

29 May 2020

To the Taskforce Co-Chairs,

RE: Submission to Building Victoria's Recovery Taskforce

Thank you for the opportunity to make a submission to the Building Victoria's Recovery Taskforce process to inform the Victorian government's economic stimulus agenda.

The energy performance of Victoria's homes is an important but traditionally under-recognised issue. Australian homes are built to notoriously poor standards, with existing Victorian homes averaging 1.8 starsⁱ. Our homes have been described as little better than glorified tents – dangerously hot in summer and freezing in winter.

The quality of a home profoundly affects the health of its occupants. For example, in recent years, hundreds of Victorians have been hospitalised for hypothermia – one study found about four in five elderly people presenting to hospital with hypothermia developed it inside a home.ⁱⁱ These adverse health effects disproportionately impact on our most vulnerable citizens, who face greater barriers to improving their homes to a comfortable, liveable level. Research also shows that, if the energy star rating of existing homes was increased to 5.4 stars, heat-related deaths could be reduced by 90 percentⁱⁱⁱ. The above challenges have been exacerbated by the pandemic as people spend more time at home.

Not only does the poor energy performance of our homes cause health issues, residential energy consumption also contributes approximately 19 percent of the state's greenhouse gas emissions^{iv}. Upgrading our homes to be more thermally efficient and less leaky presents a huge opportunity to reduce our emissions and meet the objectives of the Paris Agreement and Victoria's existing and forthcoming emissions targets.

Post-pandemic economic stimulus presents a huge opportunity to finally improve the health and environmental performance of our homes, whilst creating thousands of jobs in the process. Research commissioned by the Energy Efficiency Council shows that a comprehensive, government-led energy performance upgrade program for homes and businesses could generate 120,411 full-time jobs per year of work.^v As one of the world's leading jurisdictions on energy efficiency, California employs approximately 321,000 people in the industry, demonstrating the jobs-potential of the sector.^{vi}

We applaud the Andrews Government's recent [\\$500 million social housing package](#) to build new and upgrade existing social housing homes. However, social housing represents only 3 percent of the state's total housing stock^{vii}. This program must be expanded, over time, to incorporate a substantial energy performance upgrade program across both the social and private housing markets. Without an expansion, large segments of the community will be left out, including renters and low income home owners.

Fortunately, there is widespread consensus across a range of organisations and industries on the centrality of energy performance upgrades to an effective economic stimulus response. Sectors ranging from community, environment, property development, and energy, as well international investor groups, the World Bank and International Monetary Fund, are all calling on governments to ensure home upgrades form a central part of their stimulus spending.

Our proposal

We call on the Victorian Government to expand its \$500 million social housing package to incorporate energy performance upgrades as a key feature of the program, and to extend the program beyond the social housing sector into the private market. The program should initially be targeted at low income/vulnerable households and the lowest performing rental properties, and then scaled across the entire housing sector as rapidly as possible.

What the government can do now

1. Make energy performance upgrades a key feature of the government's \$500 million social housing upgrade package

- The scheme would focus on building shell upgrades (insulation and draught-proofing) and solar PV installation, as appropriate.
- By targeting these upgrades towards the social housing sector, the government would be helping to expand the capacity of the energy efficiency industry, especially the trades and businesses specialising in building shell upgrades.

2. Subsidise the upgrade of inefficient home appliances with more efficient or new ones. This scheme could be implemented immediately, at scale, and adhere to physical distancing requirements. It would also stimulate jobs in community services, retail, local manufacturing and supply chains.

- This could be delivered through a significant ramping-up of the Victorian Energy Upgrades program through new targets and changes to the incentives for different technologies.
- Reverse-cycle air conditioners (RCACs) and heat pump hot water units can be rolled out at scale right now, so the scheme could be designed to promote uptake of these appliances in particular.
- Strong incentives would be built into the scheme to encourage fuel switching from gas to efficient electric appliances, which will facilitate achieving greenhouse gas abatement.
- Qualifying groups would be people living in social housing, low income owner-occupiers, and landlords with the lowest performing rental properties.

3. Rapidly expand the capacity of the Victorian Residential Efficiency Scorecard (VRES) in preparation for a later, widespread rollout of energy audits. The VRES is currently being used to inform changes to the national NatHERS rating tool. The government should leverage the opportunity of having a functional, operating scorecard by significantly expanding its reach and application. With only 40 current, accredited assessors^{viii}, the government must first invest in training and hiring of new assessors before it can rollout free energy audits at scale.

4. Introduce minimum rental standards by re-visiting the energy standards established by the now-delayed amendments to the *Residential Tenancies Act*. Experience shows that, landlords do not take advantage of voluntary efficiency programs even when they are free or low-cost^{ix}.

Mandatory, minimum standards are the only way to address this. Without this regulatory change, any upgrade incentive scheme will exclude most of our 1.5 million renters, or 23 percent of the state's population^x. Research by Sustainability Victoria shows that a package of the most cost-effective efficiency measures, such as insulation, draught-sealing and low-flow shower-heads, would cost around \$5000 and deliver estimated savings of nearly \$900 a year to an average household.^{xi}

- We propose a staged implementation by raising the minimum energy standards over time. Landlords with the lowest performing properties would be eligible for property and appliance upgrades, informed by a comprehensive energy audit using the expanded VRES.

5. Invest in energy efficiency skills and training programs to build the capacity of the industry in preparation for a larger energy retrofit program. A key barrier to a rapid and expansive home energy retrofit program, particularly for insulation and draught proofing modifications, is a shortage in skilled tradespeople to conduct the modifications. We must invest in our tradespeople now to enable a larger retrofit program as soon as possible.

- This must be coupled with a with a rigorous auditing and compliance regime, to ensure that accreditation programs are providing technicians with appropriate technical and safety training.

6. Disclosure of energy efficiency ratings for new and existing homes when they are advertised for sale. Disclosure of energy efficiency ratings for homes are mandatory in the ACT, Europe and many other parts of the world. COAG agreed to the introduction of energy efficiency ratings for homes in 2009, but ministers outside of the ACT have yet to deliver on this commitment. This helps send a clear market signal to invest in improving energy performance, creating a pull-through effect that will grow investment and job creation in the sector over the medium term.

What the government should do in 12-18 months

7. Large-scale rollout of free energy audits using the expanded VRES to the private housing market (ie. everyone else). This would create a baseline understanding of the state's housing stock in terms of energy performance, to help guide any future stimulus spending.

- Qualifying households would include middle and higher income earners, with a possible higher income cap such as the \$180,000 threshold for participation in the Solar Homes program.
- Savings could be made by modifying the Scorecard to allow for simplified assessments for the lowest performing homes whose inefficiency can be deduced quickly and easily.

8. Expand the Solar Homes program to integrate energy performance upgrades. The popular scheme has been successful in driving accelerated uptake of rooftop solar, but by focussing exclusively on energy supply, the scheme fails to capitalise on the benefits of reducing energy demand via efficiency measures. Incorporating energy efficiency upgrades into the scheme would reduce the size of the PV systems required to power people's homes (and thus reduce the cost to government of the PV component of the scheme), which could also reduce the overall cost of delivering lower carbon homes.

- The VRES would be used to inform the most appropriate combination of technologies to achieve a certain star rating, including insulation, draught-proofing, other building shell upgrades, plus solar PV.
- Similar to Solar Homes, households would be eligible for a certain rebate to achieve an improved energy star rating informed by their free energy audit. Households wanting upgrades that cost more than the rebate would be eligible for a government-backed, no-interest loan (up to a specified amount), again, similar to Solar Homes.
- The current Solar Homes means-test could continue to apply.

Finally, as a separate attachment to this submission, we provide you with a short statement (not previously distributed) prepared by the members of the One Million Homes Alliance. This statement addresses a range of residential energy issues, many of which are relevant to this Taskforce's work. Some of the content replicates what is already included above, but the diversity of signatory organisations shows how broad the support for such initiatives is.

Thank you again for the opportunity to contribute to the Taskforce's deliberations. We would be happy to discuss further any of the above material.

Regards,



Dr Nicholas Aberle
Campaigns Manager, Environment Victoria
n.aberle@environmentvictoria.org.au
0402 512 121

ⁱ Sustainability Victoria 2015, Energy Efficiency Upgrade Potential of Existing Victorian Houses, p. 19

ⁱⁱ i Forcey, D. FitzGerald, M., Burggrad, M. Nagalingam, V. and Ananda-Rajah, M. 2019, "Cold and lonely". Emergency presentations of patients with hypothermia to a large Australian health network. Internal Medicine Journal, 2019 Apr 9. doi: 10.1111/imj.14308

ⁱⁱⁱ Centre for Sustainable Infrastructure 2018, Swinburne University of Technology, Submission 9, pp. 3–4.

^{iv} Department of Environment, Land, Water and Planning 2019, Victorian Greenhouse Gas Emissions Report

^v <https://www.eec.org.au/uploads/Projects/Energy%20Efficiency%20Employment%20in%20Australia%20-%20full%20report.pdf>

^{vi} Advanced Energy Economy Institute 2016, Advanced Energy Jobs in California

^{vii} <https://profile.id.com.au/australia/population?WebID=110>

^{viii} https://www.victorianenergysaver.vic.gov.au/__data/assets/pdf_file/0033/442788/Scorecard-Flash-Report_July2019_FINAL.pdf

^{ix} M Lovering 2013, "Can low-income tenants rent an energy efficient home?", AHURI Evidence Review 040

^x ABS 2009 3101.0 - Australian Demographic Statistics, Mar 2019.

^{xi} Sustainability Victoria 2014, Household Energy

