

18 October 2018

Re. Treasury Laws Amendment (Improving the Energy Efficiency of Rental Properties) Bill 2018

Dear Senators

Thank you for the opportunity to comment on the Treasury Laws Amendment (Improving the Energy Efficiency of Rental Properties) Bill 2018.

The Energy Efficiency Council is the peak body for energy management. The Council's members include independent experts, energy efficiency providers and various levels of government. The Council's aim is to lower energy bills in ways that deliver short and long-term benefits to energy users.

The Energy Efficiency Council strongly supports tax reforms as part of a broader suite of policies to improve the energy efficiency of rental properties. Around 31 per cent of Australians now live in rented accommodation, and this proportion is steadily increasing.¹ However, many rental properties are not of an acceptable standard. For example, while over 80 per cent of owner-occupied homes have some form of insulation, that figure falls to less than 40 per cent for private rentals.²

Poor quality buildings have multiple impacts on tenants, including serious health consequences. Over 3,000 Australians die each year during periods of extreme heat and cold.³ Australia has almost twice the rate of deaths associated with cold weather as Sweden, and the poor quality of many of our buildings contributes to this difference.

Poor building quality also increases tenants' energy bills, due to the extra energy required for them to stay warm in winter and keep cool in summer. A startling 83 per cent of voters are concerned about their energy bills, and families living in rental properties are often hardest hit due to the lack of basic energy efficiency features, like proper insulation.⁴

While tenants would benefit from living in better buildings, there is a range of factors that result in rental properties remaining below an acceptable standard:

- Tenants typically aren't allowed to make changes to properties.
- Leases are typically under two years and uncertain, significantly reducing the incentive for tenants to invest in upgrades that deliver benefits over many years.
- There is limited incentive for landlords to improve the energy efficiency of their properties, especially where demand for rental properties exceeds supply. In fact, the tax system in Australia currently provides a disincentive for building upgrades. For example, if a water heater is failing, a landlord can get a greater tax benefits from replacing it with a similar model than with a more efficient model.

¹ Australian Bureau of Statistics 2017, *Census Data Survey, Australia: Summary of Results, 4670.0*

² Australian Bureau of Statistics 2013, *Household Energy Consumption Survey, Australia: Summary of Results, 4670.0*

³ Gasparrini A. et al 2015 'Mortality risk attributable to high and low ambient temperature: a multi-country observational study', *The Lancet*, Vol 386, No. 10001, p367-375.

⁴ ACOSS, Energy Efficiency Council and Property Council 2018 Survey of Community Views on Energy Bills and Energy Efficiency.

The Energy Efficiency Council recommends that state and territory governments address these barriers by introducing minimum health, safety and efficiency standards for rental properties. There is extraordinarily strong public support for minimum standards because they make intuitive sense – if you are providing a service for a fee (a rental property), that service should meet basic standards for health, safety and quality.

A recent survey found that 80 per cent of Australian voters support minimum standards.⁵ More detailed research from Victoria found that landlords also overwhelmingly supported minimum standards, with 71 per cent supporting them, and just 10 per cent opposing them.⁶ As a result, the governments of NSW, Victoria and Queensland are currently considering minimum standards, and the Victorian and Queensland Parliaments have passed legislation to enable them to introduce minimum standards for rental properties.

However, minimum standards should be complemented by changes to the Australian Government's tax system to encourage landlords to improve the energy efficiency of rental properties. Reform to the tax system is essential because:

- The tax system current creates a disincentive to upgrading the energy efficiency of rental properties. This distortion should be self-evidently be remedied.
- Minimum standards for rental properties are unlikely to become mandatory for some years in NSW, Victoria and Queensland, and even longer in other jurisdictions. Reforming the tax system will encourage landlords to move in advance of standards, helping families all around the country.
- States and territories are likely to focus their minimum standards on basic health and safety features (e.g. draught sealing). If the Australian Government provides incentives (or removes disincentives) for improving energy efficiency, it will encourage landlords to go beyond the minimum standard, providing additional benefits to tenants' health and further reducing their energy bills.

Therefore, we strongly recommend that the Senate Standing Committees on Environment and Communications support Senator Storer's proposed legislation. We look forward to discussing the precise form of incentive that should be provided with the Committees.

Summary

The Energy Efficiency Council endorses the intent and direction of the Treasury Laws Amendment (Improving the Energy Efficiency of Rental Properties) Bill 2018, and looks forward to meeting with the Senate Standing Committees on Environment and Communications. I can be contacted directly via email at rob.murray-leach@eec.org.au or via telephone on 0414 065 556,

Yours sincerely



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⁵ ACOSS, Energy Efficiency Council and Property Council 2018 Survey of Community Views on Energy Bills and Energy Efficiency.

⁶ Wrigley, K 2015, Bridging the Gap: Energy Efficiency Improvements for Rental Properties.