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Deputy Secretary, Energy
Department of Energy, Environment and Climate Action
Level 3, 8 Nicholson Street
East Melbourne Vic 3002

28 June 2024

Re. Consultation on Victorian Minimum Standards for Rental Properties and Rooming Houses

To whom it may concern,

Thank you for the opportunity to make a submission on behalf of Geelong Sustainability to the proposed regulation and Regulatory Impact Statement (RIS) for the Victorian Minimum Standards for Rental Properties and Rooming Houses.

Geelong Sustainability supports the Victorian government's proposal to require improved efficiency standards for private rentals in Victoria. Efficiency standards for rentals are essential for ensuring that renters have access to affordable, essential heating and cooling. This measure is also critical to enabling Victoria to achieve an efficient transition.

Geelong Sustainability is a not-for-profit community organisation and registered charity that supports residents of Geelong and surrounding regions to be more sustainable in their everyday lives. Since our establishment in 2007, Geelong Sustainability has become the region's leading sustainability group with extensive networks in community, government and business throughout Geelong and the Barwon region. We are recognised for our evidence-based innovative projects, which educate and support our community's transition to a net zero, circular economy.

We have 240 financial members, over 50 active volunteers, and a broader supporter base of 20,000 newsletter and social media subscribers. Since our inception, we have facilitated \$9.3M of renewable energy investment in the community which has helped mitigate over 127 kilotons of Carbon Dioxide emissions.

Geelong Sustainability recently delivered the [Climate Safe Rooms](#) program, which funded energy efficiency upgrades for low income households living with a chronic illness. In 2024 we are continuing the [Electric Homes Program](#) which supports G21 Region households to electrify and install renewable generation.

Insights from these programs have informed our submission.

Summary of Recommendations

1. We support the strengthening of minimum efficiency standards for rental homes
 - 1.1 Minimum standards are essential to improve energy performance of rental homes
 - 1.2 They are essential to include rental homes in household electrification
 - 1.3 They will deliver health benefits for occupants, reducing health system costs
 - 1.4 They are essential for the transition to net zero Co2e emissions
 - 1.5 Improved efficiency will reduce energy costs for all
2. We recommend some changes to the proposed standards
 - 2.1 We support the requirement for R-5 ceiling insulation
 - 2.2 We support the requirement for electric heaters to replace gas appliances
 - 2.3 We support the proposed requirement for efficient electric hot water systems and efficient shower heads
 - 2.4 The regulations for ceiling insulation should be strengthened
 - 2.5 A 3-star (minimum) rating for electric heating and cooling should be required
 - 2.6 Remove gas completely from rental homes
3. Further reform to ensure Victorians have access to affordable, livable rental homes
 - 3.1 A minimum standards compliance review is recommended
 - 3.2 Minimum standards should be implemented as part of broader policy reforms to deliver affordable rental housing
 - 3.3 Ongoing revisions of minimal standards will be needed to adequately address the energy performance and thermal comfort of rental dwellings

1. We support the proposed strengthening of minimum efficiency standards

1.1 Minimum standards are essential to improve energy performance of rental homes

We support strengthened minimum efficiency standards as the most effective way to improve energy efficiency in rental homes.

The 'split incentive' between property owners and tenants has been persistent in excluding renters from the benefits that energy efficiency delivers, in terms of lower bills and improved thermal comfort and health. As owner-occupied homes have taken advantage of energy efficiency technology and Distributed Energy Resources (DER) over recent decades, the divide between standards in private homes and rentals has grown.

Generous subsidy schemes, like Solar Victoria's 'Solar for Renters' program have had low uptake relative to equivalent schemes for owner-occupiers. Given the importance of achieving improved energy efficiency for rental homes, the direct regulation of these minimum standards is endorsed as an appropriate policy approach.

1.2 Minimum standards are essential for household electrification in the rental sector

The high interest in Geelong Sustainability's 2023 Electric Homes program adds to a growing body of evidence that electrification is gaining momentum amongst owner occupiers. 1,500 community members attended the Electric Homes information sessions, and 318 upgrades were completed (electrification and DER).

Introducing the requirement that gas appliances be replaced with electric (at least at end-of-life) is an essential step to introduce now, to limit the risk that renters will be disproportionately exposed to rising gas network prices as demand falls.

It will also allow renters to benefit from the direct advantages of electrified homes, in terms of lower bills and improved indoor air quality.

1.3 Minimum standards will deliver health benefits for occupants, and reduce health system costs

The RIS cites research including the Healthy Homes study, that demonstrates positive health outcomes resulting from efficiency upgrades.

These findings are consistent with those of Geelong Sustainability's Climate Safe Rooms program. This pilot was delivered to 16 low-income homes where occupants lived with a chronic health condition. We found that participants reported a 17% decrease in pain and discomfort following the program's interventions, and the average number of annual doctors' visits dropped from 26 to 19. This was estimated to deliver \$887 saved in the healthcare system per person over one winter period. [Full report from the pilot project available here.](#)

1.4 Minimum standards are essential to the transition

The RIS considers the direct environmental benefits of the improved energy standards. If the rollout of energy efficiency, electrification and DER is not extended to rented homes, then more expensive decarbonisation measures will be required for Victoria to meet its transition targets.

Least-cost transition scenario models, such as the Integrated System Plan, consistently show that residential electrification, energy efficiency and DER are priority activities that should be pursued in the near term¹. 28.5% of Victorian homes are rented.² If regulation is not in place to ensure that rental properties are included in these activities, then all Victorians will bear the cost of the higher-cost decarbonisation measures that will be required.

1.5 Improved efficiency will reduce energy costs for all

The RIS considers the direct benefits of reduced energy costs for rental households. However, it does not include the energy cost reductions that will flow to all users, as a result of reduced need for new generation and network augmentation.

This effect is well demonstrated and quantified in Victorian Energy Upgrades performance reports.³ It's an important aspect of evaluating the broader benefits of this regulation.

2. We recommend some changes to the draft regulations

2.1 We support the requirement for R-5 ceiling insulation

Geelong Sustainability endorses the adoption of an R5 standard requirement for new ceiling insulation installations, rather than a lesser R-value. This high standard is likely to deliver benefits that are not easily quantifiable and not captured by the RIS - such as the likelihood that increased demand for R-5 batts should be expected to reduce material costs over time.

Ceiling insulation delivers a substantial difference in the thermal performance of a home, and it is worthwhile installing batts of a high R value for new installations.

2.2 We support the requirement for electric heaters to replace gas appliances

We endorse the proposal to require new heaters to be electric only. This requirement is an essential step towards ensuring that rentals are not disproportionately exposed to the risk of rising gas network prices, expected to emerge as a result of falling demand.

¹

https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2023/draft-2024-isp-consultation/draft-2024-isp.pdf?la=en

² <https://www.abs.gov.au/census/find-census-data/quickstats/2021/2>

³ <https://www.esc.vic.gov.au/victorian-energy-upgrades-program/veu-updates-reports-reviews-and-data/veu-performance-reports>

2.3 We support the proposed requirement for efficient electric hot water systems and efficient shower heads

Geelong Sustainability supports the proposed requirement that efficient electric heat pumps be installed at the end of life for the existing hot water system, and that efficient showerheads are installed at the start of a new lease.

2.4 The regulations for ceiling insulation should be strengthened

We support the proposals to introduce a requirement for ceiling insulation, but we recommend that these should be strengthened in the following ways in order to be effective:

- **Existing insulation should only warrant an exemption from the insulation requirement where it is intact and without gaps, and deemed to perform to at least R2.5.**

Existing insulation that is disturbed, poorly installed, has gaps or has settled should not warrant an exemption from the requirement.

This revision is critical because of the very large impact that small gaps have on insulations' performance. Insulation below R2.5 is unlikely to be effective in practice, therefore an effective standard of R2.5 should be required as a minimum for existing insulation, to warrant an exemption for the requirement for installing new insulation.

- **Loose-fill insulation should not be included for new ceiling insulation installations**

Loose fill insulation is cheap to install, but does not perform as well as batts over its lifetime. For areas with roofspace access, batts should be required.

2.5 At least a 3-star (minimum) standard of electric heating and cooling should be required

The RIS shows that minimum 3-star electric-only heating and cooling will deliver the highest economic return, however, the draft regulation specifies 2-star heating (which would include electric heaters other than reverse cycle air conditioners (RCACs)), due to concerns around supply chain constraints.

Given the 10-20-year operating life of heaters, allowing the installation of low-efficiency 2-star units is a poor outcome that will commit households to decades of high heating costs.

Geelong Sustainability recommends that instead of foregoing the 3-star minimum standard, it's preferable that any supply chain risk be managed instead through an exemptions mechanism, which would allow property owners to apply to install 2-star appliances where

availability constraints can be demonstrated. Exemptions should only be considered where a shortage of 3, 4 and 5 star RCACs can be demonstrated.

2.6 Remove gas completely from rental homes

We recommend removing gas completely from all Victorian rental homes. We know the health implications from gas and the increasing cost involved, including that gas cooking is estimated to be responsible for up to 12% of the childhood asthma burden in Australia⁴, which is comparable to the risk of tobacco smoke exposure in the home. We don't believe that renters should suffer more health consequences than homeowners, nor be left behind in the transition to an all-electric home.

3. Further reform is required to ensure Victorians have access to affordable, livable rental homes

3.1 A minimum standards compliance review is recommended

The RIS states that the new regulations will not be accompanied by any change to the enforcement and compliance processes that are currently in place. However, recent research from Tenants Victoria shows a high rate of non-compliance with the existing scheme.⁵

Geelong Sustainability recommends a review of compliance and enforcement is required to ensure that the proposed minimum standards are implemented in a way that delivers the regulations' intended outcomes, and that does not rely unduly on tenants to report discrepancies.

3.2 Minimum standards should be implemented as part of broader policy reforms to deliver affordable rental housing

The minimum standards have been proposed in the current context of record levels of rental unaffordability in Victoria, with Anglicare's 2024 Rental Affordability snapshot finding an acute shortage of rental homes that qualify as affordable for low income households.⁶

The RIS demonstrates that the minimum standards will deliver cost-of-living benefits to renting households, and that their introduction is unlikely to have an impact on average rents. This is a positive outcome, and broader policy reform to further improve the affordability of rental homes is encouraged.

3.3 Ongoing revisions of minimal standards will be needed to adequately address the energy performance and thermal comfort of rental dwellings

⁴ https://asthma.org.au/wp-content/uploads/2022/11/AA2022_Housing-Survey-Report_full_v4.pdf

⁵ <https://tenantsvic.org.au/news/minimum-standards-in-rentals/>

⁶ <https://www.anglicare.asn.au/publications/2024-rental-affordability-snapshot/>

Geelong Sustainability welcomes the minimum standards proposed in the draft regulation. Ceiling insulation, efficient electric heating and cooling, efficient electric hot water and basic draught sealing are important and well-chosen priorities for immediate action.

However, ongoing revisions to strengthen the standards will be required to adequately address the existing gap in housing standards between renters and owner-occupiers, and to deliver the broader social benefits that energy efficiency, electrification and DER offer.

It's essential that further measures to electrify rental homes are introduced in future revisions, which may include the replacement of gas appliances before their end of life, as well as including kitchen appliances and the disconnection of gas supply.

Additional effective measures to improve thermal performance, such as HVAC zoning, targeted draught sealing, double glazing, window treatments, and improved ceiling, underfloor and wall insulation will become necessary.

We recommend the inclusion of a rooftop solar installation requirement in the next standards revision. Charging infrastructure for electric vehicles should be expected to become a necessity in upcoming rounds.

Given the fast pace of change that's underway for energy use in the residential sector, we recommend the adoption of a regular annual or biannual schedule for the review of minimum standards for rental homes should be adopted, with the aim being to provide affordable rental homes that exceed, rather than lag the energy performance and thermal comfort of the average for Victorian homes.

Conclusion

The Victorian Labor government has demonstrated national leadership in introducing minimum standards for rental properties. Geelong Sustainability supports the proposal to strengthen these requirements, and encourages ongoing reform.

We look forward to working with the Government to improve the energy performance of Victorian homes. Thank you for considering our submission.

Sincerely,

David Spear
Chairperson
Geelong Sustainability

Dan Cowdell
CEO
Geelong Sustainability