



## CONSUMERS CALL FOR GOVERNMENT AND INDUSTRY TO SET HIGHER ENERGY PERFORMANCE STANDARDS FOR ALL AUSTRALIAN HOMES

Energy is an essential service, and integral to creating wellbeing and positive health outcomes for people and communities. As a community we urgently need policies and programs in place to ensure that all Australian people can afford the energy they need to have healthy and sustainable homes.

The poor energy performance of our homes, combined with significant increases in energy costs over the past decade, mean that many are now living in homes that are damp, too cold in winter and too hot in summer.

Living in these homes, dealing with high electricity bills, and going without the energy we need for the essentials, can lead to financial stress, poor health and make it harder to work, to get an education or to be a part of the community.

People on low incomes and/or who rent, have little choice or control over the efficiency performance of their home and major energy-using fixed appliances. They face even greater risk of high energy bills or living without the energy they need.

**Any effort to bring down energy bills must include housing efficiency as part of the equation.**

With 3 million people living in poverty<sup>1</sup> and many more renting there is an urgent affordability, health and economic challenge that needs a coordinated, national and ongoing response.

We are therefore calling for:

1. Improved energy performance standards for new homes and major renovations.
2. Improved energy performance standards for existing homes, including fixed appliances.
3. Targeted measures to overcome the barriers to improved energy performance in low-income households.

## Benefits of improving the energy performance standards of Australian homes

Improving the energy performance standard of our homes is an opportunity to benefit people and the community through:

- lower energy bills – improvements in energy efficiency requirements of the National Construction Code could reduce average energy costs by up to \$900 per household annually, according to a recent study by the Australian Built Environment Council (ASBEC) and Climateworks Australia;<sup>2</sup>
- improved health and well-being - reduce social isolation, illness, stress, and mortality rates, resulting in economic and social benefits including lower spending on health care and services.<sup>3</sup> Respected medical journal *The Lancet* reported that each year more than 6% of deaths in Australia are due to the effects of cold living environments while a further 1% are heat related.
- improved resilience of the electricity system – reduced burden on the electricity grid, reducing the need for network investment for peak demand, and resulting in lower prices for all, according to ASBEC<sup>4</sup>; and
- reduced emissions<sup>5</sup> – actions to reduce emissions from the building sector could deliver 28 per cent of Australia's 2030 emissions reduction target, reducing the economic, environmental and health risks of climate change people face.<sup>6</sup>

## We are calling on governments to develop a comprehensive national strategy to improve the energy performance standards of all Australian homes for the benefit of its citizens

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<sup>1</sup> ACOSS (Australian Council of Social Services) 2016, Poverty in Australia 2016, Canberra, <https://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf>, page 11

<sup>2</sup> *Built to Perform*, August 2018, <https://www.asbec.asn.au/research-items/built-perform/>. This could be achieved through simple measures such as more airtight buildings, higher levels of insulation, more shading, ceiling fans (in warmer climates), and increased efficiency standards for air conditioning, lighting and domestic hot water systems.

<sup>3</sup> ACIL Allen Consulting *Multiple Impacts of Household Energy Efficiency: An Assessment Framework 2017*, report to Energy Consumers Australia, available at <http://energyconsumersaustralia.com.au/wp-content/uploads/Multiple-Impacts-of-Energy-Efficiency-An-Assessment-Framework.pdf>

<sup>4</sup> ASBEC and ClimateWorks Australia 2018, *Built to Perform: An industry led pathway to a zero carbon ready building code*, July 2018, [www.asbec.asn.au/research-items/built-perform/](http://www.asbec.asn.au/research-items/built-perform/)

<sup>5</sup> Australian homes account for around 24 percent of electricity demand (with households contributing disproportionately to demand during peak periods) and over 11 percent of Australia's greenhouse gas emissions. Department of Environment and Energy, *Australian National Greenhouse Accounts: National Inventory by Economic Sector*, February 2018, page 2.

<sup>6</sup> ASBEC, ClimateWorks Australia 2018 *ibid*.

Over the next 3 to 5 years up to one million houses will be built, adding to the ten million existing homes. At the same time, those currently living in the poorest performing homes, particularly those in low-cost rental housing, often face the greatest barriers to improving energy efficiency. Without much stronger measures, the very real problems outlined above will get worse.

Consumers are asking governments and industry together to adopt a clear pathway to improve the energy performance of all Australian homes.

We ask that the Council of Australian Governments Energy Council (the Energy Council) at its December 2018 meeting, agree to set a trajectory toward zero energy and carbon ready homes, to provide direction and industry certainty, and commit to action on two fronts.

## **1. Improve the energy performance standards for new homes and major renovations, including fixed appliances**

The current review of the National Construction Code – to be implemented in 2022 – is an opportunity to set higher standards for new homes.

These standards should ensure that new homes need significantly less energy to maintain a healthy living environment, thereby reducing household energy costs and health and safety risks. Improving building efficiency can also make a significant contribution to achieving Australia's emissions reduction targets.

We ask that the Energy Council at its December 2018 meeting agrees to:

From 2020:

- Provide people with user-friendly information and tools to understand energy performance “star” ratings, and the potential long-term benefits of energy efficiency, in order to encourage take-up beyond the minimum performance standard;
- Consider actions to enable social and low-cost housing go beyond the bare minimum standards, given people in these households have limited capacity to reduce their energy costs;
- Work with industry to ensure effective compliance with minimum standards through skills training and incentives, and improved mechanisms for dispute resolution and redress. Provide a well-resourced regulator with adequate tools and powers to address non-compliance; and
- Ensure the energy efficiency objective in the National Construction Code reflects the range of benefits from energy efficient homes, enabling the full range of benefits to be considered in regulatory decisions.

From 2022:

- Improve minimum performance standards for residential buildings to a 7-star NatHERS equivalent and introduce an energy usage budget in the National Construction Code from 2022, to be reviewed every 3 years with the intention of delivering benefits to households;
- Enable renewable energy to contribute toward the energy usage budget, but not replace energy efficiency measures. And undertake further work on whether that requirement should be mandated within the National Construction Code, noting the affordability and equity issues;
- Extend the National Construction Code to include minimum performance standards for fixed appliances (a whole-of-building approach);

- Strengthen the requirements of the National Construction Code to apply to a greater number of major renovations in existing homes; and
- Provide additional funding and assistance to ensure all new social housing complies with minimum performance standards.

## **2. Improve the energy performance standards of existing homes, including fixed appliances**

Over 9.5 million homes were built before adequate minimum energy efficiency standards were introduced for residential buildings in 2005. Analysis undertaken for COAG Energy Council indicates that improving performance of existing buildings by only a relatively small amount would double energy savings and benefits. Improving existing housing stock by just 1 per cent could deliver \$1.5 billion in net present value.

We therefore strongly support COAG Energy Council continuing to work on how best to improve the energy performance of existing homes, in close consultation with consumer and community groups. Careful consideration should be given to the equity implications and the barriers faced by renters and people on low-incomes.

We ask that the Energy Council at its December 2018 meeting commit to a process through 2019 that would develop a comprehensive and national strategy, including consideration of the following measures:

- Introduce mandatory disclosure of energy performance for all buildings when they are sold and leased;
- Mandate minimum energy efficiency performance standard for rental properties, as part of broader standards for what constitutes healthy and habitable rental housing;
- If necessary, provide incentives to landlords to upgrade rental properties, including investigating potential tax mechanisms. Priority should be given to upgrade low-cost rental properties;
- Review mechanisms that facilitate landlord support for tenants to initiate upgrades to their homes or fixed appliances to improve their homes;
- Implement safeguards to avoid adverse effects on housing affordability, including measures to avoid significant rent increases or unnecessary removal of properties from the low-cost rental market following upgrades;
- Develop and implement programs to improve the energy efficiency of all social housing, including community housing;
- Provide information and equitable incentives for home owners to upgrade their homes, with targeted support for upgrades to people on low incomes; and
- Progress related measures including obligations on energy companies to achieve annual energy efficiency reductions, disclosure and information obligations on real estate companies and lending institutions.

The process should review international experience for schemes that have been effective in improving the energy performance of the stock of existing homes over time, for example *Warmer Homes Scotland* and *Warm Up New Zealand*.

It should ensure that the full range of co-benefits of improved energy efficiency, including health outcomes and reduced climate change risks are incorporated into any cost-benefit analysis of its recommendations. Critically, it should ensure the equity and distributional implications of policies are actively considered, ensuring benefits are realised both in terms of energy and housing affordability.

We welcome the range of initiatives underway by State and Territory governments to improve the energy efficiency of homes. The process outlined above should coordinate with those initiatives, building on their experience to identify effective policy mechanisms.

12 December 2018

## Supporting organisations

