

One Million Homes State Budget Submission 2013-14

Introduction

The One Million Homes Alliance comprises consumer, community services and environment organisations with expertise in social, environmental and energy policy. Several member groups have designed, delivered and advised on household energy and water efficiency upgrades. The Alliance originally came together to seek the retrofit of one million Victorian homes for water and energy efficiency. This represents the number of low-income homes in Victoria. Today our aim is to see a fair and effective scheme implemented to raise existing homes to an average 5-star efficiency standard in line with the Victorian government's 2010 election commitment.

The Alliance members are the Alternative Technology Association, Brotherhood of St Laurence, Consumer Utilities Advocacy Centre, Kildonan UnitingCare, Moreland Energy Foundation, Victorian Council of Social Service, Victorian Local Government Association and Environment Victoria. The Alliance is supported by bankmecu. Together these organisations speak for millions of Victorians. Our supporters are passionate about building a fair and sustainable Victoria.

During the last election the state Coalition committed to achieving an average 5-star standard for all existing homes within Victoria, and the Alliance wants to see the Victorian government fulfil this commitment. This submission focuses on commencing a pilot retrofit program of 20,000 homes in 2013-14 as an initial step in raising Victorian homes to the 5-star standard over ten years.

The 2013-14 budget will effectively take us to the next state election. The Baillieu government needs to show leadership on cost of living pressures through investment in energy efficiency, and to progress this two-year old election commitment which has seen no action to date.

The benefits to Victoria and Victorians of raising one million homes to an average 5 stars are many. It will significantly reduce cost of living pressures for Victorians, help address steeply rising energy costs, increase the liveability of homes, build the Victorian economy by supporting job creation and innovation, deliver major savings on the energy concessions budget, help Victoria become smarter with energy and water, and prepare for the impacts of climate change.

We trust that the Baillieu government will recognise the long term financial and environmental benefits of increasing household energy and water efficiency and act decisively on this issue.



Why do we need 5-star homes for all Victorians?

Vulnerable and disadvantaged households in Victoria are spending a greater proportion of their small incomes on utilities than they were five years ago. In the last five years retail electricity prices in Melbourne rose by 84%, while the price of gas and other household fuels rose by 45%.¹ In the same period, rents increased by 35%;² while average weekly earnings increased by 24%³, pensions by 47%,⁴ and allowances such as Newstart by 16%⁵.

Energy consumption issues for low-income Victorians magnify the discrepancy between increases in energy costs and income. Victorian households eligible for energy concessions use only marginally less electricity (88%) and gas (94%) than the average Victorian home.⁶ Many use more than they otherwise would due to poor quality housing, inefficient appliances, and lack of knowledge about how to use what they have efficiently.

A significant minority experience excessive consumption due to serious problems or faults in appliances and fixtures. Common issues include no ceiling insulation, low-efficiency electric heaters and hot water services, and faulty refrigerators.

Low-income households struggle to pay electricity bills because they can't afford a house with basic amenities such as ceiling insulation or weather-sealing, or an efficient heater, resulting in a vicious cycle which entrenches disadvantage and results in significant costs to the economy and the public purse.

Containing utilities consumption through improving energy and water efficiency is an effective way to help address cost of living and quality of life for many Victorian households.

If Victoria's existing housing stock was raised to a 5-star average, household utilities costs would be minimised, significant savings to energy concessions budget would be achieved, and the Baillieu government would leave Victoria with a legacy of efficient buildings and lower household utilities bills long into the future.

Benefits would also be delivered to health, the economy (including through job creation) and the environment.

Energy Concessions Savings

Victorian government expenditure on gas, electricity and water concessions was more than \$370 million in 2011-12.⁷ The expenditure on concessions will be reduced through increased investment in energy and water efficiency for residential building stock.

The savings to the concessions budget are based on projected average energy use reductions resulting from 2-star to 5-star upgrades, taking into account future energy demand and retail price scenarios. Retrofitting an average of 100,000 homes per year for ten years yields cumulative savings to the concessions budget in the order of:

- **\$100 million** after five years;
- **over \$600 million** within 10 years; and
- **\$2.48 billion** after 20 years.⁸

Savings in the region of \$210 million per year would continue to accumulate beyond the life of the retrofit program, and increase as energy prices climb.

This submission's recommendation to raise 20,000 homes to the 5-star standard yields \$1.8 million savings on the concession budget in the first year.⁸

Savings to Consumers

Raising homes from 2-star to 5-star results in a 54% reduction in energy required for space heating and cooling in Victorian homes, equivalent to a 32% total energy saving.⁸ Calculated on current energy prices the annual savings per home for average usage electricity-only homes is \$500 to \$600, and around \$300 for gas-heated homes.

A comprehensive approach

Achieving an average 5-star rating for our existing building stock is a sizeable undertaking. A coordinated, multifaceted approach is required to ensure the efficient, equitable, and timely achievement of this commitment.

The One Million Homes Alliance has assessed numerous options in the 2010 report *Liveable Homes, Liveable Future*⁹. The report concludes that a suite of approaches including the following will be required to achieve the 5-star standard. These complementary measures also reduce costs to government by incentivising owner investment encouraging householders to purchase efficient appliances, and allowing low-income households to take advantage of rebates by providing low interest funds.

1. Large-scale retrofitting program to all low star rated homes, with a priority on concession households.
2. Minimum energy and water efficiency standards on homes at point of sale, and on rental homes phased in over an appropriate period (and at point of lease for newly rented homes).
3. Low and no-interest loans for residential efficiency improvements (including PACE loans that are repaid through property rates and linked to the property rather than individual).
Appropriate loans for low-income owner-occupiers and landlords are an essential accompaniment to a minimum standards regime.

Pilot Program

Essential to a successful implementation model is the roll out of a targeted pilot. The One Million Homes Alliance is asking the Victorian government to plan, fund and implement an initial pilot of at least 20,000 home retrofits across three different regions of Victoria, over two to three years, starting in 2013/14.

A targeted pilot of this size will provide essential information on the cost of installing retrofits and technologies at scale, and will provide insights into the types of efficiencies available through partnerships between producers, energy efficiency installers and social welfare agencies and of course government.

A pilot delivered across three regions with distinct demographic profiles, various types of housing stock and with diverse energy use profiles will inform successively larger scale roll outs each year to meet the government's commitment to transition all existing Victorian housing to 5-star.

The Alliance is asking the government to commit to:

1. Funding a targeted pilot household retrofitting program to low star rated homes, with a priority on concession households, of a minimum 20,000 homes over two to three years from 2013-14.
2. Allocating a program budget to coordinate the delivery of the pilot and the broader rollout of the election commitment. The program should involve Department of Planning and Community Development, where responsibility for the delivery of the commitment lies, the Department of Primary Industries, where capacity and expertise for energy efficiency programs lies, and the Department of Human Services, which administers the energy and water concessions.

The Alliance estimates that the measures required to deliver the above benefits would cost an average of \$2,000 per home. The cost of retrofit installation for 20,000 homes would therefore be in the order of \$40 million.

Recommendations for Budget 2013-14

- 1. Plan, fund and implement targeted 'pilot' household retrofitting program to low star rated homes, with a priority on concession households, of a minimum 20,000 homes over two to three years from 2013-14.**

Research (which will also require funding) required to enable the pilot includes:

- a. Further analysis of the cost to government of achieving the average 5-star standard for Victorian homes.
 - b. Further analysis of the savings to government and consumers of achieving the 5-star standard.
 - c. Assessment of the best mix of investment and policy settings to achieve the election commitment.
- 2. Commit forward funding allocations over 10 years from 2013/14 to transition Victorian homes to an average of 5-star. This should take into account the \$600 million in savings from the Energy Concessions Budget**

¹ ABS, 4102.0 - Australian Social Trends, Sept Quarter 2012, Canberra 2012

² Department of Human Services Rental Reports 2007 and 2012;

<http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/research,-data-and-statistics/rental-reports-2007> and <http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/research,-data-and-statistics/current-rental-report>

³ ABS Average Weekly Earnings (6302.0), May 2006 and May 2011, full time adult ordinary time earnings

⁴ Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) Age and Invalid (Disability Support) Pension – Historical Rates (single rate, September 2006 and 2011)

http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.2/ssguide-5.2.2.10.html

⁵ FaHCSIA, Single Unemployment and Sickness Benefit – Historical Rates (over 21 years, September 2006 and 2011)

http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.1/ssguide-5.2.1.20.html

⁶ Department of Human Services: Victorian Utility Consumption Household Survey 2007. 10 April 2008 at http://www.dhs.vic.gov.au/data/assets/pdf_file/0010/606871/victorian-utility-consumption-survey-2007.pdf

⁷ [http://www.budget.vic.gov.au/CA2579B200132B63/WebObj/BP5Ch5Word/\\$File/BP5Ch5Word.doc](http://www.budget.vic.gov.au/CA2579B200132B63/WebObj/BP5Ch5Word/$File/BP5Ch5Word.doc) p194

⁸ http://environmentvictoria.org.au/newsite/sites/default/files/useruploads/modelling_the_impact_of_improving_the_energy_efficiency_of_Vic_homes_REPORT_FINAL.pdf

⁹ <http://environmentvictoria.org.au/sites/default/files/Liveable%20homes%2C%20liveable%20future.pdf>

