

Introduction

The One Million Homes Alliance comprises consumer, community services and environment organisations with expertise in environmental, social and consumer policy. Most are also experienced practitioners of household energy and water efficiency upgrades. Our aim is to see a fair and effective scheme implemented to raise existing homes to an average five-star efficiency standard, and reduce energy and water costs for households.

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

During the last election the state Coalition committed to achieving an average of five stars for all existing homes within the State, and the Alliance wants to see the Victorian Government fulfil this commitment. This submission focuses on energy and water efficiency initiatives that will help Victorians address cost of living pressures and utilities hardship, and result in smart resource use with strong environmental outcomes – all while moving the state towards achieving the five-star goal.

The 2012-13 budget will take us to just one year before the State election. This budget is the right time to show genuine leadership on cost of living pressures through investment in energy and water efficiency. We hope 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 five-star homes for all Victorians?

In the last five years, electricity prices have risen by 53 per cent, gas by 41 per cent, and water by 49 per cent¹ – impacting on all Victorians. In the same period, rents have increased by 43 per cent² and petrol by 7 per cent³; while average weekly earnings have increased by 25 per cent⁴, pensions by 46 per cent⁵ and allowances such as Newstart by just 16 per cent⁶. Whether this has left people better or worse off depends on a number of factors; but certainly the most vulnerable and disadvantaged households – those who are fully or partly reliant on Centrelink payments – are spending a greater proportion of their small incomes on essentials such as food, petrol, rent and utilities.

Utilities consumption issues exacerbate this. Although these households tend to use less energy and water than similar households with higher incomes, many still use more than they need due to poor quality housing and appliances, and a lack of knowledge about how to use what they have more efficiently. A significant minority have excessive consumption due to serious problems or faults in appliances and fixtures (common

issues include leaky water pipes, low-efficiency electric heaters and hot water services, and faulty refrigerators). For low-income households to be unable to pay electricity bills because they can't afford a decent house or fridge is particularly unfair. Containing utilities consumption through improving energy and water efficiency is an effective way to help address living costs and quality of life for many vulnerable households.

If Victoria's existing housing stock were raised to a five-star average household utilities costs would be minimised and the Baillieu Government would leave Victoria with a legacy of more efficient buildings and lower household energy and water bills into the future. Benefits would also be delivered to the economy (including through job creation) and environment, while the increasing budgetary burden of energy and water concessions would be reduced.

Existing energy and water efficiency programs/schemes/rebates: the current investment in five-star ratings

There are a number of current Victorian Government programs that improve household water and energy efficiency, which can contribute towards improving Victoria's existing housing stock to a five star average. The One Million Homes Alliance supports reinvestment in these budgeted programs.

Retrofit programs:	Investment per year:
Energy and Water Taskforce	\$0.525m ⁷
Rebates:	
Solar Hot Water rebate – Metropolitan Melbourne/Regional Victoria	\$8.25m ⁸
Solar hot water rebate - bushfire affected homes	
Gas hot water rebate	
Living Victoria Water Rebate Program	\$10m ⁹
Energy Efficiency Rebates for Low Income Homes	\$2.5m ¹⁰
Showerhead exchange program	\$3m ¹¹
Rainwater tank assistance - bushfire affected homes	\$0.200 ¹²
	TOTAL: \$24.475m

Overall these programs represent around a \$25 million investment in improving the water and energy efficiency of Victoria's residential building stock, while the Government expenditure on gas, electricity and water concessions is projected to be more than \$390 million in 2012-13. The expenditure on concessions could be reduced through increased investment in energy and water efficiency for residential building stock. The Alliance is currently commissioning a report that will provide an estimate of possible concessions savings to government over the next two decades if the 5 star average standard is achieved.

Why the current investment isn't enough

The current investment in household energy and water efficiency programs is useful and makes an important contribution; the Alliance supports reinvestment in these programs. But the Baillieu Government's commitment to achieve an average of 5 stars for all existing Victorian homes is a substantial one – and current investment in energy and water efficiency is simply not enough to reach the goal. A commitment of this size requires a proactive strategy – a piecemeal approach will not succeed. The Victorian Government should develop a comprehensive policy agenda, capitalising on the excellent existing programs and investing further in new ones, to work conclusively and progressively towards the overarching goal of five-star homes across the State.

A comprehensive approach: options for future investment in 5 star

As discussed, achieving an average five-star rating for our existing building stock is an ambitious undertaking. No single program will be sufficient – a multifaceted approach is required to ensure the efficient, equitable, and timely achievement of this commitment. The One Million Homes Alliance has assessed the options in the briefing paper *Liveable Homes, Liveable Future*. The paper concludes that a mix of the following approaches will be required to achieve the five star standard. In particular, options one through four will provide the bulk of the contribution to achieving the five-star commitment, while the remaining two options offer important supporting roles.

1. Large-scale retrofitting program to all low star rated homes, with a priority on concession households (an expanded Energy and Water Taskforce program could play a role).
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), in association with a mandatory disclosure scheme.
 - *Should include access to low or no-interest loans (targeting low-income owner-occupiers and landlords) to assist with upfront costs.*
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.
4. Scale up VEET with delivery targets for households and specifically concession households
5. Rebates for energy and water efficiency items
6. Improving and expanding coverage of Minimum Energy Performance Standards (MEPS) for appliances

Recommendations for Budget 2012-13

1. Reconfirm the Coalition's election commitment to "Support the transition of all existing housing stock to meet an average of 5 star rating" and set a clear timeframe for achieving it by 2020. This will require a clear policy development and implementation timeframe.

Research required to progress this commitment in 2012-13 includes:

- a. A definition of '5 star', which includes both energy and water efficiency measures
 - b. Analysis of the cost to government of achieving the 5 star standard
 - c. Analysis of the savings to government of achieving the 5 star standard
 - d. Assessment of the best mix of programs and investment to achieve the election commitment.
2. Allocate the necessary funds to complete the work noted above in recommendation 1 and allocate a program budget to coordinate the delivery of this election commitment
 3. Maintain and increase investment in existing water and energy efficiency programs, as identified in this report, while the 5 star agenda is being developed over 2012-13.

¹ All these figures calculated from the Essential Services Commission's Energy and Water performance reports for 2005-06 and 2009-10

² Office of Housing Rental Indices, March 2006-March 2011, for two and three bedroom metropolitan houses
http://www.dhs.vic.gov.au/_data/assets/excel_doc/0009/589644/March-2011-Rent_Indices_timeseries.xls

³ Australian Bureau of Statistics (ABS) Consumer Price Index (6401.0) Table 14: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City (Melbourne prices, June 2006-June 2011)

⁴ ABS Average Weekly Earnings (6302.0), May 2006 and May 2011, full time adult ordinary time earnings

⁵ 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

⁶ 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

⁷ http://www.budget.vic.gov.au/domino/Web_Notes/budgets/budget07.nsf/d6e571e551bef80eca2572bb002bcea7/85622497f29de134ca2572ce0008a6fc!OpenDocument

⁸ [http://www.budget.vic.gov.au/CA257401000ED28B/WebObj/BP3_complete/\\$File/BP3_complete.pdf](http://www.budget.vic.gov.au/CA257401000ED28B/WebObj/BP3_complete/$File/BP3_complete.pdf)

⁹ [http://www.budget.vic.gov.au/CA25783300199E40/WebObj/2011-12BP3/\\$File/2011-12BP3.pdf](http://www.budget.vic.gov.au/CA25783300199E40/WebObj/2011-12BP3/$File/2011-12BP3.pdf)

¹⁰ [http://www.budget.vic.gov.au/CA25783300199E40/WebObj/2011-12BP3/\\$File/2011-12BP3.pdf](http://www.budget.vic.gov.au/CA25783300199E40/WebObj/2011-12BP3/$File/2011-12BP3.pdf)

¹¹ The showerhead exchange programs are the responsibility of the water authorities, not all of which disclose the costs of their program in their annual report, hence this is an approximate figure.

¹² Approximate figure advised by DSE staff on 23-11-11