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15 July 2024

Elizabeth Molyneux  
Deputy Secretary, Energy  
Department of Energy, Environment and Climate Action

Miriam Slattery  
A/Deputy Secretary, Digital Transformations  
Department of Government Services

**Submission to the Victorian Government's consultation on the Residential Tenancies and Residential Tenancies (Rooming House Standards) Amendment (Minimum Energy Efficiency and Safety Standards) Regulations 2024.**

Dear Ms Molyneux and Ms Slattery,

Energy Consumers Australia appreciates the opportunity to provide feedback on the proposed Regulations for [Minimum Standards for Rental Properties and Rooming Houses](#) (hereinafter referred to as 'proposed Regulations'). We represent all residential and small business energy users, and advocate for a future Australian energy system that works for, and benefits, all households and small businesses who use it, and one in which no one is left behind on the journey to net zero.

**We strongly support minimum energy efficiency standards in all rental properties, recognising the detriment to people's physical, mental and financial wellbeing of living in a home that is impossible to keep warm in winter, cool in summer or is mouldy.** Setting these standards should be a priority to give people relief from high energy bills and ensure that Australian homes are climate resilient.

Government regulation is appropriate to address market failure. The split incentive has long been acknowledged as a major impediment to landlords prioritising energy efficiency upgrades or reasonable standards. At a time when rental housing is in very short supply, light touch regulatory approaches and weak enforcement has resulted in a lack of action. Enforcement of the proposed Regulations must also be strong, and we encourage the Government to ensure that its approach does not push the onus on the tenant to make sure landlords – and their agents – are complying with the proposed Regulations.

We endorse the Victorian Government's intention to set standards that will have tangible positive impacts on the people living in those homes, but think there are opportunities to strengthen the standards. That will provide greater certainty not only to those residents, but also clear guidance to landlords that they should continue to understand the energy efficiency of the homes they are leasing out and the need for regular review to ensure that those homes are appropriate for a changing climate.

**Stronger efficiency requirements are the first and best policy to bring down energy bills.**

Whilst energy affordability has become a growing concern to nearly all Australian households, our latest [Energy Consumer Sentiment Survey](#) (June 2024) shows that, compared to a year ago, 64% of renters are now more concerned about their ability to pay electricity bills. For homeowners, this figure is 42% (Appendix 1). Our research consistently indicates that renters are more likely to be living in



poorly energy efficient homes and lack the agency to reduce their energy consumption and costs (e.g. making changes to the build envelope, getting off gas or installing rooftop solar panels).<sup>1</sup>

In the current period of housing undersupply and record low vacancy rates, renters have even less choice and are forced to choose between living in substandard and potentially dangerous homes or have no roof over their heads. Landlords feel no pressure to upgrade or improve the properties they're leasing. This is a critical market failure that discourages property owners from improving the energy efficiency of the properties they lease. As Michael Buchan, from the SA Housing Trust, notes in his contribution to the Our Housing Australia<sup>2</sup> report,

*Regulatory standards in a tight market become a critical safety net, making it increasingly important that the standards are appropriate and tenants are aware of their existence.*

Victoria is the second jurisdiction in Australia (after the Australian Capital Territory - ACT) to commit and act towards regulations for minimum energy efficiency standards for rental properties. This is a major win for over 700,000 Victorian households who rent their homes and an important milestone for the whole of Australia when it comes to a tangible pathway to decarbonising homes and reaching net zero by 2050.

Indeed, we are very pleased to see the Victorian Government's suite of reforms to ensure renters can live in more affordable and healthier homes. The proposed Regulations set the benchmark for all other States and Territories.

Nevertheless, there are important limitations that warrant further consideration in the proposed Regulations. We note five key opportunities for improvement, which are detailed in the submission:

1. **Consider a practical timeframe and staged approach for implementing R.5 ceiling insulation requirements to rental homes with low levels of ceiling insulation (R1.5 or less).** Mandating the proposed insulation requirements only to homes with no insulation prevents 87.3% of Victorian rental households from enjoying healthier and more comfortable homes.<sup>3</sup>
2. **Provide clear definitions and examples for what constitutes justifiable and reasonable exemptions to the proposed Regulations** in ways that prevent currently exempt cases from being locked into less-than-optimal arrangements in the medium to long-term.
3. **Require the replacement of gas-powered cooking appliances at end of life with electric ones**, in addition to space and water heating systems.
4. **Commit to reviewing and updating the proposed Regulations at least every five years and to provide regular and public reports on progress of the implementation of the standards.** The review and update process must ensure minimum efficiency rental standards are in line with best practices and building codes for new homes, reflect changes in the climate adaptation needs of homes, and also the reduction in costs and technology improvements of products and services for better consumer outcomes.
5. **Ensure there are sufficient enforcement and compliance measures to monitor how the proposed Regulations are implemented, how exemption cases are justified, and how renters are being communicated about the changes in minimum standards**, from listing and

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<sup>1</sup> For more information, see Understanding the Energy Divide Report (2023), Stepping Up Report (2023) and the blog post The energy divide begins at home (2021).

<sup>2</sup> Baker, E. and Morey, C. (Eds.) (2023). Our Housing Australia. The Australian Centre for Housing Research. University of Adelaide. DOI 10.25909/24657108

<sup>3</sup> As indicated in Table A.2: Key modelling parameters for ceiling insulation of the Minimum energy efficiency and safety standards for rental homes – Regulatory Impact Statement.



advertisement to end of lease. The onus of requesting for compliance to minimum standards should never fall onto the renter.

### **Recommendation 1**

***Consider a practical timeframe and staged approach for implementing R.5 ceiling insulation requirements to rental homes with low levels of ceiling insulation (R1.5 or less).***

As noted in the Regulatory Impact Statement (RIS), the preferred option for minimum standards of ceiling insulation excludes rental homes with existing low levels of ceiling insulation (R1.5 or less) due to the significantly higher implementation costs and lower benefit cost ratio (BCR). Whilst these are important considerations, we argue that mandating the proposed R.5 insulation requirements only to homes with no insulation means that 87.3% of Victorian rental households won't get to enjoy healthier and more comfortable homes.

We also note that, to allow sufficient time for compliance, the new proposed Regulations will only be applicable and enforceable from 30 October 2025, a year after the Regulations are made official. This 12-month period could allegedly be used by property owners to install any form of substandard ceiling insulation in currently not-insulated ceilings that will exempt their properties from needing to comply to the new proposed Regulations, undermining the entire objective of the new insulation requirements.

Analysis conducted by Renew in relation to the proposed minimum energy efficiency standards provides further evidence of the need to treat properties with very low levels of or poorly installed insulation similarly to properties with no insulation at all when it comes to impacts on households' thermal comfort.

The modelling (soon to be published) estimates the indoor temperatures in a bedroom of a typical detached brick veneer house in Melbourne across different thermal efficiency scenarios based on five levels of insulation<sup>4</sup>. Renew modelled households with no insulation (R0), R1, R2, and R5. To account for the problem of homes with incomplete, older or poorly installed insulation, they also modelled a home with gaps in ceiling insulation in some areas (R2 with gaps).

The two graphs below (Figure 1 and Figure 2) show that homes with gaps in insulation experienced similar minimum temperatures in winter and maximum temperatures in summer as homes with no insulation at all, exposing occupants to thermally unsafe conditions for longer periods compared to homes with better levels of insulation<sup>5</sup>.

During winter, minimum indoor temperatures fell to a minimum of 8.9°C in homes with no or poor insulation, compared to 11.2°C in a home with R5 insulation. Outdoor temperatures in the selected dates fell to a minimum of 5.4 degrees. On the other spectrum, on a hot summer day with a maximum outdoor temperature of 39.3°C, the presence of insulation also made a significant difference to indoor temperatures. Maximum indoor temperatures were modelled to reach 37°C with no insulation and 37.8°C with gaps in insulation, compared to a maximum of 30.2 °C in the home with complete R5 insulation.

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<sup>4</sup> These temperatures are modelled using FirstRate5 software.

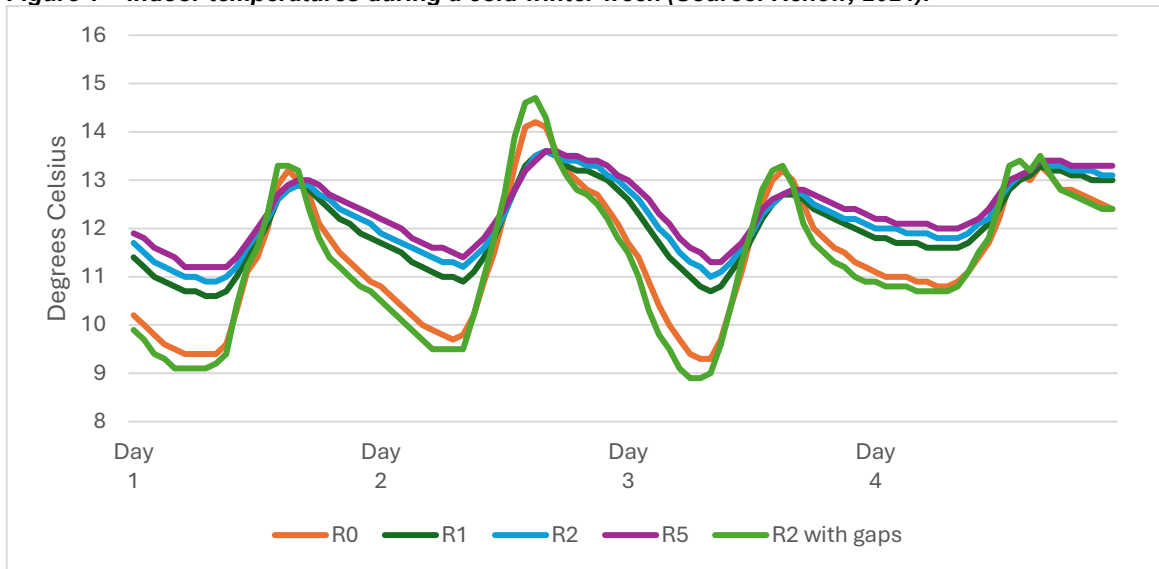
These results assume the use of no heating or cooling (calculated using 'free running mode' in FirstRate5).

Hot and cold outdoor temperatures are selected from Typical Meteorological Year weather files used in the calculation of Nationwide House Energy Rating Scheme (NatHERS) ratings.

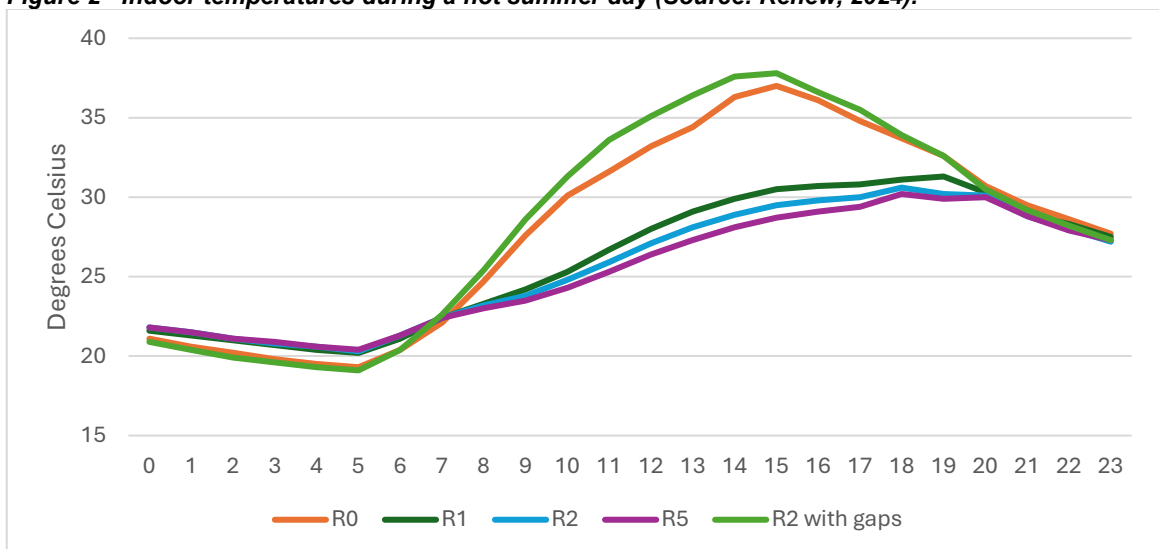
<sup>5</sup> According to the World Health Organization (WHO), [a healthy indoor temperature range for people is between 18°C and 24°C](#). For vulnerable groups, such as older people, young children, and those with health conditions, a minimum indoor temperature of 20°C is recommended.



**Figure 1 – Indoor temperatures during a cold winter week (Source: Renew, 2024).**



**Figure 2 - Indoor temperatures during a hot summer day (Source: Renew, 2024).**



In the ACT, minimum R-value of R.5 insulation are required for rental properties with no ceiling insulation as well as those with existing ceiling insulation with a R-value below R.2. This is phased over a four-year period, with most properties required to be compliant from late 2026.

We recommend that the proposed Regulations consider a similar approach to the one adopted by the ACT, establishing a practical and feasible timeframe to bring all rental properties with existing substandard ceiling insulation up to R.5.



## **Recommendation 2**

***Provide clear definitions and examples for what constitutes justifiable and reasonable exemptions to the proposed Regulations in ways that prevent currently exempt cases from being locked into less-than-optimal arrangements in the medium to long-term.***

The RIS notes a number of exemptions to the minimum standards proposed. Some of the exemptions, however, are not clearly stated and we are concerned that a significant number of rental properties currently exempt from complying with the proposed Regulations will be locked into systems and arrangements that prevent electrification, improved thermal comfort and lower energy bills for its occupants.

For instance, in the proposed Regulations, rental properties with gas cooking appliances (or flueless heaters) are exempt from draught sealing requirements, due to fair safety concerns. However, the same proposed Regulations have no requirement for substitution of gas cooking appliances (see Recommendation 3 below), which leave such properties in a leaky and fossil-fuel burning limbo. We recommend that this is amended to include that draught sealing will be required when existing gas cooking appliances (or flueless heaters) reach their end of life and are replaced with electric and efficient alternatives.

Similarly, solid fuel burning systems are exempt under the current heating standard and can be replaced with another solid fuel burning system at end of life. Whilst the number of rental properties relying on solid fuel burning systems for heating is relatively small, these systems present a significant risk to the property and to occupants' health.

Wood heaters contribute to hundreds of premature deaths each year. A study in NSW found that the increase in state health costs due to wood heater pollution was calculated to be more than \$2bn. Victoria's Air Quality Strategy also notes that,

*The average wood heater in Melbourne burns 3.75 tonnes of wood per year, releasing harmful compounds that can surpass \$4,000 in annual health costs per heater. With approximately 240,000 wood heaters across the state, these high-emission sources are expected to create approximately \$8 billion in health impacts over the decade between 2018-28 if wood heater usage continues unabated.*

The ACT Government has already committed to phasing out wood heaters by 2045, and we recommend that the proposed Regulations consider banning wood heaters from being installed in any rental property from 2025, and that current wood heaters must be replaced with electric and efficient heating systems by 2030.

Finally, we are concerned that the generic and vague wording of exemption cases related to "otherwise not reasonably practicable to install [...]" allows landlords too much discretion in interpreting the Regulation and will produce perverse and detrimental outcomes.

We recommend that the RIS includes more examples of what constitutes a reasonable exemption and that the Victorian Government keeps a register of those exempt cases for monitoring and progress reporting purposes.



### **Recommendation 3**

***Require the replacement of gas-powered cooking appliances at end of life with electric ones, in addition to space and water heating systems.***

As noted in the [Victorian Gas Substitution Roadmap](#), all homes will have to be all-electric in order for Victoria to reach net zero by 2050. The proposed Regulations ensure that space and water heating systems are transitioned to being all electric but ignore the third use of gas in homes – cooking. We recommend this is amended.

Requiring the gradual replacement of gas cooking appliances with modern electric ones has the following benefits:

- Requiring all-electric cooking appliances will help households reduce their energy bills. While gas consumption for cooking is relatively low, [households will still have to pay daily supply charges in the order of \\$150 to \\$340 a year just to have a gas connection.](#)
- Requiring all-electric cooking appliances will make Victorian homes healthier. There is significant research documenting the [health risks associated with the use of gas in homes.](#)
- Requiring all-electric cooking appliances helps Victoria meet its emission reduction goals.

If it is decided to not require that gas cooking appliances are replaced with electric ones, then we recommend the Victorian Government consider revising how fixed gas network costs are recovered. Transferring these costs to the property owner instead of the tenant of the property via gas bills, [similar to sewerage infrastructure costs in water bills](#), is likely a more socially equitable outcome than having tenants pay for these costs.

### **Recommendation 4**

***Commit to reviewing and updating the proposed Regulations at least every five years and to provide regular and public reports on progress of the implementation of the standards. The review and update process must ensure minimum efficiency rental standards are in line with best practices for new homes, reflect changes in the climate adaptation needs of homes, and also the reduction in costs and technology improvements of products and services for better consumer outcomes.***

This commitment ensures that rental properties meet evolving efficiency standards, aligning with the latest best practices and applicable building codes for new homes. Given that an update to residential building codes is expected in the [2028 National Construction Code](#) with potential scope for near or net zero energy and emissions buildings, it's important that the proposed Regulations are reviewed in due course to lift minimum standards for rental properties and enable full decarbonisation of the built environment.

Regular reviews and updates can also support the dynamic climate adaptation needs of homes, ensuring that they are resilient against changing environmental conditions.

Using the Australian Housing Condition Dataset, researchers from the University of Melbourne and University of South Australia have developed a [Climate Risk Index](#) and identified that properties in the rental sector (public and rental) present a significantly higher risk, and therefore greater vulnerability to climate change impacts, than owner-occupied properties. The researchers<sup>6</sup> conclude that,

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<sup>6</sup> Baker, E. and Morey, C. (Eds.) (2023). Our Housing Australia. The Australian Centre for Housing Research. University of Adelaide. DOI 10.25909/24657108



*The distributional effects of Australia's housing system sorts people with lower incomes, less secure attachment to the labour market, and higher rates of chronic ill-health and disability into the worse condition housing that is least likely to provide protection from climate extremes and natural disaster.*

As evident in the [State of the Climate 2022](#) report, Australia is likely to experience more heat extremes, longer and more severe droughts and fire seasons, continued sea level rises, prolonged marine heatwaves, and more intense cyclones in the coming decades. Therefore, it's critical that minimum rental standards gradually evolve in coming decades to adopt best practices to improve the resilience of homes and support households in coping with extreme weather events.

Lastly, by reflecting advancements in technology and reductions in costs, the regulations will promote the adoption of more efficient and cost-effective solutions. This proactive approach not only promotes healthier, more comfortable, resilient and lower energy bills for renters but also supports landlords in maintaining compliance with current standards, ultimately leading to better consumer outcomes and a more sustainable housing stock.

Recognising that Victoria is leading the way in Australia for minimum standards, we see great value in reporting publicly and transparently on the progress of the standards, for example to identify where tenants and landlords experience unanticipated barriers, or where there may be a need to focus on particular areas of non-compliance.

### **Recommendation 5**

***Ensure there are sufficient enforcement and compliance measures to monitor how the proposed Regulations are implemented, how exemption cases are justified, and how renters are being communicated throughout the process—from listing and advertisement to end of lease—about the changes in minimum standards.***

Effective enforcement and monitoring will guarantee that property owners and landlords adhere to the new standards, ensuring fair and consistent application across all rental properties. As noted above, exemptions should be transparently justified and subject to rigorous scrutiny to prevent misuse.

The RIS notes that the updated minimum standards will be communicated to stakeholders, including rental providers and rooming house operators, but doesn't mention how these changes will be communicated to renters.

We emphasise that clear communication with renters is crucial, ensuring they are well-informed about their rights and any changes that affect their living conditions. Importantly, the responsibility of requesting compliance with minimum standards should never fall on the renter, thereby protecting tenants from potential disputes and ensuring a straightforward, equitable process.

In the ACT, for instance, [all rental advertisements need to state whether or not the property meets the minimum standard or has an exemption](#), and it's an offence subject to penalty to fail to disclose that information in the property ad or make a false or misleading statement about a key aspect of the property's compliance with the minimum standard. This approach fosters transparency, trust and accountability. It is also clearly aligned with the intent of the [National Framework for Disclosure of Residential Energy Efficiency Information](#) (final framework expected later this year) in addressing market barriers such as information asymmetry.



### Final remarks

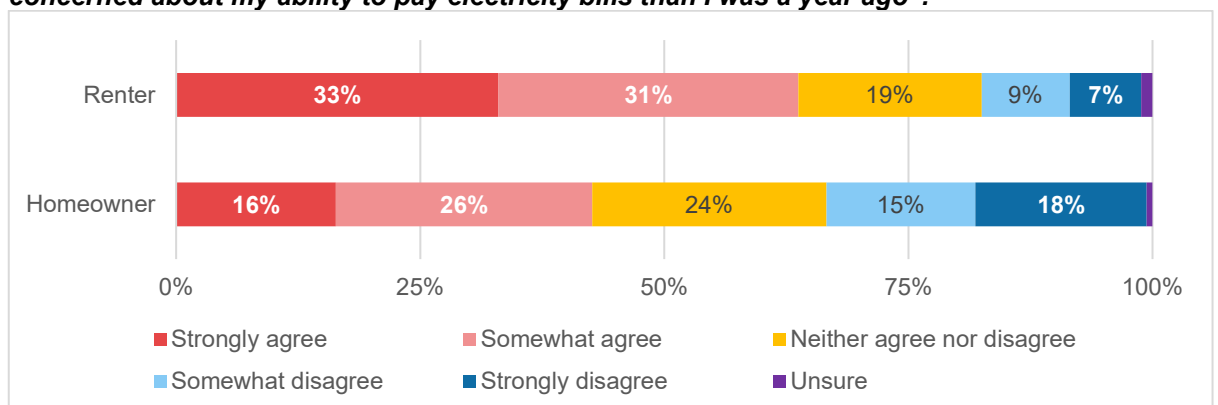
We reiterate that the proposed Regulations are already at a great starting point and will undoubtedly become a reference for all other States and Territories. As Victoria is one of the leading States in Australia in the journey to a decarbonised future, we see the opportunity to go further and better with the minimum energy efficiency standards for rental properties.

We thank the Victorian Government for the opportunity to provide feedback and make ourselves available for further discussion and collaboration throughout the consultation process. For any questions or comments about the submission, please contact Caroline Valente at [caroline.valente@energyconsumersaustralia.com.au](mailto:caroline.valente@energyconsumersaustralia.com.au).

Yours sincerely,

Kerry Connors  
Director, Energy Inclusion

**Appendix 1 – How strongly do you agree or disagree with the following statements: “I am now more concerned about my ability to pay electricity bills than I was a year ago”.**



Source: Energy Consumers Australia, [Energy Consumer Sentiment Survey – June 2024](#).