

Environment Victoria's Submission to the 2026-27 Victorian Budget

About Environment Victoria

Environment Victoria is the leading not-for-profit environmental advocacy organisation in Victoria. With 40 grassroots member groups and over 200,000 individual supporters, we've been representing Victorian communities on environmental matters for over 50 years.

Through advocacy, education and empowerment, Environment Victoria seeks significant and enduring solutions that will safeguard the environment and future wellbeing of all Victorians.

Bringing the energy transition home

Energy efficient homes for all, powered by clean, affordable energy

The Victorian Government has made great progress in ensuring a rapid transition towards clean, affordable energy.

Victorians are experiencing high energy bills in an acute cost of living crisis. Much of this is due to the high cost of gas, the low efficiency of appliances (especially gas appliances) and housing that is not fit for our climate.

The 2026-27 Budget is an opportunity to extend the cost-saving benefits of clean energy to more people in a more diverse range of households across the state, starting with those who have been hit hardest.

Make Victoria a nation leader in rooftop solar

The Solar Homes Program has been one of Victoria's most successful climate and cost-of-living initiatives, delivering rooftop solar, batteries and efficient heat pumps to hundreds of thousands of households.

As we approach the end of this ten-year program it is essential to revitalise, build momentum and build confidence. Investing in an expanded Solar Homes will directly support Victoria's Renewable Energy Target and emissions reduction goals while delivering immediate cost-of-living relief.

Extending and expanding the scope of this program has the potential to address price volatility, protect Victorians from extreme heat, and guarantee that the benefits of the energy transition are spread fairly and widely.

1) Dedicate \$1.5bn over ten years to re-fund and expand the Solar Homes Program, including measures to close the growing “energy divide” between owner-occupiers and renters. However, we need to get the basics right - landlord incentives must be alongside strengthened minimum rental energy standards and tenant protections (see further below).

2) Include a dedicated Solar Homes funding stream for apartments and strata buildings to overcome barriers that currently lock out renters and apartment residents from benefits. This must be coordinated with reforms to the Owners Corporation Act (2006) that improve governance and build the capacity of the strata sector (see further below).

3) Include a dedicated Solar Homes funding stream to support low-income households, including higher rebates and no-up-front-cost options delivered through partnerships with community housing providers and local organisations, and alongside the removal of community and public housing exemptions from rental standards.

4) Conduct an evaluation of housing types that have not benefitted from the Federal Government’s Cheaper Home Batteries scheme and direct a proportion of funding so that those households can access battery systems.

Higher standards and cheaper bills for rental properties

30% of Victorians are renters, and this group is already under intense cost of living pressure. Measures that reduce renters’ energy bills and improve the thermal performance of their homes must be accompanied by increased protections from rent increases and evictions.

To make Victorian rental properties safer and more affordable, the government should consider a series of interventions to further raise standards and coverage, and unlock access to rooftop solar and batteries for this cohort. By increasing the energy efficiency of Victorian rental homes, the state government can not only ensure better quality of life and lower bills, but reduce demand on the grid.

Environment Victoria recommends that the Victorian Government should consider the following recommendations to increase minimum standards in rental properties. All recommendations below must apply equally to public and community housing.

5) Ratchet up the insulation standard over time so that more rental properties are required to improve their insulation. For example, it could be that properties with ceiling insulation below R2 are required to upgrade to R5 from October 2027, then all properties below R3 are required to upgrade by October 2028 and so on.

6) Introduce schemes and incentives that encourage landlords to build and upgrade homes to higher standards of thermal performance and energy efficiency without pass-through costs to tenants.

7) Continue the government’s rental reform program to increase minimum standards and

ensure they cover all rentals, exert greater control over rent increases, and fund a robust compliance and enforcement program to ensure that regulations are applied fairly.

Electrify apartments and other strata title buildings

The Victorian Government has been taking decisive strides towards detaching our homes and economy from methane gas.

But apartment and other strata buildings have long been put in the 'too hard basket' when it comes to the transition to clean renewable electricity. This continues to be the case; measures in the Gas Substitution Roadmap – such as minimum rental standards for energy efficiency – build in exclusions. Incentives from Victorian Energy Upgrades are hard to access for premises with centralised building services, or are designed for businesses.

The reality is that Victoria is lagging other states in measures for strata. New South Wales in particular has rules much more conducive to strata buildings accessing electrification, renewable energy and other sustainability measures. Changes are needed now – engaged owners' corporations are already blocked by outdated rules. The below recommendations aim to address existing gaps in the process of gas substitution.

1. Develop a strategy for electrifying apartments and put forward regulatory options

Collect data on apartment and other strata housing stock, including stock numbers, building fabric and services, energy consumption and transport/parking, so that better policy can be developed

- a. Identify and develop programs and policy to support strata to phase out gas, including common and centralised infrastructure, electricity supply upgrades and consultant costs. We suggest adopting Participatory Action Research methods that feedback into program improvements
- b. Identify new and expanded opportunities to unlock Commonwealth government funding for upgrades
- c. Ensure specific consideration of strata in planning and programs, including the Gas Substitution Roadmap, Adaptation Action Plans and others
- d. Develop regulatory options for electrifying existing apartments covering the main gas consuming services, apartment typologies and owners' corporation classifications

2. Update the Owners Corporations Act 2006 to lower decision-making thresholds for passing special and interim resolutions relating to sustainability projects

3. Initiate a new program of engagement with strata owners in order to properly serve the sector.

- a. Establish a committee of strata owners, service providers and advocates to inform government policy, including energy and climate action
- b. Actively collaborate with the strata industry via fora such as the Owners Corporation Network, High Life Expo and Strata Community Association Victoria
- c. Improve education and information for strata buyers and occupants, including expanding the inadequate resources currently provided by Consumer Affairs Victoria and sharing evaluation and insights from Solar for Apartments, VEU and other programs.

Fund the electrification of homes affected by the Solstice Energy shutdown

Nearly 1200 households across 10 regional Victorian towns have been told, on very short notice, that they will be disconnected from gas by their provider, Solstice Energy. This situation is the result of a failed program by the previous Victorian government. These households have not had time to prepare and have been offered insufficient incentives. As a result, many have no option but to connect to bottled gas - an expensive and wasteful solution.

In Victoria, we are in a good position to manage this situation well, given the existing Victorian Energy Upgrades scheme and a thriving ecosystem of community energy groups offering advice and assistance. However two key pieces are missing: money to pay for the changes needed to go electric and someone to guide the process, including talking with affected people and managing installations.

There is still time to turn this into a good news story. A similar situation unfolded in Esperance, Western Australia, where the government stepped in to guide people through upgrading their home to be all-electric, and funded the upgrades, leaving very high rates of satisfaction and residents better off.

\$10 million for the electrification of homes cut off from Solstice Energy's network, including staffing of communication and project management. This should follow the high standards set in the electrification of the town of Esperance, Western Australia.

Solar and batteries on schools and other government owned buildings

Government-owned buildings in Victoria have untapped potential for generation and storage. In buildings such as schools, which have minimal electricity demand during peak demand periods, SEC-owned batteries could be released into the grid. In the coming years, it has the potential to unlock the potential generation and storage capacity of government-owned buildings.

Fund the upfront cost of putting solar and batteries on government buildings, starting with every public school in Victoria. In one model, the State Electricity Commission could be funded to cover the upfront installation cost, own the assets, and release additional storage into the grid during evenings, when there is peak demand.

Support Victorians to understand the benefits of clean energy and the risks of gas

Large segments of the Victorian public still do not fully understand why we need to electrify, nor the gamut of what electrifying entails. They are confused that Victoria is running out of gas when so much is being extracted and exported from northern Australia. The recently announced shut down of Solstice Energy's regional gas networks has exposed how unprepared many people are.

Many people still think that gas is 'clean' because they don't know how much of our electricity comes from renewable energy, and they don't realise how inefficient and outdated gas appliances are. These people are yet to associate technologies such as induction cooking with broader programs of electrification or the renewable transition.

Invest \$2 million in an education campaign so that Victorians understand why gas is a problem. A campaign could include broadening the technologies prompted in the 'Put the sun to work campaign', bundling incentives to associate household solar with efficient electric technologies, cooking demonstrations at community events, and information provided to people planning a renovation.

Fund a multi-year program for community energy groups to run info/education workshops. Victoria is lucky to have many community energy groups all around the state. These groups can lend trustworthy and local voices to help all Victorians get the message on electrification, renewable energy and getting off gas.

Provide free audits & energy efficiency kits to Victorian households. Certified auditors can conduct house visits to provide trusted, tailored advice on how to increase energy efficiency.

Support Victorian jobs with a comprehensive industrial heat pump program

Major job creators such as Victoria's food and beverage manufacturing sector can make big savings by switching to heat pumps instead of using gas. New Zealand has already shown how it is done: with a comprehensive program that includes co-funding, knowledge sharing and capacity building and dedicated account managers to work with industry and together create a pipeline of upgrade projects.

The State Electricity Commission Victoria (SECV), as a retailer for commercial and industrial energy users, can do even better by helping businesses join the dots with efficiency, energy management, solar and storage and minimise businesses' energy costs. The SECV can also engage with network businesses to unlock grid flexibility in industrial precincts.

\$50 million to accelerate the uptake of industrial heat pumps in Victorian businesses. A comprehensive program should include co-funding of upgrades, knowledge sharing, training, and SECV account managers to work actively with businesses to find opportunities to get off gas and cut costs.

Merit criteria that rewards businesses that meet high standards of labour conditions. For example, businesses meeting the standard could qualify for a greater proportion of co-funding.

Establish and maintain a public database of industrial energy end use by sector, fuel type and end use, as well as sites that are large fossil fuel users, to spur innovation and improve planning and forecasting.

Ensure First Nations communities benefit from the transition to renewables

Deliver the recommendations from the Yoorrook Justice Commission's Yoorrook for Transformation report to develop a self-determined First Peoples' Renewable Energy Strategy, and to fund increased and self-determined housing supply for First Peoples.

Manage Western Port into the future

Western Port is an ecological gem. It is the only site in Victoria recognised by both the United Nations as a Biosphere Reserve and by the International Ramsar Convention for wetland conservation. As well as providing for extensive recreational and tourism, Western Port provides sanctuary for two-thirds of Victoria's threatened bird species.

Western Port is at risk of death by a thousand cuts. Already, five out of the nine estuaries flowing into the bay have water quality rated "very poor". According to the State of the

Marine and Coastal Environments report (2021) Western Port has the most deteriorating environmental health indicators on Victoria's coast.

Population growth around Pakenham and new industrial development, including the Victorian Renewable Energy Terminal, are placing more pressure on the area. Communities around Western Port care deeply about this important wetland and need to see that the government is doing the right thing.

\$2-3 million to implement a marine spatial plan for Western Port. The Victorian government has fulfilled every element of its Marine & Coastal Strategy except one - Action 5.5, to undertake marine spatial planning. A marine spatial plan integrates planning and management while balancing the needs of different users, including the need for certainty.

Create a new Western Port Fund of \$2 million per year (recurring), mirroring the existing Port Phillip Bay Fund, to invest in the long-term health of the bay so we can continue to enjoy it into the future.