



Victorian Minimum Standards for Rental Properties and Rooming Houses

EEC Submission

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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.

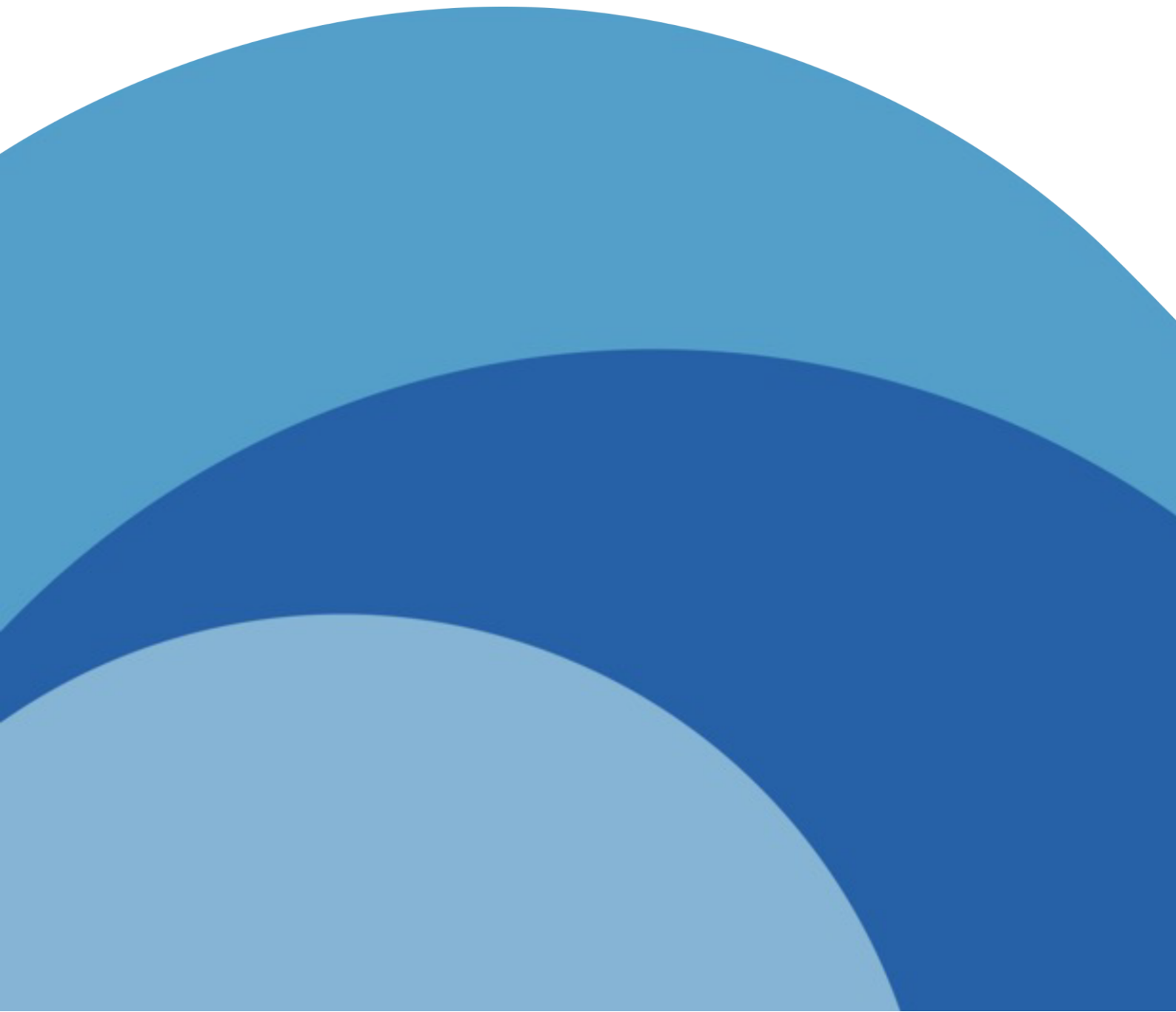
EEC works on behalf of its members to drive world-leading government policy, support businesses to rapidly decarbonise, and to ensure we have the skilled professionals to drive Australia's energy transformation.

Introduction

The Energy Efficiency Council (EEC) welcomes the opportunity to comment on the proposed Minimum Standards for Rental Properties and Rooming Houses.

The EEC commends the Victorian Government's decision to propose ambitious minimum rental standards that will drive critical energy performance improvements in rental properties across the state. These standards can improve the health and comfort of renters, relieve cost of living pressures, support achievement of net zero compatibility in Victoria's built environment, and improve the climate resilience of rental homes.

Detailed Remarks



Ceiling insulation

The proposed standard for insulation is a good start in stimulating the critical thermal performance upgrades needed to improve the lives of renters and ensure Victorian housing stock is climate resilient and net zero compatible into the future. However, Victoria could refine the proposed standards to unlock further benefits.

Triggering the minimum rental standard for ceiling insulation

The EEC has heard concerns regarding the cost benefit analysis (CBA) used to underpin the recommended standard. These include:

- What the Victorian analysis takes to be R1.5 does not include consideration of downlights, fans, flues, and the extent of coverage in the ceiling, meaning the effective insulation level will be less than is calculated.^{1 2}
- The health benefits from insulation upgrades appear to have been underestimated because studies have shown that the benefits to the health system far exceed the energy savings benefits.³
- Despite having a similar climate to the ACT, the analysis for Victoria seems to result in a significantly lower benefit to the community. In the ACT, CBA results led to a policy to upgrade homes with R2 ceiling insulation and below.

The minimum standard for ceiling insulation in Victoria should align with the standard already set in the ACT, not lower the bar.

The EEC recommends implementation via a staggered approach, whereby requirements to upgrade completely uninsulated rental homes commence in October 2025 as planned, and a future date is formally set to trigger upgrades in rental properties with ceiling insulation with an R-value of 2 and below. This will support industry capacity building activity by allowing more time for installers to become certified at scale to meet the standard and stagger the cost for landlords.

Requiring insulation in rental properties with R2 ceiling insulation and below will ensure that vulnerable tenants in poorly insulated homes benefit from upgrades that will make their homes healthier and more comfortable, while maximising other upgrades they may receive via the standard, such as the implementation of efficient electric heating and cooling, particularly where it is implemented via a reverse cycle air conditioner.

Requiring higher thermal performance will boost the efficacy of all-electric heating and cooling

Unlike most gas and electric resistive heaters, reverse cycle air conditioners when used for heating will expel warm air (rather than hot) and are generally placed nearer to the ceiling.

¹ These calculations were not undertaken in line with agreed insulation industry best practice, as outlined in the ICANZ [Guide to assessing ceiling insulation R-values in existing homes](#).

² Where existing insulation is in place, it must cover the entire ceiling to be considered to have an R-value above 0.

³ Studies such as the *Victorian Healthy Homes Program* have consistently found that energy savings are considerably *lower* than the health system savings and productivity gains achieved through thermal performance and energy efficiency upgrades.

This means if the home is poorly insulated, the surface temperatures are low and heat losses and temperature drops are high. The cooled air from these surfaces will flow close to the floor which creates a “wind chill” effect, leading to uncomfortable and dissatisfied occupants.⁴

In homes with poor thermal envelopes the removal of gas heaters (which offer immediate radiant heat) in favour of reverse cycle air conditioners could create discomfort for renters and undermine confidence in all-electric homes. This is because high electricity costs may be prohibitive to running a reverse cycle air conditioner constantly and running it intermittently in a property with a poor thermal envelope will be ineffective for maintaining stable indoor temperatures. Further, these renters are more likely to experience the “wind chill” effect due to cold surface temperatures around the home.

Ceiling insulation upgrades for rental properties with ceiling insulation of R2 and below will complement heating and cooling upgrades (also stimulated by this package of minimum standards) and protect more renters from unintended negative consequences of the standard.

Ensuring quality and safety in installation

The EEC welcomes the stated intent of the Victorian government to require the use of Certified Insulation Installers (CII) and to require electrical safety checks prior to installation work under the standard. These are critical minimum requirements to ensure quality and safety in installation.

The ACT implemented similar measures in 2023, offering the rest of the country a useful test case in professionalising the insulation industry – which has been largely unregulated to date, and requires very few checks and balances in terms of installation quality and safety.

To professionalise the industry to deliver the standard, early and clear communication with industry is essential. Good quality and accessible training options at an affordable price point is also key to the success of any such measure.

Victoria should work closely with the insulation industry, the Energy Efficiency Council, and local installer businesses to ensure the workforce has suitable capacity to deliver the upgrades safely, to a high standard of quality.

The EEC strongly urges the Victorian Government to continue to provide financial support for insulation installers to obtain certification via the EEC’s CII program, which supports the development of industry capacity.

Broadening the range of insulation products

The EEC recommends the modest revisions below to ensure the regulation better reflects insulation products on the market:

16 Ceiling insulation

“(3) For the purposes of subclause (2), ceiling insulation installed in the rented premises is to—

(c) be comprised of a separate or continuous insulation-~~batt~~ product that is not a foil or foil-faced bulk insulation product”

Without this change, and read in isolation, this clause may imply that installed insulation must only be a batt, when insulation products can come in the form of batts, blankets, rigid boards, spray foam or loose fill.

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

Noting the above, the below clause should also be amended to address the omission of the existing and growing Australian market for spray foam insulation.

*“(6) In this clause—
ceiling insulation means thermal insulation products that resist the flow of heat, and are in the form of batts, blankets, rigid boards, **spray foam** or loose fill”*

The Victorian government should also consider a requirement to use products with an independent third-party building product certification through the Australian Building Codes Board administered CodeMark Certification Scheme, or similar JAS-ANZ governed certification scheme. CodeMark is designed to provide confidence and certainty to regulatory authorities and the market, through the issue of a Certificate of Conformity.⁵

Key recommendations for ceiling insulation

- Amend the minimum standard for ceiling insulation to align with the ACT and trigger an upgrade of ceiling insulation at R2 and below.
 - Properties with no insulation should be upgraded first in line with the timeline proposed.
 - A future date should be specified, triggering an obligation to upgrade properties with ceiling insulation of R2 and below.
- Amend 16 Ceiling insulation of the draft regulation to:
 - Remove reference to the word “batt” and replace with “product” in clause 3(c).
 - Include spray foam insulation with other listed product types in the definition in clause 6.
- Consider a requirement to use products with an independent third-party building product certification.
- Support the insulation industry to build capacity to deliver on the standard by continuing subsidies to support individuals to become EEC Certified Insulation Installers.

Draught sealing

Draughts are like ventilation, in that both let fresh air into a home. Good ventilation helps reduce condensation and damp and can help cool down a hot house, but uncontrolled draughts can let too much cold air in, and waste too much heat.

The EEC welcomes inclusion of draught sealing in the proposed minimum standards as this is a simple, low-cost step to improve the thermal performance, and therefore comfort and performance, of rental homes.

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.

⁵ Australian Building Codes Board, [About CodeMark](#).

The EEC suggests the Victorian government, in partnership with an education provider, 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.

Key recommendations for draught sealing

- Provide clear and accessible guidance materials to help industry, landlords and renters better understand what is meant by “unreasonable gaps.”
- 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.

Hot water systems (HWS) and shower heads

The EEC is broadly supportive of installation of heat pump hot water systems (HPHWS) or solar HWS when existing HWS reach end of life in rental properties. Electric hot water systems should be an accepted alternative and compliant with the standard, where installation of a HPHWS or solar HWS is not feasible. Gas HWS should explicitly be prohibited as an alternative where an exemption applies.

Heat pump hot water systems (HPHWS)

The [Roadmap for Heat Pump Hot Water Systems in Australia](#) (*HPHWS Roadmap*) was developed through nationwide, consensus driven industry consultation, and with the support of the New South Wales and Victorian Governments. It supports industry and governments to work together to accelerate Australia's HPHWS take-up.

The development process of the roadmap revealed there are still barriers to accelerating the uptake of HPHWS sustainably. Victoria should be mindful of these and concentrate efforts on avoiding some of the challenges identified by industry through this process⁶ when considering this regulatory intervention.

Notably, there is:

- Generally higher capital cost associated with HPHWS when compared to alternative technologies.
- A lack of consumer awareness of the benefits of a HPHWS.
- No Minimum Energy Performance Standards (MEPS) and associated labelling provisions to enable comparison between HPHWS products.
- Some observed quality concerns with certain products and installation.

Technical constraints

There are a range of considerations when siting a HPHWS, and these will also impact the viability with using a HPHWS or solar HWS to replace an existing gas or inefficient electric appliance.

⁶ See the [Roadmap for Heat Pump Hot Water Systems in Australia and underlying Report](#) for detail.

Plumbers will be best placed to determine the appropriateness of replacement with a HPHWS (or a Solar HWS). The *HPHWS Roadmap* addresses how plumbers can be better supported to do this. Some of the constraints around the use of HPHWS and Solar HWS that make them technically challenging products to install include their size, and their requirement for access to outdoor elements (sun, air). This is a particular issue for apartments.

It is likely that there will be many exemptions required for HWS in apartment buildings, particularly those that are multi-story. This will be either due to prohibitive cost, or physical limitations to retrofitting this style of product in buildings not designed to house them. It should be made clear that where genuine technical/physical barriers to installation of solar HWS or HPHWS apply, apartments and other buildings are exempt from the standard. Where gas is in place, an electric alternative should become the requirement.

Key recommendations for HWS and shower heads

- There should be a clear and explicit exemption for apartments (and standalone homes) that physically cannot be retrofitted to accommodate HPHWS or solar HWS due to technical constraints.
- Gas HWS should explicitly be prohibited as an alternative where an exemption applies.
- The Victorian government should work with industry to implement the recommended actions in the HPHWS Roadmap.

Heating and cooling

The introduction of a requirement to give renters access to both electric heating and cooling in the main living area of homes is welcomed by the EEC and will likely stimulate increased uptake of reverse cycle air conditioners, which are generally the most energy-efficient combined heating and cooling systems available.

The requirement for cooling is particularly important for renters, given Victoria's climate is warming and projected to continue to do so. This access to cooling is critical to health and comfort of renters during instances of extreme heat.

Ensuring that gas heaters are replaced at end of life with 2-star electric will also contribute to the health and comfort of renters, as well as the overall affordability of heating homes.

Throughout the course of the HPHWS Roadmap consultation, the EEC heard of some industry concerns regarding the handling of refrigerants and general installation practices associated with reverse cycle air conditioner installation. Increased audit and meaningful compliance activity will be important for ensuring quality and safety in newly installed appliances to meet the standard. This is something Victoria should be mindful of.

Blind cord safety anchors

A minimum rental standard for blind cords and safety anchors is a positive safety measure for rental properties. However, there is also a case for also requiring blinds to meet energy performance criteria. Window furnishings, blinds and curtains can improve the overall thermal performance of window systems and can be an affordable and effective way to overcome problems with existing windows that negatively impact the thermal comfort of renters.⁷

Other matters

Cooktops

This package of minimum rental standards will assist in easing the reliance of Victorian renters on gas and with wider policy aims such as those stated in Victoria's *Gas Substitution Roadmap*.

However, many properties have gas cooktops, which means even if gas is phased out in the remainder of the home – landlords will likely retain gas connections to maintain access to cooktop cooking. This means the home will not be fully electrified, and renters will continue to pay costly gas connection fees (which will grow over time as more households exit the gas network).

Taking steps to ensure *all* gas appliances are phased out of rental properties will best facilitate the achievement of the state's aims in the reduction and phase out of gas use in residential settings.

Victoria should consider a future minimum rental standard to phase out of gas cooktops at end-of-life in. Gas cooktops should be replaced with induction where possible (in some properties, this will not be viable given existing electrical conditions). Where induction is not possible, electric cooktops should replace gas cooktops.

Loopholes

EEC members have expressed concern about several loopholes that could be exploited by landlords to avoid making upgrades. Some of these include:

- Deliberately seeking higher quotes for work to claim exemptions for measures on the grounds of cost.
- Placing some newly purchased insulation product in the ceiling (i.e., potentially unwrapped but not 'installed') and claiming that this 'existing insulation' warrants an exemption, even if the property was never actually insulated.
- Using Owners Committee (OC) rules to prevent upgrades (e.g., preventing placement of condenser units on balconies).

⁷ Your Home, [Glazing](#).

Financial support

Expand resourcing for VCAT

The recourse available to renters who believe the minimum standards have not been met will be the Victorian Civil and Administrative Tribunal (VCAT). In late 2023, it was reported that renters and landlords were waiting 50 weeks for VCAT bond disputes.⁸

Victorians rely on VCAT for a range of uses and given reports of delays at current levels of demand, creating new demand without additional funding to support VCAT could leave renters without reasonable or timely access to redress where the standards have not been met.

The Government could also consider increasing funding support for vulnerable renters to access local, low-cost, or free legal options to take legal action when experiencing rental conditions that do not meet applicable standards.

Financial incentives for property owners

Upgrades to meet the requirements of the standard may be costly for property owners, particularly those who need to undertake a range of upgrades in quick succession due to the condition of the property and/or status of the lease. Ambiguity about whether the Victorian Energy Upgrades (VEU) program will be accessible to rental providers (as upgrades will be made because of a regulatory obligation, not made on a voluntary basis), must be resolved and communicated clearly. Further, long-term, flexible financing options should be made available for rental providers to help them manage expensive upgrades and incentivise compliance with the legislation.

Other key recommendations

- Consider a future minimum rental standard to replace gas cooktops with induction or electric cooktops in rental properties at end of life.
- Consider deliberate measures to limit the exploitation of loopholes, such as:
 - Increased compliance activity.
 - Increased education for trades installing products captured by the standard.
 - Requiring insulation upgrades for properties with R2 insulation and below.
 - Reviewing strata laws to ensure OCs are not unreasonably prohibitive of energy efficiency upgrades.
- Provide additional funding to VCAT and community law centres to ensure renters have access to timely consideration of issues if they believe the minimum standards are not being met.
- Resolve ambiguity about whether the VEU will be accessible to rental providers and communicate outcomes clearly and make other long-term flexible financing options available to landlords to manage the cost of compliance.

⁸ The Age, [Renters and landlords now waiting 50 weeks for VCAT bond disputes](#), October 30 2023.

The EEC would welcome the opportunity to discuss these matters in more detail. Should you wish to speak further, please contact Rachael Wilkinson on [redacted] or at Rachael.Wilkinson@eec.org.au.

Sincerely,

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