



MINIMUM STANDARDS FOR RENTAL PROPERTIES ACT

Submission – Energy Efficiency Council

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About the EEC

EEC is the peak body for Australia's energy management sector.

We are a membership association for businesses, universities, governments, and NGOs that have come together to ensure Australia harnesses the power of efficiency, electrification, and demand management to deliver a prosperous, equitable, net zero Australia with:

- People living and working in healthy, comfortable buildings;
- Businesses thriving in a decarbonised global economy; and
- An energy system delivering affordable, reliable energy to everyone.

EEC works on behalf of its members to drive world-leading government policy, support businesses to rapidly decarbonise, and to ensure we have the skilled professionals to drive Australia's energy transformation.

Summary

Thank you for the opportunity to provide feedback to the ACT Government on minimum standards for rental properties and occupancy law reform.

This submission focuses on the minimum energy efficiency rental standards as considered in the consultation paper.

The EEC welcomes the ACT Government consultation on reforms to expand minimum energy efficiency standards for renters.

ACT renters should be able to live in healthy homes that are affordable to run. Expanding minimum energy efficiency standards is an important opportunity to reduce energy bills and improve health and comfort for renters.

Rental homes on average are less energy efficient and more expensive to run than owner-occupied homes. Nationally, renters spend as much as 8% more on energy bills for like-for-like homes because their rental homes are less energy efficient.¹

Many rental homes in the ACT and around Australia are not meeting basic healthy living conditions. Research from Better Renting in 2023 found that rental homes in Canberra regularly fell below minimum healthy temperatures, with indoor temperatures recorded below the World Health Organisation benchmark of 18 degrees for 84% of the time, or over 20 hours a day.²

The poor performance of rental homes is a structural issue of Australia's rental market. Rental providers are responsible for the upfront costs of appliances or energy efficiency upgrades, however renters are responsible for paying energy bills. Minimum regulated energy efficiency standards that must be met by all rental homes are a key policy response to address this split incentive.

The ACT has already demonstrated leadership on this critical issue by becoming the first jurisdiction in Australia to require ceiling insulation as a minimum standard for rental homes. The ACT should build on this important step with a further expansion of minimum standards for

¹ Best, Rohan and Burke, Paul J., [Effects of renting on household energy expenditure: Evidence from Australia](#). CCEP Working Paper 2202, May 2022.

² Better Renting, [Power Struggles: Winter Renter Researchers 2023](#)

energy efficiency in rental homes. In the immediate term, the ACT has an opportunity to set minimum standards for additional features to be required in rental homes. In the medium term following the national expansion of energy ratings for existing homes and mandatory ratings disclosure schemes, the ACT should lead the country in adopting ratings-based minimum energy performance standards for rental homes.

We recommend that measures taken by the ACT in an expansion of minimum rental standards should include:

- Provision of efficient electric heating and cooling in rental homes
- Additional requirements for thermal efficiency, including sealed draughts and window coverings
- Replacement of old inefficient appliances, such as hot water systems, at end of life
- Create a pathway towards energy ratings-based compliance with minimum standards
- Ensure enabling and complementary measures are in place including skills, incentives and consumer support

Further comments and recommendations on each of these areas is provided as follows.

Heating and cooling

The consultation paper considers the option of introducing a minimum standard that requires a fixed space heating and cooling appliance in the main living area of a rental home.

Space heating and cooling is a basic requirement to ensure healthy indoor temperatures. The EEC supports a minimum standard to ensure energy-efficient heating and cooling to maintain safe and comfortable indoor temperatures is available in all ACT rental homes.

Where a fixed heater is not provided, renters will likely experience extremely cold and unhealthy indoor temperatures during a Canberra winter, or will source inefficient plug-in heating options, such as resistive electric heaters. While the upfront cost of plug-in heaters is typically lower than those of fixed heaters and can be purchased by renters without making modifications to a rental home, they are inefficient and cause high ongoing energy costs for renters to keep their home warm. They can also be a fire hazard.

Reverse cycle air conditioners are by far the most efficient heating option in the majority of homes. A reverse cycle air conditioner may reduce space heating costs for a living room in a

typical insulated Canberra rental home by over 50% from an inefficient gas ducted heating system, or over 35% from plug-in electric heating.³

Reverse cycle air conditioners are not only the most energy efficient option for space heating but also provide the most efficient cooling option in summer. As such, the practical implication of setting requirements for fixed heating and cooling is to incentivise the installation of a split system reverse cycle air conditioner as the lowest cost compliance option for rental providers.

As reverse cycle air conditioners function most effectively in spaces with good insulation and draught sealing, complementary measures to a heating requirement include ensuring the introduction of a draught sealing minimum standard and compliance with existing insulation minimum standards.

The ACT should set a minimum standard for space heating and cooling. The model for minimum standards for heating and cooling currently under consideration in Victoria sets a minimum efficiency level of 2 stars for heating and 3 stars for cooling. More ambitious stringency levels would result in higher ongoing bill savings for renters.

Recommendations

- Set a minimum standard requiring fixed electric heating and cooling in the main living area of rental homes
- Require heating and cooling appliances to meet a baseline energy efficiency rating of 3 stars
- Ensure features-based requirements are consistent with option to introduce ratings-based minimum standards in future

Draught sealing

Expanded minimum energy efficiency standards for rental homes should include a requirement for draughts to be sealed. Draught sealing is an inexpensive and accessible measure that can

³ Renew, [Limiting energy bills by getting off gas](#), 2022

lead to significant improvements in thermal efficiency and comfort. It also improves the efficacy of efficient reverse cycle air conditioners for heating and cooling.

Unlike traditional heaters, reverse cycle air conditioners when used for heating will expel warm air (rather than hot) and are generally placed nearer to the ceiling. Air conditioners installed in poorly insulated homes with low surface temperatures and high heat losses, risk creating a “wind chill” effect, as conditioned air is cooled by cold surfaces and flows to the floor, leading to uncomfortable and dissatisfied occupants.⁴ This makes good thermal performance essential to ensuring homes unlock the benefits of reverse cycle heating, in particular.

Proposed Victorian standards for draught sealing include a requirement for weather sealing around the perimeter of external doors; weather seals on wall vents; and sealing unreasonable gaps and cracks in window frames, door frames, construction joints, linings, skirting and floorboards, and wall penetrations. Regulatory Impact Statement analysis found that both the proposed standards and a more stringent standard including sealing window gaps and general caulking would result in a net community benefit.

If implemented, clear definitions of what constitutes adequate levels of draught sealing, alongside information and resources to support householders should be made available to enable effective implementation. These resources should include measures to ensure adequate ventilation and indoor air quality is maintained, particularly in cooking spaces, and when unflued gas heaters are used.

It is important that the individuals responsible for undertaking draught sealing work understand the basic concepts associated with this work, such as that homes must have sufficient ventilation to avoid moisture issues that may lead to mould, or that poor ventilation can exacerbate health issues associated with gas-burning appliances.

The EEC suggests that when implementing minimum standards on draught sealing, the ACT government should consider the development of a short, cost and time efficient micro-credential to ensure individuals employed by rental agents and landlords understand the principles of draught sealing – such as understanding ventilation, and what “unreasonable gaps” look like in practice. This credential may be developed in partnership with an appropriate education provider.

⁴ The Conversation, [Replacing gas heating with reverse-cycle aircon leaves some people feeling cold. Why? And what's the solution?](#) 2023.

Recommendations

- Set a minimum standard requiring sealed draughts for ACT rental homes, aligning with the standard proposed in Victoria.
- Support development of a micro-credential to ensure individuals employed by rental agents and landlords can demonstrate that they understand the principles of draught sealing and can undertake the work safely and effectively.

Appliance replacement at end of life

The ACT Government is committed to electrification of new and existing homes. One clear opportunity to support this objective is to require appliances at their end of life to be replaced with energy efficient electric appliances.

New appliances installed today are likely to be in place for a lifespan of approximately 10-20 years; where rental providers choose to install like-for-like replacements for gas appliances, renters will be forced to pay the costs of ongoing connection to the gas network. Without policy intervention, renters may be excluded from participating in the transition to all-electric homes powered by renewables, and face disproportionate costs for staying connected to a declining gas network.

Alongside requirements for efficient electric space heating and cooling, a requirement for efficient electric replacements for appliances such as cooktops and hot water systems at end of life should be considered. To compliment this, regulations should set clear energy efficiency standards for replacement of these appliances to protect renters from ongoing high costs.

Recommendations

- Require installation of efficient electric hot water systems when replaced at end of life
- Require installation of efficient electric cooking appliances when replaced at end of life
- Ensure features-based requirements are consistent with option to introduce ratings-based minimum standards in future

Energy efficiency ratings and performance-based standards

A longer-term compliance pathway for minimum rental energy efficiency standards should be developed based on home energy ratings. Under this approach, a home would need to meet a minimum energy efficiency rating at the point of lease.

This approach has clear benefits. Assessments (for example using the Residential Efficiency Scorecard or other NatHERS-accredited tools) would provide clear information to renters and allow for the assessment of existing features that are difficult for renters to verify alone, such as identifying gaps in insulation. In-home assessments can also provide clear information on measures that can be taken to improve efficiency. Mandatory minimum ratings would allow for simplified compliance pathways, independently verified. This approach can improve renter confidence and shift the onus for enforcement away from renters alone.

A minimum acceptable rating should be ratcheted up over time with clear signposting, ensuring the energy performance of rental homes is improved over time in line with emissions commitments, climate resilience, and community need in the energy transition. Minimum ratings are highly consistent with the mandatory disclosure of energy ratings at the point of lease.

A framework for the introduction of performance-based minimum standards using energy ratings is available in the Community Sector Blueprint, supported by EEC and a range of community and energy organisations.⁵

Recommendations

- Develop a long-term compliance pathway for minimum rental energy efficiency standards based on a minimum NatHERS energy efficiency rating
- Ratchet up minimum energy efficiency ratings over time with clear signposting
- Ensure consistency of minimum ratings with existing objective of electrification

⁵ Heathy Homes for Renters, [Community Sector Blueprint: a National Framework for Minimum Energy Efficiency Rental Requirements](#).

Enabling measures

The ACT Government should work with industry and suppliers to enhance industry preparedness to deliver retrofits under expanded minimum standards. Considerations should include appropriate skills and training, supply chains, and environmental sustainability. The work done on industry capability to support the introduction of a minimum rental standard for ceiling insulation in the ACT is an excellent example of capacity building within industry.

The ACT government should also tap into other work being done by industry to enhance its capacity to deliver upgrades, including supporting the national effort to implement the [Heat Pump Hot Water System Roadmap](#).

Rental providers may require specific additional resources and support in acting to meet expanded minimum energy efficiency standards. Beyond financial support, provision of clear and accessible consumer and industry information and resources will be critical. The resources available through the ACT's Make Your Next Choice Electric site offer a potential approach, which may be further expanded through complementary measures such as real estate agent participation or a One Stop Shop model.

Energy Efficiency Council is currently conducting a research project in partnership with Better Renting on possible complementary policy measures to support minimum energy efficiency standards. We look forward to an opportunity to share the findings of this research with you upon completion in late 2024.

Thank you for your consideration of this submission. The EEC would welcome the opportunity to discuss these matters with you in detail. For further information, please contact Rob McLeod at rob.mcleod@eec.org.au or 0402 318842.

Yours faithfully,



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