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19 December 2021

Re: Minimum energy efficiency standards for rental homes in the ACT

Dear Nicole

Thank you for the opportunity to comment on the Consultation Paper on minimum energy efficiency standards for rental homes in the Australian Capital Territory (ACT).

The Energy Efficiency Council (EEC) strongly supports the introduction of minimum standards in the ACT to ensure that rental homes are healthy, comfortable and do not have large running costs that exacerbate financial stress.

The attached submission sets out the EEC's responses to the questions in the Consultation Paper. However, we draw your attention to four high-level points:

Terminology

The EEC recommends that the proposed standards should be called '*Minimum standards for thermal comfort and energy affordability*'. While minimum standards for insulation will deliver improvements in energy efficiency, research from New Zealand shows that minimum standards for insulation deliver health benefits that can be worth more than the energy savings.¹

Standards for ceiling insulation

The EEC recommends that minimum standards should be set over two periods:

- By 1 January 2025, all non-exempt rental properties that have ceiling insulation with an R-value less than 2 should be retrofitted with insulation with an R-value of at least 5; and
- By 1 January 2030, all non-exempt rental properties that have ceiling insulation with an R-value less than 4 should be retrofitted with insulation with an R-value of at least 5.

The insulation industry in the ACT is scaling up, but cannot scale up faster than a certain rate while still ensuring quality installations. Having a two-phase approach would:

- Take the constraint on qualified installer numbers into account to deliver a safe and effective program;
- Ensure that the worst performing properties are upgraded first; and
- Assist with compliance by incentivizing landlords that own properties that have ceiling insulation with an R-value less than 2 to install R5 rather than R2 insulation.

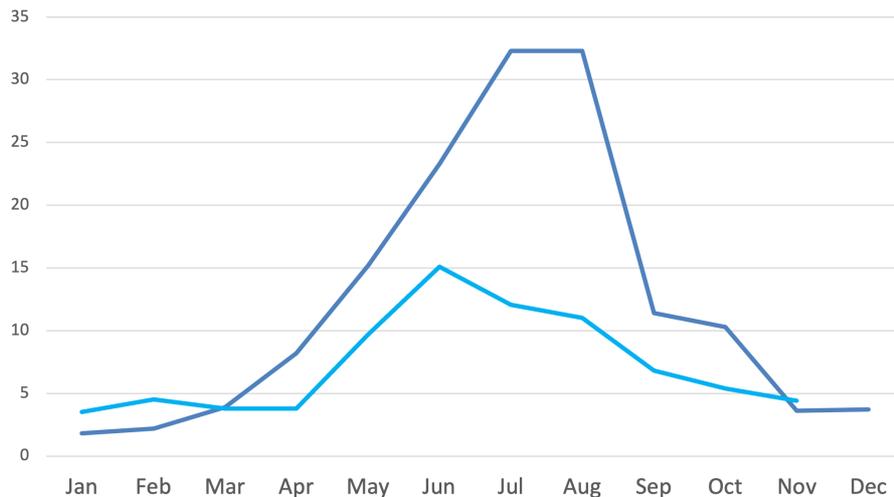
Importantly for compliance and installation, the coverage of insulation affects its R-value – even a 5 per cent gap in coverage can reduce the R-value of insulation by 30 per cent.

¹ Grimes, A., Denne, T., Howden-Chapman, P., Arnold, R., Telfar-Bernard, L., Preval, N., & Young, C. (2011). *Cost benefit analysis of the Warm Up New Zealand: Heat Smart Programme*.

Standards for heating and cooling systems

The EEC strongly recommends that the ACT Government consider minimum standards for heaters. Moving from a portable or fixed resistive electric heater to a reverse cycle space heater/cooler can dramatically reduce energy bills and significantly increase thermal comfort. Data from my own house showed that replacing panel heaters with a reverse cycle system reduced my annual electricity bill by 40 per cent and increased the internal temperatures in July mornings from around 12 degrees to 20 degrees.

Electricity Use 2020 vs 2021 (kWh per day)



Regulatory Impact Statement (RIS)

The EEC agrees with the RIS's conclusion that minimum standards for rental homes for both insulation and heating systems would have positive financial impacts for renters, even if the costs of upgrades are fully passed through to consumers. However, ACIL Allen's modelling over-estimates the costs of building upgrades and underestimates their benefits. If these errors were corrected, the benefits of minimum standards for ceiling insulation and heating systems would be significantly larger. Accordingly, the EEC recommends that the RIS is revised prior to a final decision.

Summary

The EEC congratulates the ACT Government for its commitment to introduce minimum standards for thermal comfort and energy affordability, and we look forward to continuing to work with the ACT Government on this issue. If you have any questions relating to this submission, please contact me via rob.murray-leach@eec.org.au.

Yours sincerely,

Rob Murray-Leach
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energy efficiency
COUNCIL

**Submission to the
Consultation Paper on
minimum energy efficiency standards
for rental homes in the ACT**

19 December 2021

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Proposed standard

1. Are you a rental provider, renter, or otherwise have a particular interest in this matter?

The Energy Efficiency Council (EEC) is not a rental provider or residential renter.

2. Given the ACT Government has committed to the introduction of a minimum energy efficiency standards for rental homes and noting the reasons provided in Attachment 2, do you support the initial adoption of a ceiling insulation standard? Why or why not?

The EEC supports the introduction of a minimum ceiling insulation standard. The EEC recommends that minimum standards for ceiling insulation should be set over two periods:

- By 1 January 2025, all non-exempt rental properties that have ceiling insulation with an R-value less than 2 should be retrofitted with insulation with an R-value of at least 5; and
- By 1 January 2030:
 - o All non-exempt rental properties that have ceiling insulation with an R-value less than 4 should be retrofitting with insulation with an R-value of at least 5.
 - o All rental properties that have a roof that were previously exempt due to complexity (e.g. cathedral roof) should be retrofitted with insulation with an R-value of at least 5.

The insulation industry in the ACT is scaling up, but cannot scale up faster than a certain rate while still ensuring quality installations. Having a two-phase approach would:

- Take the constraint on qualified installer numbers into account to deliver a safe and effective program;
- Ensure that the worst performing properties are upgraded first; and
- Assist with compliance by giving a strong incentive for landlords that own properties that have ceiling insulation with an R-value less than 2 to install R5 insulation rather than R2 insulation.

3. If you are a rental provider, do you anticipate you would need to install or upgrade ceiling insulation in your property/properties in order to meet the proposed standard?

N/A

Support for introduction of the standard

4. For rental providers: What type of assistance would most help you support vulnerable and low-income renters?

N/A

5. For rental providers: How would this affect the rent that you would charge?

N/A

What exemptions should be allowed?

6. What exemptions to the minimum energy efficiency standard should be allowed?

Exemptions from minimum insulation standards should be allowed for:

- On a temporary basis, more time should be given for complex installations to comply with the standard. For example, the owners of top-floor apartments are likely to have to deal with strata issues to insulate their properties, and the owners of buildings with cathedral ceilings face additional complexities and expenses in insulating those properties. These complex sites should be given until 1 January 2030 to comply with the standard; and
- On a permanent basis, rental units that do not have a roof directly over a living area (i.e. they are not on the top floor of an apartment block). Rather than being considered 'exempt', these units should be considered compliant.

7. Should any of the temporary exemptions listed above, or others, be allowed, and for how long?

As above.

8. What form of evidence (e.g., a building report, statutory declaration) should be required to support an exemption?

Building report by an insulation company, building inspector or housing authority.

9. Should rental providers be required to formally apply for an exemption, including submitting evidence? OR should rental providers just be able to claim an exemption on accepted grounds but be required to disclose the exemption and maintain the supporting evidence?

Rental providers should be required to formally apply for an exemption.

10. Should there be a program of compliance auditing to assess that dwellings genuinely meet an exemption, including evidence being available on request by an authorised entity?

There should be a program of compliance auditing.

When should compliance be required?

11. How long (between 2 and 5 years) should the phase-in period be?

The EEC recommends that:

- By 1 January 2025, all non-exempt rental properties that have ceiling insulation with an R-value less than 2 should be retrofitted with insulation with an R-value of at least 5; and
- By 1 January 2030:
 - All non-exempt rental properties that have ceiling insulation with an R-value less than 4 should be retrofitting with insulation with an R-value of at least 5.

- All rental properties with a roof, that were previously exempt, should be retrofitted with insulation with an R-value of at least 5

12. Should rental dwellings be required just to meet the standard by the end of the phase-in period OR at the start or renewal of a lease, but no later than the end of the phase-in period?

Rental dwellings should be required to meet the standard by the dates recommended above. The EEC recommends a reasonably long notice period for the introduction of the standard, so that it will not be necessary to use the signing of a new lease as the trigger for a unit being requirement to meet the standard.

13. If the requirement to meet the standard is triggered by the start of a lease, should the work be required to be undertaken before a new lease can be entered into, or should there be a grace period of say 3 or 6 months to get the work done?

N/A

Should any complementary measures be considered?

14. What complementary measures should be considered?

The ACT Government should use the Energy Efficiency Improvement Scheme (EEIS) to offer incentives for upgrades, including the installation of ceiling insulation, wall insulation, underfloor insulation and draught-proofing. In particular, the EEIS should provide incentives for the replacement of older downlights with lights that are compatible with continuous and safer coverage of ceiling insulation, such as pendant lights and downlights that are rated for Insulation Contact.

The process of having a home assessed or having insulation installed can be used to also provide basic advice on other measures, including insulation, draught-proofing and curtains. The ACT Government should also consider using assessments of buildings as an opportunity to undertake Energy Efficiency Ratings (EER) that can be disclosed when a rental home is advertised for lease.

15. Should the ACT Government include any complementary measures as part of the regulation (e.g., requiring draught proofing, where needed, along with insulation)?

See answer to question 14.

16. Should the ACT Government consider delivering complementary measures (whether through existing or new programs)? If so, how should they be targeted?

The EEIS should be used to support the insulation of insulation and other measures in rental homes.

What safety measures will be required?

17. What safety measures should be required? Are the proposed measures adequate?

The EEC recommends that there should be a requirement for insulation installers to be accredited in order for the landlord to receive support from the EEIS for the installation of insulation.

The EEC also recommends that DIY installation of insulation should be actively discouraged. One way to encourage the use of appropriately trained installers is to enable a 'certificate of insulation' from an accredited installer to be used to demonstrate compliance with the minimum standard.

Spot-checks on insulation installations should be used to assess quality.

18. Should "DIY" or use of unaccredited installers in rental properties be disallowed?

The EEC recommends that the use of unaccredited installers is banned for professional insulation retrofits – any installer taking money for installation should be properly trained. The EEC recommends that DIY installation should be, at the very least, strongly discouraged.

19. Should top-ups of insulation be allowed and under what circumstances?

Top-ups of insulation should be allowed.

How should the quality of installation be ensured?

20. What quality assurance measures should be put in place? How should compliance be monitored and enforced

See below.

21. What measures to monitor compliance of the regulation should be put in place?

Properties should only be allowed to be leased if the owner provides an EER, certificate of insulation or certificate of exemption to demonstrate compliance.

22. What evidence of compliance would be acceptable?

An EER or a certificate of insulation.

23. Should mandatory disclosure of whether a property meets the minimum standard (or has a valid exemption) be required in rental advertisements and to be provided to a tenant before entering a lease?

Advertising for a property should not disclose if the property meets the minimum standard, but should disclose if the property does not meet the standard. Properties that are exempt because they do not have a roof (e.g. ground-floor apartments) should be considered to meet the standard and would not need to disclose that they do not have

ceiling insulation. Properties that are exempt because of the complexity of insulation installation (e.g. cathedral roofs) should be advertised as not meeting the standard.

24. How should the minimum standard be enforced and non-compliance addressed?

Non-compliance should be addressed through fines to both landlords and leasing agents. This will ensure that the leasing agent checks for a valid EER, certificate of insulation or exemption. If the landlord has provided false information to the leasing agent then only the landlord should be fined.

Evaluation and review

25. Do you have any suggestions on how the implementation of the regulation should be monitored and evaluated?

No comment at this time.

26. Do you have any suggestions on how and when to assess that the regulation has met its objectives?

No comment at this time.

27. Are there any other issues that have not previously been covered that you would like to raise?

No comment at this time.

Other ACT Government measures

28. Were you already aware of these ACT Government programs?

Yes

29. Have you made use of them?

N/A (The EEC does not own properties in the ACT)