

29 May 2023

To whom it may concern,

Thank you for the opportunity to provide a response on the Queensland stage 2 rental law reform.

Renew is a national, not-for-profit organisation that inspires, enables and advocates for people to live sustainably in their homes and communities. Established in 1980, Renew provides expert, independent advice on sustainable solutions for the home to households, government and industry.

The focus of this submission is the critical need to introduce minimum energy efficiency standards for Queensland rental homes.

All homes should be healthy and affordable to run. Making homes energy efficient and powering them with renewables reduces bills, improves health, reduces emissions, and makes homes more comfortable during weather extremes.

However, too often renters are locked out of these benefits. Without protection, renters face the risk of rising energy bills and being left behind in the energy transition.

Rental homes have worse energy efficiency than owner-occupied homes. Nationally, one study found that poor energy efficiency leaves renters paying 8% more in energy bills compared to owner occupiers in similar homes.¹ A higher proportion of renters experiences energy stress than owner-occupiers.²

The poor energy efficiency and thermal comfort of rental homes is a structural problem of Australia's rental housing market. Market-based responses to improving energy efficiency for renters are limited by the problem of 'split incentives': whereas landlords pay the upfront cost of energy improvements, energy bills are paid by tenants. Owner-occupiers have a clear financial incentive over time to invest in energy efficiency improvements due to reduced energy bills, whereas there is not a similar direct incentive to drive the behaviour of landlords. Furthermore, tenants are not and should not be required to pay for the upfront costs of improvements; tenants paying for energy efficiency improvements would not accrue capital benefits and do not have security of tenure to enjoy the ongoing benefits.

Meanwhile, without effective consumer labelling requirements on the energy performance of homes for lease, even those renters who may be in a position to choose a higher-performing home typically do not receive information such as energy ratings.

¹ https://ccep.crawford.anu.edu.au/sites/default/files/publication/ccep_crawford_anu_edu_au/2022-05/ccep2202_best_burke.pdf

² <https://www.bsl.org.au/research/publications/power-pain/>

A clear mechanism to ensure renters are protected from inefficient and unhealthy homes is to set minimum standards under the Residential Tenancies and Rooming Accommodation Act.

Renew argues that **minimum standards for renters must include energy efficiency**, including requirements for insulation, draught sealing, and efficient fixed appliances such as reverse cycle air conditioners and hot water.

This model is in line with the approach adopted by Victoria and the ACT, which have introduced requirements under rental legislation for minimum standards for features such as fixed heaters (Victoria) and insulation (ACT). Victoria has furthermore committed to regulated minimum requirements for efficient hot water systems and draught sealing. Under the *Trajectory for Low Energy Buildings* (commenced by COAG in 2018), a national framework for minimum energy efficiency standards for rental homes is under development, with a completion date expected in 2023.

Minimum standards may be implemented alongside co-beneficial programs such as grants or other support for home retrofits. For example, Victoria has implemented minimum standards for heaters alongside direct grants for low-income households through the *Home Heating and Cooling Upgrades* program.

Detailed advice on a policy framework for minimum energy efficiency standards has been developed by a range of community sector organisations, including Renew, in the Community Sector Blueprint.³ We seek your consideration of these recommendations as a part of this review.

Impact on bills

Renew has conducted independent modelling of the impact on renters' energy bills of minimum energy standards.

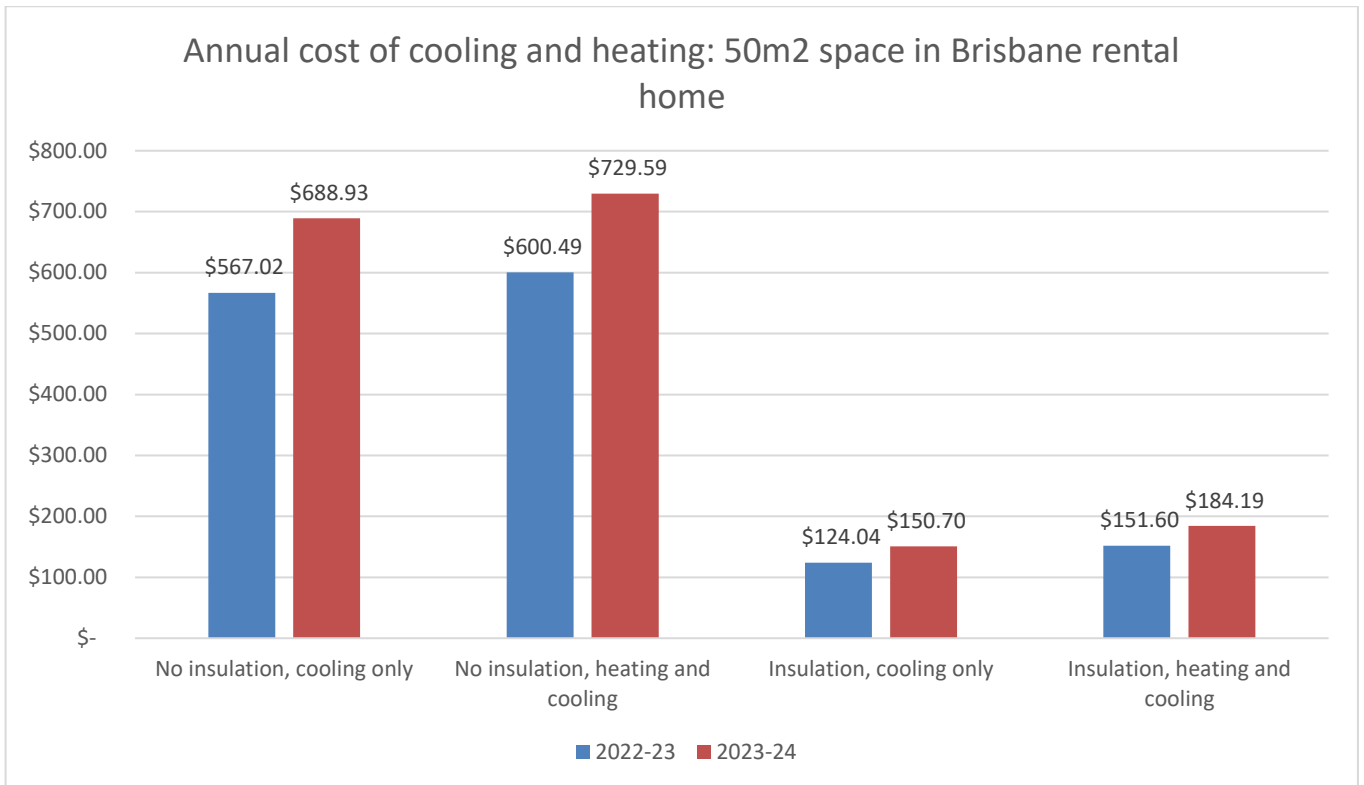
Using Renew's *Sunulator* energy simulation platform, Renew analysed the annual cost of cooling and heating a 50m² living space in a typical Brisbane rental home. We have calculated the annual energy use for a rental home using a reverse cycle air conditioner for cooling and heating, depending on the presence or absence of insulation. Insulation was assumed to increase NatHERS ratings from 1 Star to 3.5 Stars. We have applied current (May 2023) retail tariffs to calculate 2022-23 annual costs. We have furthermore analysed projected costs for the 2023-24 financial year by applying increases to tariffs in line with the AER Default Market Offer of 21.5% from July 2023.

Costs calculated in our analysis are for maintaining a healthy temperature throughout the year. In practice, we know that energy costs, lack of appliances and poor energy efficiency too often mean that renters choose or are unable to use adequate cooling and heating, and too often experience unhealthy indoor temperatures.⁴

Our findings were as follows:

³ <https://www.healthyhomes.org.au/news/community-sector-blueprint>

⁴ https://www.betterrenting.org.au/renter_researchers_summer_23



Requiring insulation as a minimum standard was found to save Brisbane renters around \$450 a year in energy bills for cooling and heating alone on current energy prices. **Rising energy prices mean that insulation was found to save Brisbane renters \$545 a year on cooling and heating costs from July 2023.**

This analysis shows the clear benefits to renters and the community of ensuring rental homes meet appropriate standards for energy efficiency. But the barriers faced by renters to retrofits or the replacement of appliances mean that these benefits will not be realised without regulated mandatory minimum standards. Renters are dangerously exposed to the pressures of rising energy prices and the cost of living.

Thank you for your consideration of this submission. While this submission is focussed on minimum energy efficiency standards, lack of comment on other aspects of the consultation does not indicate a Renew position.

Please do not hesitate to contact me at rob.mcleod@renew.org.au should you require further information.

Regards,

Rob McLeod
Policy and Advocacy Manager
Renew