efficiency standards For rental homes in the ACT Consultation Paper

19 December 2021

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Proposed standard

1. Are you a rental provider, renter, or otherwise have a particular interest in this matter?

Alexander Watson Insulation is a Canberra based insulation installation company specialising is retrofits for existing homes. Alexander Watson Insulation operates in conjunction with it's sister company Alexander Watson Electrical, a licensed electrical company specialising in electrical compliance works for insulation retrofits.

2. Given the ACT Government has committed to the introduction of a minimum energy efficiency standards for rental homes and noting the reasons provided in Attachment 2, do you support the initial adoption of a ceiling insulation standard? Why or why not?

AWI supports the introduction of a minimum ceiling insulation standard. AWI recommends that minimum standards for ceiling insulation should be set over two periods:

- By 1 January 2025, all non-exempt rental properties that have ceiling insulation with an R-value less than 2 should be retrofitted with insulation with an R-value of at least 5; and
- By 1 January 2030:
  - All non-exempt rental properties that have ceiling insulation with an R-value less than 4 should be retrofitting with insulation with an R-value of at least 5.
  - All rental properties that have a roof that were previously exempt due to complexity (e.g. cathedral roof) should be retrofitted with insulation with an R-value of at least 5

The insulation industry in the ACT is scaling up, but cannot scale up faster than a certain rate while still ensuring quality installations. Having a two-phase approach would take these installer issues into account to deliver a safe and effective program and:

- Ensure that the worst performing properties are upgraded first; and
- Assist with compliance by giving a strong incentive for landlords that own properties that have ceiling insulation with an R-value less than 2 to install R5 insulation rather than R2 insulation.

3. If you are a rental provider, do you anticipate you would need to install or upgrade ceiling insulation in your property/properties in order to meet the proposed standard?

N/A

Support for introduction of the standard

4. For rental providers: What type of assistance would most help you support vulnerable and low-income renters?
5. For rental providers: How would this affect the rent that you would charge?

N/A

What exemptions should be allowed?

6. What exemptions to the minimum energy efficiency standard should be allowed?

Exemptions from minimum insulation standards should be allowed for:

- Before 1 January 2030, rental units with a roof directly over a living area where insulation installation would not be possible without major alterations to the ceiling structure (e.g. cathedral roof). However, these rental units should not be exempt after 1 January 2030; and
- On a permanent basis, rental units that do not have a roof directly over a living area (i.e. they are not on the top floor of an apartment block). Rather than being considered 'exempt', these units should be considered compliant.

7. Should any of the temporary exemptions listed above, or others, be allowed, and for how long?

As above.

8. What form of evidence (e.g., a building report, statutory declaration) should be required to support an exemption?

Building report by an insulation company, building inspector or housing authority.

9. Should rental providers be required to formally apply for an exemption, including submitting evidence? OR should rental providers just be able to claim an exemption on accepted grounds but be required to disclose the exemption and maintain the supporting evidence?

Rental providers should be required to formally apply for an exemption.

10. Should there be a program of compliance auditing to assess that dwellings genuinely meet an exemption, including evidence being available on request by an authorised entity?

There should be a program of compliance auditing.

When should compliance be required?

11. How long (between 2 and 5 years) should the phase-in period be?

AWI recommends that:

- By 1 January 2025, all non-exempt rental properties that have ceiling insulation with an R-value less than 2 should be retrofitted with insulation with an R-value of at least 5; and
- By 1 January 2030:
    - All non-exempt rental properties that have ceiling insulation with an R-value less than 4 should be retrofitting with insulation with an R-value of at least 5.

- All rental properties with a roof that were previously exempt should be retrofitted with insulation with an R-value of at least 5

12. Should rental dwellings be required just to meet the standard by the end of the phase-in period OR at the start or renewal of a lease, but no later than the end of the phase-in period?

Rental dwellings should be required to meet the standard by the dates recommended above. AWI recommends a reasonably long notice period for the introduction of the standard, so that it will not be necessary to use the signing of a new lease as the trigger for a unit being requirement to meet the standard.

13. If the requirement to meet the standard is triggered by the start of a lease, should the work be required to be undertaken before a new lease can be entered into, or should there be a grace period of say 3 or 6 months to get the work done?

N/A

Should any complementary measures be considered?

14. What complementary measures should be considered?

The ACT Government should use the Energy Efficiency Improvement Scheme (EEIS) to offer incentives for upgrades, including the installation of ceiling insulation, wall insulation, underfloor insulation and draught-proofing. The process of having a home assessed or having insulation installed can be used to also provide basic advice on other measures, including insulation, draught-proofing and curtains. The ACT Government should also consider using assessments of buildings as an opportunity to undertake Energy Efficiency Ratings (EER) that can be disclosed when a rental home is advertised for lease.

15. Should the ACT Government include any complementary measures as part of the regulation (e.g., requiring draught proofing, where needed, along with insulation)?

See answer to question 14.

16. Should the ACT Government consider delivering complementary measures (whether through existing or new programs)? If so, how should they be targeted?

The EEIS should be used to support the insulation of insulation and other measures in rental homes.

What safety measures will be required?

17. What safety measures should be required? Are the proposed measures adequate?

AWI recommends that there should be a requirement for insulation installers to be accredited in order for the landlord to receive support from the EEIS for the installation of insulation.

AWI also recommends that DIY installation of insulation should be actively discouraged. One way to encourage the use of appropriately trained installers is to enable a 'certificate of insulation' from an accredited installer to be used to demonstrate compliance with the minimum standard.

Spot-checks on insulation installations should be used to assess quality.

AWI recommends that in the absence of any higher level insulation training, installations should only be conducted by companies that can demonstrate vast experience in retrofitting insulation to existing homes. The Home Insulation Program in 2009-2010 highlighted the dangers in assuming that insulation companies that primarily work in the new build market could safely pivot to retrofits. Retrofitting insulation in the ACT, particularly when dealing with older homes with less than R2 ceiling insulation, requires not only an understanding of the installation of the insulation but also specialist skills such as the removal of old insulation, electrical compliance works and roofing works to gain access for the installation as well as specialist machinery for the safe removal of loose fill insulation where required. Whilst the training that CIT currently offer is a sufficient starting point for a worker to join an experienced crew, it does not cover the specialist areas mentioned above in a manner that would allow a newly trained person to commence trading outside the oversight of an experienced retrofit team.

Only pre-approved products that are independently verified by a third party certification process (such as BRANZ or Codemark) as being fit for purpose for ceiling insulation retrofits should be used.

18. Should "DIY" or use of unaccredited installers in rental properties be disallowed?

AWI recommends that the use of unaccredited installers is banned for professional insulation retrofits – any installer taking money for installation should be properly trained. AWI recommends that DIY installation should be, at the very least, strongly discouraged.

19. Should top-ups of insulation be allowed and under what circumstances?

Top-ups of insulation should be allowed providing the installation can be completed within the electrical requirements of AS:3999 and the product used can demonstrate an achieved system value of R5 or better.

Furthermore, AWI recommends that regardless of if the retrofit is a removal and replacement, retrofit to an uninsulated ceiling or a top up, the required R value should be a system (or total) R value rather than product R value. Using a system R value as the requirement will avoid reductions in actual performance due to thermal bridging as well as provide cost effective top up options when the existing insulation is in good condition and does not require removal for electrical compliance reasons.

Attached to this submission is a thermal performance prediction for a typical Canberra rental property with varying options for replacing and topping up the ceiling insulation. The model assumes a trussed tile roof with 600mm spaced hardwood timber joists, a common configuration for the target rental properties. For the replacement option, the model has used a single layer of R6 batts vs a cross hatch of R3's. Both systems have the same product cost. In this scenario, the R6 does not meet the minimum R5 total R value requirement

whereas the crosshatch of R3 does. For the top up, the model shows how a top up with R5 batts placed on top of the existing R2 insulation leaving the timbers exposed fails to meet the R5 system requirement whereas crosshatching a R3.5 over the same existing insulation does. In this scenario, the more expensive install using R5 batts underperforms the cheaper option using R3.5's because the crosshatching technique eliminates thermal bridging and results in a greater system R value.

By setting the performance standard as a system R value, more consistent thermal outcomes will be achieved with greater value for money options available to landlords.

How should the quality of installation be ensured?

20. What quality assurance measures should be put in place? How should compliance be monitored and enforced

AWI recommends that all installations should be accompanied by before and after photos with the possibility of thermal imaging used to inspect areas that can not be visually checked in the roof space due to access limitations.

All installations should be signed off by a licenced electrician with a CES lodged with ACTPLA. Installations should only be completed by accredited and experienced installers due to the specialist nature of retrofitting works mentioned above in question 17.

Compliance should be enforced by ACTPLA inspectors (or similar) with a points based demerit scheme for faulty installations similar to the electrical licensing.

Only pre-approved products that are independently verified by a third party certification process (such as BRANZ or Codemark) as being fit for purpose for ceiling insulation retrofits should be used.

21. What measures to monitor compliance of the regulation should be put in place?

Properties should only be allowed to be leased if the owner provides an EER, certificate of insulation or certificate of exemption to demonstrate compliance.

22. What evidence of compliance would be acceptable?

An EER or a certificate of insulation.

23. Should mandatory disclosure of whether a property meets the minimum standard (or has a valid exemption) be required in rental advertisements and to be provided to a tenant before entering a lease?

Advertising for a property should not disclosure if the property meets the minimum standard, but should disclosure if the property does not meet the standard. Properties that are exempt because they do not have a roof (e.g. ground-floor apartments) should be considered to meet the standard and would not need to disclose that they do not have ceiling insulation. Properties that are exempt because of the complexity of insulation installation (e.g. cathedral roofs) should be advertised as not meeting the standard.

24. How should the minimum standard be enforced and non-compliance addressed?

Non-compliance should be addressed through fines to both landlords and leasing agents. This will ensure that the leasing agent checks for a valid EER, certificate of insulation or exemption. If the landlord has provided false information to the leasing agent then only the landlord should be fined.

Evaluation and review

25. Do you have any suggestions on how the implementation of the regulation should be monitored and evaluated?

No comment at this time.

26. Do you have any suggestions on how and when to assess that the regulation has met its objectives?

No comment at this time.

27. Are there any other issues that have not previously been covered that you would like to raise?

No comment at this time.

Other ACT Government measures

28. Were you already aware of these ACT Government programs?

Yes

29. Have you made use of them?

N/A (AWI does not own properties in the ACT)

THERMAL PERFORMANCE PREDICTION

PROJECT: **EXAMPLE CANBERRA RENTAL PROPERTY**

ADDRESS: 5 HOSKING PL, MELBA ACT 2615, AUSTRALIA

REPORT PRODUCED ON 18/12/2021
BY JEREMY WATSON

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PROJECT INFORMATION

PROJECT: EXAMPLE CANBERRA RENTAL PROPERTY
CLIMATE ZONE: 7
BUILDING CLASS: 1A

METHOD:

This assessment has been calculated in accordance with the Deemed to Satisfy Provisions of the 2019 edition of the National Construction Code of Australia. The assessment has been completed using the information provided by the User and assumes the building is located in Climate Zone 7 and is Building Class 1A. The calculation has been completed in accordance with the methodology of AS/NZS 4859.2 (2018) which includes thermal bridging in accordance with NZS 4214 (2006). Air spaces bound by parallel bounding surfaces of varying emissivity are calculated in line with the prescriptive requirements of AS/NZS:4859.2 (2018) and the conductivity of the insulants are adjusted to their mean operating temperate in accordance with the conversion coefficients outlined in ISO 10456:2007.

EXECUTIVE SUMMARY

Section J1.3 compliance summary (Roof and ceiling construction)

Minimum R-Value Requirement	R-Value achieved	Result
R6 Batts Only		
5.1	2.92	FAIL
Crosshatched R3.0 Batts		
5.1	5.64	PASS
Top-up R2 Insulation with R5 Batt on top in line with timbers		
5.1	3.08	FAIL
Top-up R2 Insulation with R3.5 Crosshatched		
5.1	5.44	PASS

SPECIFIED MATERIALS

Insulation

Material	Non-Combustible	Group Number	SMOGRA	Fire Indices	Water Resistant	CodeMark	Eurofins Air Quality	BRANZ Appraised
R6 Batts Only								
Earthwool® Ceiling batt Ultimate R6.0 x 275mm	✔			0/0/0/1		✔	✔	✔
Crosshatched R3.0 Batts								
Earthwool® Ceiling batt Basic R3.0 x 145mm	✔			0/0/0/1		✔	✔	✔
Top-up R2 Insulation with R5 Batt on top in line with timbers								
Earthwool® Ceiling batt Ultimate R5.0 x 210mm	✔			0/0/0/1		✔	✔	✔
Earthwool® Wall batt Basic R2.0 x 90mm	✔			0/0/0/1		✔	✔	✔
Top-up R2 Insulation with R3.5 Crosshatched								
Earthwool® Ceiling batt Basic R3.5 x 175mm	✔			0/0/0/1		✔	✔	✔
Earthwool® Wall batt Basic R2.0 x 90mm	✔			0/0/0/1		✔	✔	✔

R6 BATTS ONLY

Requirement	Total	Outcome
R5.10	**R2.92**	**FAIL**
Heat flow: Winter		

Assumptions

Roof absorptance	Roof colour
>0.6	Terrain®

Roof span	Rafters, purlins (or like) centres	Bridging material width	Bracing centres
8000mm	600mm	45mm	900mm

Outdoor air-film
* adjusted due to ventilation
R0.00 R0.00

20mm Tiles Terracotta/ Concrete
e_{in} 0.9 * adjusted due to ventilation
R0.00 R0.00

500mm Well ventilated air-space
90° out 90° in 1500 aggregation * adjusted due to ventilation
R0.00 R0.00

Insulation pathway 87.35%
thwool® Ceiling batt Ultimate R6.0 x 275r
e_{out} 0.9
R6.32 R5.72

Bridging pathway 12.65%
185mm Well ventilated air-space
90° out 90° in 1500 aggregation
R0.00 R0.00

90mm Hardwood Timber
e_{out} 0.9
R0.56 R0.56

R2.75 R2.65

10mm Plasterboard
R0.06 R0.06

Indoor air-film
0° in
R0.11 R0.16

R2.92 | R2.87

CROSSHATCHED R3.0 BATTS

Requirement	Total	Outcome
R5.10	**R5.64**	**PASS**
Heat flow: Winter		

Assumptions

Roof absorptance	Roof colour
>0.6	Terrain®

Roof span	Rafters, purlins (or like) centres	Bridging material width	Bracing centres
8000mm	600mm	45mm	900mm

Outdoor air-film
R0.04 R0.04

20mm Tiles Terracotta/ Concrete
R0.02 R0.02

Earthwool® Ceiling batt Basic R3.0 x 145mm
R3.19 R2.82

Insulation pathway 87.35%
arthwool® Ceiling batt Basic R3.0 x 145mı
R3.13 R2.92

Bridging pathway 12.65%
90mm Hardwood Timber
e_{in} 0.9
R0.56 R0.56

55mm Unventilated air-space
90° out 90° in
R0.17 R0.16

R2.22 R2.11

10mm Plasterboard
R0.06 R0.06

Indoor air-film
0° in
R0.11 R0.16

R5.64 | R5.21

TOP-UP R2 INSULATION WITH R5 BATT ON TOP IN LINE WITH TIMBERS

Requirement	Total	Outcome
R5.10	**R3.08**	**FAIL**
Heat flow: Winter		

Assumptions

Roof absorptance	Roof colour
>0.6	Terrain®

Roof span	Rafters, purlins (or like) centres	Bridging material width	Bracing centres
8000mm	600mm	45mm	900mm

Outdoor air-film
* adjusted due to ventilation
R0.00 R0.00

20mm Tiles Terracotta/ Concrete
e_{in} 0.9 * adjusted due to ventilation
R0.00 R0.00

500mm Well ventilated air-space
90° out 90° in 1500 aggregation * adjusted due to ventilation
R0.00 R0.00

Insulation pathway 87.35%
rthwool® Ceiling batt Ultimate R5.0 x 210r
e_{out} 0.9
R5.24 R4.79

Earthwool® Wall batt Basic R2.0 x 90mm
R2.10 R1.91

Bridging pathway 12.65%
210mm Well ventilated air-space
90° out 90° in 1500 aggregation
R0.00 R0.00

90mm Hardwood Timber
e_{out} 0.9
R0.56 R0.56

R2.91 R2.81

10mm Plasterboard
R0.06 R0.06

Indoor air-film
0° in
R0.11 R0.16

R3.08 | R3.03

TOP-UP R2 INSULATION WITH R3.5 CROSSHATCHED

Requirement	Total	Outcome
R5.10	**R5.44**	**PASS**
Heat flow: Winter		

Assumptions

Roof absorptance	Roof colour
>0.6	Terrain®

Roof span	Rafters, purlins (or like) centres	Bridging material width	Bracing centres
8000mm	600mm	45mm	900mm

Outdoor air-film
* adjusted due to ventilation
R0.00 R0.00

20mm Tiles Terracotta/ Concrete
e_{in} 0.9 * adjusted due to ventilation
R0.00 R0.00

500mm Well ventilated air-space
90° out 90° in 1500 aggregation
R0.00 R0.46

Earthwool® Ceiling batt Basic R3.5 x 175mm
e_{out} 0.9
R3.73 R3.31

Insulation pathway 87.35%
Earthwool® Wall batt Basic R2.0 x 90mm
R2.08 R1.96

Bridging pathway 12.65%
90mm Hardwood Timber
R0.56 R0.56

R1.55 R1.49

10mm Plasterboard
R0.06 R0.06

Indoor air-film
0° in
R0.11 R0.16

R5.44 | R5.48

SPECIFICATION CLAUSES

Product	Specification Clause	Web link
Earthwool® Ceiling batt Ultimate R6.0 x 275mm	The insulation shall be Earthwool® ceiling batt with ECOSE® Technology (no added formaldehyde). R value 6.0 and 275mm thick. Insulation must be non-combustible in accordance with AS1530.1, BRANZ appraised to meet provisions of the BCA and certified GreenTag GreenRate Level A.	More Information
Earthwool® Ceiling batt Basic R3.0 x 145mm	The insulation shall be Earthwool® Ceiling batt with ECOSE® Technology (no added formaldehyde). R value 3.0 and 145mm thick. Insulation must be non-combustible in accordance with AS1530.1, BRANZ appraised to meet provisions of the BCA and certified GreenTag GreenRate Level A.	More Information
Earthwool® Ceiling batt Ultimate R5.0 x 210mm	The insulation shall be Earthwool® Ceiling batt with ECOSE® Technology (no added formaldehyde). R value 5.0 and 210mm thick. Insulation must be non-combustible in accordance with AS1530.1, BRANZ appraised to meet provisions of the BCA and certified GreenTag GreenRate Level A.	More Information
Earthwool® Wall batt Basic R2.0 x 90mm	The insulation shall be Earthwool® Wall batt Basic with ECOSE® Technology (no added formaldehyde). R value 2.0 and 90mm thick. Insulation must be non-combustible in accordance with AS1530.1, BRANZ appraised to meet provisions of the BCA and certified GreenTag GreenRate Level A.	More Information
Earthwool® Ceiling batt Basic R3.5 x 175mm	The insulation shall be Earthwool® Ceiling batt with ECOSE® Technology (no added formaldehyde). R value 3.5 and 175mm thick. Insulation must be non-combustible in accordance with AS1530.1, BRANZ appraised to meet provisions of the BCA and certified GreenTag GreenRate Level A.	More Information

better
renting

Environment, Planning and Sustainable Development Directorate
Climate Change and Energy Policy

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Re: Minimum energy efficiency standards for rental homes in the ACT

Thank you for the invitation to respond to the Consultation Paper on minimum energy efficiency standards in the ACT. Better Renting welcomes the ACT Government's efforts in this area.

The attached submission responds to various questions raised in the Consultation Paper. It covers our views on what the standard(s) should actually be and how they should be enforced. We also share brief thoughts on safety measures, financial support, and evaluation.

I am happy to discuss the issues raised or provide further input if it would be helpful.

Regards,

Joel Dignam
Executive Director
Better Renting

Introduction

Better Renting is a community of renters working together for stable, affordable, and healthy homes. The issue of minimum energy efficiency standards for rental properties is central to this. An energy-efficient home means healthier indoor temperatures, lower living costs, and less risk of being forced to move in an attempt to secure a more liveable home environment. Energy efficiency standards are critical to ensure decent homes for the growing number of people who rent.

We have worked extensively on this issue in the ACT. Over four years, we have documented the contours of this issue and the need for action, highlighting that:

- Two in five rental properties in the ACT are advertised with the lowest energy-efficiency rating;[1]
- Inefficient rental properties deny ACT renters annual benefits worth almost $40 million;[2] and
- Around 40 deaths per year in the ACT can be attributed to cold homes.[3]

We have also spoken with countless renters about their experiences, including through our Home Truths program, where we visited renters in their homes to learn about their challenges with winter cold and support them to implement changes.

Given this, we are glad to see the ACT Government moving towards introducing minimum energy efficiency standards for rental properties. However, we are dismayed by the weakness of what is proposed. While a requirement for R2 ceiling insulation would be an improvement, it is at the lower end of what could be done to improve the health of people renting in the ACT and reduce energy poverty.

This submission explores these issues in more detail, engaging with some of the questions posed in the consultation paper. Overall, we have two key points. Firstly, the initial regulations should include a pathway towards a stronger insulation standard and the inclusion of energy-efficient reverse-cycle air conditioners. Secondly, monitoring and enforcement will be critical, and the government should take a compliance-focused approach, including the option of penalties to encourage proactive compliance.

There is potential for these changes to achieve great positive results. It would be a shame if this potential was squandered through a lack of ambition, or through a lack of appetite to enforce regulations. With modest ambition and a commitment to compliance, the ACT Government can set a course for improved living conditions for thousands of people in our community.

Comments on the proposed standard

We support a ceiling insulation standard. However, we are concerned that the specified ceiling insulation standard is too low and also leaves out other valuable measures such as energy-efficient heating appliances. The regulations should include a pathway towards a stronger insulation standard and the inclusion of energy-efficient heating appliances, and they should include complementary measures. The Regulation Impact Statement does not adequately capture the benefits of these measures. Without a more ambitious pathway, people renting homes in Canberra will continue to struggle with winter cold, summer heat, and energy poverty.

Insulation standard should be stronger

The proposed standard is in effect an R2 standard: rental properties with R2 insulation will not have to increase their insulation. There are two problems with this. Firstly, it's too low. Secondly, this way of measuring will create difficulties for landlords, tenants, industry, and government. The standard should include a pathway for greater ambition and should have a clearer yardstick for measurement, possibly based on year.

Establish a pathway for greater ambition

In a cold climate like Canberra's, R2 ceiling insulation will not be sufficient to ensure a healthy home environment and eliminate energy poverty. Further, the RIS estimates that R2 insulation was installed prior to 1997, meaning that it is at least twenty-four years old, quite possibly degraded, and over halfway through its economic life. Depending on other elements of the building, it may not even be possible to achieve minimum healthy temperatures with just R2 insulation. As such, the initial standard should include greater ambition.

What should greater ambition look like? The ACT Government itself recommends R5 ceiling insulation for Canberra homes.[4] In Aotearoa New Zealand, their Healthy homes insulation standard requires a minimum of R2.9-R3.3, depending on the climate zone.[5] To assess whether this is an appropriate example for Canberra, we compared average monthly 'heating degree days' (HDD) between Auckland and Canberra over the last five years. We found that Auckland has an annual average of 553 HDDs, while Canberra has almost three times as many: 1503. The New Zealand example indicates that an R3 standard is both warranted and practicable.

We understand there are concerns around industry capacity, that is, that insulation installers may already be hard pressed to meet demand to bring properties up to the proposed standard. This may be a reason to begin with a weaker standard, but it is not a reason to avoid indicating a more ambitious pathway from the get go.

Regulations should include a pathway to increase the standard over time, with this journey being laid out from the start. For example, from 1 July 2026, the standard could also apply to properties with less than R3 insulation.

Consider using a threshold based on year

It is also likely in practice that a thickness threshold (eg, R2, R3) will be challenging to implement. Many landlords and tenants do not know if their property has insulation, let alone its thermal resistance. How is a landlord meant to easily establish if they need to add more insulation or not? How is a tenant meant to know if the property is compliant?

Instead of an R-rating threshold, a cut-off based on year of construction is more transparent and verifiable. For example, landlords could be required to provide R5 ceiling insulation except for properties built since 2003, when energy efficiency requirements were first introduced in the Building Code of Australia. It is much easier for an owner to know when a property was built than to self-assess ceiling insulation. This measure will be more objective, transparent and measurable than what is proposed in the paper. It creates two simple compliance pathways: a lessor demonstrates either that the property was built since 2003, or that it has R5 ceiling insulation.

As discussed above, this ambition could be increased over time by changing the threshold year. This would also be an elegant means of compensating for the natural degradation of insulation over time. For example, if the year threshold was increased to 2006 in 2026, it would be targeting insulation that was at least twenty years old at that time.

Efficient RCAC should be part of the standard

Efficient reverse-cycle air conditioning (RCAC) appliances should be part of the ACT rental standard, as in Victoria.

As the RIS notes, a large proportion of renters currently use portable electric heaters. In terms of energy output, these heaters are the least efficient option possible. They might use three to five times more input energy than a RCAC to produce the same output heat. Clearly there is significant potential here for cost reductions. Indeed, the RIS estimates that a heater standard would provide gross benefits to rental households valued at over $8000. Victoria's RIS found that requiring energy-efficient heaters had a benefit cost ratio of almost 3:1.[6]

The RIS notes that RCAC will be less effective without ceiling insulation. However, the RIS does not consider the benefit of RCAC combined with ceiling insulation. In

this scenario, RCAC will be more effective, as heat won't be escaping through an uninsulated ceiling. The benefits will be further compounded by complementary measures such as draught-proofing. Even in a scenario where rental properties have a decent building envelope, the heat still needs to come from somewhere, and RCAC is a much more efficient source of heat.

There are other benefits to RCAC that have escaped the analysis. For example, RCAC also provides cooling in summer. This offers benefits in terms of comfort as well as public health. Further, where RCAC displaces a gas appliance for heating, it will reduce the indoor air pollution from gas combustion.

RCAC need not be included in the early years of the phase-in period. For example, a requirement could take initial effect in 2025. However, it is still beneficial to include RCAC in the initial standard. This gives advance notice to lessors, and can reduce the cost of the upgrade process, as a lessor may choose to make the change ahead of the deadline in response to an appliance failure.

RIS did not consider insulation plus heating

Relatedly, we note that the RIS did not consider the scenario of a standard requiring ceiling insulation and an efficient heater. We understand that the performance standard was seen as covering this scenario, but this is not a fair comparison: the performance standard includes costs and challenges that wouldn't apply if simply requiring two specific features.

We made our own calculations using figures provided by ACIL Allen covering the various costs and benefits of the two different options (these are the figures behind Figure 5.6 in the RIS). If we sum the costs and benefits of the 4 year options for insulation and heaters, total costs and benefits are roughly $100m, for a BCR marginally greater than 1. This is a coarse estimate but it still compares very favourably with a performance standard. It's likely that combining two options could also reduce costs, particularly for administration and enforcement. An RCAC may also offer greater benefits when a property is more insulated, as the output energy would have more impact on increasing internal temperatures.

Complementary measures

Draught-proofing

The standard should also include draught-proofing as a complementary measure. This is the lowest hanging fruit that provides material benefits in terms of energy savings and improved physical health, but also mental wellbeing: it's pretty distressing to feel the wind blowing through your home in winter.

Although such a standard could be hard to specify in regulation, the work in Aotearoa New Zealand shows what is possible.[7] The ACT Government could also play a role in delivering complementary measures, potentially through the expansion of existing energy-efficiency retrofit programs. These programs could be provided on a cost-recovery basis and need not be targeted. In many cases they would be carrying out repairs for which landlords are already responsible.

Relatedly, the ACT Government could also give tenants more freedom to make minor modifications for the purposes of eliminating cracks, gaps, and draughts. Tenants should be able to make such modifications without prior consent, where reasonable, and should not be required to remove and remediate such modifications when a lease ends.

Window treatments

Window treatments should also be considered for a complementary measure, although the issues here are trickier and it is less apparent what and how the government can regulate in this area. Sustainability Victoria has published a useful report investigating these issues[8], which we draw from for this section.

A bare single-glazed window is a thermal disaster when it comes to keeping heat out during summer or in the home for winter. Glass conducts heat very well, so the inside surface is often close to the outdoor air temperature. Such air temperatures are often unsuitable for a human dwelling. While not many rental properties may have bare windows, vertical blinds or venetian blinds are more common, and their thermal performance is no better.[9] They may offer privacy and block light, but they do not impair heat flow. Proportional heat loss through windows becomes greater when other energy efficiency issues like insulation and draught-proofing are addressed.[10] As such, proposed standards will make it increasingly important to address window treatments.

Work by the Sustainable Energy Authority Victoria has detailed the efficacy of various window treatments in reducing winter heat loss.[9] Double glazing is highly-effective, but also costly. Drapes or roller blinds offer some benefit, which is greater if drapes are heavy and lined. Pelmets offer further benefits. In fact, heavy, lined drapes with a pelmet can be more beneficial than standard double glazing. However, we are conscious that decisions on window treatments also involve aesthetic considerations, which isn't the case for ceiling insulation. It makes sense that regulations may be less prescriptive in this area.

One option could be for the standard to require some sort of window treatment with thermal benefits. This would rule out bare windows and also vertical or venetian blinds, but would leave significant discretion for lessors to choose how to comply.

Lessors could easily identify the need for compliance action and take such action; renters could also readily assess compliance. Such a standard could be included but its implementation delayed, given that the benefits will be greater once other measures have been implemented.

The RIS undersells the benefits

The RIS finds that ceiling insulation has positive benefits to the ACT community and that renters are better off even in the scenario that lessors increase rents.

However, the RIS undersells the benefits of action: it doesn't consider positive distributional impacts, it seems to neglect the health benefits of intervention, and it disregards comfort benefits.

Distributional impacts

On the issue of distributional impacts, it's critical to consider the fact that the same dollar cost (or benefit) may affect different people differently. The RIS takes a certain view, implying that if a tenant obtains a benefit worth $50 and a lessor incurs a cost worth $50, there is no social benefit. Yet this neglects the relative *opportunity* costs and benefits in such situations.

In general, property investors have much higher incomes than people in rental properties.[11] For most property investors, a marginal reduction in income or wealth doesn't have a material impact on their day-to-day life: there is negligible 'opportunity cost'. In contrast, for a number of renters, the savings from improved energy efficiency would make an immediate positive difference in peoples' lives. Such savings might enable a better diet, the purchase of medication, or getting the car serviced. As such, the distributional impacts are likely to be important and positive for the people who need it most.

As an analogy, consider applying force to a lever. If we apply the force at a different point, further from or closer to the pivot, the amount of force is the same and in one sense this is merely a transfer. On the other hand, the amount of torque is greater when force is applied further from the pivot. In the same sense, a transfer from property investors to rental households can increase the total leverage, creating a sort of 'force magnifier'. These are positive distributional impacts that the ACT Government should be seeking to secure.

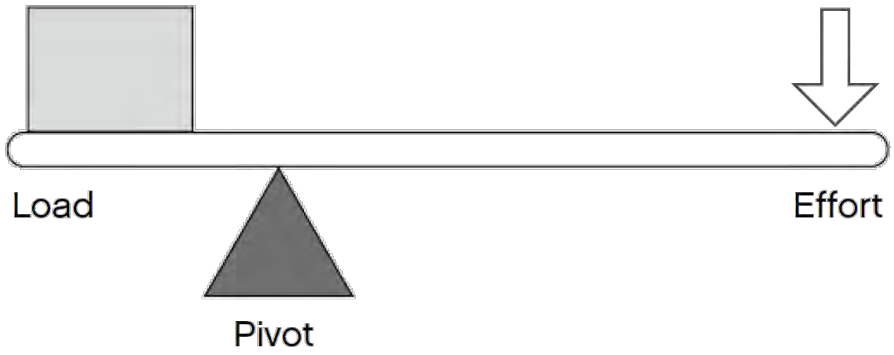

Figure 1: The same effort, applied at different points, can cause more or less torque. Similarly, money in the pocket of a rental household has a stronger positive impact than the same funds in a property investor's bank account.

Health benefits

The RIS also shies away from quantifying all the health benefits of intervention as part of its primary analysis. In particular, we expect there would be health benefits from improved indoor temperatures through reduced cardiovascular disease. Various studies around the world have found that making homes warmer and drier, often through ceiling insulation, reduces mortality, hospitalisation, medication usage, and sick days away from work or school. These health benefits are typically much greater than energy savings.

While we are not in a position to quantify these benefits, we note they are likely to be at least as great as the energy-saving benefits. Including this in the evaluation would improve the net present value for considered interventions.

Comfort benefits

The RIS omits the comfort benefits of improved energy efficiency.

This gap is justifiable to some extent: it is hard to quantify the subjective benefits of improved comfort and wellbeing. However, others have managed to do so. The value of comfort can be estimated using a "willingness to pay" approach: in effect, if a person is willing to spend money on energy in order to achieve thermal comfort, then evidently they value that thermal comfort at least as much as the cost of the energy used to achieve it. A 2005 survey of New Zealand renters found that improved "comfort" was the second most valuable outcome of energy efficiency technologies.[12] The "non-energy benefits" were on average approximately 2.5 times more valuable than the reported energy savings. In this sense, "take back" does not reduce the benefits, but shifts them from energy savings into comfort, health, and wellbeing, where they may be even more pronounced.

Enforcement and compliance

We support a compliance-focused approach

We are concerned that the Consultation Paper seems to suggest a "light-handed" approach to compliance. This would make the regulations less effective. Instead of a "light-handed" approach, from the outset there must be the option for strong enforcement measures, and the government must play a hands-on role.

Our views on this are informed by the concept of 'responsive regulation' in general, and specifically by a pertinent study from the UK, *Improving compliance with private rented sector legislation.*[13] Although the insights in this study are derived from the UK, we suspect they are also relevant to Australia.

Central to this study is the model of a "compliance-focused approach" that doesn't quantify success based upon how many fines are issued, but on how much compliance is achieved. Relatedly, such an approach steers clear of a "light-touch" approach that may fail to motivate compliance.

As such, we encourage the ACT Government to use information and resources to support compliance from those landlords who may not comply simply due to a lack of understanding or awareness. At the same time, it is critical that the Government is willing to take formal enforcement action. Without this, as the study notes "landlords may simply disregard the local authority." Of course, for the government to take action to penalise willful or negligent non-compliance, it must also give itself the means to identify cases of non-compliance. "Obedience to the rules," the study notes, "appears to depend on local authorities being active in monitoring adherence."

To achieve this, the ACT Government should allocate additional funding to Access Canberra, at least through the phase-in period, so that compliance can be supported and monitored. The ACT Government will also need to improve its own awareness of which properties are rental properties. Given that this information already exists (through bond lodgements and land tax accounts), the necessary legislative measures should be taken to make the information available for the purpose of monitoring compliance with rental legislation. It would also be advisable to establish a landlord register: this would greatly assist with enforcing the new standards and make it easier to establish and maintain broader professional standards across the private rental sector in general. Costs could be covered with a small registration fee paid by lessors.[14]

Importantly, the responsibility for monitoring compliance should not fall solely on the shoulders of renters! Mandatory disclosure of whether a property meets the standard

or has an exemption should be required in rental advertising, with specified *pro forma* wording. Access Canberra should be resourced to conduct random audits and also be responsive to referrals from renters themselves. Audits should be used to verify exemptions, assess compliance, and contribute to quality assurance.

Finally, there should be the option of a financial penalty for non-compliance that goes beyond a mere rent reduction. To get a rent reduction through ACAT is an arduous process that is unavailable to most renters in practice. When a rent reduction is achieved, it is often tokenistic and not proportionate to the privation experienced by the renter. In Aotearoa New Zealand, minimum rental standards are accompanied by the prospect of specified exemplary damages payable to the tenant.[15] Including exemplary damages with the ACT regulations would encourage compliance action from renters, deter non-compliance by landlords, and more justly compensate renters whose landlords failed to provide an adequate rental product.

Phase-in compliance over time

Regulations should be phased-in over time. This provides time for industry capacity to develop to implement retrofits and a window of opportunity for landlords to implement changes, or, if they prefer, to leave the market.

We suggest a phase-in period of about three years. Ideally, installations would happen at a uniform rate in this time window, although this will be difficult to achieve. It is very important to avoid having a single deadline, because this will result in a big demand peak just before the deadline.

A model could look something like this:

1 July 2022	Regulations take effect. There is one year before specific action is required.	
1 July 2023	Totally new leases are required to meet the insulation standard.	All properties are required to have a fixed heater.
1 July 2024	The insulation standard also applies to lease renewals.	
1 July 2025	The insulation standard applies to all tenancies.	All properties are required to have an energy-efficient RCAC.
1 July 2026	A more stringent insulation standard begins applying to all new leases.	

It may be sensible to allow grace periods, particularly in the early years. Consider that tenants in a periodic tenancy may terminate a tenancy with just three weeks' notice, and a lessor may struggle to bring a property up to standard before re-leasing it. (This risk can of course be mitigated by a lessors' taking proactive action to meet the standard.) A three month grace period could apply in the two-year window before 1 July 2025. However, we anticipate that lessors will allow themselves a grace period one way or the other, so a *de jure* grace period of three months could easily become a *de facto* grace period of many months more. With this in mind, the duration and application of grace periods should be limited.

Other issues

Financial assistance

We are open to the idea of providing financial assistance to rental providers. In general, we suggest that financing is a better option than outright grants, as it helps to maintain cash flow for property investors and may be cheaper for the government.

However, we consider that financial support should be provided on the basis of the lessor's financial situation, not that of the tenant. Just because a tenant may be struggling financially, it doesn't mean that their lessor needs a subsidy. It's conceivable that a lessor with cash flow issues may be renting to a tenant with a secure income.

Further, it is presumably lessors, not tenants, who would apply for support. Lessors may not know the financial situation of their tenants, and tenants may not wish to provide such information. It would be more straightforward for landlords to verify their own eligibility than that of their tenants.

There is no reason to believe that giving landlords a subsidy would necessarily reduce the rent they would charge, regardless of what they might say in a survey. If the purpose of financial assistance to lessors is to support vulnerable and low-income renters, then any assistance should be conditional on precluding a rent increase. A subsidy could also assist with the phased implementation in the sense that a subsidy that is phased-out over time incentivises lessors to comply earlier when their net cost would be lower.

Safety measures

The regulations should require lessors to use accredited installers. Insulation that is self-installed, or installed by an unaccredited installer, should be deemed non-compliant.

Rental providers are running a business of providing a rental property, and it is reasonable to establish safety requirements that might not apply to an owner-occupier (ie, someone insulating their own home). In the case of a rental, there is a moral hazard from allowing DIY insulation, as the tenant is exposed to safety risk that may arise from a faulty installation. DIY or unaccredited jobs expose tenants to too much risk, in terms of safety hazards or simply a badly-done job.

Evaluation

We encourage the ACT Government to iteratively evaluate the regulations to identify any changes that could improve effectiveness. This should happen much sooner than the ten-year period suggested in the RIS. Evaluation should be ongoing through the initial phase-in period, with a formal evaluation within four years.

Areas of focus for evaluation could include::

- **How have the regulations changed the energy performance of ACT housing stock?** This could involve studying a number of specific rental properties and measuring their performance at two different points in time, or simply a general sample of the rental housing stock.
- **What has been the impact on installers/providers?** Liaise with insulation companies to assess what demand they have seen and their estimated impact on their own industry and on the housing stock. It may be possible to increase the rate of ambition if industry capacity has developed sufficiently.
- **To what extent have regulations affected rental prices?** It is very difficult to separate correlation and causation here. We expect rental prices will go up in coming years whether or not standards are implemented. Nonetheless, it is a question worth exploring. A study could compare trends in rent prices against areas that may be analogous yet not affected by regulations, such as Queanbeyan, or areas of Canberra that are dominated by recently-built housing stock.
- **To what extent have regulations improved public health?** Useful work has been done in other jurisdictions to monitor the health benefits of energy efficiency retrofits. The ACT Government could conduct or fund a longitudinal study examining household health characteristics for a group of people who benefit from the standards, and a group of people in properties that were not changed.

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ACT Government

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.

For further information about this submission, 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).

Yours sincerely,

Damian Sullivan
Principal, Policy and Research, Climate Change, Energy and Equity

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Submission to ACT Government Department of Environment, Planning and Sustainable Development: Minimum energy efficiency standards for rental homes in the ACT

18 December 2021

Introduction

Canberra Community Law (**CCL**) is a community legal centre that provides free legal advice, assistance, and representation to people in the ACT on low incomes or those facing disadvantage for matters relating to tenancy, public housing, social security, and disability discrimination law.

CCL's Housing law practice is the only specialist legal service in relation to public housing in the ACT. CCL also runs a duty lawyer scheme at the ACT Civil and Administrative Tribunal (**ACAT**) in relation to the public housing list and appears regularly before ACAT.

We thank the ACT Government Department of Environment, Planning and Sustainable Development for the opportunity to make a submission in response to the "Minimum energy efficiency standards for rental homes in the ACT" consultation paper.

Executive summary and recommendations

While CCL supports the introduction of the proposed minimum energy efficiency standards for rental properties in the ACT, our position is that the ACT Government should adopt a more ambitious agenda to ensure that all ACT residents have access to safe and appropriate housing that meets their needs.

Living costs associated with energy usage places a disproportionate burden on financially disadvantaged households. Research shows that improving energy efficiency and productivity of low-income homes will result in the improvement of the physical and mental health of residents, reduce poverty through energy bill savings, reduce energy use and emissions, generation of jobs nationwide, and will lead to ongoing productivity improvements.[1]

Recommendations

We would like to see the ACT Government adopt a program with respect to minimum energy efficiency standards that requires, as part of regulations permitted under section 136(1) of the *Residential Tenancies Act 1997* (ACT):

(a) as a first step, introduces minimum ceiling insulation requirements for **all** rental properties, with an aim to achieve a universal R5 standard, subject to limited exceptions and exemptions as set out below. As part of these minimum requirements, the ACT Government should ensure that:

(i) the phase-in period should take into account that many public housing tenants are on periodic tenancies and may live in one property for a prolonged period of time compared to private renters;

(ii) exemptions are appropriate and must be supported by evidence;

(iii) appropriate safety requirements are implemented, requiring accredited and certified tradespeople to carry out work and preventing "topping up";

(iv) appropriate additional funding is provided by the ACT Government to fund upgrades;

(v) any reforms are supported by complementary measures including draught-proofing and curtains; and

(vi) reforms should be incorporated as a minimum standard in the *Residential Tenancies Act 1997* (ACT), and providers should be required to provide a mandatory disclosure statement.

CCL further submits that the ACT Government should:

(b) require, or incentivise, split system heating and cooling to ensure that housing is safe and appropriate in increasingly variable weather conditions as set out below; and

(c) implement, where feasible, additional energy efficiency measures.

Public and social housing residents

CCL provides services to people in the ACT on low incomes or people facing other disadvantage. Many of our clients experience a range of disabilities, including both physical disabilities and mental illness. Many of these clients will have particular needs that need to be met to ensure that they are safe and comfortable in their homes, including heating, cooling, mobility, and life-saving equipment but may have limited resources to meet these needs themselves.

Many of CCL's clients live in housing provided by Housing & Community Services ACT (**Housing ACT**), which is a social housing provider that identifies its role as providing "safe and appropriate housing to meet the needs of low income and disadvantaged individuals and families in the ACT". Our clients who live in housing provided by Housing ACT often report that their properties are in a poor state of maintenance. These properties are often draughty, prone to mould, difficult to heat and cool, and are energy inefficient, meaning higher energy bills for residents.

People experiencing financial disadvantage are disproportionately impacted by the high and rising costs of energy in Australia, with these impacts exacerbated by the COVID pandemic, which has resulted in greater household energy consumption. The result is that many of our clients, particularly those living with a disability or with particular needs, experience significant discomfort, onset or exacerbation of health issues and financial stress.

Minimum requirements for ceiling insulation

CCL supports the introduction of minimum ceiling insulation standards as a stepping stone towards improving the overall energy efficiency of ACT's rental housing stock. We note that the proposed minimum standard contemplates that "*rental homes with less than R2 ceiling installation will be required to install or upgrade to a minimum of R5*". CCL supports this aim as a first step to target the worst-performing properties. However, in our opinion the ACT Government should go further by adopting an approach that will require rental properties with R3 and R4 insulation to upgrade to the proposed R5 minimum.

Exemptions

Many social housing tenants have lived at their current place of residence for a prolonged period of time. These tenants have often formed emotional connections to their home, have established social networks, and may rely on local places of employment or local healthcare or social services. In such circumstances, displacing the distress that would be caused to these tenants should they be required to move in order to allow energy efficiency upgrades may outweigh the benefit that they would receive from these upgrades. In such circumstance, we believe that tenants should be able to apply for an exemption from new measures, to allow them stay in their current home. Such properties can be upgraded if or when tenants vacate.

We also note that the proposed standards will not apply to lower floor units in apartment blocks or where insulation cannot be installed or is "too expensive". Where this is the case, alternative or "complementary" energy efficiency measures should be implemented to ensure that homes are safe and appropriate for tenants. If this is not possible, Housing ACT tenants should be offered the **option** of relocating to alternative accommodation which does meet the energy efficiency standards with financial assistance to meet relocation costs similar to the assistance currently available under Housing ACT's Growth and Renewal program.

The ACT Government should make it clear in what circumstances these exemptions will be available, and the housing provider should be required to provide third party evidence that they are eligible for an exemption, for example a building report. Housing providers should also be required to disclose the exemption to prospective tenants.

Phase-in period and compliance

The majority of public and social housing tenants that we work with are on periodic tenancies, with no identified end date. Further, tenant turnover is low, and, as noted above, many tenants have lived in their current property for a prolonged period of time. As a result, the ACT Government should ensure that the proposed measures are implemented by a specified date, for example two years from when the proposed standard comes into force. CCL's view is that these measures should be introduced as soon as possible, while recognising that identifying target properties and securing tradespeople may take some time.

Funding

In order to realise material benefits to public and social housing tenants, the ACT Government should provide funding for energy efficiency upgrades to public and social housing that is in addition to the current funding pool. Drawing funding from the current funding pool would draw funding away from other public and social housing initiatives, with potentially devastating impacts given the severity of the current ACT housing crisis. We note that the ACT Government plans to provide $50 million to Housing ACT to support the introduction of the proposed standard as part of the Vulnerable Household Energy Support Scheme. The ACT Government should consider reviewing this funding amount, and increasing funding if required, once the extent of upgrades that will be required is known.

Complementary measures

CCL believes that complementary measures including:

(a) draught proofing - including door and window sealing; and

(b) curtains – provision of curtains or other thermal window-dressings,

should be included in the proposed reforms, particularly in public and social housing where tenants may be financially or physically unable to install their own. Such measures are likely to drastically improve the energy efficiency and liveability of properties, for a relatively small investment of money and effort.

Safety measures

CCL supports the introduction of the safety measures proposed by the ACT Government to reduce risks to tradespeople and tenants. In particular, the ACT Government should require that installers be trained and accredited professionals. Housing providers should be required to undertake assurance checks and/or be subject to audits following works to ensure that installation meets the required safety and efficiency standards.

CCL opposes the practice of "topping up" existing insulation due to the increased fire risk and the possibility of decreased effectiveness.

Compliance

CCL's view is that compliance with the minimum standard should be incorporated into the Standard Tenancy Terms in Schedule 1 of the *Residential Tenancies Act 1997*, and mandatory disclosure to prospective tenants should be required to indicate if the property meets the minimum standard.

Additional measures

As set out above, CCL believes that the ACT Government should adopt a more ambitious agenda to improve the energy efficiency of rental properties than is currently proposed, to increase both the energy efficiency and liveability of households.

Heating and cooling

Many of CCL's clients, particularly those living with disabilities, report significant difficulty in heating and cooling their homes to a level that is safe and comfortable. Because much of Housing ACT's housing stock is ageing and in a poor state of repair, many properties are not equipped with energy efficient heating or any provision for cooling. This means that properties are too hot in the summer, and too cold in winter. Tenants may rely on inefficient portable heaters and air conditioners that are cheaper to buy, but expensive to run.[ii]

Spilt system heating and cooling are currently not standard in Housing ACT properties. Whilst over recent years Housing ACT has made some improvements in its processes where requests are made to instal these systems, additional forms and medical evidence confirming the need for the system is still required denying all public housing tenants access to basic comfort and wellbeing in their homes through having spilt system heating and cooling systems. This process also creates an additional administrative burden for tenants for fall under the current policy parametres and delays in having heating and cooling installed as illustrated by the following case study.

Case Study 1: Stephanie's Story

Stephanie (not her real name) is a young adult with a gene malformation. As a result, Stephanie suffers from epilepsy, similar symptoms to cerebral palsy and vitamin D deficiency. Stephanie is also triggered by heat and overexertion. As a result of her medical condition, Stephanie required access to sunlight and the for the whole house to be temperature controlled.

Stephanie was transferred to a public housing property with unsuitable air conditioning to accommodate her disability. This because a signficant source of concern and distress after Housing ACT initially refused to install ducted air conditioning throughout the house. With the assistance of CCL, Stephanie lodged a complaint to the Human Rights Commission attaching medical evidence obtained to support her request. After several more months, the matter settled at conciliation after Housing ACT agreed to install the system.

Furthermore, many properties are draughty and prone to mould. This means that vulnerable and low-income residents will often experience associated health problems, exacerbation of existing health problems, and higher energy bills than they can afford. This problem is likely to become more significant as climate change continues to cause warming and an increase in extreme weather events in the ACT.

CCL believes that requiring that split systems with a minimum 1.5-star rating be installed in the living area of existing housing stock, and particularly in public and social housing, would reduce the frequency and severity of health problems amongst residents and reduce energy poverty.[iii] Split system heating and cooling is more energy efficient when compared to electric heating and portable air conditioning. These measures could be introduced in tandem with the Commonwealth government, as set out in the "Proposal and implementation plan for a national low-income energy productivity program" put forward by ACOSS.

Hot water

The Victorian Government recently committed $112 million dollars to upgrading the energy efficiency of social housing properties by implementing heating and cooling, draught proofing, and upgrading hot water systems.[iv] Where feasible, the ACT Government should consider funding increased efficiency hot water systems or implementing solar or heat pump hot water. This will reduce the cost of energy to tenants, while reducing overall energy consumption in support of Australian efforts to reduce greenhouse gas emissions.

Housing ACT's Growth and Renewal Program

CCL also acknowledges the work being undertaken by Housing ACT through its Growth and Renewal Program to renew older inefficient homes to help improve the quality of life for public housing tenants. For the reasons set out above, this program must continue to be voluntary. Whilst feedback from public housing tenants regarding the implementation of this program has been mixed, for some tenants their quality of life has been immeasurably improved through relocation to more energy efficient homes.

Should you have any queries or wish to discuss the matter further please do not hesitate to contact Ms Genevieve Bolton, Executive Director/Principal Solicitor on 6218 7922.

Yours faithfully,

G. Bolton

Genevieve Bolton

Executive Director/Principal Solicitor

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[i] ACOSS, "Proposal and implementation plan for a national low-income energy productivity program".

[ii] ACOSS, "Proposal and implementation plan for a national low-income energy productivity program", p. 3.

[iii] ACOSS, "Proposal and implementation plan for a national low-income energy productivity program", p. 10.

[iv] DHHS Vic, Housing Victoria, "EnergySmart Public Housing Project", https://www.housing.vic.gov.au/about/housing-news/energysmart-public-housing-project.

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Thursday, December 16, 2021

Environment, Planning and Sustainable Development Directorate

Submission: Minimum energy efficiency standards for rental homes in the ACT consultation paper

By email: EPSDDComms@act.gov.au

Care has been supporting the Canberra community since 1983 and we believe in financial fairness for all. We are a community organisation that provides free and confidential support and assistance to people living on low to moderate incomes or who are experiencing financial difficulty. Care's programs include financial counselling, consumer law, community loans and community education. Since 2017, Care has delivered the Energy Support Voucher Program providing support to vulnerable community members experiencing energy stress.

Thank you for the opportunity to respond to the Consultation Paper on Minimum Energy Efficient Standards for Rental Homes in ACT. Care recognises the steps the ACT Government is taking to ensure a better standard of energy comfort for rental homes in the ACT.

Minimum Energy Efficient Standards for Rental Homes in ACT

Care supports the ACT Government's decision to introduce minimum energy efficient standards for rental houses in the ACT. Many of our clients live in public or private rental accommodation. Financial stress can be caused or exacerbated by poor energy efficiency leading to high and often unaffordable energy bills. Putting measures in place to support energy efficiency and reduce costs will lead to better energy comfort, health and wellbeing for those most vulnerable in ACT.

Standard

We agree that opting for ceiling insulation is a better standard to apply, noting that heating upgrades may involve a pass through cost to consumers that some won' t be able to afford, and performance ratings are a complex measurement standard. Given that ceiling insulation will provide a positive benefit in terms of

increasing energy efficiency and reducing energy costs, this seems a sensible standard to apply.

However, we consider that:

- requiring rental homes with less R2 ceiling insulation to install or upgrade to a minimum of R5 should be a starting point with the eventual aim of lifting the minimum standard in rental properties to R5.
- although the current scheme does not require rental homes of R2 or above to install or upgrade installation, a reference should be made of the intent of including these in future phases with estimate of timelines.
- where it is not feasible to install ceiling insulation, other measures should be implemented. These could include energy efficient heating upgrades.

All households who live in homes requiring an upgrade to reach the minimum standard should also be offered a home energy audit through Actsmart and SVDP should receive adequate government funding to manage the increased demand for their services. Where a Housing Act property is not suitable for a ceiling upgrade, tenants should not be left worse off. If other measures are also not viable due to the age or condition of the property, tenants should have the option of being re located to a property that meets the standard.

Support

Agree that Government should provide incentives financial or other support as an incentive to landlords.

Current suggestion is that access to a no interest loan or subsidy would be based on income/vulnerability of tenants. Whilst we agree that all tenants, particularly those on low incomes or experiencing vulnerability should benefit from the introduction of the scheme, we question why consideration isn't given to the circumstances of the landlord. Those who are on high incomes and can afford to make the upgrades should be able to access a no interest loan but any subsidy arrangement should be directed to landlords on modest incomes.

Alternatively, there could be consideration for a grant system for rental providers. This would be allocated if there is compliance within a certain time frame.

Exemptions

Agree with the exemption criteria for landlords but believe it is important that evidence be required to ensure the exemption is for genuine reason.

Where an exemption is sought and approved, landlords should offer complimentary measures to tenants to ensure they are not disadvantaged or missing out on the benefits of the scheme. This should also have the impact of dissuading landlords from seeking unnecessary exemptions.

Compliance

Time frame for complying with the standard needs to reflect industry capacity. It is essential that the work is conducted by trained, accredited providers to avoid potential harm to tenants as well as reputational damage to the government.

If a 5 year time period is agreed, there should be a proviso that rent providers are obligated to meet the standard before a new lease is put in place during this period.

Monitoring and enforcement auditing of percentage of properties. Incentive to comply as well as a straightforward process to be able to comply. However, for rent providers who knowingly don't comply there should be strong enforcement measures including substantial fines.

Careful consideration is required as to how a property is audited to assess their current ceiling insulation. Reliance should be on an independent auditor and not on the rental provider to ensure compliance. Ideally the criteria for exemptions should be very specific and processing time kept to a minimum to prevent delays in the scheme.

Additional measures

Additional measures should be considered including:

draft proofing
referrals to Actsmart for a home energy audit
heating upgrade (particularly where ceiling insulation is not feasible)
hot water pumps
removal of all gas appliances to move to all electric

Safety

Safety and compliance with safety requirements must be at the forefront of the scheme. We would not support DIY installation, given the potential risk to tenants if the ceiling insulation is not installed correctly.

As stated above we believe all installers should be accredited. The Government will need to allow time and provide incentives to ensure accreditation can be undertaken by providers. Any breach should result in a substantial fine.

Quality Assurance

Quality assurance is more likely to be met if there is a requirement for installers to be accredited and rent providers to provide evidence of this when work is undertaken. An audit process should also form part of any quality assurance process

Impacts to tenants

The Minimum Standards for Residential Rental Properties RIS does make reference to cost pass through to tenants in the form of rental increases. It indicates that tenants will still be better off. Care would recommend monitoring of this over the life of the scheme to ensure that this will remain the case.

Evaluation and Review

Evaluation to determine the effectiveness of the scheme is necessary but challenging. Any review should be conducted by an independent person.

Evaluation should be performed throughout the initial phase in period and not at the ten year period as referenced in RIS.

The evaluation itself should not be restrictive and consideration at all times should be made of the overall objective of the program to improve energy efficient standards and the health and wellbeing of ACT tenants.

Should you have any queries or wish to discuss the matter further please do not hesitate to contact:

Carmel Franklin, CEO or Aoife Berenger, Financial Capability Officer on 02 62571788.

Submission to EPSDD: Minimum energy efficiency standards for rental homes in the ACT

December 2021

The Conservation Council ACT Region is the peak non-government environment organisation for the Canberra region. Since 1981, we have spoken up for a healthy environment and a sustainable future for our region. We harness the collective energy, expertise and experience of our more than 40 member groups to promote sound policy and action on the environment.

We campaign for a safe climate, to protect biodiversity in our urban and natural areas, to protect and enhance our waterways, reduce waste, and promote sustainable transport and planning for our city. Working in the ACT and region to influence governments and build widespread support within the community and business, we put forward evidence-based solutions and innovative ideas for how we can live sustainably.

At a time when we need to reimagine a better future, the changes we need will only happen with the collective support of our community.

For further information please contact:

Helen Oakey, Executive Director, director@conservationcouncil.org.au.

Minimum energy efficiency standards benefit people and planet

The Conservation Council ACT region welcomes the opportunity to provide input to the ACT Government's proposed minimum energy efficiency standards for rental homes.[1]

Intervention in the form of mandatory standards for energy efficiency in rental homes under the *Residential Tenancies Act 1997* is long overdue. In 2009, the Conservation Council stated *"Mandating for rental properties to meet at least 2 star energy efficiency, and providing ceiling insulation to low-income home owners (the majority of whom are old age pensioners) increases the 'live-ability' of a house as well as reducing electricity bills."*[2]

The ACIL Allen Regulation Impact Statement (RIS) identifies that approximately 41% of Canberra's housing stock has ceiling insulation under R2. We understand this corresponds to around 18,500 private rental and public housing homes with R0 or R1 ceiling insulation in Canberra, contributing to high energy bills and energy poverty, and poor thermal comfort and illness for occupants, who are often some of our city's most vulnerable residents.[3,4,5,6] A perceived (but false) split incentive between property owners being responsible for the costs of property upgrades and the benefits accruing only to the occupants has led to a market failure and a widening gap between the energy efficient homes that our climate and social equity demand and the reality for renters. In the past, even when financial incentives have been offered to landlords to undertake ceiling insulation upgrades, the uptake of incentives was low[7], identified as partly due to the split incentive as well as the need for landlords to consent. This highlights the need for regulation to drive uptake of programs.

The ACT Government needs to maximise this opportunity of implementing legislation to ensure that emission reductions are real and measurable, and that tenants experience verifiable improvements in quality of life, a reduction in the use and cost of energy, and an improvement in the ACT's housing stock, including public housing.

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[1] ACT Government, 2021, Minimum energy efficiency standards for rental homes
[2] https://www.parliament.act.gov.au/__data/assets/pdf_file/0004/372271/04_Conservation_Council_ACT_Region.pdf
[3] Philippa Howden-Chapman et al., 2007, Effect of insulating existing houses on health inequality: cluster randomised study in the community, BMJ 334, no. 7591 : 460
[4] Better Renting, 2019, Unsafe as houses: cold-housing deaths in the ACT
[5] ACOSS, 2018, Energy Stressed in Australia
[6] Abderrezak Bouchama et al., 2012, Prognostic factors in heat wave – related deaths, Archives of Internal Medicine 167, no. 20, pp 2170–76
[7] Home Insulation Program, The Auditor-General Audit Report No.12 2010–11 Performance Audi https://www.anao.gov.au/sites/default/files/ANAO_Report_2010-2011_12.pdf at page 28.

Introduction

Climate change, emissions and energy efficient homes

Buildings are responsible for both direct greenhouse gas emissions during operation and embodied scope 3 emissions during construction. In the ACT, stationary energy is responsible for 22% of direct emissions through consumption of fossil gas for heating, hot water and cooking.[8] As the ACT is purchasing 100% renewable electricity for all properties, and have committed to expanding this purchase into the future[9], it could well be argued that energy efficiency measures impacting on electricity consumption are redundant in terms of reducing emissions reductions. However, a unit of energy saved is cheaper than a unit of energy generated, and in addition, improved energy efficiency leads to better building operation and higher levels of comfort for residents. In addition, to support reaching climate change objectives, the policy of setting minimum standards for rentals should be established with consideration of the ACT's ambition to phase out gas.

The experience of families trying to keep smoke out of their homes during the 2019–20 bushfires and stay cool during record heat waves demonstrates the very real and direct impact that poor quality housing has, and will continue to have, on human health and the liveability of our cities.[10] Climate-resilient buildings will become more and more sought after as the impacts of climate change increase.

Ensuring that the AC's building stock is both energy efficient as well as resilient to other climate challenges, such as extreme heat and bushfire smoke, will be important. The ACT Government must set as high a level of ambition as possible for good design, quality construction and energy efficiency of *all* current and future housing stock, and this includes the significant portion of housing that makes up the rental market.

Research by Renew,[11] ClimateWorks Australia and ASBEC, [12] Rewiring Australia,[13] Beyond Zero Emissions and Melbourne Energy Institute,[14] Alternative Technology Association[15] and other institutions amply demonstrate the net cost savings that highly efficient homes can return to

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[8] ACT Government, 2019, ACT Climate Change Strategy
[9] ACT Sustainable Energy Policy 2020-2025 Discussion Paper: https://www.google.com/url?q=https://www.environment.act.gov.au/__data/assets/pdf_file/0007/1411567/act-sustainable-energy-policy-discussion-paper.pdf&sa=D&source=docs&ust=1639713619779000&usg=AOvVaw0cQMlmnX_bHb9qHVDwUYoa

[10] NSW Government Office of Environment and Heritage, 2015, Heatwaves: climate change impact snapshot
[11] Renew, 2021, Households better off: lowering energy bills with the 2022 National Construction Code
[12] ClimateWorks Australia & Australian Sustainable Built Environment Council, 2018, Built to perform: an industry-led pathway to a zero carbon ready building code
[13] Rewiring Australia, 2021, Castles & cars: savings in the suburbs through electrifying everything
[14] Beyond Zero Emissions & Melbourne Energy Institute, 2013, Zero Carbon Australia: Buildings plan
[15] Alternative Technology Association, 2018, Household fuel choice in the National Energy Market

their occupants compared to the small increase in construction or renovation costs, but there is a persistent perception that these homes are too expensive to build.

There is also an apparent split incentive where builders and investor landlords seek to minimise construction costs while the occupant bears the costs of operation. The people who can least afford higher energy costs have the least capacity to pay extra upfront for more efficient construction, or to influence upgrades in their homes, condemning our most vulnerable citizens to enduring energy poverty.[16] This split is exacerbated for rental properties where landlords believe it is not worth investing in energy efficiency because only the tenants reap the benefits.

The proposed standard

Strengthen the ceiling insulation standard

The Conservation Council welcomes the proposal to introduce a minimum standard through the setting of ceiling insulation standards as a practical step that will have, in most situations, a meaningful outcome. However we don't believe that this standard alone is sufficient, nor that its implementation is ambitious enough to mitigate the climate emergency and equip families with cost-effective homes that are able to be kept warm in winter, cool in summer and resilient to future climate conditions.

The proposal to require R0 and R1 properties to R5 is a useful place to start, but it is clear that a ceiling insulation standard of R2 is not an acceptable minimum standard for Canberra houses. Houses in Canberra, located in a cool temperate climate zone[17], are recommended to have a minimum of R5 ceiling insulation.[18] By setting the minimum standard at R2 for ceiling insulation, the government risks communicating that R2 is an acceptable standard for ceiling insulation, which delivers the required benefits for residents, when in fact it is unlikely to do so. We would urge the government to consider an initial policy setting that captures houses that are "R2 and below" rather than "below R2" as an initial starting point.

From there, it would be helpful to outline a pathway by which the regulation will capture all other houses that do not meet an R5 ceiling insulation standard. Cognisant that the government is concerned that setting the standard too high will drive demand for insulation upgrades to a level that will place a strain on industry to deliver safely and effectively, we support that there is an initial high level of ambition communicated in advance of higher standards being fully implemented. That is, the Government should consider a detailed implementation pathway that provides early information to landlords and tenants, and potentially includes trigger points to expand or contract the program based on the capacity of industry to safely deliver.

Given that the minimum standard for new buildings has been R5 since 2003, we would urge the ACT Government to lay out a pathway now to trigger the upgrade of R2, R3 and R4 insulation levels so that all rental homes are upgraded to minimum R5 by 2035 at the latest. This would provide more than a decade of certainty for the insulation industry to build the capacity and accreditation of the workforce and for landlords to plan ahead for upgrades to their properties.

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[16] Australian Council of Social Services, 2018, Energy stressed in Australia
[17] https://www.yourhome.gov.au/passive-design/design-climate
[18] https://www.actsmart.act.gov.au/energy-saving/insulation

We understand that there is a diminishing net benefit and return on investment from houses that already have R2, R3 and particularly R4, however, if a minimum standard is justified for new homes, it should apply equally to all homes. In addition, it is noteworthy that as insulation ages, so does its benefit, and that insulation rated R3 or R4 when it was installed may well not hold that same rating after 15-20 years.

The Council strongly supports the inclusion of ACT Housing Properties in the minimum standard given the number of properties for which they are the landlord.

Energy efficiency heating

The standard should also include a requirement for energy efficient (heat pump) heating appliances in rental properties, known as reverse-cycle air conditioners. RCAC systems are the most efficient heating available, and provide the additional benefit of being able to be used for cooling, something that is becoming increasingly important in Canberra. Currently many rental properties would utlise inefficient portable electric heaters. Alternatively tenants may find themselves relying on gas heating, which can be expensive to run and requires good maintenance to ensure efficiency. Not only would RCACs provide tenants with energy efficiency savings on fuel and connections costs, but they would also help advance the ACT Government's objective of transitioning off fossil gas.

In the same way that the mandatory information session for applicants to the Sustainable Households Scheme mentions switching from gas to electric appliances, communications material accompanying this standard should recommend that landlords take the initiative when upgrading insulation to also replace gas and wood heaters with reverse-cycle heat pumps for energy-efficient heating and cooling (as explored in the RIS), gas water heaters with electric heat pumps and gas stoves and ovens with efficient induction cooktops and electric ovens. Such advice now could help fill the gap in action until specific gas phase-out legislation is implemented. The policy target of phasing out gas by 2045 has already been determined and the benefits for occupants are well recognised, yet there are no commitments yet by the Government to phase out gas in existing housing. Promoting that the SHS is available to landlords might increase the number of rental properties that make the switch.

The Conservation Council would support a higher appliance standard for RCAC heating / cooling systems that has been identified in the Discussion Paper as an option. While acknowledging that all heat pump heating / cooling systems are generally efficient, and more efficient than other forms of electric heating, the upfront costs of RCAC systems with higher energy efficiency ratings are not always significantly greater than those rated at 1.5. Further analysis of this might be required to determine the efficiency rating of appliances that would deliver the best cost efficiency over time.

Complementary measures

The standard should require landlords to commission an independent comprehensive energy efficiency audit of their properties and strongly encourage them to implement recommended upgrades, particularly low-cost draught-proofing, under-floor and wall insulation, properly fitted window coverings and/or secondary/double glazing.

The ACT Government could deliver complementary measures, as much through existing programs as practicable, and through mandatory standards or other regulatory measures where the market fails to deliver improvement as discussed previously.

Complementary measures should be included at least as recommendations and in communications material, but should not delay the implementation of the standard.

Implementation

Phase in period (2-5 years)

The Conservation Council recommends the shortest phase-in period that is consistent with the capacity of the industry to meet demand in a responsible and sustained way (ie. not a boom and bust cycle). The roll out of the scheme should be cognisant of the small number of installers in the ACT and the suitable certification of installers. It is estimated that 18,500 homes will be affected by the proposal to mandate ceiling insulation in properties that have less than R2, requiring approximately 100 installations per week to achieve compliance within a 4-year phase-in period. Roughly half of those homes are public housing so ACT Government procurement could provide steady employment for the early part of the phase-in period as industry capacity is gradually increased to take on private rentals.

For landlords in financial stress, a financial assistance package and specific date extensions are preferred over a general longer phase-in period.

The start or renewal of a lease may provide an opportunity to develop rolling demand for insulation upgrades, to smooth demand over the phase-in period rather than risk an unmeetable glut of demand as the deadline approaches. However, deadlines will ensure that those properties on extended or open-ended leases that haven't come up for renewal within the phase-in period are identified. The Council also remains open to an implementation timeline, as described by Better Renting, connected to the age of the house and which may better reflect the quality of the insulation in the house, reflecting both what was initially installed as well as the quality of insulation after a certain number of years. This proposal would provide a clear timeline to landlords and might correlate with the housing stock categorisation on page C-5 of the RIS.

A grace period would allow for flexibility according to the availability of installers and material supply and to fit the work in around other maintenance and tenant preferences. However, the

landlord should be required to show evidence of an installation date being booked at the time of the lease being commenced. This would avoid properties sitting vacant between leases.

The same grace period should apply regarding the end date of the phase-in period – ie that landlords must have evidence that installation is booked.

Exemptions

The exemptions outlined in the Discussion Paper appear valid. Where an exemption is granted regarding ceiling insulation upgrade, the landlord should be required to identify other means of improving energy efficiency and thermal comfort.

For the exemption when the “tenant strongly objects”, this should only be valid only for the duration of the existing lease. Communication materials should clearly enumerate the benefits for tenants, particularly that the likely energy cost savings should outweigh any cost pass-through from the installation.

The evidence required for an exemption might depend on the type of exemption being sought:

- For given exemptions, a building report and installation quote;
- For demolition/rebuild, a DA; and
- For other temporary exemptions, a statutory declaration.

Rental providers should be required to formally apply for an exemption and have it verified – applying this administrative burden will make it less likely that providers will falsely claim exemptions that might otherwise mislead prospective tenants.

Compliance and quality assurance

Compliance

For the effective implementation of the minimum standard for rental properties, strong compliance and auditing requirements are recommended. Otherwise the scheme will become a burden for tenants, who will not be able to easily rely on rental properties meeting the standard.

Independent evidence from an accredited installer, would be suitable and it would be helpful if it was required that rental properties put onto the housing market declare they have met the standard.

The suggestions in the consultation document for non-compliance seem reasonable, namely that the landlord should be required to remedy the breach within the grace period of starting or renewing a lease, with financial penalties commensurate with the cost of upgrade plus damages in the event of failure to remedy. This would allow the tenant or the ACT Government on behalf of the tenant to pursue installation at the landlord’s expense. In such a tight and competitive rental market, the onus must fall on the landlord to comply rather than putting the tenant in the position of cancelling the lease or living in the deficient house.

Effective enforcement requires adequate ongoing funding, and independence from installers, landlords and property managers. It requires timely verification of installation or non-compliance and visible, rapid response to and resolution of complaints and non-compliance to act as deterrence. Voluntary or poorly enforced schemes are rarely uniformly effective.[19]

The standard also needs to be supported by well-resourced independent compliance authorities and training for all construction industry professionals and associated trades, as well as public engagement through real estate agents and property managers to overcome the perception that sustainability upgrades are too expensive or that only tenants benefit.

Safety and quality assurance

The Conservation Council is keen to see the minimum rental standard succeed and for ceiling insulation to be considered a valuable option for all homeowners and landlords to widely utlise so as reduce their energy consumption and cut emissions. The insulation industry has arguably been setback a decade or more as a result of the Commonwealth Government's Home Insulation Program in 2009. As such, we support a scheme that has strong safety and quality measures. We would suggest that this means not allowing unaccredited or DIY installations, and that measures such as independent inspections of randomly-selected installations could assist to provide assurance that the standard has been met and that fire risks have been minimised.

Other issues

Assistance to support vulnerable and low-income renters

Financial assistance to landlords should be based on their own financial circumstances, not those of the tenants. This assistance should be provided, as far as practicable, through existing schemes. Promoting that the Sustainable Households Scheme is available to landlords might increase the number of rental properties that make further upgrades such as switching from gas to electric appliances.

Review

As indicated earlier, the primary concern is that there is a lack of long term direction and ambition in ramping up the standards required over time. Setting one standard and reviewing it risks a slow scheme that requires bureaucratic review in order to be extended, when it might be possible to set a implementation plan that is sped up or slowed down depending on the capacity of industry to deliver/

As such, regular reviewing of installation data and consulting with industry should occur (at least annually) to iteratively evaluate the effectiveness of the implementation of the standard and any revisions or assistance measures that might be required to meet the target. However, once the long term direction of the standard has been set, the policy setting might only require review after 3-5 years.

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[19] Moore, Berry & Ambrose, 2019, Aiming for mediocrity: The case of australian housing thermal performance, Energy Policy vol 132, pp 602–610.

Conclusion

Government and community responses to the COVID-19 pandemic demonstrate that we can make rapid and previously unthinkable changes when the need is considered sufficiently important. The introduction of minimum energy efficiency standards for rental properties is a key tool to abate emissions and build resilience for the future. The Conservation Council urges the ACT Government to act with ambition and urgency right across the implementation of the Climate Change strategy, proportionate to the climate emergency, including through the implementation of minimum rental standards.

The Regulatory Impact Statement notes that "a minimum energy efficiency standard could potentially impose significant costs on rental providers, with possible broader rental property market implications." This may well be true, but there is a responsibility on landlords to ensure that they are putting safe properties into the rental market, not homes that leave people cold in winter, hot in summer, and impact negatively on their health, wellbeing and energy costs.

We support the linking of incentives and means-tested support for landlords to drive action, and importantly additional targeted support for tenants who might be vulnerable to energy poverty.

Supporting those who are both adversely impacted by the costs of adapting to climate change, as well as materially affected by the climate impacts themselves, such as through smoke or high temperatures, is an important way to support climate justice as we transition to a carbon-free society.

Recommendations

- Strengthen the minimum standard by:
    - widening the scope of the initial standard to R2 and below;
    - Identifying the trigger points to upgrade of all rental homes with R2, R3 and R4 to R5 (end date in consultation with industry regarding capacity building); and
    - Including energy efficient heating - even if with a delayed start time - to allow landlords to plan and also consider replacement heating opportunities.
- Require landlords to commission an energy efficiency audit and consider implementing complementary energy efficiency measures such as draught-proofing, underfloor and wall insulation and window coverings or secondary/double glazing.
- Ensure landlords are encouraged to switch gas and woodburning appliances to efficient electric appliances.
- Ensure a strong compliance and auditing regime that ensures the integrity of the standard, and that additional burdens are not placed on tenants.
- Conduct annual evaluations to ensure that the standard is effective and industry capacity is sustainable.

Nicole Coyles
Director, Climate Change and Energy
Environment, Planning and Sustainable Development Directorate
Email: EPSDDComms@act.gov.au

19 December 2021

Re: Minimum energy efficiency standards for rental homes in the ACT

Dear Nicole

Thank you for the opportunity to comment on the Consultation Paper on minimum energy efficiency standards for rental homes in the Australian Capital Territory (ACT).

The Energy Efficiency Council (EEC) strongly supports the introduction of minimum standards in the ACT to ensure that rental homes are healthy, comfortable and do not have large running costs that exacerbate financial stress.

The attached submission sets out the EEC's responses to the questions in the Consultation Paper. However, we draw your attention to four high-level points:

Terminology

The EEC recommends that the proposed standards should be called *'Minimum standards for thermal comfort and energy affordability'*. While minimum standards for insulation will deliver improvements in energy efficiency, research from New Zealand shows that minimum standards for insulation deliver health benefits that can be worth more than the energy savings.[1]

Standards for ceiling insulation

The EEC recommends that minimum standards should be set over two periods:

- By 1 January 2025, all non-exempt rental properties that have ceiling insulation with an R-value less than 2 should be retrofitted with insulation with an R-value of at least 5; and
- By 1 January 2030, all non-exempt rental properties that have ceiling insulation with an R-value less than 4 should be retrofitted with insulation with an R-value of at least 5.

The insulation industry in the ACT is scaling up, but cannot scale up faster than a certain rate while still ensuring quality installations. Having a two-phase approach would:

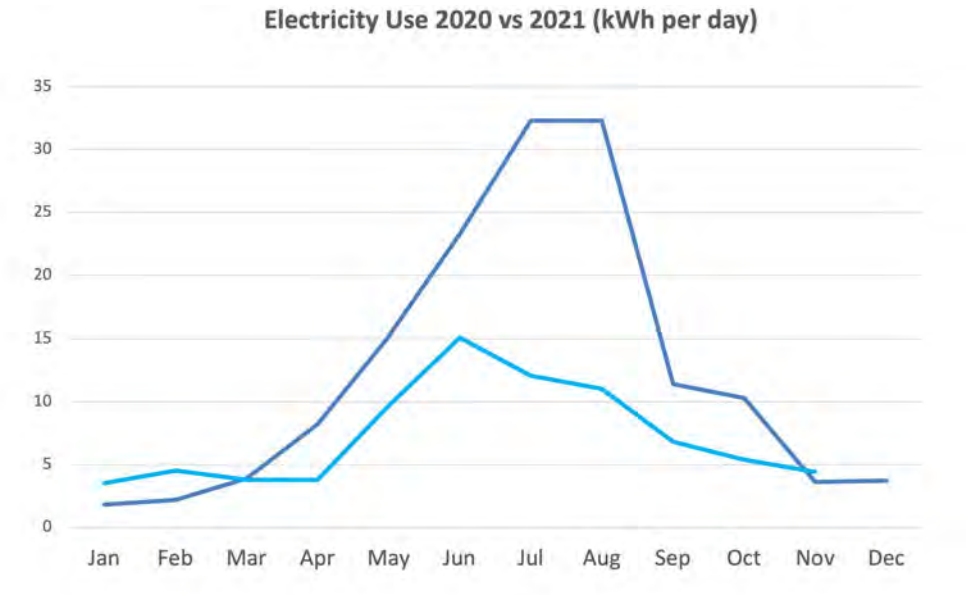
- Take the constraint on qualified installer numbers into account to deliver a safe and effective program;
- Ensure that the worst performing properties are upgraded first; and
- Assist with compliance by incentivizing landlords that own properties that have ceiling insulation with an R-value less than 2 to install R5 rather than R2 insulation.

Importantly for compliance and installation, the coverage of insulation affects its R-value – even a 5 per cent gap in coverage can reduce the R-value of insulation by 30 per cent.

[1] Grimes, A., Denne, T., Howden-Chapman, P., Arnold, R., Telfar-Bernard, L., Preval, N., & Young, C. (2011). *Cost benefit analysis of the Warm Up New Zealand: Heat Smart Programme.*

Standards for heating and cooling systems

The EEC strongly recommends that the ACT Government consider minimum standards for heaters. Moving from a portable or fixed resistive electric heater to a reverse cycle space heater/cooler can dramatically reduce energy bills and significantly increase thermal comfort. Data from my own house showed that replacing panel heaters with a reverse cycle system reduced my annual electricity bill by 40 per cent and increased the internal temperatures in July mornings from around 12 degrees to 20 degrees.



Regulatory Impact Statement (RIS)

The EEC agrees with the RIS's conclusion that minimum standards for rental homes for both insulation and heating systems would have positive financial impacts for renters, even if the costs of upgrades are fully passed through to consumers. However, ACIL Allen's modelling over-estimates the costs of building upgrades and underestimates their benefits. If these errors were corrected, the benefits of minimum standards for ceiling insulation and heating systems would be significantly larger. Accordingly, the EEC recommends that the RIS is revised prior to a final decision.

Summary

The EEC congratulates the ACT Government for its commitment to introduce minimum standards for thermal comfort and energy affordability, and we look forward to continuing to work with the ACT Government on this issue. If you have any questions relating to this submission, please contact me via rob.murray-leach@eec.org.au.

Yours sincerely,

Rob Murray-Leach
Head of Policy
Energy Efficiency Council

Submission to the Consultation Paper on minimum energy efficiency standards for rental homes in the ACT

19 December 2021

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Proposed standard

1. Are you a rental provider, renter, or otherwise have a particular interest in this matter?

The Energy Efficiency Council (EEC) is not a rental provider or residential renter.

2. Given the ACT Government has committed to the introduction of a minimum energy efficiency standards for rental homes and noting the reasons provided in Attachment 2, do you support the initial adoption of a ceiling insulation standard? Why or why not?

The EEC supports the introduction of a minimum ceiling insulation standard. The EEC recommends that minimum standards for ceiling insulation should be set over two periods:

- By 1 January 2025, all non-exempt rental properties that have ceiling insulation with an R-value less than 2 should be retrofitted with insulation with an R-value of at least 5; and
- By 1 January 2030:
    - All non-exempt rental properties that have ceiling insulation with an R-value less than 4 should be retrofitting with insulation with an R-value of at least 5.
    - All rental properties that have a roof that were previously exempt due to complexity (e.g. cathedral roof) should be retrofitted with insulation with an R-value of at least 5.

The insulation industry in the ACT is scaling up, but cannot scale up faster than a certain rate while still ensuring quality installations. Having a two-phase approach would:

- Take the constraint on qualified installer numbers into account to deliver a safe and effective program;
- Ensure that the worst performing properties are upgraded first; and
- Assist with compliance by giving a strong incentive for landlords that own properties that have ceiling insulation with an R-value less than 2 to install R5 insulation rather than R2 insulation.

3. If you are a rental provider, do you anticipate you would need to install or upgrade ceiling insulation in your property/properties in order to meet the proposed standard?

N/A

Support for introduction of the standard

4. For rental providers: What type of assistance would most help you support vulnerable and low-income renters?

N/A

5. For rental providers: How would this affect the rent that you would charge?

N/A

What exemptions should be allowed?

6. What exemptions to the minimum energy efficiency standard should be allowed?

Exemptions from minimum insulation standards should be allowed for:

- On a temporary basis, more time should be given for complex installations to comply with the standard. For example, the owners of top-floor apartments are likely to have to deal with strata issues to insulate their properties, and the owners of buildings with cathedral ceilings face additional complexities and expenses in insulating those properties. These complex sites should be given until 1 January 2030 to comply with the standard; and
- On a permanent basis, rental units that do not have a roof directly over a living area (i.e. they are not on the top floor of an apartment block). Rather than being considered 'exempt', these units should be considered compliant.

7. Should any of the temporary exemptions listed above, or others, be allowed, and for how long?

As above.

8. What form of evidence (e.g., a building report, statutory declaration) should be required to support an exemption?

Building report by an insulation company, building inspector or housing authority.

9. Should rental providers be required to formally apply for an exemption, including submitting evidence? OR should rental providers just be able to claim an exemption on accepted grounds but be required to disclose the exemption and maintain the supporting evidence?

Rental providers should be required to formally apply for an exemption.

10. Should there be a program of compliance auditing to assess that dwellings genuinely meet an exemption, including evidence being available on request by an authorised entity?

There should be a program of compliance auditing.

When should compliance be required?

11. How long (between 2 and 5 years) should the phase-in period be?

The EEC recommends that:

- By 1 January 2025, all non-exempt rental properties that have ceiling insulation with an R-value less than 2 should be retrofitted with insulation with an R-value of at least 5; and
- By 1 January 2030:
    - All non-exempt rental properties that have ceiling insulation with an R-value less than 4 should be retrofitting with insulation with an R-value of at least 5.

- All rental properties with a roof, that were previously exempt, should be retrofitted with insulation with an R-value of at least 5

12. Should rental dwellings be required just to meet the standard by the end of the phase-in period OR at the start or renewal of a lease, but no later than the end of the phase-in period?

Rental dwellings should be required to meet the standard by the dates recommended above. The EEC recommends a reasonably long notice period for the introduction of the standard, so that it will not be necessary to use the signing of a new lease as the trigger for a unit being requirement to meet the standard.

13. If the requirement to meet the standard is triggered by the start of a lease, should the work be required to be undertaken before a new lease can be entered into, or should there be a grace period of say 3 or 6 months to get the work done?

N/A

Should any complementary measures be considered?

14. What complementary measures should be considered?

The ACT Government should use the Energy Efficiency Improvement Scheme (EEIS) to offer incentives for upgrades, including the installation of ceiling insulation, wall insulation, underfloor insulation and draught-proofing. In particular, the EEIS should provide incentives for the replacement of older downlights with lights that are compatible with continuous and safer coverage of ceiling insulation, such as pendant lights and downlights that are rated for Insulation Contact.

The process of having a home assessed or having insulation installed can be used to also provide basic advice on other measures, including insulation, draught-proofing and curtains. The ACT Government should also consider using assessments of buildings as an opportunity to undertake Energy Efficiency Ratings (EER) that can be disclosed when a rental home is advertised for lease.

15. Should the ACT Government include any complementary measures as part of the regulation (e.g., requiring draught proofing, where needed, along with insulation)?

See answer to question 14.

16. Should the ACT Government consider delivering complementary measures (whether through existing or new programs)? If so, how should they be targeted?

The EEIS should be used to support the insulation of insulation and other measures in rental homes.

What safety measures will be required?

17. What safety measures should be required? Are the proposed measures adequate?

The EEC recommends that there should be a requirement for insulation installers to be accredited in order for the landlord to receive support from the EEIS for the installation of insulation.

The EEC also recommends that DIY installation of insulation should be actively discouraged. One way to encourage the use of appropriately trained installers is to enable a 'certificate of insulation' from an accredited installer to be used to demonstrate compliance with the minimum standard.

Spot-checks on insulation installations should be used to assess quality.

18. Should "DIY" or use of unaccredited installers in rental properties be disallowed?

The EEC recommends that the use of unaccredited installers is banned for professional insulation retrofits – any installer taking money for installation should be properly trained. The EEC recommends that DIY installation should be, at the very least, strongly discouraged.

19. Should top-ups of insulation be allowed and under what circumstances?

Top-ups of insulation should be allowed.

How should the quality of installation be ensured?

20. What quality assurance measures should be put in place? How should compliance be monitored and enforced

See below.

21. What measures to monitor compliance of the regulation should be put in place?

Properties should only be allowed to be leased if the owner provides an EER, certificate of insulation or certificate of exemption to demonstrate compliance.

22. What evidence of compliance would be acceptable?

An EER or a certificate of insulation.

23. Should mandatory disclosure of whether a property meets the minimum standard (or has a valid exemption) be required in rental advertisements and to be provided to a tenant before entering a lease?

Advertising for a property should not disclosure if the property meets the minimum standard, but should disclosure if the property does not meet the standard. Properties that are exempt because they do not have a roof (e.g. ground-floor apartments) should be considered to meet the standard and would not need to disclose that they do not have

ceiling insulation. Properties that are exempt because of the complexity of insulation installation (e.g. cathedral roofs) should be advertised as not meeting the standard.

24. How should the minimum standard be enforced and non-compliance addressed?

Non-compliance should be addressed through fines to both landlords and leasing agents. This will ensure that the leasing agent checks for a valid EER, certificate of insulation or exemption. If the landlord has provided false information to the leasing agent then only the landlord should be fined.

Evaluation and review

25. Do you have any suggestions on how the implementation of the regulation should be monitored and evaluated?

No comment at this time.

26. Do you have any suggestions on how and when to assess that the regulation has met its objectives?

No comment at this time.

27. Are there any other issues that have not previously been covered that you would like to raise?

No comment at this time.

Other ACT Government measures

28. Were you already aware of these ACT Government programs?

Yes

29. Have you made use of them?

N/A (The EEC does not own properties in the ACT)

HEALTHY HOMES FOR RENTERS

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www.healthyhomes.org.au
facebook.com/healthyhomesforrenters
twitter.com/HealthyHomesAus

To whom it may concern,

We applaud the ACT government's decision to introduce minimum energy efficiency standards for rental homes.

Everyone should have a healthy home. But currently Canberra's landlords are not required to ensure that rental homes can affordably be kept at liveable temperatures through the peak of summer or in the depths of winter. This is making people sick. When properties don't meet decent standards, our friends, family members and neighbours struggle.

We support a minimum standard of ceiling insulation for ACT rental homes. However, the proposed standard will still leave many renters in underperforming homes. The standard should lay out a pathway to greater ambition. An expanded standard would mean affordable, liveable homes for the one in three people who rent in the ACT.

Well-documented benefits of minimum standards include:

- **Better public health.** Energy-efficiency interventions lead to improved health outcomes such as fewer days off work and school, fewer visits to doctors, and fewer hospitalisations due to respiratory conditions.[1] A Better Renting report found that over forty Canberrans die annually from cold housing due to illnesses like cardiovascular or respiratory disease.[2]
- **Lifting energy standards cuts bills.** As Acil Allen's Regulation Impact Statement demonstrates, a ceiling insulation standard could save renters over $10,000 per household. The benefits of requiring heaters are almost as great, at over $8000 per household. As the RIS notes, even if renters paid for the cost of these retrofits, they would still receive a net benefit. Energy savings will particularly benefit the thousands of people in the ACT on lower-incomes, who spend a greater proportion of income on energy, and who are more likely to face energy debt, deprivation, and disconnection due to unaffordable energy bills.[3]

- **Increased climate resilience and reduced emissions.** Efficiency standards mean that ACT residents can keep warm or cool while using less energy — increasing the climate resilience of housing stock while reducing greenhouse pollution. Requiring energy-efficient RCAC will reduce heating costs in winter, while also improving climate resilience in summer, potentially reducing mortality from heatwaves.[4]

It is welcome to see the ACT Government taking steps to ensure that renters can be assured of a decent standard. We look forward to greater ambition in these standards so that the specified minimum will truly enable renters to have healthy and affordable homes.

[1] Philippa Howden-Chapman et al., "Effect of Insulating Existing Houses on Health Inequality: Cluster Randomised Study in the Community," *BMJ* 334, no. 7591 (March 3, 2007): 460, https://doi.org/10.1136/bmj.39070.573032.80.

[2] Better Renting, "Unsafe as Houses: Cold-Housing Deaths in the ACT" (Canberra, August 2019), https://www.betterrenting.org.au/unsafe_as_houses.

[3] ACOSS, "Energy Stressed in Australia," 2018.

[4] Abderrezak Bouchama et al., "Prognostic Factors in Heat Wave – Related Deaths," *Archives of Internal Medicine* 167, no. 20 (2012): 2170–76.

Signatory organisations

better renting

CANBERRA COMMUNITY LAW

ACT Shelter
WORKING TOGETHER FOR HOUSING JUSTICE

ACTCOSS
ACT Council of Social Service Inc

COTA
AUSTRALIAN CAPITAL TERRITORY

Care

St Vincent de Paul Society
CANBERRA/GOULBURN
good works

TENANTS' UNION ACT INC

YWCA CANBERRA

CONSERVATION COUNCIL
ACT REGION

Everyone should have a healthy home

Signatory organisations

CLIMATE COUNCIL

renew.

CHOICE

Friends of the Earth Australia

YARRA ENERGY FOUNDATION

acoss

Shelter NEW SOUTH WALES

shelterwa

TENANTS' UNION OF NEW SOUTH WALES

SolarCitizens

Everyone should have a healthy home

Signatory organisations

VICTORIAN TRADES HALL COUNCIL
TRADES HALL
Est. 1856
888

AASW
Australian Association of Social Workers

SWELTERING CITIES

ENERGETIC COMMUNITIES
SOWING A COMMON THREAD

community power agency

VENTURE HOUSING COMPANY
AFFORDABLE HOUSING FOR TERRITORIANS

GEER

Everyone should have a healthy home

Signatory organisations

Circle Green Community Legal

AUSTRALIAN LAWYERS FOR HUMAN RIGHTS

Australian Architects Declare Climate and Biodiversity Emergency

CJU CLIMATE JUSTICE UNION

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Minimum Energy Efficiency Standards for Rental Homes in the ACT comments by Insulation Australasia.

Question 1 **Interest in upgrade of rental properties**

Insulation Australasia (IA) is a product agnostic association of insulation manufacturers and installers.

Question **2 Support for initial adoption of ceiling insulation Standard**

IA fully supports the proposed minimum energy efficiency standard for rental homes. As shown in the financial analysis gives a return of $1.30 for each $ invested.

Similar program in New Zealand has been implemented very successfully and has shown excellent returns and significant improvement in the health education and attendance at work for rental property occupants. We note that the New Zealand scheme also set a minimum standard for underfloor insulation. This we believe would also give a positive return to the community.

Insulation has a 50-year warranty and will provide benefits for the life of the building.

Question 3, 4 and 5

IA is not a rental provider

Question 6

Exemptions that can be allowed

Agree with the exemptions listed, lower units in multistorey apartments,

Roofs that cannot be practically insulated.

Need to distinguish between rooves that cannot be insulated and those that cannot achieve R5.0. A flat or pitched roof may be able to insulated by pumped in insulation to R3.5 but cannot achieve R5 due to the height constraints. If there is no insulation then it is better to put on some insulation than to leave the property uninsulated.

There are a few suburbs in the ACT that have a number of flat roof dwellings. With this proposal there will be an incentive for the insulation installers to purchase equipment and train installers to pumping insulation into these buildings. For homes with raked ceilings and exposed beams board insulation is available to fit under the existing ceiling which will avoid the cost of a roof lift.

When setting cost it should be set at a cost per square metre so that larger houses are not excluded by virtue of their size. Larger houses may have multiple tenants.

Question 7. **Temporary exemptions**

Time limits should be set on the temporary exemptions. Plans or demolition permit to be approved within 12 months. (or substantial progress to achieving this)

Tennant objection of insulation affecting health can usually be negated by the use of polyester insulation.

Question 8 **evidence of exemption**

Should require a report from an authorised insulation installer that it is not possible. Authorised insulation installers to be trained in exemptions.

Question 9 **application for exemption**

Owner should ask for inspection from an authorised insulation installers who will assess the situation and provide an application as required.

For groups of units, insulation installer to provide exemption for an address.

If owner has proof of insulation 3.5 or greater, they can submit this.

DIY installation must be inspected by insulation installer to verify that it has been installed in accordance with AS3999 provision of receipt of purchase of the materials is not adequate.

10 Audit of exemptions

Installers has an incentive to install insulation. With training they will be able to completed this task and provide geo stamped pictures.

11. **Phase in period**

Phase in period 3 years.

40000 residences

Say 15000 require install (multi - residential recent builds insulation program)

3 years @ 200 working days per year 25 per day is well within reach of insulation installers.

It will always be back ended as owners delay it to the last minute. 3 years gives some time for a grace period after the program is over. (have booked install before the end of the period)

This rate will not give a big shock to installers when the program is over as well.

PO Box 576, Crows Nest NSW 1585 Australia

T: +61 2 9431 8665

E: info@insulationaustralasia.org **W:** www.insulationaustralasia.org

12 **When standard needs to be met.**

At the start of a new lease or end of the phase in period whichever comes sooner.

13 Grace period for new lease

There should be a grace period. Having the premises unlet while waiting for insulation will be hard on the landlord the new tenant. Three months should be adequate.

14-15 **Complementary measures**

Change downlights to IC 4

This will give benefit of reduced lighting cost for the tenant, sealed to the roof so less dust and pollution in the house and full insulation cover. Reduced fire danger. An electrician should inspect the premises prior to the installation of the insulation. Changing of downlights is very cost effective once the electrician is on site. This changeover can be managed by the insulation installer which will give economies of scale in purchasing and fitting the downlights. This change makes it easier and safer for top ups so in many cases it could be cost neutral.

Draft sealing

Insulation installers can be trained to identify major causes or air infiltration such as sealing doors and windows and undertake these works concurrently with installing insulation.

Underfloor Insulation

There are economies from one attendance at the property by the assessor and the installers

16 **Delivery by government**.

Complementary measures should only be added on where the government is funding the insulation. It can be targeted at households who have high energy usage.

For other landlords just make them aware of existing programs in media campaign.

17-18 Safety measures

Agree with the proposed safety and quality measures. Using approved installers and improved products is the key to a successful program. Requiring approved installers to inspect and certify DIY installs will discourage unskilled people from taking on the task. To further discourage DIY require and electrical check before install is commenced as would be required for an authorised installer.

So property owner would be required to produce electrical check and certification from an authorised installer as verification that he property met the regulations.

18 Top ups

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The risk of top ups is reduced if downlights are changed to IC 4 downlights. Authorised installers will be able to manage the risks of top ups. They can assess the quality of the existing insulation.

There could be negative feedback if the regulations require significant quantities of insulation to go to landfill. Often the cost of removal and disposal of the existing insulation is higher than the install of the new insulation.

20 Quality Assurance

Approved installers will maintain geo stamped photographic records of their install. They will also maintain these records of inspections and certification of DIY installs.

21 Compliance measures

Incorporation of compliance with the minimum standard into the Standard tenancy terms in schedule 1 of the Residential Tenancies act should be adequate.

22 Evidence of compliance

Certificate from an approved installer

Certificate of installation that shows greater than R2.0 installed

23 Mandatory disclosure

Should not be required

24 non compliance enforcement

Agree with the proposed actions including notice to remedy and temporary reduction in rent for non-compliance. Reduction in rent should be equivalent to the tenant heating/cooling costs.

25-27 Evaluation and Review

Agree with the proposals in the report.

A survey of tenants 12 months after may give indication of cost saving and increases in comfort.

There has been good follow up of the New Zealand program.

We look forward to participating in the consultation.

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5/12/202

Additional comments following consultation.

Insulation Australia has previously submitted a response to the proposal for the Minimum Energy Standards for rental homes in the ACT.
Following consultation on Friday 26th November we offer the following additional comments

Essential elements for a successful Insulation Installation program

1**. Electrical Inspection prior to install**

Inspection to include the upgrading of downlights to IC4

IC4 downlights will ensure the residents obtain the full benefit of the installation upgrade.

The install will be safer for the installers

Virtually eliminates the risk of fire

These downlights have less chance of dust coming from the ceiling to the house and this will improve the health of the residents.

Lower costs for the tenants in electricity bills

As the electrician is attending for the inspection this is a significant cost reduction.

The fitting of the IC4 downlights could be the contribution by the Government to the program

2 Approved products

The program needs to have a listing of approved products that meet AS4859.
This listing will include products other than batts for instances where rigid products such as PIR boards are the best solution. (Situations where there is height restrictions) and pumped in products.

3 Approved installation companies

The approved installation companies will have
All installers trained and certified
Quality control systems and procedures to ensure that the landlord and tenant are treated fairly and with respect.
Systems for geo reporting of installs
Reporting systems for properties that cannot be installed (creation of certificates for the landlord and reporting to administrators of the system.
Financial resources to undertake up to 10 installs per day.

DIY installs should be discouraged but if they are undertaken then there should be a requirement for the approved installation company to inspect and issue a certificate for the landlord to use to show compliance. (DIY installs should require the same electrical inspection and upgrade to IC4 downlights prior to commencement of the install)

4 **Audit program**
Most of the auditing will be able to be able to be carried out by desktop through review of the geo located photographs. But initially there will need to be physical auditing of premises to ensure that the companies are achieving the required standard and undertaking the correct level of reporting.

5 Monitoring and reporting
Continual monitoring and reporting will ensure that all participants are aware of the status of the program and can adjust their resource allocation accordingly including materials labour and sales resources.

Other factors to consider
Measurement of R2.0 the minimum standard

R2.0 as the minimum standard should be an effective R2.0.

The installed batts might be R3.5 but due to the install there might only be effective R1.0.

The ABCB has a calculator for effectively undertaking this calculation. Table 3.12.1.1 of NCC volume 2.

Note to bring this residence up to an effective R3.5 may only require the install of more R3.5 5 batts over the areas previously left uninsulated for the downlights that have now been replaced with IC4. In this case would the program only require the landlord to undertake these minor works or upgrade the whole ceiling (by top up) to R5.0
We would recommend that minor works be undertaken to bring the house to R3.5 as being in the interest of the program and the landlord and tenant.

The installation companies will need guidelines to assist them in making this determination and this will need to be clear in the program.

Measuring the health effects
As noted in the discussion there is very limited information on the health effects of upgraded insulation in Australia. It is important that the monitoring of this program includes measurement of health effect particularly in social housing where it would be expected that the greatest benefits will occur.

Identifying priority residence
High energy using rental premises should give the greatest benefits. The energy supply companies may be able to identify these as a priority for the program.

Meeting the minimum requirements
There will be premises where the house has very poor insulation but for structural reasons cannot achieve R5.0 The landlord should be required to bring the insulation to “the highest possible R Value”

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Thank you for the opportunity to participate in this consultation. Please contact me if you require any further Information.

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URen, Rachel

From: Dennis D'Arcy <dennisd@icanz.org.au>
Sent: Friday, 26 November 2021 3:35 PM
To: EPSDD_Communications; Wiles, Perry
Subject: NZ benefits to property owners
Attachments: 2005_ANZSEE Non Energy Benefits (final).PDF

Attention Perry Wiles.
Re Ceiling Insulation energy efficiency standard

- Attached is the NZ study on benefits to property owners
- Link below is to ICANZ videos developed with DELWP for insulation installer on-site reference. The 14 short video series was developed for new builds but much of the content is also applicable to retrofit insulation installation.
  https://www.youtube.com/watch?v=jsVVWc8fQeU
  https://app.qin.world/icanz/pages/453
- ICANZ is currently developing an extra 3 insulation installation videos focusing on installation issues specifically found when retrofitting insulation to existing homes. These are planned to be launched by February 2022.

Regards
Dennis

Dennis DÁrcy
CEO – ICANZ
0418 392 382

The Value of Low Energy Technologies for Occupant and Landlord

Albrecht Stoecklein[1], Yuan Zhao[1], Lauren Christie[2], and Lisa Skumatz[3]

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ABSTRACT

The level of our household energy consumption depends not only on our activities, but also to a high degree on the choice of technology we use in our homes. In many situations, energy-efficiency measures are associated with energy cost savings. However, these technologies also bring significant other potential benefits related to the natural environment and lifestyle. These issues tend to be more significant decision drivers to consumers than energy savings, but valuing and comparing these non-financial benefits is inherently difficult.

The Zero and Low Energy House (ZALEH) project is the first New Zealand research project attempting to quantify a wide range of non-energy benefits (NEBs) for home occupants. These include outcomes such as improvements in comfort, bill control, health, noise, maintenance and the environment. Both positive and negative impacts were investigated to identify the net value that the occupant placed on the outcomes. The results suggest that most residents place a much higher value on the lifestyle benefits from energy-efficiency features of their homes than on energy savings.

Also benefits to landlords tend to be of similar magnitude as the energy savings.

Keywords: energy, technology, non-energy benefit,

Introduction

The 21st century is seeing a worldwide trend towards achieving a sustainable environment and eco-societies. New Zealand is an island country with limited usable resources and is also a developed country facing strong population and natural consumption growth. Pressures are therefore placed on energy, housing and water often with detrimental effects on a wide range of environmental aspects (as well as social and economic effects).

The Zero and Low Energy House research project (ZALEH) studies in-depth the effects of advanced energy technologies and simple insulation retrofits on residents and compares them with the expectations of normal house residents for utilising low energy technologies. The project's main focus is the real life performance of these technologies, rather than their technical potential in the laboratory. The research results therefore aim at quantifying real life values that can be achieved for New Zealand home occupants. The challenges and opportunities of an eco-building environment are presented to create an improved sustainable environment in the future.

Background

International research suggests that home occupants do value the benefits of low energy technologies, not only in respect to lower energy bills but also for a range of other energy unrelated reasons.

A recent study of new houses in Florida found a much higher gain in the resale value of low energy houses compared with the conventional comparison homes, despite the similarities between the two groups of homes in location, original sales price, and floor area (Coburn et al 2004). The authors

suggest that this difference in resale value can at least be partially attributed to the energy features of the homes. The occupants mainly quoted noticeable energy cost reductions as the reason for the increased property value.

According to Nevin et al (1998), residential real estate markets assign to energy-efficient homes an incremental value that reflects the discounted value of annual fuel savings. The capitalisation rate used by homeowners was expected to be 4-10%, reflecting the range of after-tax mortgage interest rates during the 1990s, and resulting in an incremental home value of $10 to around $25 for every $1 reduction in annual fuel bills.

But the financial effects of energy savings are not the only benefits which have successfully been quantified in overseas studies. A study conducted as part of the European SAVE program evaluated employment benefits of energy-efficiency projects (Energy Saving Trust 2000). The report suggests that the direct employment benefit is between 10 and 58 person-years for each £m invested for each of the investigated projects. In addition, there are indirect employment benefits of more than twice the direct employment effects.

The New Zealand study reported on in this paper focuses on direct home occupant benefits. Quantifying these occupant perceived benefits, and any problems, is considered to be an important step for addressing market uptake barriers. The study therefore focuses on consumer perceptions, rather than physical outcomes such as actual energy cost savings or indoor temperature increases, because it is ultimately the consumer perception which will motivate or otherwise the consumer to change their behaviour and purchasing patterns.

An extensive meta-study conducted in the USA in 1999 collated non-energy benefit such as carbon dioxide or arrearage reductions, increased jobs in the community and other benefits not related to a unit of energy from almost 100 individual studies of low income household energy improvement projects (Riggert et al 2002). In conclusion, the meta-study found that when all of the benefits are counted, the non-energy benefits alone often exceed the cost of a typical energy-efficiency improvement program by a wide margin and provide significant private, public and environmental benefits.

Methodology

Unlike some similar projects in New Zealand, the ZALEH project aims at quantifying the value perception of these benefits to the consumer rather than the saved cost. The Wellington School of Medicine and Health Science research, for example, has conducted an extensive study on the health benefits of insulating homes (Howden-Chapman et al 2004). That study is able to show significant health benefits due to insulation, which are based on the saved cost of medical treatment. The ZALEH study, in contrast, takes a value-based approach independent of the actual health cost, but based on the value perception of the home occupants. It is therefore more applicable for marketing planning rather than public health policy development.

Because the objective of this survey was to quantify the occupants' value perception of energy technologies, the appropriate methodology had to be based around a survey approach rather than physical performance metering (energy, temperatures, etc). An analysis of only the physical performance changes of the building would not permit a value association.

Over the past few years, research has been conducted to develop and test alternative valuation methods for commercial and residential NEBs (Skumatz 2002). This project provided an opportunity to quantify the array of NEBs that have been associated with low energy use homes – and develop information that serves at least two purposes:

- Informs efficiency-related marketing, targeting, design, and outreach efforts: Previous research shows that NEB analysis provides quantitative information that clarifies benefits

and negative benefits/barriers associated with efficiency efforts – based on the field experience of those implementing conservation measures. Previous research demonstrated these methods for a variety of residential and commercial programs and measures (Skumatz 2002, Pearson and Skumatz 2002). The quantitative approach and information demonstrates which NEBs are especially important, and provides data on the relative size of the NEBs compared to direct benefits from energy savings and other direct sources. These findings can be sorted by demographics, measure type, or other factors that may affect the value and importance of the NEBs. These results point out which benefits are most important to various groups, providing opportunities to design program interventions and outreach activities to target groups such as builders, decision-makers, and other sub-groups. It will permit them to address those energy technologies which show the greatest NEB benefits, using terms and benefits that the end users value and respond to.

- Provides data for improved program benefit-cost analyses: The quantitative values for program- or intervention-related NEBs can be and have been used in revised public purpose tests, and to provide more complete information for assessing benefits and costs associated with programs. Dollar-related NEB benefits ("net" including positive and negative NEBs) can be added to direct cost and benefit information, enhancing program-related cost/benefit computations. The user may choose to include all NEBs or only a subset of the overall NEBs in the cost/benefit computations – or there may be different cost/benefit computations depending on the perspective upon which the test is based. One specific application for quantified non-energy-benefits may include programs in which post-evaluation shows that the projected energy savings have not been achieved. Rather than considering these programs as failures, the financial valuation of non-energy-benefits can demonstrate a quantifiable positive outcome nevertheless – albeit not the originally intended one.

Most of the previous NEB work has assessed benefits associated with measure-based programs or audits that lead to measure changes. This project was designed to see if benefits were recognised and attributed to features in insulation-retrofitted homes, but also of zero and low energy homes, as well as to capture consumer perceptions in homes which do not have any specific energy features at all.
An ideal survey sample would include houses that:

1. Have experienced low energy technologies.
2. Are without bias, i.e. do not have invested a significant amount of money and might therefore post-rationalise the outcome. This phenomenon is known as "cognitive dissonance".
3. Are representative of the population

In reality there is no such sample group that would fulfil all these requirements. It was therefore necessary to survey a number of different groups, which each met some of the criteria. The table below shows the types of households surveyed in this project.

Table 1: Group of houses included in the surveys

	experienced	*unbiased*	*representative*	*#*
1. Low energy houses	x			23
2. Randomly selected		x	x	58
3. Retrofit project participants (low income)	(x)	x		25

Each of the groups had some limitations. The low energy house group members were generally very compassionate about the energy technologies and, because they had invested in the technologies, may not have been completely unbiased in their value perceptions. The randomly selected house group included mainly houses which did not have any particular energy technologies implemented. Their responses therefore reflect expected technology performances rather than actually experienced performances. The low income group consisted of a number of Housing New Zealand Corporation (HNZC) houses in Dunedin, which had, over the last few years, received insulation and hot water

cylinder upgrades. These occupants were probably providing unbiased feedback (the interviewees were assured that the survey responses were processed anonymously). However, the energy upgrades were comparatively small and cannot therefore be seen as representing feedback for low energy technologies. Furthermore this group was obviously demographically skewed towards low income occupants.

The surveys focused on two main aspects: the first was the identification of barriers and the opportunities to overcome these; the second was to quantify the value which occupants placed on the benefits of low energy technology or simple energy improvements.

These benefit measures included those which were experienced by the occupants of low energy and retrofitted houses (groups 1 and 3) as well as perceived benefits by those which were theoretically expected by occupants of randomly selected houses that had not received any particular energy technology upgrades (group 2). Due to the limited survey fund, this study has been conducted using three methods: via telephone interviews with a corresponding mail questionnaire in the low energy house research; face-to-face visiting interviews for the retrofitted HNZC houses; and an online web-based survey for the randomly selected houses. All surveys covered barriers to energy technologies as well as the non-energy benefit evaluation.

Results from low energy houses

Selection criteria

The households were invited to participate in the project via public advertisements. All accepted applications went into a draw for some incentives to participate in the project. A series of minimum acceptance criteria was used for inclusion in the project. These included:

- Solar or heat pump water heating
- Insulation significantly better than New Zealand Building Code requirements
- Double-glazing throughout
- Solar design features such as trombe walls or others
- Energy bills of less than $15 per month per occupant
- Renewable energy technologies such as photovoltaic panels, wind energy etc.

Participants did not have to meet all of these criteria since the objective of the study was not to find the most energy-efficient houses in New Zealand, but rather to identify value perceptions by people who have experienced some low energy technologies. Approximately half of the house applications were finally accepted using a simple un-weighted scoring system for the six criteria. In some cases, a house was accepted because it featured one or two interesting technologies, although overall it could not be classified as “low energy”.

All 23 accepted houses have insulation installed in their houses, most of them levels clearly above NZBC minima and 90% of households have double glazing and/or sun-tempering technologies. Only one household uses an electric hot water cylinder without solar water heating and other heating systems. Therefore, almost 90% of households in the sample have installed water heating technologies such as solar water heater, wetback or wood fired hot water heaters. However, there were no instances of heat pump usage, evaporative cooling systems, active air systems, embedded phase-change materials or other advanced technologies.

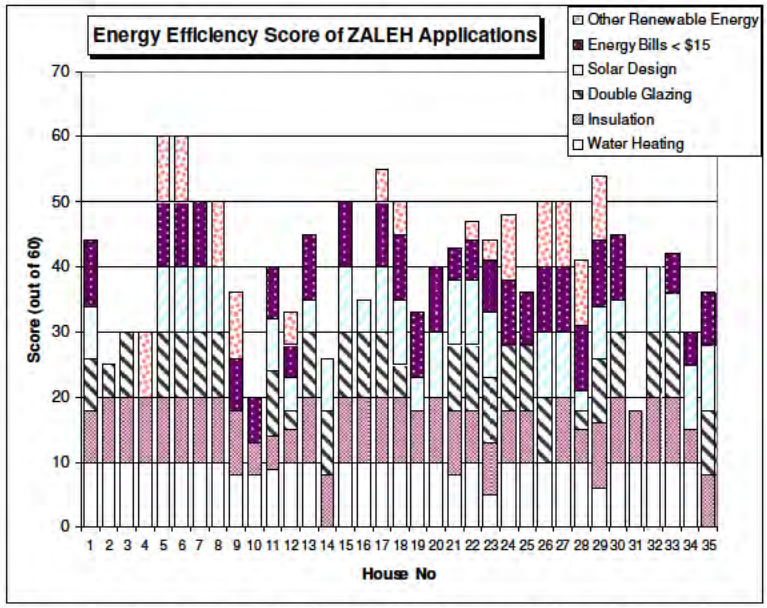

Figure 1: Acceptance criteria for the Low and Zero Energy Project. (Note: that some of the initial applications did not include sufficiently detailed specifications to be included in the scoring system). Threshold for acceptance was set at 30 points.

House values and energy technology costs

The median market value of the surveyed low energy houses (excluding value of the section) is about NZ$350,000 and the median floor area is almost 250 m². Most energy technologies have a low relative cost and lead to reasonable energy savings per year, as shown in Table 2. The percentage increase in the cost of building the house is very small, between 1% and 2.5%.

Table 2: Median costs of reported technology (or related design) costs and energy savings from sample households

Technology Name	*Technology Cost*	*Annual Energy Savings*
(as reported by the occupants)		
Insulation	$5,500	$450
Double glazing	$5,500	$300
Water heating	$4,000	$400
Space heating and cooling	$4,000	$200
Special house design feature	$10,000	$300

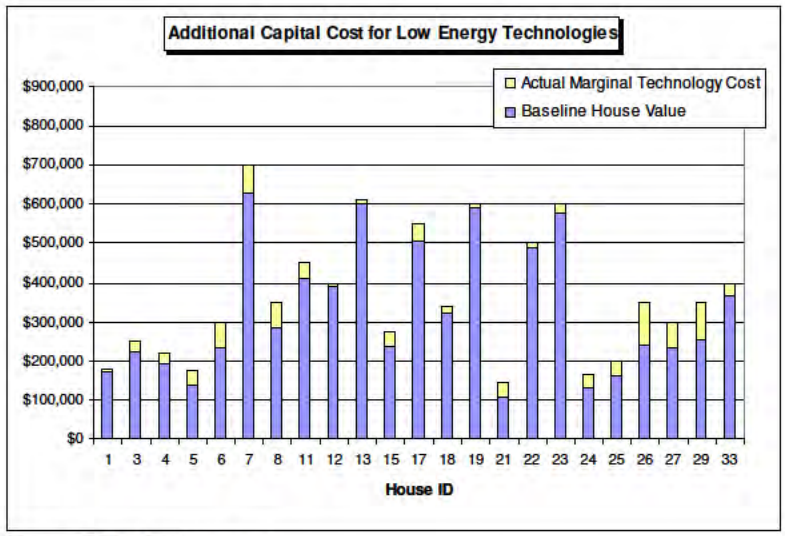

Figure 2: Technology cost

The advanced features of these homes included: advanced house design (96%), solar water heating (96%), advanced glazing (91%), advanced space heating and cooling (91%), high insulation levels (83%), special house features (61%), micro-energy generation (35%), and other features (22%).

Non-energy benefits

The most challenging aspect of the study is quantitatively valuing the "cannot see" positive and negative non-energy benefits (NEB). Skumatz Economic Research Associates Inc. (SERA) has conducted extensive research to develop several measurement methods to quantify and "value" a wide range of participant and other NEBs. SERA pioneered the application of three different approaches in querying and measuring non-energy benefits, including "willingness to pay", comparative, and labelled magnitude scaling approaches (Skumatz 2001). For this project, two of these methods were used: a variation of the willingness to pay, and the comparative assessment methods. The results were designed to provide information on the net value of the non-energy benefits emanating from the advanced technologies as recognised by the ZALEH residents.

The interviews asked about specific NEBs (both positive and negative) associated with individual measures. In the questionnaires we asked, for each NEB category, whether there was a change and if it was positive or negative. The prompted benefit categories included:

- Appearance: changes in appearance of the home.
- Bill control: measures (and bill impacts) led to a feeling of greater or lesser control over the energy bill.
- Comfort: house features led to greater or lesser comfort in this home than others.
- Environmental: features led to environmental benefits or problems.
- Features: energy equipment or measures had better or worse features, options.
- Health: features were perceived to make the home more or less safe or healthy to live in.
- Maintenance: the features had lower or higher maintenance requirements.
- Moving: the energy features led to the occupants being able to avoid a moving, either because of lower bills, greater benefits, value, and service from the home, or other reason.
- Noise: the homes had lower or higher noise levels, either from outside the home, or from the energy using equipment inside the home, or both.
- Notices: the energy usage changes due to the technologies led to lower bills, which changed the occupants' ability to pay and therefore may have reduced late payment notices or similar calls from the utility on bill-related issues.

- Other: other, unprompted benefits or problems categories included higher cost (the major one), and a variety of other benefits or negative impacts and changes.

Table 3: Annual NEB values by technology and NEB type in New Zealand dollars

	Appliance	Glazing	HVAC	Insulation	Micro generation	Other	Special design	Water heating	Total NEB Value	Pct of total NEB value
Appearance	$12	$82	$69	$301	-$69	$440	$952	$3	$1,379	7%
Bill control	$11	$134	$58	$292		$0	$0	$205	$795	4%
Comfort	$2	$1,080	$695	$1,895	$31	$60	$1,707	$763	$5,574	28%
Environmental	$161	$248	$382	$432		$1,600	$633	$1,291	$4,227	22%
Features	-$3	$55	$48	$4	-$129	$60	$0	-$2	$61	0%
Health	$0	$150	$175	$322	$100	$0	$0	$58	$653	3%
Maintenance	$28	$418	-$28	$262		$220	$0	-$131	$232	1%
Moving	$0	$264	$407	$1,640	$510	$714	$1,802	$295	$4,307	22%
Noise	$35	$702	$3	$368	-$83	$0	$0	-$17	$925	5%
Notices	$0	$0	$0	$0	$0	$0	$0	$0	$0	0%
Cost	-$44	-$366	-$154	-$612		-$441	$0	-$361	-$ 2,240	-11%
All other	$66	$120	-$120	-$244	-$331	$0	$0	$93	-$187	-1%
Sum	$269	$2,888	$1,537	$4,660	$349	$2,653	$5,094	$2,198	$19,648	100%
% of houses with the measure	61%	91%	91%	83%	35%	22%	96%	96%	100%	
% NEBs for technology	1%	15%	8%	24%	2%	14%	26%	11%	100%	

While most of the benefit categories showed positive values, cost and maintenance were expressed as negative effects from the ZALEH homes and features. This matches findings from other work (Bicknell 2004). Interviews conducted as part of the other project indicated that participants were concerned that the maintenance for advanced measures might be more complex, that it might be hard to find contractors to repair some technologies, and parts might be difficult to find. Although these issues were not probed in the New Zealand work, concerns might be similar.

Figure 3 shows the reported benefits from all low energy technologies which were installed in the sample houses. The figure shows that on average the value of the sum of the non-energy benefits by far outweighs the energy cost savings.

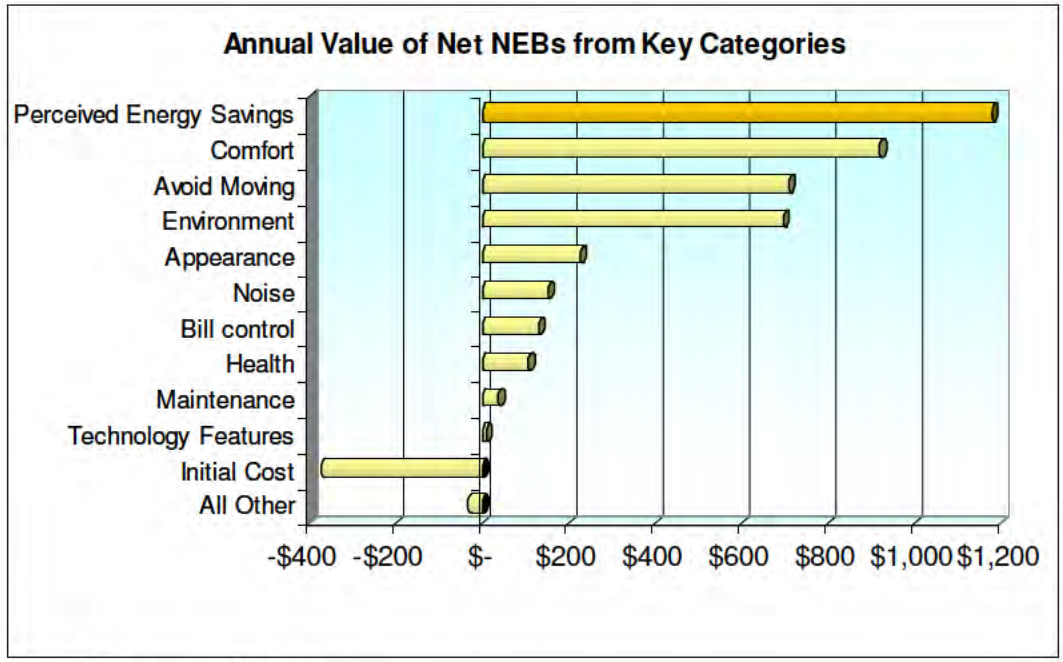

Figure 3: Non-energy benefits

Low income houses with ceiling and floor insulation upgrades

These surveys were conducted via face-to-face visiting interviews in a number of Housing New Zealand Corporation houses in Dunedin. These houses were only retrofitted by installing insulation into the ceiling, and some with floor insulation and/or a hot water cylinder wrap.

Forty-eight of the respondents said that they had not experienced an energy cost change since their houses were retrofitted, compared to 36% of participants where the energy cost had decreased and 16% of households where the energy cost had increased. Note that these results are based on respondents' feedback rather than actual energy bill analysis. These results seem plausible because only the insulation was upgraded, which may not necessarily lead to significant energy savings.

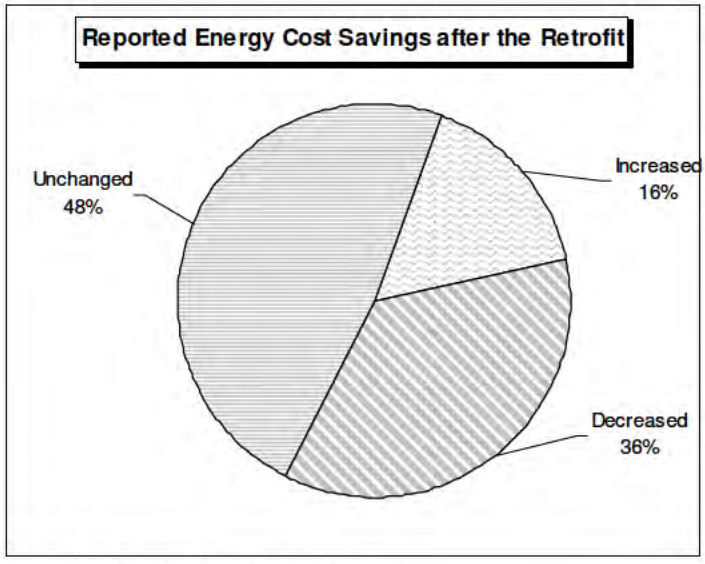

Figure 4: Reported energy savings

Most respondents did not experience any energy cost saving. However 78% of respondents reported that their living conditions changed significantly better than before since the retrofit such as warmer floor temperatures in winter ("Kids do not wear socks as much now", "It takes a lot less longer to heat whole house from just the fire", "Our health has improved", etc).

Randomly selected households

This group consisted of 58 houses which were randomly selected nationwide and these participated in an online internet survey. Most of them had not installed superior insulation, double glazing or solar water heaters, nor had they applied particular solar design techniques. The responses from this group are therefore a reflection of perceived rather than experienced benefits and problems with low energy technologies.

Comparisons and application

Cost saving comparison between the three sample groups

Figure 5 shows the reported energy saving estimates from the three survey groups. The graph only shows savings from insulation improvements, but as noted before, the insulation levels which were considered, varied widely between the HNZC houses on one hand and the low energy and randomly selected houses on the other. It is interesting to note that the experienced energy savings in the low energy houses is quite similar to the savings which were expected by the randomly selected houses. A similar pattern also appeared for savings from double glazing and solar water heating.

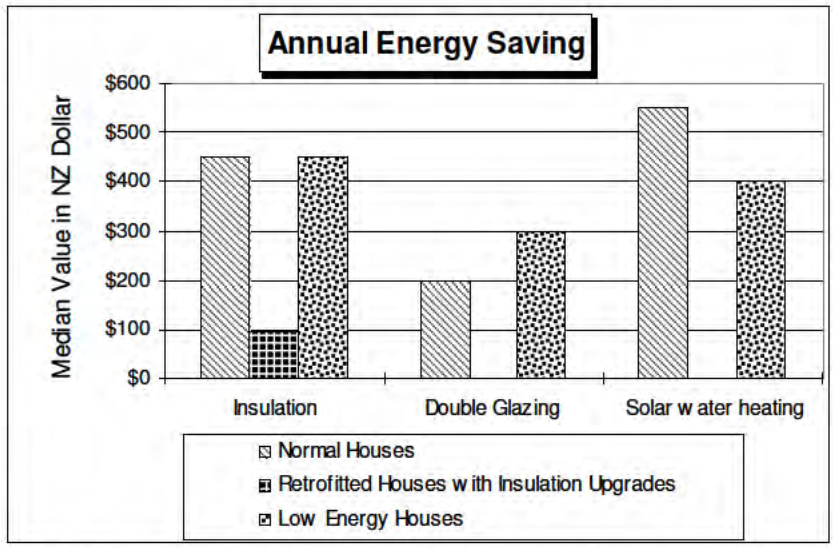

Figure 5: Comparison of the energy cost saving between three different survey groups

Non-energy benefit comparison between the three sample groups

The following figures compare the value perceptions of the non-energy benefits by the low energy house occupants, the randomly selected group and the retrofit. The graphs show how the respondents weigh the value of individual non-energy benefits and problems compared to the reported energy savings.

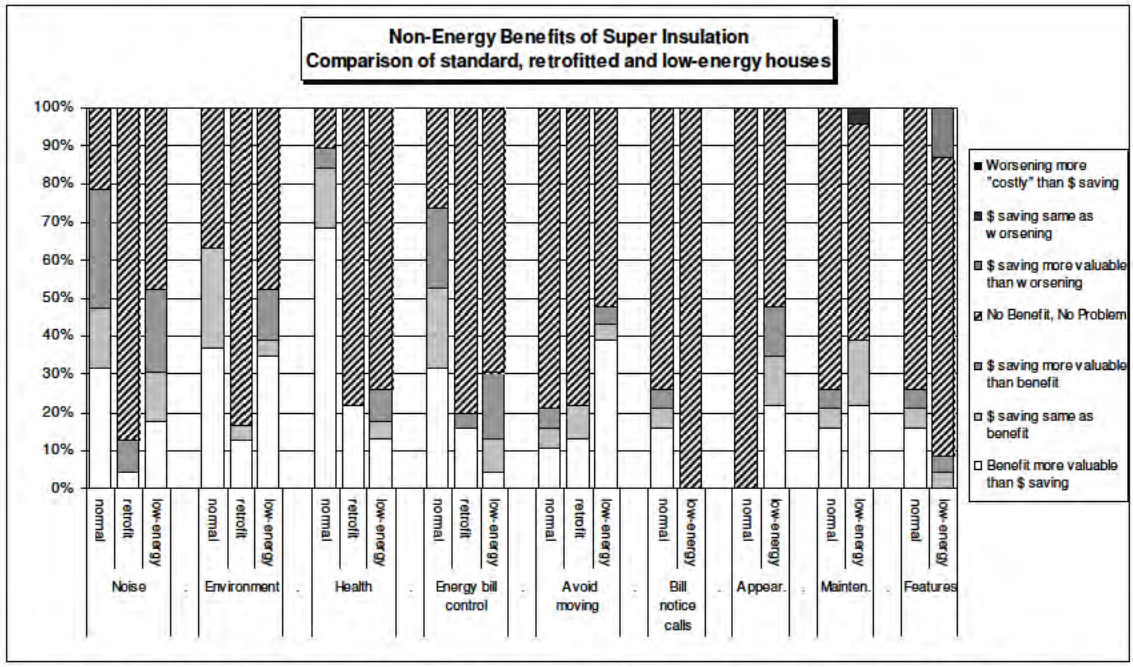

Figure 6: The value of non-energy benefits compared to the energy cost savings. Some benefit questions in the three sample groups are different. Therefore, in Figure 6, some bars include all three surveyed groups, some only two.

Some interesting differences become apparent from this analysis. While most of the non-energy benefits are rated similar by both groups' appearance, bill control and health are clearly seen as different.

Appearance: A number of houses in the low energy house group featured extra thick walls or uncommon construction methods such as straw-bale or rammed earth walls. These were considered positive by the respondents. It may be that normal house occupants did not consider other construction methods and referred mainly to insulation products hidden in the building structure. Therefore they reported no positive or negative value.

Bill control: The demographic analysis of the low energy house group shows that the members have household incomes significantly above the New Zealand average. It is therefore not surprising that for these respondents electricity bill payments were not of high concern.

Health: A similar argument could be made for health improvement. The low energy house occupants were financially well off and presumably could afford to keep their houses at sufficiently healthy temperatures irrespective of the thermal performance of the building. It is, however, interesting that the randomly selected respondents placed such a high value on the health improvements through better thermal insulation.

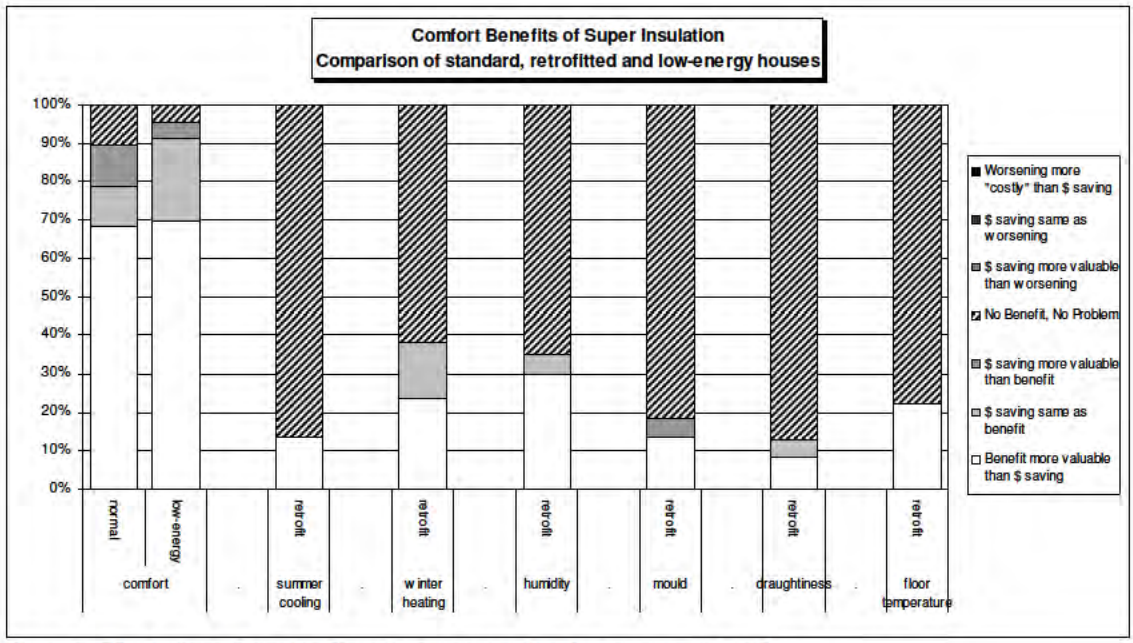

Figure 7: The value of comfort benefits compared to the energy cost savings

Figure 7 shows the value perceptions of comfort benefits from the insulation. The different aspects of comfort were split in the retrofit house sample to improve the response accuracy by the house occupants. The individual comfort components are rated lower than the overall comfort improvement in the low energy and the randomly selected houses. None of the comfort components was improved consistently in all of the retrofitted houses. On average, only about a quarter of houses had reported comfort improvements within each comfort subset. The highest scored improvements occurred for winter heating and humidity benefits. The data suggest the improving the insulation in only one component of the building, namely the ceiling, often does not achieve noticeable comfort improvements.

Benefits to property managers and landlords

In a parallel study, face-to-face interviews were conducted early in 2005 with real estate company "The Professionals" in Whakatane. The interviews asked whether the energy-efficiency improvements led to any noticeable changes in rental behaviour and what impact that had on the company's performance. The Professionals in the area manage several hundred rental properties, of which approximately 100 have received energy-efficiency upgrades (mainly insulation improvements and hot water cylinder wraps).

Each tenancy change is associated with costs to the real estate agency. These costs are mainly contributable to advertisement and administration work, as well as a lost property management fee. Table 4 details the approximate costs component of re-leasing a rental property.

Table 4: Re-lease cost to real estate agency

Task	*Time effort*		
Sign up (street sign)	0.5		
Reference check on tenants	0.5		
Taking prospective tenants to property	2.0		
Sign-up	0.5		
General administration	0.5		
Initial inspection	1.0		
Miscellaneous	0.5		
Total	5.5	@ $30	$165

In addition to the re-lease cost, the real estate agency/property manager loses on average one week property management fee. At a 9.5% rate of the average weekly rent this represents approximately $20 in a typical Whakatane rental property.

The total cost of a tenancy change in this case is therefore $185. The experienced tenancy term increase from one to four years therefore represents a cost saving of 75% of this, which is $139 per year and house. For The Professionals, who are managing 100 of these retrofitted houses, the annual savings from the energy improvement programme are therefore almost $14,000 per year.

In addition to the re-lease cost there are direct rental losses to the landlord, which were estimated at about $200 in the Whakatane case for an average vacancy period of one week. A 75% saving due to insulation improvements equates to $150 per year and property.

The total saved cost to property manager and landlord from the energy-efficiency improvement is therefore approximately $290 per property and year. This saving is comparable to the estimated annual energy savings from the insulation and hot water cylinder retrofits.

The rental property savings from energy-efficiency improvements are obviously strongly dependent on local rental markets. The turn-over period of approximately one year on average may be higher than the New Zealand average and may be particularly representative of the lower income tenants who were involved in the Whakatane retrofit program. However, also the average vacancy period of one week may be shorter than the New Zealand average. A longer vacancy period would correspondingly increase the property manager's re-lease cost and the amount of lost rental income to the landlord.

In this case study the property management cost was attributed to the real estate agency. These costs will also occur if the property is managed by the landlord directly rather than through a property manager. In that case, the cost is carried directly by the landlord. It could, in fact, even be argued that the re-lease cost increases in that case because the landlord is likely to engage a real estate agent to advertise for new tenants, and will need to cover also their fees at commercial rates, which may be higher than the assumed in-house cost of $30/hour in the property management scenario considered here.

Assuming a house size of 150 m², and approximate cost of $16/m² for 200 mm ceiling insulation and $4/m² for reflective foil floor insulation, the insulation retrofit costs the landlord $3,000. Heating energy cost savings from this measure are estimated to be 2000 kWh or $320 per year ($6.50 per week) based on an approximate ALF (ALF 2000) calculation.

The cost for insulating the hot water cylinder is approximately $150. Energy savings due to the hot water cylinder insulation are estimated at 380 kWh per year equating to $60 per year ($1.20 per week).

If the energy cost savings and/or associated comfort improvement to the tenant can be captured through a corresponding rent increase, the total annual return to the landlord increases by $670 ($290 associated with tenancy period extension, $320 heating energy savings to tenants, $60 hot water cost savings to tenants).

This makes the energy-efficiency improvement a commercially viable option with a payback period of less than five years. This ignores other associated maintenance benefits related, for example, to warmer indoor temperatures (less mould and condensation on the ceiling) which will also have cost saving benefits.

Table 5: Summary of net benefits of insulation and water cylinder wrap improvements

Impact	*Annual Value*
Lower tenant change cost to property manager	$125
Fewer vacancy period property management fee losses	$15
Fewer vacancy periods rent losses to landlord	$150
Space heating energy saving to tenant	$320
Hot water energy saving to tenant	$60
Total	$670

It should be noted that while the property manager's re-lease cost represents a net cost from a national economic perspective, the lost rental income can not be aggregated in that way, since the tenants will presumably occupy another property during the vacancy. The rental income is thus only shifted to a different landlord, rather than lost to the economy.

Cost/benefit application

The potential application of these results was explored on a typical cost/benefit analysis for insulation improvements. Historically these types of analysis were conducted by the New Zealand regulators to determine optimum insulation levels for the New Zealand Building Code. The analysis weighs energy cost savings up against insulation cost expenses.

Although the intention of this approach is to provide best-value-for-money solutions to the consumer, the method has inherent short comings. Although it is widely accepted that there are significant non-energy-benefits from energy technologies, the traditional cost/benefit analysis does not account for these. One of the reasons for the lack of including these wider benefits is that non-energy benefits are inherently difficult to quantify in economic terms. However, excluding them from the analysis effectively assumes a $- value as well, which incidentally is $0. Therefore such an analysis will ultimately not lead to best-value-for-money solutions.

The following example illustrates this. The surveys in zero and low energy houses suggests that house occupants value non-energy benefits from superior insulation more than twice as high as the associated energy savings.

Figure 8 shows the net present value for insulating a lightweight construction in Wellington for a range of whole building R-values. The y-axis shows the net present value based on the capital investment of increased insulation in roof, walls and floor for a standard residential building with single glazing (circles) and double glazing (bullets). The values shown in the example are taken from the last update of the New Zealand Building Code.

The two graphs show that when non-energy benefits are not included (graph on the left), the slopes of the net present values for the single glazed scenarios have a slight minimum at 0.95ºC/W, and double glazing options are less cost-effective. If non-energy-benefit values at twice the value of the energy savings are considered, the graph changes dramatically and the best value options are double glazed solutions at much higher composite insulation levels. (The lowest NPV option is to the right of the last calculated data point, i.e. higher than the last computed composite R-value of 1.4ºC/W.)

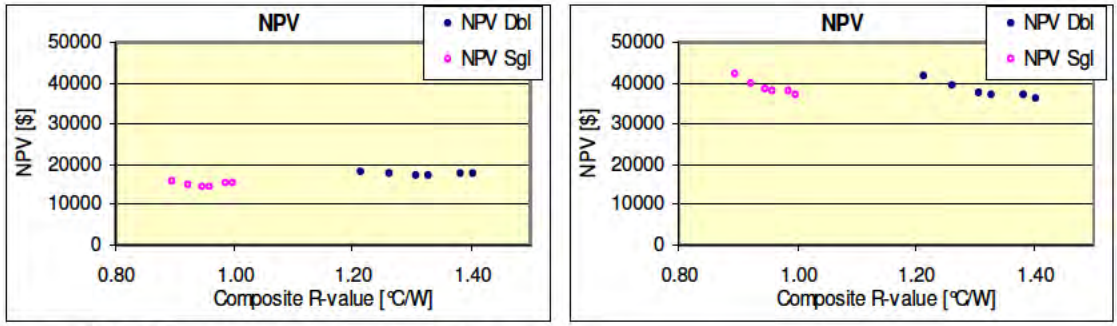

Figure 8: Cost benefit analysis (double glazing scenario)

This interpretation of the non-energy benefit results is presented here as an indicative approach. It is obvious that national New Zealand Building Code targeting cannot be based on such a small and unrepresentative sample as the low energy house group is. What this research and this cost-benefit analysis demonstrate, however, is that the effects of including non-energy benefits in a more holistic cost benefit analysis are profound and by far outweigh parameter variations for insulation cost, discount rates etc.

Conclusion

This study examined the value of non-energy benefits of energy technologies in three different sample groups:

- Low energy houses
- Randomly selected houses
- Low income houses with insulation retrofits.

The study found that the energy savings experienced by the low energy house sample matched quite closely the perceived potential energy savings by the group of randomly selected respondents who had not employed low energy technologies in the buildings. The low income respondents reported they could not perceived such a significant change presumably because their houses were only retrofitted with a partial insulation upgrade (no wall insulation).

The research further demonstrates the potential of financially quantifying the non-energy related benefits from energy technologies. The low energy house respondents reported that to them non-energy benefits were on average approximately 2.5 times more valuable than the reported energy savings.

The research also surveyed the benefits to a real estate company in Whakatane who are managing approximately 100 houses which have received insulation upgrades over the last few years. The survey respondent estimated that the tenancy period for insulated properties is on average four times as long as the tenancy period for un-insulated properties. This reduces the property management cost to the real estate company by $140 per year and property, with a further rental income of $150 to the landlord due to reduced vacancy periods.

This finding has potential applications in conducting a more holistic cost/benefit analysis to determine best-value-for-money solutions for energy-efficiency projects of building regulations, as well as opportunities for well targeted marketing of low energy technologies.

Acknowledgements

This research was funded by the Foundation for Research, Science and Technology and the Energy Efficiency and Conservation Authority.

We are also grateful for the support of Housing New Zealand Corporation and the team of Dr Bob Lloyd, Director Energy Management, Otago University, Dunedin, New Zealand for their support in recruiting the HNZC houses in Dunedin.

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22 December 2021

Legal Aid ACT
Civil Practice

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Assistant Director, Sustainability Policy
Climate Change and Energy Policy Branch
Climate Change and Energy Division
Environment, Planning and Sustainable Development Directorate
ACT Government
Level 2
480 Northbourne Avenue
DICKSON ACT

By email only: EPSDDComms@act.gov.au

Dear Perry Wiles,

RE: ACT Tenancy Policy Reform- Minimum Energy Efficiency Standards for rental homes in the ACT

Thankyou for the opportunity to provide input into the proposed reforms.

Legal Aid ACT provides information, legal advice, assistance and advocacy services to ACT tenants through our Tenancy Advice Service. Legal Aid ACT also assists both private and public and social housing tenants, the latter being particularly vulnerable to high heating and cooling costs due to poor housing quality, social isolation and having lower socio-economic status. Legal Aid ACT also assists clients with energy and water matters in the ACAT's jurisdiction under the *Utilities Act* 2000.

Legal Aid ACT supports the implementation of minimum efficiency standards in the form of better insulation in rental properties. Though it is not known what the percentage of rental properties to owner occupied homes is, the RBA found that 40% of new home loan applications were from investors.[1]

Tenants in the ACT currently have no remedy against lessors who, by 2022, have not insulated their investment property or properties. It is appropriate that the ACT government legislate to protect the interests of tenants and their dependents, the economy and the environment.

[1] Submission to Inquiry into Home Ownership, House of Representatives Standing Committee on Economics https://www.rba.gov.au/publications/submissions/housing-and-housing-finance/inquiry-into-home-ownership/proportion-investment-housing-relative-owner-occ-housing.html

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Many tenants do not have a meaningful choice when it comes to rental properties in the ACT's current rental market. This is particularly the case for vulnerable tenants, who may be younger or older, low-waged or temporary residents. These tenants are more likely to agree to sub optimal accommodation arrangements such as illegal subtenancies.

Legal Aid ACT is of the view that all tenants should be able to access energy efficient homes. As such, the proposed standard should be implemented as soon as possible.

Proposal 2 – Legal Aid ACT proposes that the insulation standard be included under Clause 54(1) of the Standard Residential Tenancy Terms as an obligation that the lessor must provide at the commencement of the tenancy.

Clause 54(1) of the Standard Residential Tenancy Terms ('SRTT') requires a lessor to ensure that premises are fit for habitation, reasonably clean, in a reasonable state of repair and reasonably secure. This proposal would place an obligation on lessors to ensure that the premises meet the minimum insulation standard in properties.

If no such requirement exists, tenants may not be able to seek a remedy from the ACAT to enforce the minimum standard even where there is evidence of non-compliance with the standard. Including the minimum standard in the SRTT would allow tenants to exercise their right to live in a property with proper insulation.

SUPPORT FOR INTRODUCTION OF THE STANDARD

Legal Aid ACT believes that the availability of a fund to assist some lessors with the roll out is beneficial toward achieving a timely and comprehensive uptake of the insulation standards. Legal Aid ACT therefore supports priority being given to Housing ACT and community housing providers in accessing these funds, as it is likely that many social housing properties and their tenants are most prone to poor or no insulation in their homes and the attendant unsustainably high energy costs.

Legal Aid ACT also supports funds being allocated specifically for lessors experiencing low income/financial issues that may not be able to comply with the standards.

EXEMPTIONS

Proposal 3 – Legal Aid ACT proposes that lessors must apply to obtain an exemption from the ACAT.

ACAT already has procedures and lists that deal with preliminary tenancy related applications, such as the endorsement list for lessors seeking to include non-standard terms into their tenancy contracts.

the amount prescribed by regulation. S68(4) provides some considerations to accompany such a decision, including what the outgoings or costs of the lessor are in relation to the premises,[6] the services provided by the lessor to the tenant[7] and the value of fixtures and goods supplied by the lessor as part of the tenancy.[8]

One method by which such lessors may seek to pass on the costs of the insulation work would be through excess rent increase applications.

This proposal would prevent lessors from justifying an excessive rent increase to the ACAT for upgrading the insulation in premises.

Proposal 6 – Legal Aid ACT proposes amending clause 96(1)(e) to exclude works done for insulation as a 'major renovation or repair'.

This proposal seeks to limit the circumstances under which a landlord may seek to evict a tenant on the basis of insulation works. We reiterate our concerns set out at Proposal 5 above.

Proposal 7 – Legal Aid ACT proposes that s57 of the RTA be amended to include not only applications for termination and possession orders, but also notices to vacate issued by landlords that may be retaliatory in nature.

This proposal is to strengthen the current retaliatory application provisions in the RTA to prevent lessors from providing their tenants with a termination notice in case tenants raise various issues under s57(1)(b) of the Act. This proposal also recommends expressly including a complaint about the standards as a ground under s57(1)(b). Retaliatory notice provisions can be found in the *Residential Tenancies Act 2010* (NSW) ("NSW Act").[9]

COMPLIANCE AND ENFORCEMENT

While it would be preferrable for tenants to have better insulation as soon as possible, Legal Aid ACT supports compliance timelines that would allow lessors to ensure that the works are done in a cost-effective, efficient and orderly manner. As such, any period between 2-5 years is reasonable, with the former being the preferred option.

Legal Aid Act also supports further complementary measures to target homes that are the worst performers for energy efficiency.

---

[6] Section 68(4)(c) of the RTA

[7] Section 68(4)(d)

[8] Section 68(4)(e)

[9] *Residential Tenancies Act 2010* (NSW), s115(2)

Lessors who are not compliant with the standard should not be protected because the tenant is unaware of the obligation. Furthermore, informed tenants should not be required to pay out of pocket for their own audit to confirm a breach of the standard.

Proposal 11 – Legal Aid ACT proposes the incorporation of the standard to the SRTT.

If a landlord is non-compliant with the standard, a tenant should be able to seek recourse from the ACAT in terms of a breach of the SRTT.

Proposal 13 – Legal Aid ACT proposes that an independent enforcement body be established to ensure that lessors comply with the standard and that the body have the power to issue either infringement notices or compliance notices.

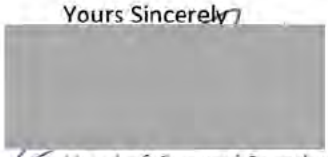
As it stands, lessors do not suffer any detriment for non-compliance with the penalty provisions of the RTA. For example, Legal Aid ACT deals with widespread and repeated non-compliance with the non-lodgement of bonds. Stricter compliance measures should be introduced to ensure enforcement of the new standards provisions.

This proposal would also allow a body to monitor and evaluate the proper implementation of the insulation standards.

Proposal 14 – Legal Aid ACT proposes the establishment of a publicly accessible register to verify which properties are up to standard.

This proposal should not act as a blacklist. The purpose of this register would be to allow tenants to confirm that a property is up to standard prior to signing onto a new lease.

Yours Sincerely



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URen, Rachel

From: EPSDD_Communications
Sent: Wednesday, 1 December 2021 11:52 AM
To: Wiles, Perry
Cc: Rajakariar, Sarah
Subject: FW: Submission - Minimum Energy Efficiency Standards for Rental Homes
Attachments: Insulation Check List Rev 3.docx; 20211130 ACT Rental energy efficiency standard submission..docx

Importance: High

OFFICIAL

Please find below Chris Lehmann's submission. I will reply to thank him.

From: Chris Lehmann <clehmann@mea.asn.au>
Sent: Wednesday, 1 December 2021 10:21 AM
To: EPSDD_Communications <EPSDDComms@act.gov.au>
Cc: Jason O'Dwyer <jodwyer@mea.asn.au>; Malcolm Richards <mrichards@masterelectricians.com.au>
Subject: Submission - Minimum Energy Efficiency Standards for Rental Homes
Importance: High

Please see attached our submission and supporting documentation,

We have reproduced the pertinent questions pertaining to our feedback from the discussion paper and addressed them in our submission.

I have also included a copy of the Insulation Check List that we formulated for use during the Home Insulation Rectification Scheme as an example. For the delivery of that program we became the contact and distribution centre for the work performed and audited the delivery of the electrical reports. A similar checklist and program could be developed to aid in the safe delivery of this initiative building on the lessons learnt from the national home insulation safety scheme in 2010.

Kind Regards

Chris Lehmann
National Advocacy Advisor

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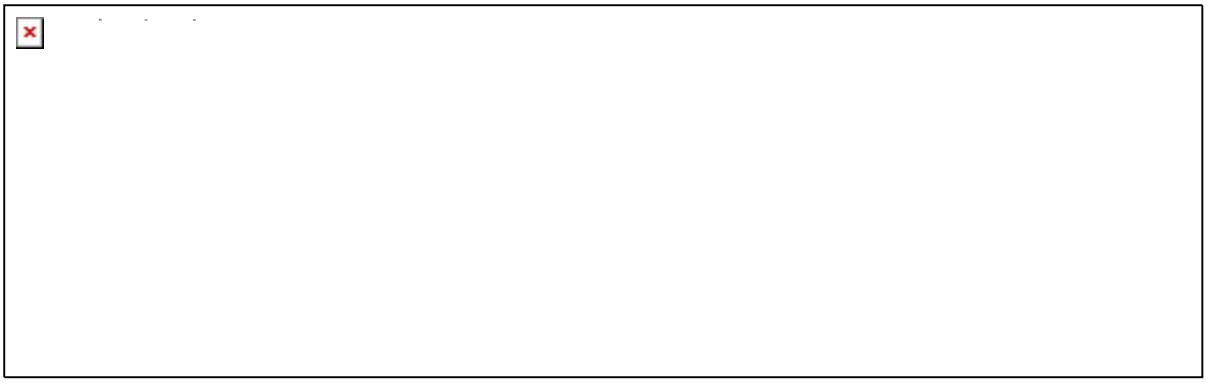

MASTER ELECTRICIANS AUSTRALIA

Lead.Connect.

Minimum energy efficiency standards for rental homes in the ACT.

Consultation Submission

Chris Lehmann/ 30 November 2021

Introduction

Master Electricians Australia (MEA) is the trade association representing electrical contractors recognised by industry, government and the community as the electrical industry's leading business partner, knowledge source and advocate. Our website is www.masterelectricians.com.au

Submission

We have reproduced the pertinent questions pertaining to our feedback from the discussion paper and addressed them below.

I have also included a copy of the Insulation Check List that we formulated for use during the Home Insulation Rectification Scheme as an example. For the delivery of that program we became the contact and distribution centre for the work performed and audited the delivery of the electrical reports. A similar checklist and program could be developed to aid in the safe delivery of this initiative building on the lessons learnt from the national home insulation safety scheme in 2010.

MEA would like to highlight that the Home Insultation Program (HIP) run by the federal Government resulted in the deaths of 4 young workers in roof spaces. These deaths were directly attributable to a lack of understanding of the risks inside domestic roof spaces. MEA would also like to highlight that there is up to 4700 km of infinity cable, a recalled product, that is still unaccounted for and if present will be a considerable risk to all workers. It is imperative that the ACT Government does not repeat the mistakes of the Rudd Government as laid out in the HIP Royal Commission

> *Commissioner Ian Hanger has slated the Labor government's haste, bad design and lack of safety in the A$2.7 billion program, which was a key part of the $42 billion February 2009 stimulus package to protect the economy against the global financial crisis.*[1]

We believe that an electrical inspection and report performed before the installation of any insulation would be vital to ensure the safety of property and persons. Any inspection should include the following elements;

1. Risk assessment of the installation.
2. Physical inspection and report of the roof space to asses safety of the installation and suitability of any cabling, light fittings or appliances that would be impacted by installing insulation.
3. An electrical inspection and report encompassing the switchboard and the circuit protection of all final sub-circuits.

[1] https://theconversation.com/royal-commission-says-insulation-deaths-were-fault-of-the-governments-program-31113

4. A complimentary inspection to assess the compliance of installed smoke alarms.
5. Rectification actions and pricing to ensure safety switch protection on all final sub-circuits, wiring and lighting affected by insulation and the presence of compliant smoke alarms

1. Are you a rental provider, renter, or otherwise have a particular interest in this matter?

We are a National Industry Association representing Electrical Contractors. We accredit our members and provide them with the tools to attain high standards in Safety, Quality and Workmanship. We have consistently advocated for greater household electrical safety particularly in the areas of safety switches and smoke alarms to avoid workplace and household electrical deaths that occur every year

14. What complementary measures should be considered?

- An electrical safety inspection, focusing on the roof space but also covering circuit protection (installation of combination safety switches on all final sub-circuits) and installed smoke alarms.
- A safe installers guide outlining risks for working in roof spaces and procedures to limit risk and damage.

15. Should the ACT Government include any complementary measures as part of the regulation?

Yes. Mandated electrical safety inspections to an agreed checklist with a report provided outlining corrective actions.

16. Should the ACT Government consider delivering complementary measures ?

Yes. They should be mandated and specified but should be performed by properly licensed and accredited sub-contractors. i.e. Master electricians Members with Quality and Safety Accreditation.

17. What safety measures should be required? Are the proposed measures adequate?

- Visual and physical inspection of wiring in the roof space to ensure compliance with wiring standards. Taking corrective action where required
- Installation of RCBO (combination safety switches) to all final sub-circuits.
- Checking the suitability of any light fittings or appliances to be covered with insulation. Taking corrective action where required.
- Ensure that no metal insulation is present from the Home Insulation Scheme from the failed HIP program
- Asbestos awareness training for staff to ensure that previous properties which may have had Mr Fluffy insulation are flagged as high risk and that caution should be taken

18. Should "DIY" or use of unaccredited installers in rental properties be disallowed?

Yes. The lessons of the Federal home insulation program are pertinent here.

URen, Rachel

From: dbocking@iinet.net.au
Sent: Tuesday, 7 December 2021 12:25 PM
To: EPSDD_Communications; Rajakariar, Sarah
Cc: 'galyn1'; Wiles, Perry
Subject: MINIMUM ENERGY EFFICIENCY STANDARD FOR RENTAL HOMES - CONSULTATION COMMENTS

Attention: Sarah Rajakariar, Graduate Sustainability Policy

Hi Sarah,

The following comments are in response to the Minimum Energy Efficiency Standards for Rental Homes Consultation Paper. I am sending these to you in preparation for Gary Petherbridge's and my on-line meeting with you on Thursday.

1. Are you a rental provider, renter, or otherwise have a particular interest in this matter?
I am a rental provider. I own and manage four units in the ACT. I am also the chair of the Executive Committee of Eldon, the rental property where I own three units. I have also been chair of the Executive Committee of another high-rise residential property. In addition, I am a member of the Owners Corporation Network ACT committee.

2. Given the ACT Government has committed to the introduction of a minimum energy efficiency standards for rental homes and noting the reasons provided in Attachment 2, do you support the initial adoption of a ceiling insulation standard? Why or why not?
Yes, I support the adoption of a ceiling insulation standard because of all the reasons described in the RIS and Consultation paper. Several years ago I initiated installation of R5 insulation in the ceiling space of the Eldon building where I own a top-floor unit.

3. If you are a rental provider, do you anticipate you would need to install or upgrade ceiling insulation in your property/properties in order to meet the proposed standard?
No, because only one of my units is a top-floor unit and I have already installed ceiling insulation there.

For rental providers: 4. What type of assistance would most help you support vulnerable and low-income renters? a. A no-interest loan to cover all or part of the cost of upgrades; b. A partial rebate for the cost of upgrades; or c. Other types of non-financial assistance (please indicate what these might be); or d. Some combination of these.

I don't think that any assistance to install ceiling insulation should be linked to whether the renter is vulnerable or low income. How would 'vulnerable' be defined? And how would a rental provider determine whether a renter was vulnerable or not? Similarly, how would 'low-income' be defined and how would a rental provider determine whether a renter is low income? Many of my tenants have been students who are low income but are supported by their parents or a scholarship. I am mainly interested in whether they can pay the rent, not on their overall financial situation.

The upgrading of ceiling insulation to R5 in a unit should not be a high cost to the rental provider and with a four-year phase-in period, the rental provider should be able to meet this cost without financial assistance. For a full-size house, the cost would be significantly more, probably several thousand dollars, so some financial assistance in the form of a rebate or no-interest loan would be of significant assistance. Preference for one or the other would depend on the cost of the scheme. Non-financial assistance could be in the form of producing a list of accredited installers, including electricians who would check the safety of electrical wiring before installation of the

insulation. The ACT Government could also provide data sheets explaining the various types of insulation and the advantages and disadvantages of each.

5. How would this affect the rent that you would charge?
The ceiling insulation I had installed several years ago cost about $650 so I did not increase the rent to cover such a small amount, especially as the insulation would last the life of the building. However, I would expect a rental provider letting a house who incurs an expense of several thousand dollars to seek some increase in rent to get a return on this investment. For example, if the cost was $5000 and the return on investment was 5% the increase in rent would be about $5pw, a relatively small amount that would still result in a net benefit to the renter.

6. What exemptions to the minimum energy efficiency standard should be allowed?
The two dot points shown as 'other exemptions' in the paper are reasonable and are practically the same. However, some rental providers might try to use these as reasons not to install insulation without determining the cost. Therefore applications for exemptions should be supported by at least one quote for installation of ceiling insulation.

7. Should any of the temporary exemptions listed above, or others, be allowed, and for how long?
I agree with all the temporary exemptions listed. Rental providers should seek approval for these and must provide supporting evidence, e.g. plans and quotes for renovations that would make it sensible not to install insulation in the required timeframe. The length of time that a temporary exemption would be in place would depend on the reason. For demolition/renovation, an initial period of 12 months or until the rental provider has either demolished or renovated the building, whichever comes first. For the situation where the previous owner is renting the property, 12 months or until the tenant has ceased renting, whichever comes first. Where the tenant objects, as long as the objection stands.

8. What form of evidence (e.g., a building report, statutory declaration) should be required to support an exemption?
In addition to a building report or stat. dec, other evidence such as a photo and statement of the demolished or renovated building with an accompanying statement should be acceptable. An objection from the tenant should be signed by the tenant with the tenant's contact details.

9. Should rental providers be required to formally apply for an exemption, including submitting evidence? OR should rental providers just be able to claim an exemption on accepted grounds but be required to disclose the exemption and maintain the supporting evidence?
I favour applying for an exemption and having to get approval, which is less susceptible to rorting.

10. Should there be a program of compliance auditing to assess that dwellings genuinely meet an exemption, including evidence being available on request by an authorised entity?
Yes, even if this is on a 'spot-check' basis.

11. How long (between 2 and 5 years) should the phase-in period be?
I think four years is reasonable.

12. Should rental dwellings be required just to meet the standard by the end of the phase-in period OR at the start or renewal of a lease, but no later than the end of the phase-in period?
I think requiring the upgrade at the start of a new lease would be a reasonable starting point with a period of six months to have the installation completed. This should give a rental provider sufficient time to arrange finance, get quotes, and have the work done. (Ref Q 13.)

13. If the requirement to meet the standard is triggered by the start of a lease, should the work be required to be undertaken before a new lease can be entered into, or should there be a grace period of say 3 or 6 months to get the work done?
It would be unfair to require that the insulation be upgraded before the new rental lease comes into effect because this would probably result in loss of rent at significant cost to the rental provider. A 'grace period' is sensible and reasonable.

14. What complementary measures should be considered?
Eliminating draughts as much as is practical would be a cost-effective way to reduce energy consumption for heating. (The reduction in energy consumption for cooling would be minimal.) Rent providers should be encouraged to implement measures to eliminate draughts, which in many cases would involve very little expense, e.g. installation of door seals, sealing gaps in the ceiling, including old ventilators, and installing 'Draughtstoppas' on exhaust fans (see https://www.ebay.com.au/itm/254612057514?norover=1&mkevt=1&mkcid=4&mkrid=705-163300-165389-8&mpt=[CACHEBUSTER]&gdpr=${GDPR}&gdpr_consent=${GDPR_CONSENT_929}&siteid=15&ipn=admain2&placement=551591&gclid=CjwKCAiAhreNBhAYEiwAFGGKPN8LqzF214M6jTt2nWXMJ4r2GY3P-1svk38o51miCTJYie8S0hHk6xoCXUQQAvD_BwE). Many rental providers may not be aware of the range of products available to eliminate draughts. Perhaps the ACT Government could assist and encourage rental providers to eliminate draughts by publishing a fact sheet describing these products and explaining their effectiveness.

15. Should the ACT Government include any complementary measures as part of the regulation (e.g., requiring draught proofing, where needed, along with insulation)?
I don't think that regulation is necessary or would be effective because:

- The wide range of causes of draughts means that there would be many different solutions;
- Implementation of regulations would be difficult because of the difficulty in setting standards for draughts; and
- Ensuring compliance e.g. through inspection of properties, is unlikely to be cost-effective.

16. Should the ACT Government consider delivering complementary measures (whether through existing or new programs)?
I don't think this is necessary as the ACT Government already has programs to assist home-owners in reducing energy consumption, e.g. the Energy Efficiency Improvement Scheme.

17. What safety measures should be required? Are the proposed measures adequate?
The safety measures listed in the Consultation Paper appear to be adequate.

18. Should "DIY" or use of unaccredited installers in rental properties be disallowed?
For strata-titled properties, the ceiling space is common property. Therefore the Owners Corporation (OC) is responsible for maintenance and management of this space. To ensure that safety and other standards are met, the OC should not allow DIY installation but insist on the use of properly qualified and accredited installers. Insurers might have a requirement for this because they bear the risk of fire and other hazards.

I don't think that an education campaign to discourage "DIY" installation is necessary. It would be better to conduct an education campaign to make DIY installers aware of how to install insulation properly and the risks involved. (I have installed insulation in my own house and it is not a particularly complicated, dangerous or difficult job.) DIY installation in a private home should be allowed provided appropriate electrical safety checks are done to eliminate the risk of exposed electrical wiring and fire due to overheating of wires. Owners who install insulation themselves have a strong incentive to do it properly.

19. Should top-ups of insulation be allowed and under what circumstances?
Top-ups should definitely be allowed. While the advice of an electrician regarding electrical safety is important, my expectation is that in most cases there is no safety problem with installing additional insulation. If overheating of wiring is a concern then it's likely that the insulation can be installed so that wiring is not covered. A properly trained installer would know how to do this. Removal of old insulation would add to the cost and the benefit of the old insulation would be lost, noting that it would contribute to the total R-value of the insulation.

Additional or alternative measures that could be introduced?
I think that all of the measures listed in the paper should be introduced, namely:
• commissioning independent audits of insulation installations completed under the regulation;
• maintaining a list of products that have been verified to meet the current version of the relevant Australian Standard; 15 and/or
• maintaining a list of companies that are pre-approved to retrofit insulation.

I suggest that in addition to independent audits (on a 'spot-check' basis) that installers be accredited and be required to provide a certificate stating what they have done and certifying that this meets current regulations. This should minimise the need for audits and the certificate could then be used by rental providers to assure renters that the home is insulated to the required standard. This would also discourage DIY installers, who would be unlikely to be able to provide such certification.

20. What quality assurance measures should be put in place?
I suggest:

- Certification of installers with appropriate checks on performance; and
- List of approved insulation products.

21. What measures to monitor compliance of the regulation should be put in place?
As suggested in my answer to Q21, certification of installers with appropriate checks on performance. If a check on the performance of an installer reveals that the installer has not met the required standards or has made unsubstantiated claims, then the installer's certification could be revoked.

22. What evidence of compliance would be acceptable?

- A certificate of compliance from the installer
- Physical check of the installation by a suitably qualified and authorised person. This would apply mainly to DIY installations.

23. Should mandatory disclosure of whether a property meets the minimum standard (or has a valid exemption) be required in rental advertisements and to be provided to a tenant before entering a lease?
Yes, this would operate in much the same way as the disclosure of energy efficiency ratings.

24. How should the minimum standard be enforced and non-compliance addressed?
Measures could include:

- Spot checks on new installations with penalties for those who claim to meet the required standard but don't;
- Spot checks on properties that are advertised for rent that claim that they meet the required insulation standard;
- Revocation of certification for installers;
- Fines for misleading advertising.

25. Do you have any suggestions on how the implementation of the regulation should be monitored and evaluated?
If certified installers are required to provide a certificate of compliance as part of the installation then a copy of this could be sent to the appropriate ACT Government office to gather data on the implementation of the scheme. Similar data could be collected via reports from those conducting spot checks on installations and complaints from renters or potential renters. Other data would be available for government assistance schemes.

Evaluation could involve looking at the trend in installations to determine the amount and rate of increase.

26. Do you have any suggestions on how and when to assess that the regulation has met its objectives?
I think it would be at least two years from the start of the scheme before meaningful data would be available.

27. Are there any other issues that have not previously been covered that you would like to raise?
One issue that concerns me is the possible requirement for a check of the electrical wiring in the roof space prior to topping up insulation. This has the potential to increase the cost of improving insulation significantly and might not be necessary. Topping up insulation has been done for decades without the requirement for electrical checks. I am not aware of any significant risks from covering wiring with additional insulation. House wiring is normally run across the ceiling under insulation and in conduits that are embedded in walls, etc. where it is thermally insulated. This doesn't appear to be a problem. Therefore I suggest that a thorough investigation involving technical experts and insurers be done of the possible risk of an electrical fault occurring as a result of topping up insulation. An electrical check should be a mandatory requirement only if the investigation concludes that the risk warrants such checks.

Gary Petherbridge and I look forward to discussing this subject with you on Thursday at 3.00pm.

Regards,

Denton

URen, Rachel

From: dbocking@iinet.net.au
Sent: Thursday, 23 December 2021 9:38 AM
To: Wiles, Perry
Cc: Rajakariar, Sarah; 'Gary Petherbridge'; president@ocnact.org.au
Subject: RE: ACT Government & OCN Minimum Energy Efficiency Standard Consultation - meeting notes for your review (by 12 January)
Attachments: Certificate of Electrical Safety Aircon Mar2011.jpg

Hi Perry,

Thanks for sending Gary and me a copy of the draft minutes of our meeting on 9 December. I am responding for both of us. We have reviewed the minutes and are very pleased that they record what we said. They are excellent minutes that have picked up on our suggestions. We don't propose any changes or have anything to add.

The minutes record my comment regarding compliance that the Victorian government has forms for electricians that they have to fill out which provides a written and signed record of what work was completed and that the electrician was qualified. For your information, I have attached an example, which was for the installation of an air conditioner and lights in my rental property in Craigieburn (a suburb of Melbourne).

Gary and I would be pleased to provide further information as this initiative progresses.

Best wishes for Christmas and the New Year,

Regards,

Denton

From: Wiles, Perry <Perry.Wiles@act.gov.au>
Sent: Wednesday, 22 December 2021 9:01 AM
To: Gary Petherbridge <galyn1@bigpond.net.au>; 'Denton Bocking' <dbocking@iinet.com.au>; president@ocnact.org.au
Cc: dbocking@iinet.net.au; Rajakariar, Sarah <Sarah.Rajakariar@act.gov.au>
Subject: ACT Government & OCN Minimum Energy Efficiency Standard Consultation - meeting notes for your review (by 12 Januray)

OFFICIAL

Hi Gary and Denton

Thank you for your time in meeting with us to provide your organisation's views on the proposed ceiling insulation minimum standard for rental homes and on issues around its implementation.

I have attached our notes from that meeting for your review.

If you wish to make changes or add anything please do (using Track Changes if possible) and return to us by the **12 January** (if at all possible).

Your input is helping inform the details of the regulation and associated measures and, as we indicated, we expect to release a Listening Report in mid-February on the Your Say website, summarising the input we received through meetings, submissions, and survey results.

Thanks again for your time and best wishes as we head towards the new year!

Perry

Perry Wiles | Assistant Director, Sustainability Policy
Climate Change and Energy Policy Branch |Climate Change and Energy Division
Environment, Planning and Sustainable Development Directorate | ACT Government
P: (02) 6207 6742
M: 0411 112950
E: perry.wiles@act.gov.au

Working for resilient communities with a sustainable future

I acknowledge the Traditional Custodians of the lands of the ACT, the Ngunnawal people. I acknowledge and respect their continuing culture and the contribution they make to the life of this city, and pay my respects to Elders, past, present and emerging

CERTIFICATE OF ELECTRICAL SAFETY for Non-Prescribed Electrical Installation Work

ELECTRICITY SAFETY ACT 1998, ELECTRICITY SAFETY (INSTALLATIONS) REGULATIONS 1999

6071 4874 7

CERTIFICATE OF COMPLIANCE

1 Responsible Person (eg. electrical contractor, supervising electrician, electrician)

REC reg./licence no.	17399	Userid	7 1 5 1 3 1
Name	ALTERRAIN	Signature	[redacted]
Telephone no.	54226 538	Facsimile no.	54 226 530.

2 Licensed Electrical Installation Worker (eg.electrician)

Licence no.	A 39258	Userid	1 3 6 4 0 6
Name	MURRAY BAJADA.		

3 Details of Electrical Installation

Name of customer	DENTON BOCKING.
Address of installation (include lot no.if required)	[redacted]
Suburb or town	
Telephone	

4 Electrical Work Undertaken

No.light points	Socket-outlets: No. singles	Socket-outlets: No. doubles	Other
3			SPLIT A/C.

Maximum demand in amps per phase on completion	Consumers mains capacity in amps
Limited@63.	80.

Description of work undertaken (if insufficient space, please attach list)

- INSTALL 1x SPLIT A/C + CONTROL WIRING AND EXTERNAL ISOLATING SWITCH.
- REPLACE 3x BATTON HOLDERS WITH ROUND FLURO FITTINGS.

5 Has this ***electrical installation work*** failed a previous audit? Yes ☐ No ☒

If yes, previous certificate number

6 Type of property where the electrical installation work is carried out: (refer back of certificate for types)

☒ 1 Domestic ☐ 2 Commercial ☐ 3 Industrial

7 RCD installed at this site? Please specify reason:

☐ 1 No RCD installed ☒ 2 Previously installed ☐ 3 Sale of Property

☐ 4 Age of Property ☐ 5 Sale & age ☐ 6 New property

☐ 7 Customer request

8 If RCD installed, specify where:

☐ 1 Power ☐ 2 Lighting ☒ 3 Power & lighting

I, the licensed electrical installation worker named above, who carried out the electrical installation work described above, certify that the electrical work has passed all the required tests and complies in all respects with the Electricity Safety Act 1998 and the Electricity Safety (Installations) Regulations 1999.

Signature (Licensed Electrical Installation Worker) [redacted]

9 Date of completion of work 24/03/11 **10** Date Certified 24/03/11

Customer copy

A.R.C A/C No L038488.

Certificate Of Electrical Safety

energysafe VICTORIA

Victoria The Place To Be

REIACT
REAL ESTATE INSTITUTE
OF THE AUSTRALIAN CAPITAL TERRITORY
ABN: 67 008 553 277

UNIT 7
1 BEACONSFIELD STREET,
FYSHWICK ACT 2609
TEL: 0499 881 168
WWW.REIACT.COM.AU

RESPONSE TO CONSULTATION PAPER

Minimum energy efficiency standards for rental homes in the ACT

The Real Estate Institute of the ACT is the peak industry body representing the real estate Industry in the ACT. We have reviewed the minimum standards for rental homes in the ACT consultation paper and will now outline what we consider to be measured and genuine concerns for both lessors and tenants.

Paramount to the concerns outlined as follows, is the impact of these changes on both lessors and tenants equally.

Kind regards

Michelle Tynan
Chief Executive Officer
20 December 2021

The proposed minimum standard

Rental homes with less than R2 ceiling insulation will be required to install or upgrade to a minimum of R5.

EXEMPTIONS

1. ***What exemptions should be allowed?***

Exemptions should include those outlined in the consultation paper but also include:

- rental providers, who, as a result of the enactment of the legislation decide to sell their property
- properties which may not have sufficient roof space to allow thicker insulation. The draft version of the National Construction Code (NCC) 2022 has provisions for 20mm gap between roof to insultation batts. This gap is required to reduce condensation developing in the roof space
- Older homes that do not have modern heat-shielded downlights etc
- Statutory declarations should be the only supporting documentation required, this will align with many tenancy requirements for only a statutory declaration being provided for rent reductions, hardship etc.

REIACT concerns are, but not limited to:

- Increasing insulation changes the condensation behaviour of the building. This needs to be considered (vapour permeability and/or ventilation alongside the increased insulation). This is an imperative consideration given the issues which already exist in the ACT private rental sector
- Changes to minimum standards when new improved products come to market in the future – will there be a protection exemption clause for rental providers that upgrade now from being required to do so again before the expiry efficiency rating of the product used now?

COMPLIANCE

1. ***When should compliance be required?***

The phase-in period should be over the longest term – 5 years. This will ensure no market gain from providers as well as enough product and approved installers to complete the upgrades required. To incentivise rental providers the cost of initial inspection should be covered by ACT Government. REIACT was advised during our consultation discussion that there are approximately 18,500 homes, of which 5,500 are ACT Housing properties. We were also advised that an initial inspection would cost approximately $220.00. For the ACT Government to enable 13,000 inspections to be conducted, would require funding of $2,860,000.00. The REIACT also recommends a payment of $150.00 to all property management professionals facilitating the co-ordination of the inspections. The ACT Government cannot reasonably expect the property management industry to do all the "heavy lifting" to ensure a legislative shift of this proportion be done without due compensation. This incentive-based payment should be available to all rental providers for the duration of the transition period.

Mental Health Impacts on the Property Management Industry Due to COVID

The Institute would like to raise the effect that the COVID pandemic has had on the real estate sector in the ACT, particularly the property management sector. The reason we are including this information in our submission is to highlight that the implementation of such a significant change to legislation at this point in time will have negative consequences for both rental providers and tenants in the ACT. Research recently undertaken conducted by the Real Estate Institute of Australia on behalf of its state and territory members has revealed the following alarming statistics for the property management sector in the ACT:

REIACT in partnership with REIA have conducted two pieces of research quantifying the challenges property managers face both Australia-wide and the ACT. This highlighted the considerable challenges on both the employer and employee side of property manager businesses in attraction, recruitment and long-term retention.

In a national survey of over 200,000 properties under management 39.94% of respondents said it was the lack of skilled candidates when asked what the cause was of property manager staff shortage with 30.03% citing workplace stress increasing the increase in compliance and rental eviction moratoriums.

Despite this 60% of principles said they expect the property management side of their business to increase, making it more urgent for the recruitment challenges to be addressed.

Qualitative feedback also showcased unique challenges of ACT based property management businesses, particularly competing with APS pay and conditions. There is a dire business need to critically address these challenges within the Canberra property management community.

Without a robust property management sector in place to deal with, and in many cases, ensure compliance of rental providers, this significant legislative transition will cumbersome and disjointed, and may result in many tenancies being considerably impacted by the proposed changes.

Sources

The Property Management HR Challenge in Australian real estate: 2021 Findings and Implications Report. REIA. Available here.

The Institute strongly disagrees with rental providers having to comply with the upgrade of ceiling insulation at the end of lease. This is due to a number of requirements outside of their control, including but not limited to:

- Availability of product
- Availability of qualified installers
- Financial imposts on rental provider

At a minimum rental providers must have 3-to-6-month grace period to get the work done after the end of lease and commencement of the new lease. There must also be a protection mechanism within the legislation that tenants cannot refuse the work to be done when commencing the new lease. Tenants who refuse access must be liable for any losses incurred by the rental provider, by way of legislative requirements within the new Residential Tenancies Act (RTA).

2. ***Should any complementary measures be considered?***

To increase further financial impost onto rental providers must be carefully considered by the Government. To further encumber rental providers with “unknown” financial burden by way of legislated window treatments and draft proofing measures may see many rental providers simply leave the private rental market. The ACT property market is currently seeing record sale prices and over 25% median house price growth since COVID began in 2020. Many rental providers may see the current market conditions as the right time to sell. What would this do to the already critical rental shortages currently being experienced in the ACT, as well as the continued rise in rental prices across the territory. The ACT is now the most

expensive city in the country in which to rent, so to mandate more minimum standards may very well see increased demand on community providers and charity organisations for those who will not be able to find suitable and affordable private rental properties.

Rather than impose further costs on rental providers, the ACT Government should be committed to funding and delivering quality education programs to tenants on how to "better use" their rental property to gain maximum efficiency from their property. The REIACT would like to work with ACT Government to deliver such a project. With 85% of rental properties in the ACT managed by REIACT members, we are able to reach the greatest number of tenancies directly, ensuring this educational program would be maximised to full potential.

3. What safety measures should be required?

Lessons must be learnt from the disastrous 2009-10 Commonwealth Government's Home Insulation Program. The Institute will only support the use of qualified installers/providers and certification from these providers at initial inspection through to completion of any upgrade. Any thing less than this standard will be at the peril of the ACT Government.

4. How should the quality of installation be ensured?

It is the responsibility of the ACT Government to ensure all installation providers meet and continue to meet the highest standards available to provide this legislated mandate. The creation of a public register of accredited providers must be the first step in this process and ongoing accreditation requirements must be enforced by ACT Government to enable providers to be allowed to be admitted and remain on the public register. This will ensure that work can only be carried out by an accredited provider with current qualifications.

5. How should compliance be monitored and enforced?

Once a rental provider has complied with the legislative requirements, either by way of initial inspection certification or upgrading of ceiling insulation, the certificate should be lodged with ACT Revenue under the Land Tax registration portal. This would then ensure that all records for relevant properties are located in one place and electronic compliance records are easily maintained and accessible. This would also allow the property management professionals and self-managed rental providers a clear pathway for recording compliance requirements. This would also allow for the recording of those properties exempt from the legislation.

In closing, the ACT Government has the opportunity to legislate good policy which can be the blue print for other states and territories by warranting a balanced, workable and achievable minimum standard for rental properties in the nation's capital. However, this can only be achieved by ensuring all parties within the proposed legislation are given due and reasonable consideration of their circumstance and ability to comply with the intended outcome. Without this, we will see the already critical affordability and availability of rental properties in Canberra, quite simply, become even worse.

St Vincent de Paul Society
CANBERRA/GOULBURN
good works

MINIMUM ENERGY EFFICIENCY STANDARD FOR RENTAL HOMES

Submission by The St Vincent de Paul Society Canberra/Goulburn
14 December 2021

Introduction

The St Vincent de Paul Society Canberra/Goulburn (the Society) welcomes the opportunity to make a submission to the process surrounding Minimum Energy Efficiency Standards for Rental Homes in the ACT.

Our position is informed by our role as a leading charity and service delivery organisation, supporting 40,000 vulnerable people in the Canberra/Goulburn region and delivering the Actsmart Home Energy Efficiency Program on behalf of the ACT Government.

This program supports approximately 850 homes in the ACT each year to reduce their energy bills (electricity and gas), by educating people about energy usage and modifying homes to become more energy efficient.

People on low incomes are twice as likely to have heat related health impacts when compared to people on higher incomes.[1] The Society encounters hundreds of households each year that report health and wellbeing complaints and extreme discomfort stemming from a rationing of heating or cooling due to the related expense, or who are struggling with the financial implications of running cheap and inefficient electrical appliances.

Critically, this submission seeks to ensure that the interests of vulnerable and low-income homes are protected in the implementation of this initiative, ensuring that they experience more comfortable living conditions within a reasonable timeframe, and that importantly, they are protected from rental increases.

[1] https://www.acoss.org.au/images/uploads/ACOSS_ENERGY_EFFICIENCY_PAPER_FINAL.pdf

Proposed standard (pp. 9-10) - *Rental homes with less than R2 ceiling insulation are required to install or upgrade to a minimum of R5.*

The Society supports the initial adoption of a ceiling insulation standard, as we understand this to be a cost-effective solution for energy efficiency and related health and well-being benefits.

However, to achieve improvements to overall thermal performance of rental properties, we strongly recommend that a diversified approach to thermal performance, starting with lowest cost options would provide multiple benefits. This should be combined with a minimum thermal performance rating, which encourages participants to meet this requirement using a variety of methods that best suit the needs and structure of their property. This is exemplified through the Victorian Energy Upgrades Program.[2]

At a minimum, the Society strongly recommends that the ceiling insulation standard is complemented by the inclusion of draught sealing and curtain hanging, with case studies showing that these simple and affordable treatments alone can improve the energy efficiency rating of a house from 2.8 to 4.2.

Support for energy efficient heater upgrades should also be considered for the rental provider of vulnerable and low-income tenants to ensure that comfort is both achievable and affordable. Efficient reverse-cycle air conditioning appliances, when combined with insulation and other complementary measures, can have a far-reaching impact on both comfort and cost reduction, particularly when shifting from portable electric heaters.

Overall, diversifying the approach to thermal efficiency, beginning with lowest cost options, would:

- Provide the ACT Government with a much more detailed understanding of the nature of the housing stock and where future policy developments in household energy efficiency or improvements in thermal performance could go
- Mitigate safety risks and public reticence associated with previous experience of ceiling insulation schemes[3]
- Support more diverse employment in the Territory.

In addition, to future proof the regulation and ensure that the best outcomes are achieved, we recommend that the following is also considered:

- An initial audit of the thermal performance of all rental and Housing ACT and social housing stock, including those deemed to currently have R2 insulation or above
- A plan detailing what a future standard, or scaled up model might look like beyond the R2 standard, factoring in best practice insulation models for the Canberra climate
- A consideration of housing stock that is currently presumed to have R2 ceiling insulation or above, but following an audit, is shown to fall below the standard.

[2] https://www.energy.vic.gov.au/energy-efficiency/victorian-energy-upgrades/about-the-program
[3] Report of the Royal Commission into the Home Insulation Program - https://apo.org.au/sites/default/files/resource-files/2014-08/apo-nid41087.pdf

Support for introduction of the standard (p. 10)

The Society endorses targeted financial assistance for rental providers with tenants from vulnerable and low-income households, and strongly recommends that it is mandated that costs cannot be passed onto the tenant in such instances through rental increases or otherwise.

Many vulnerable private renter households struggle with rental affordability, with two thirds spending more than 30 per cent of their income on rent.[4] While Commonwealth Rent Assistance (CRA) has proven effective in the past, maximum payment rates have fallen behind average rents over the past two decades.

In June 2021 single people relying on JobSeeker Payment were paying $200 per week rent and only receiving $70 per week in CRA (median figures) – that is a $130 a week gap. A single parent with two children paid median rent of $310 per week, with $74 per week (median) CRA– a gap of $236 per week.[5]

Consideration of financial assistance for rental owners should ensure that maximum coverage of the cost is achieved to ensure that costs are not borne by the tenant. This may require both a no-interest loan with a partial rebate.

In addition, rebates should be considered in the context of, or linked in with, other Territory and Federal Government programs that support household energy efficiency upgrades.

Certainty of tenure should be offered to vulnerable and low-income tenants, whereby a minimum notice period is imposed to ensure tenants are protected from eviction if the landlord sees an opportunity to increase rent via a new tenancy agreement.

[4] https://www.pc.gov.au/research/completed/renters

[5] https://antipovertyweek.org.au/2021/10/solving-the-housing-crisis-and-lifting-income-support-will-alleviate-crushing-poverty/

What exemptions should be allowed? (pp. 11-12)

Exemptions are vulnerable to exploitation as landlords may seek this leniency without disclosing full plans.

Therefore, if an exemption to the minimum efficiency standard is not feasible due to the physical structure or high costs, the Society recommends that other options are explored in place of ceiling insulation to achieve similar thermal efficiency outcomes, such as floor or wall insulation.

Further, it is recommended that the process of seeking an exemption is not so simple as to promote this as a reasonable alternative avenue. Therefore, the Society recommends:

- The onus must sit on the rental provider to formally apply for an exemption, including clear supporting evidence
- If seeking an exemption based on inability to physically install insulation, or unfeasibly high costs:
    - Supporting evidence should include a report from an accredited insulation installer or builder stating that insulation cannot be installed or two quotes detailing the excessive cost
    - Proof of the cost to install compared to the cost of the energy bills should be required. An added cost of health and well-being should be taken into account (cost of energy bills + 20%)
    - Threshold cost should consider the cost of energy bills and the health and wellbeing of the tenant.
- If seeking an exemption based on demolition or substantial redevelopment plans:
    - Proof of Government approved redevelopment plans should be provided, including proposed dates
    - Redevelopment/demolition must be scheduled prior to the compliance date, and should last for a 12-month period from the compliance date
    - If a rebate or other financial assistance is accepted by the landlord to complete the insulation requirements, a redevelopment or demolition should not be permissible by that owner for at least 12 months.

When should compliance be required? (p. 12)

A timely resolution is important to ensure that those experiencing health and wellbeing issues due to poor living conditions receive appropriate relief.

The Society recommends that this is achieved through a 2-year phase in period to ensure those experiencing extreme discomfort are not waiting 5 years for a resolution. We acknowledge that this may not be possible for the entirety of the housing stock, and so recommend:

- A 2-year phase in period for rental owners with vulnerable and low-income tenants.
- Attractive rebate options for uptake of the initial in the first 12 months to encourage early compliance.

The Society suggests that compliance should occur by the end of the phase in period, or at the start or renewal of a lease, with a 3-to-6-month grace period. A grace period will reduce the risk of rental income loss that could occur if a rental owner were awaiting installation ahead of a new lease. Minimising disruption to rental income will reduce the number of rental owners seeking to cover losses via a rental increase.

Should any complementary measures be considered? (pp. 12-13)

Yes. Draught proofing and curtain hanging should be included at a minimum in addition to the ceiling insulation standard, as part of the regulation.

Draughts increase the likelihood of lower temperatures in houses with up to 25% of winter heat loss in existing houses caused by draughts.[6] This in turn can also make it more expensive for a tenant to heat their home. This is particularly so in homes with unused open fireplaces, which is a common feature in the ACT's inner north.

Ensuring the property does not have unreasonable gaps or holes in walls, ceilings, windows, skylights, floors and doors is an easy and cost-effective way to reduce heating bills. The installation of draught stoppers in chimneys above unused fireplaces is a low-cost and simple option to improve thermal outcomes.[7]

With regard to window coverings, a single pane of bare glass can gain or lose up to 10 times more heat than the same sized area of uninsulated wall.[8] The best low-cost option to manage this is the installation of heavy curtains and a boxed pelmet, which can have an impact equal to or greater than that of a double-glazed window.[9]

Further, the Society recommends that efficient electric heater upgrades should be considered for vulnerable or low-income homes, that are unlikely to be able to afford their own portable version. When accompanied by insulation and quality draught proofing, an efficient electric heater can represent a cost saving of over 75%.[10]

The St Vincent de Paul Society Canberra/Goulburn has the potential to expand the current capacity of its existing energy efficiency program to include draught proofing and curtain installation for the expansion of supports to private rental home owners who rent to low income households under this initiative.

In addition, empowering tenants, or rental owners to install basic draught proofing could also be achieved via a simple education program, and/or guidance on local service providers and contacts would enable efficient service delivery.

[6] Key principles of energy-efficient design | Sustainability Victoria

[7] https://www.sustainability.vic.gov.au/energy-efficiency-and-reducing-emissions/building-or-renovating/key-principles-of-energy-efficient-design/planning-and-design/insulation/draught-proofing/block-chimney-draughts

[8] Home windows and shading for energy… | Sustainability Victoria

[9] Sustainability Victoria - https://www.sustainability.vic.gov.au/- /media/SV/Publications/About-us/Research/Household-retrofit-technical-reports/WindowFilm-Secondary-Glazing-Retrofit-Trial-February-2017.pdf

[10] https://www.actsmart.act.gov.au/energy-saving/air-conditioning

What safety measures will be required? (pp. 13-14)

While DIY is possible for draught proofing, and in some circumstances, curtain hanging, the Society does not advise DIY installation of ceiling insulation for a multitude of safety reasons as already recorded.

Installation of ceiling insulation should only occur via accredited installers and using an accredited product, with certified training and safety features in place to ensure the safety of the installer, the occupant and future tenants. This should be appropriately regulated to ensure self-installation of ceiling insulation is prohibited.

The Society recommends that education tools for DIY draught proofing and curtain hanging should accompany the regulation, along with a list of local service providers. Any DIY installation should require a quality and safety check as part of the compliance audit.

As insulation deteriorates over time, top up insulation options should be considered subject to a safety inspection by an accredited supplier.

How should the quality of installation be ensured? (p. 14)

The Society recommends that the following quality assurance measures are put in place:

- Accredited service providers that have completed certified training
- Proof of installation from accredited service providers including:
    - Certificate confirming installation date
    - Photographic evidence of installation
- Penalties for service providers failing in their compliance
- Randomised auditing throughout installation phase
- Independent auditing must occur after the completion by an accredited body to confirm compliance and to ensure ceiling and building performance measure is conducted and meets a minimum requirement and safety standard.

How should compliance be monitored and enforced? (pp. 15-16)

At a minimum, all tenants should be easily able to distinguish high energy performance from low energy performance of a prospective home or current tenancy agreement. This information should be clear, supported by evidence, easily accessible and proactively made available to the incoming or current tenant.

The Society supports:

- Incorporating compliance with the minimum standard into the Standard Tenancy Terms in Schedule 1 of the *Residential Tenancies Act 1997* such that it becomes a condition of the tenancy agreement.
- An additional mandatory disclosure statement by the rental provider in rental advertisements, that is also provided to the tenant prior to signing a tenancy agreement.

In addition, it recommends that an energy scorecard be made available for each home under the initiative as part of the rental agreement, and that an independent accredited body has the responsibility for determining whether a party is under or over the code.

Compliance monitoring should include:

- Options for recourse for tenants where they have entered into a tenancy agreement that does not meet the minimum standard
- A contact point for renters to notify of need to upgrade, or to report non-compliance
- A contact point for rental owners to support compliance issues and questions
- A registration process with the ACT Government to confirm an accredited installer has been engaged and identifying the date of installation.

Evidence of compliance should be easily accessible by a current or incoming tenant. Therefore, the Society recommends:

- A formal audit process by an independent accredited body to confirm compliance with an approved ceiling and building performance measure.
- Including confirmation of installation and details of the tenant's rights, including a contact point for non-compliance, in the tenancy agreement.
- Finalisation of an ACT Government registration process, including upload of a completion certificate and photographic evidence. The ACT Government should store this information in a record that is accessible to tenants and owners.

Rental owners should be notified of their obligation and provided with a list of accredited installers and their contact details.

Penalties for non-compliance should not be cheaper than the cost of compliance with the regulation, as property owners may pay the fine in place of participating in the program. In addition, they should:

- Be annual, so that a one-off payment of a fine does not result in an exemption from the regulation
- Have a flow on positive impact for the tenant, for example:
    - Any penalties to the rental owner are credited to the tenant to cover their energy bill or reduce their rent
    - Temporary rent reductions for tenants if the property does not meet the minimum standard within the prescribed time.

Evaluation and review (p. 16)

Monitoring and evaluation should empower tenants to identify where the standard is not being met. The Society recommends this includes:

- Contact point for renters to notify of need to upgrade or non-compliance
- ACT Government to liaise with accredited insulation installers to monitor uptake
- ACT Government check at 6-month intervals throughout phase in period.

To assess when the regulation has met its standards, and to evaluate the success of the program, we recommend:

- Monitoring of electricity use/costs for affected households via energy providers before and after the regulation
- Surveying tenants before and after installation, capturing such information as:
    - Perceived change in comfort
    - Changes in energy costs
    - Changes/improvements to health and wellbeing
- Surveying tenants in low-income and vulnerable households (as a distinct group) before and after installation to identify the above.

Comment on minimum energy standards for rental properties

Acknowledgement of Country

YWCA Canberra proudly recognises the rights of Aboriginal and Torres Strait Islander peoples to own and control their cultures and pays our respect to these rights. YWCA Canberra acknowledges the need to respect and encourage the diversity of Indigenous cultures and to respect Indigenous worldviews, lifestyles and customary laws. We extend our respect to the Aboriginal and Torres Strait Islander women who for thousands of years have preserved the culture and practices of their communities on country. This land was never surrendered, and we acknowledge that it always was and will continue to always be Aboriginal land.

About YWCA Canberra

YWCA Canberra is a feminist not-for-profit organisation that has provided community services and represented women's issues in Canberra since 1929.

Our mission is 'We strengthen communities by supporting girls and women through our services and advocacy' and our vision is 'Girls and women thriving'.

We provide essential, quality services for women, girls and families in the ACT and surrounding regions. We work in the areas of children's services, community development, homelessness and affordable housing, youth services, personal and professional training, women's leadership and advocacy.

We are externally accredited against the Quality Improvement Council (QIC) Health and Community Service Standards (7th Edition). Accreditation against the QIC standards support us to improve client and community engagement, diversity and cultural appropriateness, management systems, governance and service delivery, while committing to a cycle of continuous quality improvement. In addition to the QIC standards, we are accredited against the following external client related service standards for our key areas of work:

- Australian Charities and Not for Profit Commission
- National Quality Standard for Early Childhood Education and Care and School Aged Care
- National Regulatory System for Community Housing
- Registered Training Organisations Standards

Through our national Affiliate Association with YWCA Australia, we are part of the World YWCA network, which connects 120 countries across the globe.

Introduction

YWCA Canberra welcomes the opportunity to contribute to the community consultation on energy efficiencies in ACT rental properties. As a provider of community services and a registered community housing provider, we see firsthand how escalating housing costs are contributing to diminished levels of wellbeing and discretionary spending, leaving many renting families on the cusp of housing and financial insecurity.

Our concerns regarding energy efficiency are framed in this submission through the lens of affordability and rental stress more generally. Canberra has consistently trended above the national density of rental dwellings, and while for many renting is a convenient stop-over on the path to permanency and home ownership, more Canberrans are renting than ever before and at older phases of their life[1]. For many, particularly those single-parents or families on low to modest incomes, the exorbitant costs of living in poorly sealed and insulated dwellings are contributing to broader housing cost pressures that many struggle to absorb. Despite this, recent ACT Government initiatives aimed at assisting households with energy bills, such as the Sustainable Household Scheme, have been available only to owner-occupiers leaving those in rentals further behind and paying more.

At the time of the 2016 census, more Canberrans were renting than ever before with 32% of tenure arrangements classed as renting. While house prices have been on an upward trajectory since the 1990s, unprecedented gains in house prices since the onset of the COVID-19 pandemic are locking more people in cycles of rent, often in poorly maintained properties in which they have limited or negligible control in terms of energy efficiency. Those who are trying to save to buy their own property are competing for the most affordable rentals in a tight market against others for whom renting is likely to be a permanent reality.

Housing stress among renters

YWCA Canberra recently conducted a survey of women and non-binary people living in Canberra. More than 1200 responses to this survey were received and housing affordability and tenure type were major themes addressed by the survey.

Our survey received 252 responses from people who were in private rental tenure. Among renters and mortgage holders (which also captured 252 responses), we saw relatively equal levels of housing costs as a proportion of income, with around 51% of both renters and homeowners with a mortgage paying more than 30% of their income towards their housing

[1] https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure figure 3

costs. 19% of renters (48 respondents) told us their housing costs were more than 50% of their income.

However, when asked about capacity to maintain housing obligations during unexpected loss of income, 26% of renters compared to 14% of mortgage holders said they would not have enough money in savings to cover the cost of their rent for one payment cycle in the face of unexpected income loss. Another 15% did not have sufficient savings to cover two payment cycles. Many of these renters are single parents or older single women who do not have the discretionary spending or savings capacity of others in coupled relationships or holding mortgages. For these renters, the cost of looming energy bills associated with attempting to heat or cool an uninsulated and draughty property through Canberra's extreme weather cycles would present a crippling cost burden.

Energy efficiency standards

YWCA Canberra supports the introduction of a new standard that will mean rental properties with less than R2 insulation, including ACT Housing properties, be subject to installation or upgrades to ceiling insulation that will meet an R5 standard. We note however that for many renters with R3 standard insulation, this reform will not reduce the costs of cooling or heating their dwellings and urge for progressive reforms that will eventually result in all rental properties complying with an R4 (acceptable) or R5 (ideal) standard of insulation.

As a provider of housing to vulnerable Canberrans, we support measures that will keep energy costs low for tenants. The contribution of Community Housing Organisations to the supply of affordable housing however is not a for-profit or commercial model and we support the proposal that community and social housing providers receive funding support to achieve the standard across their properties. In the interests of renter, client, and worker safety we also support the proposal that only accredited insulation installers are used to fit-out installation upgrades. Mandating the use of an accredited installer would also mitigate against the risk of landlords looking to skirt the regulation by installing insulation that does not meet the functional standard.

We note concerns that scenarios could arise where tenants are penalised due to either deliberately false claims by landlords or property agents of the standard being installed at the time of taking occupancy or by false promises that the standard will be met through the course of their tenancy. In such cases we support measures that prohibit penalising tenants either through cost (such as rental increases to accommodate the promised installation or costs of breaking a lease where installation does not take place within a defined period) or the cost of

tenants having to accommodate unexpected and exorbitant energy bills due to false claims of insulation being at standard.

Recommendations:

1) Rental homes with less than R2 ceiling insulation are required to install or upgrade to a minimum of R5 with a view to progressively rolling out the standard to all rental properties with the aim to achieving R5 standard across the board.

2) Community Housing Organisations receive funding to fully support them to achieve the standard across their properties.

3) Accredited insulation installers are a requirement of both installing and upgrading existing insulation to meet the standard.

4) Tenants are not penalised due to false claims by landlords or property managers regarding either the presence of at standard insulation at the time of taking occupancy or unmet promises to install at standard insulation within a defined period from taking occupancy.