Submission to the National Energy Performance Strategy consultation

February 2023

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About Anglicare Australia

Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas. With a combined income of over $1.94 billion, a workforce of over 11,000 staff and 6,000 volunteers, the Network delivers more than 50 service areas in the Australian community. Our services are delivered to over 474,00 people and reach close to 1.37 million Australians in total. In all, Anglicare services reach over 1 in every 19 Australians.

As part of its mission the Anglicare Australia Network partners with people, families and communities to provide services and advocacy and build resilience, inclusion and justice. Our first strategic goal charges us with reaching this by influencing social and economic policy across Australia with a strong prophetic voice; informed by research and the practical experience of the Network.

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Introduction

Anglicare Australia appreciates the opportunity to provide input to the National Energy Performance Strategy.

Low-income and vulnerable households are the most at risk of being left behind by the decarbonisation and clean energy transition. Without the financial resources to make upgrades, these households will be left spending more of their income on inefficient, unhealthy homes in the long-term. Renters and low-income households are less likely to have rooftop solar, leaving them reliant on the old, expensive energy grid. There is little incentive for landlords to upgrade their rental properties, when it is tenants who will benefit.

Poorer quality housing is also less likely to be insulated, leaving homes more expensive to heat and cool. And lower incomes make it hard to afford upgrades to energy efficient appliances and technologies. Yet it is these households that have the most to gain from upgrading their home's energy efficiency, including lower energy bills.

The transition to a low carbon and energy efficient economy must be fair and equitable, and not widen the gap between high-income and low-income households.

Australians also want energy efficient households. 88 percent of Australians support government investment in energy efficiency and strengthen minimum standards for new homes.[i]

In this submission we call on the Australian Government to invest in measures that will reduce emissions, benefit rental and low-income households and make sure the benefits are felt fairly across the community. The Government can ensure that no one is left behind, and that those least able to afford it are not left to bear the cost of ageing infrastructure and soaring energy prices, while also taking strides to transition Australia into a clean energy economy.

Upgrading existing homes

With residential buildings representing nearly a quarter of all energy consumption and over 10 percent of national greenhouse gas emissions, ensuring that households are energy efficient is key to ensuring Australia reduces its carbon emissions. But getting there will require the Government to invest in households.

Even simply replacing gas appliances can reduce a household's yearly bill, with savings up to $1,899. These yearly savings increase by a further $800 in households with solar panels installed on their roof.[ii] In a time of higher power prices and growing cost of living pressures, households have a lot to gain from upgrading their homes to become more energy efficient.

A Swinburne University study suggested that heat-related deaths could be reduced by up to 90 percent by upgrading existing housing stock at least a 5.4-star energy rating.[iii] With 9.5 million homes built before energy efficiency standards came into place,[iv] upgrading these homes to meet the new National Construction Code minimum standards of 7-stars would make a massive step in reducing inefficient energy usage and cutting down on greenhouse gas emissions.

The National Framework for Disclosure of Residential Energy Efficiency seeks to ensure that people are fully informed of the energy efficiency rating of a household before it can be sold or rented. It is a good first step and will require strong regulatory framework to ensure that Australians are fully informed about their choices and have access to all information regarding a property. Disclosure, combined with mandatory standards for rental properties, will go a long way to ensuring that Australians are able to make environmentally conscious and smart financial choices.

Anglicare Australia welcomes the Government's recent announcement that it will invest in a scheme to roll out a national household upgrades program to improve energy efficiency and lower household bills. We would like to see the government ensure that the scheme is geared towards helping low-income households get off energy inefficient appliances and provide greater incentives for landlords to upgrade their properties. Further, we would like to see the Government cooperate with state and territory counterparts to undertake upgrades to public and community housing stock.

The Government should establish a National Household Efficiency Upgrade Scheme to oversee the funding of various energy efficiency upgrades. This could be funded either directly through a dedicated stream, or funding through increased spending on the Clean Energy Finance Corporation.

A national approach to improving energy efficiency cannot be achieved by the federal government alone and will need to be managed in cooperation with state, territory and local governments. Victoria and the ACT are the only states currently with a variety of programs in place to support efficiency upgrades, installation of solar panels, and other efficiency measures. As state and territory governments consider similar schemes in their own jurisdictions, it will likely become confusing for people what schemes they may or may not be eligible for.

Australians want to upgrade the efficiency of their homes and make more environmentally conscious choices but are often unaware of the support or options available to them. A national education campaign can inform Australians about the schemes in operation around the country. This, coupled with a centralised guide to help determine what they are eligible for will ensure people can find the best way to make their home more energy efficient.

Recommendations

Anglicare Australia recommends:

- Providing information and equitable incentives for homeowners to upgrade their homes, with targeted support for upgrades to people on low incomes.
- Improving the energy efficiency of social housing, to bring every home to at least 5-star equivalent, and install rooftop solar where possible.
- Facilitating a national information campaign about energy efficiency, support and schemes available, and financing options.

Set targets for low-income households

Over 40 percent of households experiencing energy stress in 2020 were in the lowest 20 percent by income.[v] Low-income households pay nearly double the proportion of their disposable income on electricity costs when compared to an average-income household.[vi] Households with poor energy efficiency leads to worse health outcomes.[vii] Without targeted government support for low-income households, the inequality gap in the transition to a clean and energy efficient economy will deepen.

Low-income households are more likely to struggle with higher power prices, and therefore have much to gain from lowering household energy costs. But they also face the financial barrier that undertaking efficiency upgrades are simply far too expensive.

The Government must ensure that low-income households are given priority in programs that assist households in improving energy efficiency. Victoria's Energy Upgrades program seeks to help Victorians make informed choices about efficiency upgrades, but still requires significant upfront cost that puts options out of reach for many households.[viii] Allowing households more flexible options to offset upfront installation costs, or simply paying outright to upgrade low-income households would go a long way to ensuring that people are not left behind. The success of the Victorian Solar Homes rebate scheme shows it can be a successful model and could be expanded to all efficiency upgrades.

Further, the ACT Government's scheme has a sub-target to ensure that 30 percent of households that are upgraded per the scheme are of a priority group which includes low-income households.[ix] A national energy upgrade scheme should ensure that it has similar priority group targets to invest funds most effectively in the households with the most to gain.

The South Australian Retailer Energy Efficiency Scheme (REES) puts the onus on energy retailers to assist households in lowering energy costs, improving household efficiency and lowering greenhouse gas emissions. Requiring retailers to assist households to undertake efficiency upgrades is a good way of rolling out a scheme. The Federal Government could utilise this model with specific targets for assistance to low-income households.

Recommendation
Anglicare Australia recommends energy efficiency schemes include targets, dedicated funds and incentives to ensure access by low-income households.

Tackling split incentive for rentals

Nearly one in three households in Australia are rentals.[x] Given that rental properties form such a large portion of Australia's residential housing, ensuring that rental properties and their tenants are not left behind and forgotten will be vital to ensuring the entire residential sector is energy efficient and equitable.

Landlords tend to resist upgrade schemes due to upfront costs that they are unlikely to reap the rewards of. Therefore, expanding schemes that allow households to repay upfront costs over time would make it harder for landlords to justify not making the necessary investment in their property. Darebin City Council in Melbourne launched its Solar Saver program in 2014 that allows residents to repay the costs of installing solar panels over the course of ten years as part of their rates payments. This scheme has since been rolled out in 22 other Victorian local government areas. Expanding this model more widely would allow landlords to offset the upfront costs with a long-term payment plan, making it both easier and more financially viable to undertake efficiency retrofits.

The Victorian Solar Homes scheme has a model for allowing landlords and tenants to split the loan repayment costs of installing solar panels, but this portion of the scheme has had very low uptake with fewer than 3,000 rental properties[xi] having had solar panels installed. It is clear there is a need to make upgrading energy efficiency for their properties attractive to landlords.

The National Framework for Disclosure of Residential Energy Efficiency seeks to address this by establishing a national regime to ensure that information about a home's energy rating is available to buyers or renters. Properties with a 7-star energy rating attracted a nearly 10 percent higher sale price compared to less efficient homes[xii]. The presumption is then that mandatory disclosure of a home's energy efficiency rating would create an incentive for sellers and landlords to make upgrades and retrofits to compete in the market.

However, this method currently presumes that market pressures alone will be enough to incentivise landlords into making the necessary and relevant upgrades to improve efficiency standards on a property. Introducing mandatory minimum standards for household energy efficiency for rental homes will ensure that landlords must make the necessary upgrades. As Commonwealth, State and Territory governments develop the National Framework for Minimum Rental Energy Efficiency Requirements, there is an opportunity to ensure that all new properties entering the market meet a mandatory minimum efficiency standard. The Framework should further include a timeline to allow landlords to make necessary upgrades to existing properties. This will ensure that renters are not being left behind or getting saddled with a higher energy burden.

Anglicare Australia has welcomed measures in the October 2022-23 Budget to fund solar banks projects. The scheme allows people who may face barriers to accessing decarbonisation technology to buy-in to community solar farms, meaning they can invest in cost-saving solar. This is a good scheme for renters who live in apartments or energy inefficient homes and are unable to access efficiency upgrades to offset higher power prices. The Government can support more renters to access this program while landlords undertake efficiency upgrades.

Recommendation
Anglicare Australia recommends mandating minimum energy efficiency performance standards for rental properties. Anglicare Australia also commends the Healthy Homes for Renters blueprint, which offers a detailed plan for how these standards could be implemented and enforced.

Keeping public and social housing healthy

People living in public and social housing are often the most vulnerable in our society. We cannot afford to forget about the importance of ensuring that public and social housing is energy efficient and healthy housing.

Much of Australia's current public housing stock was built before the introduction of higher efficiency standards and therefore are much lower rated for efficiency. Data from the 2018 National Social Housing Survey indicates that 40 percent of public and social housing tenants are not having their needs met for thermal comfort.[xiii] The Victorian government committed $112 million for a Social Housing Energy Efficiency Program in 2020 to upgrade and retrofit 35,000 homes across the state. This is a good start, but 35,000 homes pales in comparison to the nearly half a million social housing dwellings in Australia.[xiv]

We know Australians support upgrading public and social housing stock to be more energy efficient, with 73 percent of people saying they would support installing solar panels on public housing[xv]. Governments can also ramp up the construction of new public and social housing in line with the National Construction Code minimums ensuring new stock is meeting a 7-star energy rating. Victoria is doing this, requiring that all new social homes built as part of the Big Housing Build program meet this basic rating. The ACT Government's public housing renewal program brought dwellings up to a 6-star rating Showing that governments can undertake these upgrades with ease.

Tenants in private rentals are faced with the split incentive challenge demotivating landlords to undertake upgrades. However, state and territory governments, as public housing providers, do not face this challenge. There is no excuse for governments not to ensure that public housing is healthy and efficient. With federal government backing, state and territory governments can undertake upgrade and retrofitting programs to ensure that all existing social housing stock is brought up to meet national minimum standards.

Recommendations

Anglicare Australia recommends:

- Building all new social housing properties to meet 7-star ratings
- Upgrading existing social housing properties to at least 5-star rating
- Facilitating the installation of rooftop solar across social housing properties.

Conclusion

Anglicare Australia welcomes the opportunity to contribute to the National Energy Performance Strategy. The Strategy is vital as Australia continues its transition to an efficient and clean economy, that Australians who face significant barriers to access the benefits are not left behind or worse, left subsidising those that can afford to upgrade.

Low-income households, rental households and people living in public and social housing are the least likely to be able to improve the energy efficiency of their homes, and the Government must act to ensure these groups are given the support they need.

Anglicare Australia calls on the Government to invest in measures that will benefit renters, make upgrades accessible and affordable to low-income households and set targets to make sure the benefits are felt fairly across the community. These actions can help ensure that no one is left behind, and that those least able to afford it are not left to bear the cost of ageing infrastructure and soaring energy prices.

Our hope is that this Strategy can support a transition to a low carbon, energy efficient economy that is both fair and equitable.

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