

ROADMAP TO 2025

The One Million Homes Alliance is a partnership of Victoria's leading environment, social, consumer, local government and industry organisations. We share a commitment to a just transition to a sustainable society, where all Victorians enjoy equitable access to efficient, healthy housing and affordable clean energy.

This vision is threatened by rising energy costs and growing energy unaffordability, a key driver of which is high energy consumption due to the poor efficiency of our homes and appliances.

Energy efficiency and solar upgrades can slash household utility bills and make homes healthier to live in, particularly in extreme weather. Scaling up residential efficiency and clean energy investment will help Victoria meet its emission reduction targets at low cost, improve energy system reliability, save the government \$2.5 billion in utility concessions over 20 years and create thousands of good, local jobs. Improving water efficiency also saves water for our rivers and increases resilience to drought.

However, a range of market barriers work against homeowners and tenants – particularly Victoria's one million low-income households – accessing efficiency and clean energy upgrades that suit their needs. These barriers include unaffordable upfront costs, the split incentive facing landlords and tenants, and a lack of timely and trusted information.

The transition to clean energy is inevitable, but an equitable outcome is not guaranteed. Done well, in a way which ensures the benefits are shared fairly, the transition could deliver large-scale economic, social and environmental benefits to Victoria. Done badly, it risks further worsening energy unaffordability and entrenching disadvantage.

The Alliance welcomed the Victorian government's 2015 commitment to make Victoria an "efficient, productive and resilient state". However current programs and initiatives are not driving change on a scale commensurate with the energy affordability and environmental challenges we face.

The first critical step towards meeting these challenges is to commit to an ambitious, measurable target for the next four years, and pathway towards the goal of Victoria's housing stock meeting an average 5-star equivalent and 100 litre/person/day standard by 2025.

This Roadmap brings together the Alliance's collective knowledge and program delivery expertise to identify priority areas where action is urgently needed:

- Raise standards to unlock private investment
- Provide easy access to relevant, trustworthy information to cut complexity
- Facilitate access to appropriate financial assistance to address upfront cost barriers of efficiency and clean energy upgrades
- Increase funding and address fragmentation in delivery of low income efficiency programs.



REACHING 5 STAR ENERGY AND WATER EFFICIENT HOMES BY 2025

BARRIERS

- Lack of timely trusted information
- Unaffordable upfront costs
- Low industry capacity to deliver programs

- Split incentive facing landlords and tenants*
- Low industry capacity to deliver programs

- Tenants lack control over quality of dwelling
- Low industry capacity to deliver programs

1. RAISE STANDARDS

- Maximise impact of Victorian *Residential Efficiency Scorecard* by mandating disclosure of ratings at the point of sale.
- Raise new building standards to at least 7-8 stars and tighten compliance regime
- Set a trajectory towards zero emissions new homes

- Establish mandatory minimum efficiency standards at point of lease
- Set a trajectory for progressive tightening of standards linked to Scorecard

- Require compliance with minimum efficiency standards within five years
- Raise performance standards for new buildings and re-letting upgrades

2. FACILITATE FINANCE

- Establish a state-supported financing mechanism to enable no interest (including rates-based) financing for efficiency and solar upgrades
- Expand and reform VEUP to drive investment in residential sector, particularly low-income households
- Provide financial assistance to enable low-income homeowners to access VEUP

- Implement standards in a staged process to keep compliance costs affordable
- Assist landlords to access VEUP and other relevant assistance to enable compliance with standards
- Strengthen protections against unreasonable rent increases and evictions

- Partner with federal government, energy businesses and finance sector to drive integrated efficiency, solar and storage upgrades for social housing to maximise social and energy market benefits

3. PROVIDE ADVICE

- Partner with property sector to raise understanding of benefits and obligations under improved standards, and how to access advice and assistance
- Partner with regional agencies to provide independent advice on energy tariffs, efficiency and solar assessments, upgrade options and financial assistance (eg. VEUP and NILS)
- Ensure energy retailers provide better information to customers

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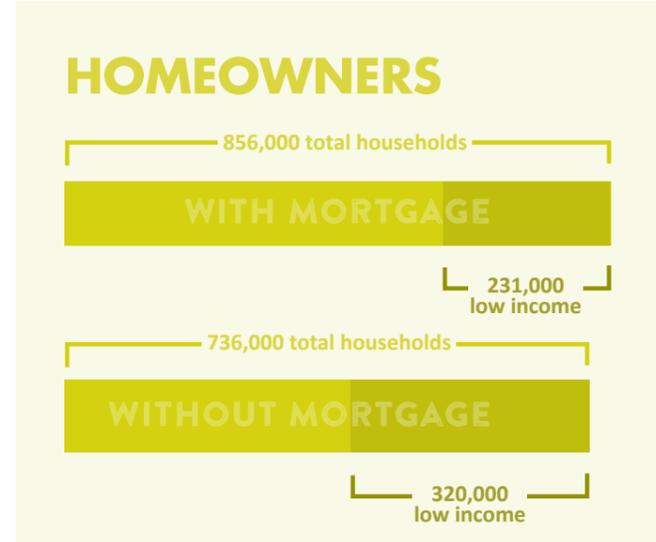
- Provide support for community housing operators to access information, advice and financing opportunities

4. DELIVER TARGETED PROGRAMS

- Collaborate with community agencies, local government and energy businesses to develop a shared, scalable model for delivering targeted efficiency programs for low income households
- Address fragmentation in policy and program delivery
- Provide training and professional development to support industry expansion, job creation and program delivery

- Fund targeted behaviour change programs for low-income tenants
- Provide financial assistance (eg. NILS) for appliance replacement for low-income tenants
- Provide training and professional development to support industry expansion, job creation and program delivery

- Review appliance replacement policy to reflect current technology
- Deliver efficiency upgrades to at least ten percent of public housing homes per year



* Tenants pay bills but landlords have control over quality of dwelling

NILS: No interest loans scheme

VEUP: Victorian Energy Upgrade Program

1. RAISE STANDARDS

REQUIRE IMPROVED PERFORMANCE FOR NEW AND EXISTING BUILDINGS



Victoria's 600,000 rental homes are largely missing out on efficiency upgrades because landlords have little incentive to invest in improvements while the benefits of lower bills and improved comfort go to tenants. The only way to address this split incentive is to require rental homes to meet minimum efficiency standards before they can be leased.

Delivering this single reform would unlock an estimated \$2 billion of investment, save tenants nearly \$900 a year on their energy bills and support an estimated 3000 to 5400 jobs (gross) over a five-year implementation period.

Requiring the disclosure of a Victorian Residential Efficiency Scorecard rating at the point of sale would drive further investment in our homes and maximise the impact and reach of this useful tool. Disclosing ratings would give homebuyers high quality information about potential running costs, and deliver price premiums to vendors of higher quality homes.

Victoria led Australia by introducing the 5-star building standard in 2004. There is now ample evidence that building homes to 8 stars is economically feasible, and would save households hundreds of dollars a year in energy bills. Compliance with new building standards must also be tightened.

2. FACILITATE FINANCE

PROVIDE ACCESSIBLE AND AFFORDABLE FINANCE TO ENABLE UPGRADES



Although solar and efficiency upgrades can pay for themselves in bill savings in a few years, many households (including

a growing number with high mortgage, transport and energy costs), can't afford the upfront costs of upgrades.

No interest (including rates-based) financing offers a way to access solar and energy efficiency upgrades at no upfront cost and then use energy bill savings to repay loans through rates. State and local government can partner with energy businesses to establish a state-wide financing mechanism to offer no interest rates-based financing to eligible homeowners. Information sharing between government and energy retailers would enable geographic targeting of priority households, lowering program delivery costs.

The Victorian Energy Upgrades Program should be expanded to drive investment in the residential sector (particularly in low-income households) by increasing targets, re-introducing insulation and funding booster grants to enable vulnerable households to benefit.

3. PROVIDE ADVICE

MAKE IT EASY TO ACCESS INDEPENDENT, TRUSTWORTHY, RELEVANT ADVICE



Energy literacy is generally low amongst Victorian households, and the range of efficiency and clean energy products and services is large, technical and rapidly changing. For many households, this complexity is as big a barrier to action as cost, and is hindering investment in upgrades.

State Government can partner with relevant public, community and private sector providers to ensure all Victorians can easily access independent, trustworthy advice and information suited to their needs. Through increased resourcing, coordination and capacity of existing local government and community sector service providers, regional services would provide advice on energy tariffs, efficiency and solar

assessments, access to safe and appropriate financial assistance, as well as technical support for local community power groups.

Working with the real estate sector to provide homeowners and landlords with clear advice about their obligations under improved standards and options for assistance (see 1.), will be critical to smooth and successful implementation.

4. DELIVER TARGETED PROGRAMS

PROVIDE MEANINGFUL SUPPORT TO THOSE MOST IN NEED.



Highly vulnerable households require targeted, integrated behaviour change and retrofit programs delivered through trusted agencies to assist them to reduce energy costs and improve the health and comfort of their homes.

State government can work collaboratively with local government, energy businesses and community agencies to address the fragmentation in current policy and program delivery arrangements. Current initiatives should be scaled up to a state-wide low-income efficiency program that complements the new Victorian Payment Difficulty Framework. Government should also work with industry to expand professional development and training to increase delivery capacity.

Victoria's public and community housing dwellings should be upgraded through a significant boost to asset maintenance funding and reform of appliance replacement policy to reflect technology and energy market changes. Opportunities for partnering with energy retailers and industry to finance integrated efficiency and clean energy redevelopments should also be explored.