

Affordable, comfortable and safe:

New rental standards to bring renters in from the cold



Environment Victoria welcomes the Victorian government's proposal for new rental efficiency standards which will ensure comfortable and healthy homes for the 30% of Victorians who rent.

Minimum standards are an effective means to ensure rental homes provide a basic level of amenity for residents. They are critical for improving renters' health, cutting climate pollution, improving the climate resilience of their homes and relieving cost of living pressures.

THERE IS A STRONG CASE FOR CHANGE

For too long, Victorians who rent have been bearing the consequences of low or non-existent standards. The proposed standards will begin to fix this issue and position Victoria as a leader in ensuring healthy and cost-effective homes for renters. Getting rental homes off gas and improving their efficiency will soften cost of living pressures, and help us meet our climate targets.¹

Governments have often treated housing as an investment class rather than a human right, leading to ever-rising rents. Median rents across Victoria rose 13.3% in the year to March 2024 – which means paying \$3,360 extra every year – and have tripled since 1999.² While rents have shot up, landlords

have not been compelled to improve housing quality other than to meet the basic safety standards introduced by the Victorian government over the last three years.

The rental sector in Australia combines the worst quality housing, people with the lowest incomes and people with the poorest health.³ Housing costs are the primary driver of inequality in our community – far more so than income.⁴ Most First Nations people in Victoria live in housing that is not energy efficient, and are far more likely to be renting than the overall population.⁵ The housing crisis is now at such a point where even high income people make up one quarter of private renters, which makes finding a rental even harder for people on lower incomes.⁶

In Victoria, we are particularly reliant on heating. Cold housing is expensive, unhealthy and stressful, and renters are severely limited in their ability to do anything about it.⁷ In summer, our hot housing exposes people to sleepless nights, heat exhaustion and heatstroke, and it is predicted that heat-related deaths in Melbourne will double by 2050 as the climate changes.⁸

Fearmongering about rental rises is not supported by evidence

Critics of minimum rental standards assert that they will cause rents to rise or for investors to exit the market. However, the evidence shows that neither assertion is true.⁹ Rents are set based upon those of similar properties, which depends on vacancy rates and the state of the market. Property industry data found that after one year, Victoria's 2021 minimum standards did not drive an increase in rents and sales by landlords. A comprehensive study by the Australian Housing and Urban Research Institute (AHURI) on the impact of regulation on property investment found that tenancy law is rarely a factor in decisions to dispose of properties.¹⁰

FEEDBACK ON THE PROPOSED STANDARDS

Ceiling insulation

Ceiling insulation is one of the most basic requirements any home needs. Homes with better energy performance have been shown to improve child health and school attendance and reduce heat wave deaths.¹¹ Renters are far less likely to have insulation in their home than the general population, and 45% of renters have said they would like better insulation.¹²

Standards should be improved in future to additionally include top-up insulation to R5 on all properties with an R-value above 0 and below 2. Where existing insulation is in place, it must cover the entire ceiling to be considered to have an R-value above 0. Where significant gaps exist, the home shouldn't be considered to meet the minimum standard.

Having a good level of insulation means that smaller heating and cooling appliances are needed which makes it cheaper to meet the minimum requirements. In addition, less electricity generation and infrastructure are then required to meet heating and cooling demand.

The government needs to implement this essential minimum standard with certainty, sending clear signals to industry that installers should get certified early, and flagging future standards.

Draught sealing

Draught sealing is a difficult issue because for decades we relied on poor quality, leaky housing to compensate for the indoor air pollution caused by gas appliances. The difference between ventilation and air leakage is key: ventilation is controllable and is used to improve indoor comfort and air quality. Air leakage is uncontrolled, causes draughts, and, although it lets outside air in, it provides no means to actively manage air quality.

Homes in Victoria and Australia-wide have never been subject to air tightness standards. As a result, our homes are leaky, uncomfortable and both difficult and expensive to heat and cool. In addition, people living in leaky homes can't prevent bushfire smoke from coming indoors. Draught sealing measures are cost-effective and high impact but can exacerbate the health impacts of gas appliances. The gas appliances are the problem as they are often not reliably flued or exhausted.

This means renters in leaky homes with gas appliances face a triple whammy under the proposed exemptions – they are stuck with poor comfort, poor indoor air quality and high gas bills. Future standards should phase out gas appliances such as cooktops and heaters, and require rental homes to have sufficient ventilation in addition to draught sealing. Dangerous open-flued gas heaters should be immediately banned, especially in rental homes where renters must trust that they have been properly maintained.



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Heating and cooling

Efficient electric heating and cooling will make a material positive difference for renters. In 2023 our research found that switching from ducted gas to efficient electric heating can save up to 75% on space heating bills over winter.¹³

Research from Better Renting has shown that renters stuck on gas are often choosing between being cold, getting sick more often and missing shifts, or paying exorbitant costs to keep warm and giving up other basic necessities.¹⁴ Efficient heating is of benefit far beyond energy savings – analysis of Victoria’s Healthy Homes project found that for every \$1 saved in energy, more than \$10 was saved in health.¹⁵

Just as with heating, renters need affordable cooling. During heatwaves, renters lose sleep, suffer poor mental and physical health, and avoid everyday activities.¹⁶ Nearly 80% of social housing residents and two-thirds of renters struggle to cool their homes, either because there is no access to cooling or it is too expensive to run.¹⁷ Research has found that 85% of requests from renters to improve the hot weather performance of their home are not fulfilled.¹⁸

Hot water systems and showerheads

Hot water systems should be replaced with heat pumps or solar hot water at the end of life. Further electric options may also be acceptable: for example, instant electric water heaters where installation of a heat pump hot water system isn’t feasible, or resistance electric water heaters when directly coupled with a sufficiently sized solar photovoltaic system.

Gas water heaters compare poorly with electric alternatives. Even the most efficient gas water heaters can use more than four times the energy that an efficient heat pump system uses to produce hot water, at three times the running cost.¹⁹ The benefits of heat pump hot water will only improve over time as technology, standards and industry practices continue to develop

IMPLEMENTATION ISSUES

Exemptions

There are several situations where the proposed exemptions will be difficult or unfair to implement, and hence leave open loopholes for non-compliance. For example, many exemptions require judgement of whether meeting the standard would incur an “excessive cost” in relation to an average or be “unreasonable”. This wording creates subjectiveness and a heavy information asymmetry such that it would be virtually impossible for a renter to argue a case.

To address this issue, further guidance should be provided around when properties can be considered to meet the terms for exemptions for complying with the proposed minimum standard. We recommend that all exemptions are actively overseen by Consumer Affairs Victoria.

Exemptions for draught sealing where homes have gas appliances and lack proper ventilation force renters to live in a draughty home and with unhealthy and/or dangerous appliances. These exemptions also create a loophole where there is a gas appliance that is not operational or not compliant but has not been removed.

Compliance and enforcement

Compliance and enforcement needs to be adequately improved from the status quo. Minimum standards can only be effective with proper enforcement of compliance. It is not fair or reasonable to expect renters to follow up non-compliance, especially as renters will not have access to all of the information that landlords will use for an exemption, and because it leaves renters vulnerable to rent rises and eviction.

Relying on individual renters to handle compliance issues isn’t just ineffective, it leaves people vulnerable to health problems and financial stress because they may feel powerless or afraid to speak up. Additionally, landlords and property managers might not be competent at interpreting and following the rules.

Several options should be considered for redressing the power imbalance inherent to this issue:

- Consumer Affairs Victoria should establish a permanent, proactive compliance and enforcement regime to take the onus off renters.
- Requiring real estate agents to check compliance as part of the condition report, coupled with fines for misleading tenants on the property’s standard.
- Providing a certificate of compliance as part of a rental listing.
- Measures to protect renters making complaints regarding non-compliance from retaliatory actions such as rent increases or evictions.

Measures should also be implemented to prevent arbitrary rent increases or evictions resulting from home upgrades undertaken to comply with the minimum standards.

Support for not-for-profit housing providers

People living in older social housing have the most to gain from these new standards. However, compliance will be challenging for not-for-profit housing providers. Funding should be provided for community and other not-for-profit housing providers to retrofit the housing stock they manage.

Victorian Energy Upgrades eligibility

Landlords should be eligible to receive Victorian Energy Upgrades (VEU) discounts when meeting the new minimum standards. Renters have historically been excluded from benefitting from VEU, but these standards provide an opportunity to redress this balance. Maintaining VEU eligibility for landlords will help moderate opposition to the minimum standards, but more importantly it will ensure renters directly benefit from the scheme via new efficient electric appliances that are selected and installed with regulator oversight.

Renter education

The new standards and associated compliance processes provide an opportunity to raise renters’ awareness and understanding of how they can support their own health, comfort and low running costs at home. For example, reverse cycle air conditioners have a reputation for being expensive to run when in fact they are the cheapest way to heat a home.²⁰ We know that people are still using expensive appliances like plug-in resistive heaters because of this information gap. Other low-cost options that renters can provide themselves include pedestal fans and electric blankets. Information provided to

renters can also include guidance on what minimum standards to expect and how to pursue non-compliance and should be tailored to the needs of hard-to-reach groups.

IMPROVEMENTS AND FUTURE DIRECTIONS

The proposed minimum standards are a strong and significant step forward for renters. We encourage the government to build on the standards and set out a program for future improvement.

The Residential Efficiency Scorecard can help

Many of the implementation challenges of energy efficiency standards for rental homes can be solved by the Residential Efficiency Scorecard developed in Victoria. We would like to see the Scorecard introduced into the minimum standards, firstly as a performance-based alternative for meeting the standards and then as the standard.

The benefits of the Scorecard include:

- Trained and accredited assessors providing independent and reliable advice – particularly important for assessing underinsulation.
- Overcomes the lack of understanding and awareness on the part of renters, landlords, agents and service providers
- Rather than needing exemptions, the Scorecard affords flexibility in meeting the standard, which benefits both renters and landlords.
- Includes advice on low-cost measures such as ceiling fans, flyscreens, window covering and shades.
- The Scorecard is ready to provide advice for all-electric homes.

Use of the Scorecard as a regulatory tool should in future be tied to mandatory disclosure for rental homes, as well as homes for sale.

Inclusion of low-cost comfort measures

The rental minimum standards should now or in future include low-cost measures which are especially important for people under financial stress. Research has shown that 72% of renters are not using their air conditioning because of the cost, compared to 55% of non-renters.²¹

Measures include ceiling fans, flyscreens, window covering and external shading. This can easily be implemented by adding wording to the existing standards – for example, blinds are currently required for privacy, but can also be required for thermal comfort.

Top-up insulation

We acknowledge that there are complexities in implementing a minimum standard for ceiling insulation. Despite strong leadership from industry organisations, insulation installers are not accustomed to regulation. It can be difficult to determine the R-value of existing insulation depending on its age and installation quality, and homes require checking by a licensed electrician prior to insulation being installed.

For these reasons, it makes sense to introduce insulation standards in a staged manner. We advocate for future improvements to the minimum standards to include insulation top up for under-insulated roofs. As noted above, using the Residential Efficiency Scorecard as a regulatory tool helps overcome many of the challenges of mandating insulation.

Gas cooktops

Gas stoves should be phased out and replaced with electric cooktops and ovens. This would protect renters from the many negative health impacts associated with gas cooktops and allow the full implementation of draught sealing measures. As cooking appliances are often the last gas appliance preventing full disconnection from the gas network, mandating electric cooking has the potential to save renters hundreds of dollars every year.



Image: Despite the reputation, reverse cycle airconditioners are the cheapest way to heat a home.

Endnotes

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