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**Re: Draft Report for achieving low energy existing homes**

Dear Ms Pipkorn

Thank you for the opportunity to comment on the Draft Report for achieving low energy existing homes (hereafter referred to as 'the Draft Report').

The Energy Efficiency Council (EEC) is the peak body for energy efficiency, energy management and demand response. Our members include energy management companies, independent experts and various levels of government. The following points are the EEC's preliminary comments on the Draft Trajectory, and the EEC will reserve its full position on the draft trajectory until it has fully consulted with members.

Retrofitting existing homes is critical to improve the health and comfort of Australians, reduce energy bills and reduce greenhouse gas emissions. While the modeling in the Draft Report is conservative, it highlights both the major benefits of retrofitting existing homes and the urgency of implementing these policies. The Draft Report estimates that implementing key policies in 2022 would deliver \$5 billion in benefits (Net Present Value), and that delaying implementation by just three years would result in foregone benefits of \$1.6 billion (NPV).

The EEC strongly endorses key policy recommendations of the Draft Report, which line up with priority policies the EEC set out in its reports '*The Energy Efficiency Policy Handbook (1<sup>st</sup> Edition)*' and '*The World's First Fuel – how energy efficiency is reshaping global energy systems*'. Specifically, both the EEC's reports and the Draft Report recommend:

- **Energy Efficiency Schemes**

Energy efficiency schemes should be harmonized and extended to Queensland, Western Australia, Tasmania and the Northern Territory.

- **Minimum standards for rental properties**

Minimum standards are essential to upgrade to bring rental properties up to an acceptable standard for health and affordability. Experience has shown that other policies, including incentive programs, have not been effective for rental properties. The implementation of rental standards in the UK, New Zealand and Boulder, Colorado included a notice period (e.g. legislation in Boulder was introduced in 2010 and came into force in 2018) to address community concerns and allow governments and industry time to ensure the safe and effective roll-out of energy efficiency upgrades. Minimum standards in New Zealand and Boulder were also complemented by transitional support property owners to meet the standard, especially owners of properties that were leased to low-income households.

- **Mandatory energy efficiency ratings at the point of sale**

Evidence from rating schemes in Europe and the Australian Capital Territory (ACT) demonstrate that energy efficiency rating schemes can be incredibly effective, and generally have a larger impact on owner-occupied properties than rental properties. Mandatory ratings are far more effective, partially because they will ensure that far more homeowners have access to information about the energy efficiency of their property, but also because prospective buyers and renters can only compare properties if the majority of properties have ratings.<sup>1</sup> Given that the cost of undertaking ratings will likely decrease over time, it would make sense to initially require ratings at the point of sale, and later extend this requirement to leased properties.

- **Vulnerable household (including public, community and privately-owned housing)**

Vulnerable households face a number of barriers to upgrading the properties that they own or occupy. A dedicated stream of measures is required to ensure that the homes of vulnerable households are brought up to an acceptable standard – recent research found that over 200 Victorians had been hospitalized with hypothermia in the Alfred Health district alone – among elderly patients, over 87 per cent had contracted hypothermia indoors.

- **Greenhouse and Energy Minimum Standards (GEMS)**

Improved appliance standards and labeling will deliver significant improvements to buildings.

In addition, the EEC recommends a stronger focus on market transformation for specific goods and services, including a specific focus on support for developing the residential energy efficiency retrofit industry.

The objectives presented on page 15 of the draft trajectory appear reasonable, namely:

- Lower energy bills for households;
- Save energy (reduce wastage) for the wider economy;
- Improve comfort levels for, and potentially the health of, occupants;
- Improve resilience to extreme weather and blackouts (peak demand); and
- Reduce carbon emissions.

However, as noted in our previous submission, the objective ‘save energy’ should be clarified to ‘provide energy capacity’. Improvements in energy management in buildings (including energy efficiency, peak shaving and load shifting) can provide significant capacity to Australia’s electricity markets. Minimum standards for fridges and freezers alone provide ‘baseload’ capacity by reducing Australia’s electricity demand by over 360 MW, 24 hours a day, 365 days a year - this provides highly reliable, low-cost capacity to the energy market, lowering both wholesale and network costs.<sup>2</sup> While residential buildings only account for 23 per cent of electricity consumption, they can account for 50 per cent of peak demand, meaning that residential energy management can have a disproportionately large impact on energy costs.

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<sup>1</sup> Garnaut, R. 2008 *The Garnaut Climate Change Review*, Melbourne University Press, Melbourne.

<sup>2</sup> Department of Energy and Environment 2018, *The Independent Review of the GEMS Act 2012 Draft Report*, Commonwealth of Australia, Canberra.

In addition, we recommend that the Draft Trajectory more explicitly prioritise the impact of buildings on health, given that around 3,000 Australians die every year during periods of hot and cold weather, nearly double the size of Australia's road toll. Many of these deaths would be avoided if Australia had higher quality building stock – it's notable that Sydney has twice the mortality rate associated with cold weather as Stockholm in Sweden.

Accordingly, we reiterate our recommendation that the key principles for selecting policy options on page 19-20 of the Draft Strategy also include:

*“Policy options will be prioritized that deliver:*

- *Improved health and safety outcomes, such as resistance to heatwaves [this will generally relate to building shell, heating and cooling systems];*
- *Benefits to the electricity network and reductions in the cost of energy delivery; and*
- *Benefits to vulnerable consumers, including those in the least efficient buildings.”*

The EEC also makes the following observations on the Draft Trajectory:

- Market transformation should play a fundamental role in the Draft Trajectory. A range of policies acting in concert, such as Energy Efficiency Schemes and minimum building standards, can play a key role in shifting energy efficiency products and services from 'low volume, high price' to 'high volume (or standard practice), low price'. We urge the National Energy Productivity Plan (NEPP) Secretariat to incorporate a consideration of market transformation in the Draft Trajectory.
- Some countries are introducing minimum standards for both rental and owner-occupied houses. For example, France will require all residential buildings to have an energy efficiency rating of 'E' or higher by 2025. While the EEC believes that this measure merits consideration, we endorse the Draft Trajectory's initial focus on minimum energy efficiency standards for rental properties; and
- It isn't clear from the modeling of the costs of energy efficiency disclosure, but if an assessment was valid for multiple sales, or re-assessment was significantly cheaper (e.g. did not need to investigate building fabric) it would significantly lower the costs of the policy

We look forward to further engaging with the NEPP Secretariat as the Trajectory is developed. If you would like any clarification of the issues set out in this submission I can be contacted via email at [rob.murray-leach@eec.org.au](mailto:rob.murray-leach@eec.org.au) or telephone on 0414 065 556.

Yours sincerely,



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