

Minimum energy efficiency standards for rental properties

Submission to the ACT Government -
Justice and Community Safety Directorate.

Submitted by: Carol Valente

DATE: 2/09/2024

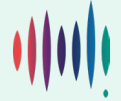


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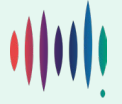


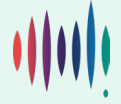
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Note about this submission

The Australian Capital Territory (ACT) Government is seeking feedback on reforms to residential tenancy and occupancy laws. The purpose of this consultation is to seek community views about how their tenancy and occupancy laws can be improved and what minimum standards should be introduced to offer better protections for renters. The ACT Government is also considering a range of other proposed property condition requirements to improve the efficiency and thermal comfort of rental homes.

In line with Energy Consumers Australia’s mandate, this submission concentrates on the energy efficiency standards pertaining to rental properties.



Introduction

Energy Consumers Australia strongly supports 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. Stronger efficiency requirements are the first and best policy to bring down energy bills, and setting these standards should be a priority to give people relief from energy hardship and ensure that Australian homes are resilient to climate change.

Energy Consumers Australia (ECA) appreciates the opportunity to provide insights and recommendations to the Australian Capital Territory (ACT) Government as part of their public consultation process on minimum standards for rental properties. 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 see a critical opportunity for the ACT Government to provide a clear signal to landlords about the future – in alignment with their Integrated Energy Plan, spelling out to landlords the pathways to ensure the homes they rent out are energy efficient, so that tenants are able to live in healthy and affordable homes. Our research indicates these reforms are supported by the majority of Australians.

The ACT has been at the vanguard of establishing effective policies to improve the energy performance of homes and provide households with the information they need for more informed decisions about the properties they wish to buy or lease (see Appendix 1).

In 2023, the ACT was the first jurisdiction in Australia to set a minimum energy efficiency standard for ceiling insulation in rental homes, with most properties (except those with valid exemptions) required to be compliant by 2026¹. The ACT is also the first—by over 20 years now—and only jurisdiction to have in place mandatory disclosure of energy efficiency ratings (if existing) of properties at point of sale or lease.

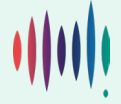
Studies have demonstrated that the combination of minimum energy efficiency standards with mandatory disclosure of ratings contribute to addressing information asymmetry and delivering higher than minimum performance properties in the market². In 2022, when the minimum energy efficiency requirements for new homes was 6 stars, more than 33% of all new homes in the ACT were designed at least 1 star above the minimum standard (as per Nationwide House Energy Rating Scheme - NatHERS - requirements), and about 7% were 2 stars above the minimum regulatory requirement.

ECA supports and commends the ACT Government’s intention to consult on the suite of standards that will have the most significant and cost-effective impacts on their 51,681 households living in rental homes.

ACT landlords are already aware of the minimum energy efficiency standards for rental properties set in 2023. They have either made the required changes or are in the process of doing so. As a jurisdiction that can experience extremes of both hot and cold weather, healthy homes that don’t cost too much to

¹ ACT Government, 2023 - Minimum energy efficiency standards for rental homes - [Factsheet information for renters](#)

² Berry, S., Moore, T., & Ambrose, M. (2022). Australia’s Experience of Combining Building Energy Standards and Disclosure Regulation. *Frontiers in Sustainable Cities*, 4. <https://doi.org/10.3389/frsc.2022.801460>



cool or warm must be a priority. The electorate has backed in the move to net zero and there is a clear and robust roadmap to reaching that with its [Integrated Energy Plan](#).

We believe this is the right time and opportunity to further ambitions and use NatHERS to better prepare ACT landlords and renters for a future—soon to be realised—where the NatHERS star rating system will be the accepted and well-known metric for housing energy efficiency for existing homes as well as new ones. This will include fixed appliances and equipment as well as the building envelope if the ‘whole of home’ approach is adopted, as seems likely.

The ACT Government can continue to be at the forefront of Australia’s net-zero goals and establish the direction that the rest of Australia should follow for a future of healthy, comfortable, clean energy, affordable and resilient homes for everyone. The ACT is the perfect ground for innovative and robust policies to be implemented, and it can be a model for other States and Territories.

Aligned with the recently published [Home Energy Ratings Disclosure Framework](#), our key recommendations to the ACT Government are to;

1. Adopt a timeline and staged pathway that provides clear guidance to landlords and prevents them from being able to rent out poorly performing homes until they’re upgraded to a certain star band based on NatHERS and the Whole of Home Performance³.
 - a. Pending a Regulatory Impact Statement (RIS) conducted by the ACT Government, our initial suggestion is that landlords shouldn’t be able to rent out homes with ratings lower than 4 stars by 2027, 6 stars and fully electric by 2030, and 7 stars and fully electric after 2033.
2. Consider financial incentives to encourage landlords to retrofit their rental properties to higher standards scheduled for future years to future proof homes and prevent the need for ongoing upgrades.

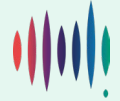
The case for a NatHERS-based minimum requirement for rental properties

Whilst the ACT is currently consulting on the suite of separate measures (e.g., draught-proofing, fixtures, appliances and energy efficiency requirements for heaters, coolers and water heaters, etc.) to improve the performance of rental properties, we believe the best option in the long term is to set minimum requirements based on the NatHERS star bands and whole of home rating method.

The NatHERS has supported minimum energy efficiency requirements for new homes and major renovations for about 20 years now. It has also been chosen by the Australian Government, state and territory governments, the REEDI Forum⁴ and industry as the most suitable tool to underpin a nationally harmonised residential disclosure. As noted in the [Home Energy Ratings Disclosure Framework](#), the NatHERS assessment:

³ The Whole of Home rating goes from 0 to 100 and provides information about the energy use of heating and cooling systems, hot water systems, lighting, pool/spa pumps, cooking and plug-in appliances, and on-site energy generation and storage. In the ACT, new houses have to comply with 60 (out of 100) and new apartments must achieve 50 (out of 100) in the Whole of Home assessment.

⁴ Residential Energy Efficiency Disclosure Initiative (REEDI) Governance Forum (the REEDI Forum).



- **enables like-for-like comparison of the energy performance of different dwellings**, including new and existing homes;
- assesses thermal performance, fixed assets and whole-of-home efficiency;
- has **significant numbers of trained assessors** (and in some jurisdictions, certification mechanisms);
- **is market tested across jurisdictions**, in all major climate zones, and for various built forms;
- **is verifiable and accurate**;
- provides information about potential upgrades; and
- **is easily understood by consumers** and others who need to use the assessment outputs.

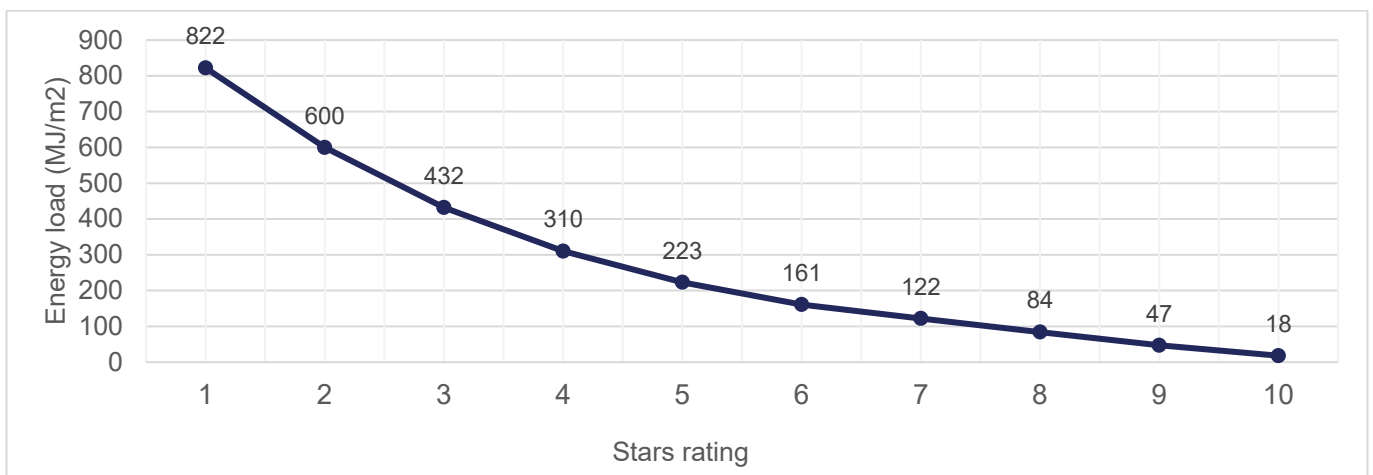
Research conducted in 2022 by SECNewgate for ECA and Renew⁵ on households’ perspectives about energy efficient housing indicated that households are looking for help to understand what actions they can take to make their homes more comfortable and lower their energy bills. Complexity and lack of agency, however, can undermine people’s efforts and make it really difficult for people to make informed energy decisions. The same research showed that tenants and vulnerable households had significantly lower levels of knowledge about energy efficiency than landlords and homeowners.

Even though the ACT Government established mandatory disclosure of energy efficiency ratings of properties at point of sale or lease (advertisement), obtaining a rating for older homes and apartments (which comprise nearly 20% of ACT residential properties) is optional^{6,7}. Hence, when renters look into property ads from major real estate agencies, a significant proportion of those properties don’t have their energy efficiency rating listed.

The NatHERS rating, whilst not perfect, is the best way of providing renters with accurate, comparable, easy-to-understand, and actionable information. Having rental properties gradually achieve a higher star rating will contribute to much lower bills, healthier and more comfortable homes, and support electrification efforts and emissions reduction goals outlined in the Integrated Energy Plan.

The NatHERS star band curve for Canberra, located on climate zone 24, is illustrated below (Figure 1).

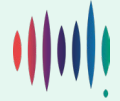
Figure 1 - NatHERS 2022 Star Band Curve for Canberra (Source: NatHERS, 2022)



⁵ SECNewgate (2022) for Energy Consumers Australia and Renew - Energy Efficient Housing Research

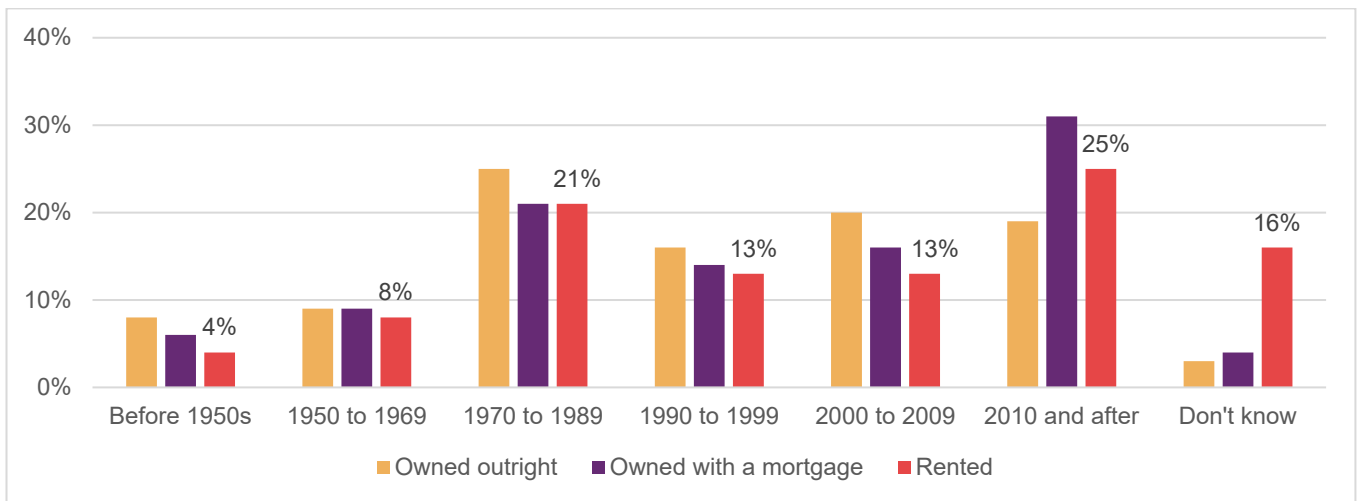
⁶ Willow Aliento (12 April 2018) - The Fifth Estate - ACT’s disclosure scheme reveals appalling residential housing quality

⁷ ACT Government (2023) - Residential Tenancies Act 1997



New homes and major renovations are required to achieve a minimum of 7 stars in the ACT. As mentioned previously, the mandatory disclosure policy in the ACT incentivises the market to strive for above minimum requirements performance. For older housing stock, though, existing research estimates that homes built before NatHERS star ratings were mandated have an average efficiency equivalent of 1.8 stars⁸. According to the 2022 AHCD (Figure 2), this constitutes at least 46% of all the rental properties in Australia (note that 16% of renters didn't know when their place was built).

Figure 2 – Year of property construction (AHCD, 2022)



As seen above, the NatHERS scale is non-linear. A 4-star home, for instance, requires half of the energy needed (per m²) to heat and cool a 2-star home. A 6-star home, similarly, uses half the energy for heating and cooling as a 4-star home and 27% of a 2-star home, and a 7-star home uses 25% less energy than a 6-star home. Upgrading lower rated properties (0 to 2 stars) to somewhere between 4 and 6 stars has a massive impact on households' energy bills and thermal comfort and can contribute to mitigating energy hardship, as detailed in the next section.

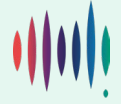
As such, we recommend the ACT Government to adopt a timeline and staged pathway that provides clear guidance to landlords and prevents them from being able to rent out poorly performing homes until they are upgraded to a certain star band based on the NatHERS and the Whole of Home Performance.

In the latest report from ClimateWorks⁹, the ACT is one of the Australian jurisdictions to benefit the most from upgrading the energy efficiency of existing homes. All three upgrade levels (quick-fix – equivalent to 4 stars, moderate – equivalent to 4.1 stars and climate-ready – equivalent to 7.4 stars) are cost-effective (for homeowners) with a cost-benefit ratio (CBR) above 1 (see [Appendix 2](#) for details on the three upgrades).

The quick fix upgrade, which consists of ceiling insulation, draught sealing, heavy drapes and roller shutters combined with an efficient electric heat pump, takes ACT detached houses to 4-stars in the NatHERS rating, has a CBR of 2.38, saves \$3,782.00 in household annual energy bills, and can reduce 5.21 tCO₂e in emissions.

⁸ CSIRO, September 2021 - [It's in the stars! How scientists figure out your home's energy rating](#)

⁹ Climateworks Centre, 2024 - [Enabling Australia's home renovation wave](#)



Therefore—and pending a Regulatory Impact Statement (RIS) conducted by the ACT Government—our initial suggestion is that landlords shouldn't be able to rent homes with ratings lower than 4 stars by 2027, 6 stars and fully electric by 2030, and 7 stars and fully electric after 2033. This also aligns with the ACT's Integrated Energy Plan and mirrors its commitment to electrifying all feasible public and community housing by 2030.

In implementing gradually increasing minimum energy efficiency requirements over time, we are aware that certain upgrades or modifications are substantial and may be more cost-effective if undertaken all at once, particularly when multiple dwellings are involved. To address this issue, the ACT Government can consider providing incentives for landlords and Owners Corporations to accelerate these upgrades and encourage landlords to 'jump ahead' and pursue higher star ratings before they become mandatory. Additionally, targeted incentives for more expensive measures—such as wall insulation, common services, or upgrades to shared building elements (e.g., shared HVAC and hot water systems)—could encourage Owners Corporations to invest in these improvements sooner rather than later.

Poor quality and energy inefficient rental homes affect people's lives and livelihoods

Renters have their health, wellbeing and financial circumstances negatively affected by poor quality and energy inefficient properties

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 bills¹⁰. For homeowners, this figure is 42%.

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). Many have expensive-to-run wired-in resistive heating (or use expensive-to-run portable electric heaters) or inefficient gas heating.

To get a better sense of how renters experience their homes, we also explored the 2022 Australian Housing Conditions Dataset¹¹ (AHCD), a survey on the housing conditions of 15,000 rental (including private and public) households and 7,500 homeowners, covering all Australian states and territories.

Our analysis¹² shows that a quarter of renters surveyed were unable to keep comfortably warm during winter or cool during summer, compared to 11% of owners outright and 15% of owners with a mortgage. Renters were also much more likely to report mould and dampness in their homes compared to homeowners. Their housing situation was also more likely to negatively impact their health, wellbeing and finances, as seen in Table 1. For further qualitative evidence and lived experience testimonies on these issues, we recommend accessing the winter and summer renter researchers reports¹³ produced by Better Renting.

¹⁰ Energy Consumers Australia, 2024 - [Energy Consumer Sentiment & Behaviour Surveys](#)

¹¹ Baker, Emma; Daniel, Lyrian; Beer, Andrew; Bentley, Rebecca; Stone, Wendy; Rowley, Steven; Nygaard, Andi; London, Kerry, 2023, "The Australian Housing Conditions Dataset 2022", <https://doi.org/10.26193/SLCU9J>, ADA Dataverse, V1

¹² Note that analysis is performed on a national basis, given the sample for ACT alone would be too small.

¹³ Better Renting – [Renter Researches Reports](#)

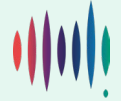


Table 1 – Housing situation, physical and mental health, and finances (AHCD, 2022)

How my housing situation has impacted negatively my....	Owned outright	Owned with a mortgage	Rented
my physical health	14%	18%	25%
my mental health	16%	27%	38%
my financial circumstances	18%	35%	47%

Properties in the rental sector present a significantly higher risk to rising temperatures and extreme weather events

Renters are less satisfied with their housing conditions, rating their homes significantly lower than homeowners. The proportion of renters who rated their homes as either poor or very poor was nearly three times the proportion of homeowners (outright and with a mortgage), as shown in Table 2.

Table 2 – Households' assessment of their homes (AHCD, 2022)

How I rate my own home	Owned outright	Owned with a mortgage	Rented
Excellent	28%	22%	13%
Good	48%	49%	41%
Average	21%	26%	35%
Poor	3%	3%	9%
Very poor	0%	1%	2%

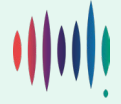
Also using the AHCD, researchers from the University of Melbourne and University of South Australia have developed a Climate Risk Index and identified that properties in the rental sector (public and rental) present a significantly higher risk, and therefore greater vulnerability to climate change impacts, than owner-occupied properties. The researchers¹⁴ conclude that,

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. Several studies¹⁵ indicate that, after 2030, even the residential properties that are presently considered energy efficient (between 6 and 7 stars) will require more energy for cooling than what is currently estimated. Therefore, it's critical that

¹⁴ Baker, E. and Morey, C. (Eds.) (2023). [Our Housing Australia](#). The Australian Centre for Housing Research. University of Adelaide. DOI 10.25909/24657108

¹⁵ Renew and Sweltering Cities (2024) - Future climate impacts on home energy standards
WSROC (2022) - [Future proofing residential development in Western Sydney](#)



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.

There is strong public backing for reform – our 2022 research indicated that the majority (70%) of Australians are supportive of improving energy efficiency standards for rental homes. In fact, most landlords (63%) agreed that creating a healthy, safe and comfortable home for their tenants is a priority and half agreed that an energy efficient property would be easier to rent out¹⁶.

Other key issues to consider

Require the replacement of any gas-powered cooking appliances or heating (space and water) systems at end of life with efficient electric ones.

In the ACT, the majority of gas users are households and small businesses¹⁷. The Integrated Energy Plan notes that “household electrification, coupled with energy efficiency, is the best choice for lower energy bills and emissions while improving the thermal comfort of a house to help adapt to a changing environment”.

In fact, electrification is a form of energy efficiency when it saves energy, money, and reduces overall emissions. The electrification efforts set out in the Integrated Energy Plan need to be carefully brought into the minimum standards and regulations for rental properties. This includes requiring landlords to replace any gas-powered cooking appliances or heating (space and water) systems at end of life with **efficient electric ones**¹⁸, with the aim of having all rental properties fully electric by 2030.

If it is decided to not require that gas cooking appliances are replaced with electric ones, then we recommend the ACT 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.

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

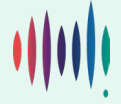
The consultation paper notes that rental properties with gas cooking appliances (or flueless heaters) could be exempt from some draught proofing requirements, due to fair safety concerns. Similarly to our comments on the Victorian proposed Regulations for Minimum Standards for Rental Properties and Rooming Houses, we are concerned that exempt cases will leave such properties in a leaky and fossil-fuel burning limbo.

We suggest that this is amended to include that draught proofing will be required when existing gas appliances (or flueless heaters) reach their end of life and are replaced with electric and efficient alternatives.

¹⁶ SECNewgate (2022) for Energy Consumers Australia and Renew - [Energy Efficient Housing Research](#)

¹⁷ Wood, T., Reeve, A., and Suckling, E. (2023). [Getting off gas: why, how, and who should pay?](#) Grattan Institute

¹⁸ In the case of cooking appliances, we note the importance of requiring landlords to install induction cooktops instead of coil cooktops or other non-induction least efficient stoves.



On another note, semi-detached houses and building blocks are often considered an exemption case when it comes to efficiency upgrades. Owners Corporation rules, Strata requirements, the difficulty in accessing building systems, and the costs of upgrading such systems and building components on a bigger scale are all sensible reasons to make it a harder—but not impossible—case.

In the ACT, the proportion of semi-detached, townhouses, flats and apartments is much greater than the Australian national average (36.6% and 26.8%, respectively). Therefore, it's essential that the ACT Government considers;

- how the minimum energy efficiency requirements apply to these types of dwellings;
- how to encourage Owners Corporations to play a more proactive role in improving the energy efficiency of the building envelope and any shared systems; and
- how to require Owners Corporations to support dwelling occupants in adopting more energy efficient behaviours (such as drying clothes on balconies or applying shading to windows).

Commit to reviewing and updating the minimum energy efficiency standards at least every five years and to provide regular and public reports on progress of the implementation of the standards including data on savings and multiple benefits.

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.

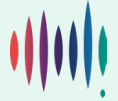
Given that an update to residential building codes is expected in the 2028 National Construction Code with potential scope for near or net zero energy and emissions buildings, it's important that the proposed Regulations are reviewed in due course to lift minimum standards for rental properties and enable decarbonisation of the built environment.

Ensure there are sufficient enforcement and compliance measures to monitor how the minimum energy efficiency standards are implemented, how exemption cases are justified, and how renters are being communicated to about the changes in minimum standards, from listing and advertising to end of lease.

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

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.

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.



Ideally, as recommended by Mr Alan Pears, Senior Industry Fellow at RMIT, in his submission to the Victorian Government consultation (available upon request to the author), all rental homes should be required to have a 'durable' certificate displayed in the foyer or near the circuit breakers that lists the measures that are meant to have been implemented (or scheduled) with ticks for those done at the time of a new lease or when an existing occupant remains at end of a lease. Contact details for relevant government agencies should be provided, similar to NABERS¹⁹.

Final remarks

As the population of renters continues to grow in Australia, it's essential that all States and Territories adopt effective policies that address the inherent failures in the housing market and ensure renters have access to affordable, efficient, healthy, comfortable and clean energy homes.

The International Energy Agency states that “energy efficiency action is the unambiguous first and best response to simultaneously meet affordability, supply security and climate goals”. Setting stronger efficiency requirements for rental properties is, therefore, the first and best policy to bring down energy bills, mitigate hardship, prevent energy waste and reduce emissions.

We thank the ACT Government for the opportunity to provide feedback and make ourselves available for further discussion and collaboration throughout the consultation process. Finally, we would encourage the ACT Government to integrate any learnings and community feedback that might have been received by the Victorian Government during consultation on the proposed Regulations for Minimum Standards for Rental Properties and Rooming Houses. Learning from the Victorian experience, regulatory impact statement process and the issues raised in their consultation can prove extremely helpful.

For any questions or comments about the submission, please contact Caroline Valente at caroline.valente@energyconsumersaustralia.com.au.

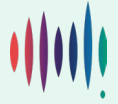
Yours sincerely,

A handwritten signature in black ink, appearing to read 'Carol Valente'.

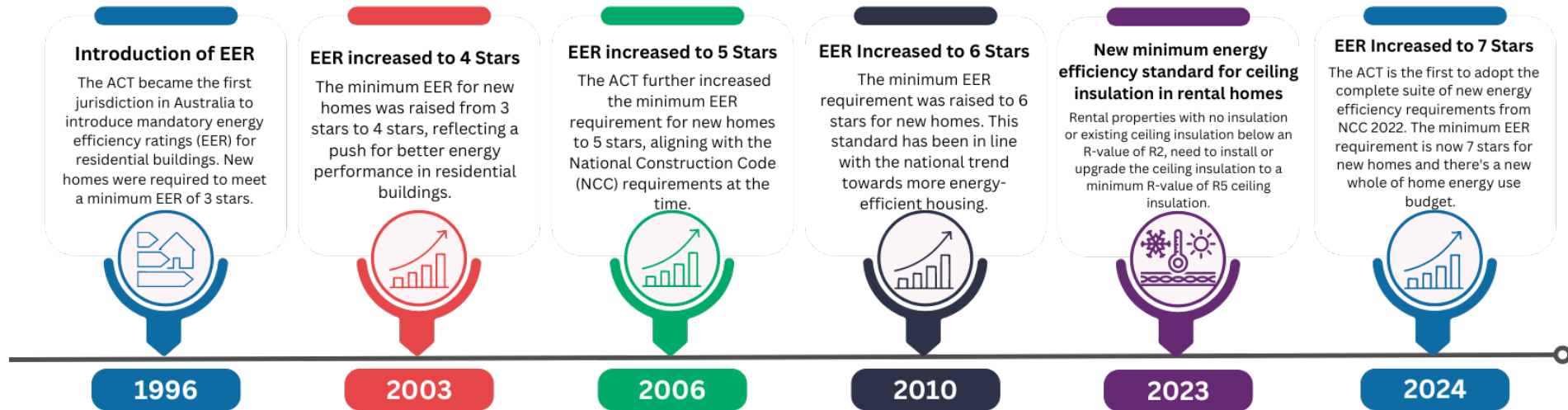
Carol Valente

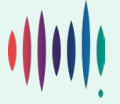
Executive Manager – Policy and Advocacy

¹⁹ The NABERS (National Australian Built Environment Rating System) provides simple, reliable, and comparable sustainability measurement across building sectors like hotels, shopping centres, apartments, offices, data centres, and more.



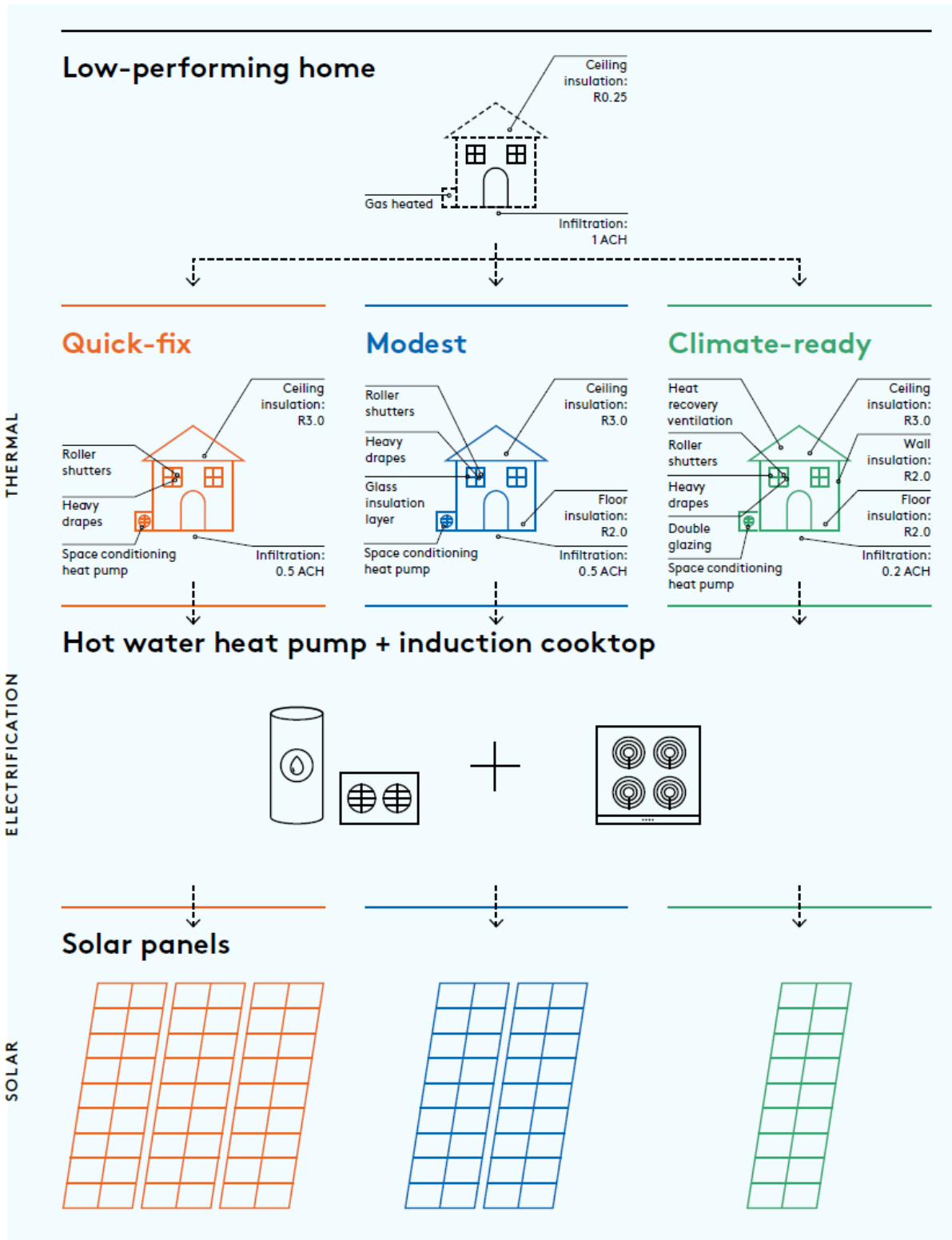
Appendix 1 – Adoption of energy efficiency requirements for homes in the ACT.





Appendix 2 – Upgrade levels and terminology from the Climate-ready homes report.

Source: Climateworks Centre, 2024 *Enabling Australia's home renovation wave* report (page 12)



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