

15 December 2022

To whom it may concern,

Thank you for the opportunity to provide a response on the South Australian Residential Tenancies Review.

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 South Australian 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.<sup>1</sup> A higher proportion of renters experiences energy stress than owner-occupiers.<sup>2</sup>

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.

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<sup>1</sup> [https://ccep.crawford.anu.edu.au/sites/default/files/publication/ccep\\_crawford\\_anu\\_edu\\_au/2022-05/ccep2202\\_best\\_burke.pdf](https://ccep.crawford.anu.edu.au/sites/default/files/publication/ccep_crawford_anu_edu_au/2022-05/ccep2202_best_burke.pdf)

<sup>2</sup> <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 Act.

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.<sup>3</sup> 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 and current (November 2022) retail tariffs, Renew analysed the annual cost of heating a 50m<sup>2</sup> living space in a typical Adelaide rental home.<sup>4</sup>

Using national Treasury projections of tariff increases we furthermore analysed the projected costs in 2023 and 2024; we note that projected tariff increases in South Australia are likely to be below the national average.

Key features of minimum energy standards for rental properties introduced in other jurisdictions include insulation (ACT) and efficient fixed heaters with incentives to install reverse cycle air conditioners (Victoria). Our modelling uses these features as scenarios. The scenarios we modelled were as follows:

| Scenario                                      | Heater                 | NatHERS rating |
|---|------------------------|----------------|
| Gas heater (no insulation)                    | Gas                    | 1.4            |
| Inefficient electric heater (no insulation)   | Electric panel (2.4kW) | 1.4            |
| Reverse cycle air conditioner (no insulation) | Heat pump              | 1.4            |
| Gas heater (insulation)                       | Gas                    | 4.1            |
| Inefficient electric heater (insulation)      | Electric panel (2.4kW) | 4.1            |
| Reverse cycle air conditioner (insulation)    | Heat pump              | 4.1            |

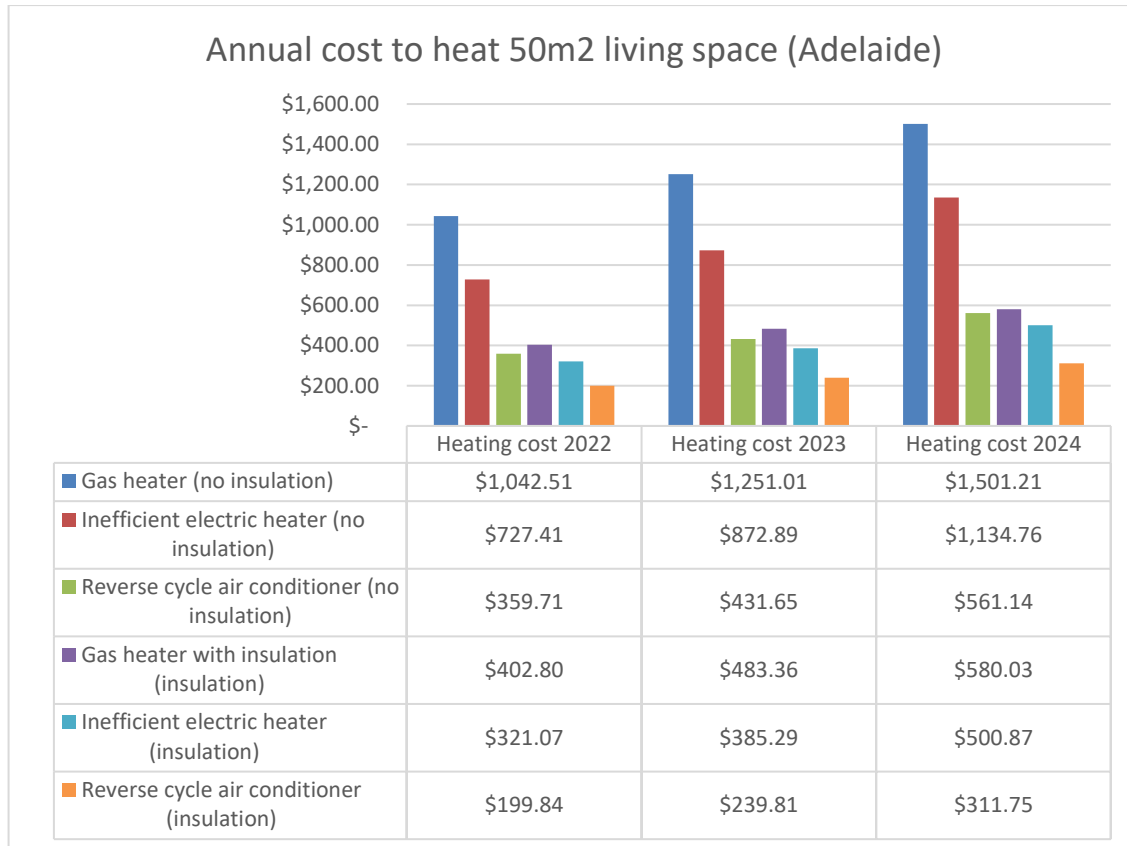
<sup>3</sup> <https://www.healthyhomes.org.au/news/community-sector-blueprint>

<sup>4</sup> Full details and methodology are available in "Limiting energy bills by getting off gas: all-electric homes after the 2022 energy crisis". <https://renew.org.au/research/limiting-energy-bills-by-getting-off-gas/>. Further details including cost-benefit analysis are available on request.

The impact of insulation on NatHERS ratings (measuring the energy loads required for heating and cooling) was calculated with FirstRate5 software using actual Adelaide floor plans for a 3-bedroom home that was considered representative of many social housing or private rental homes.

## Results

The results of our analysis for heating costs and emissions for Adelaide were as follows:



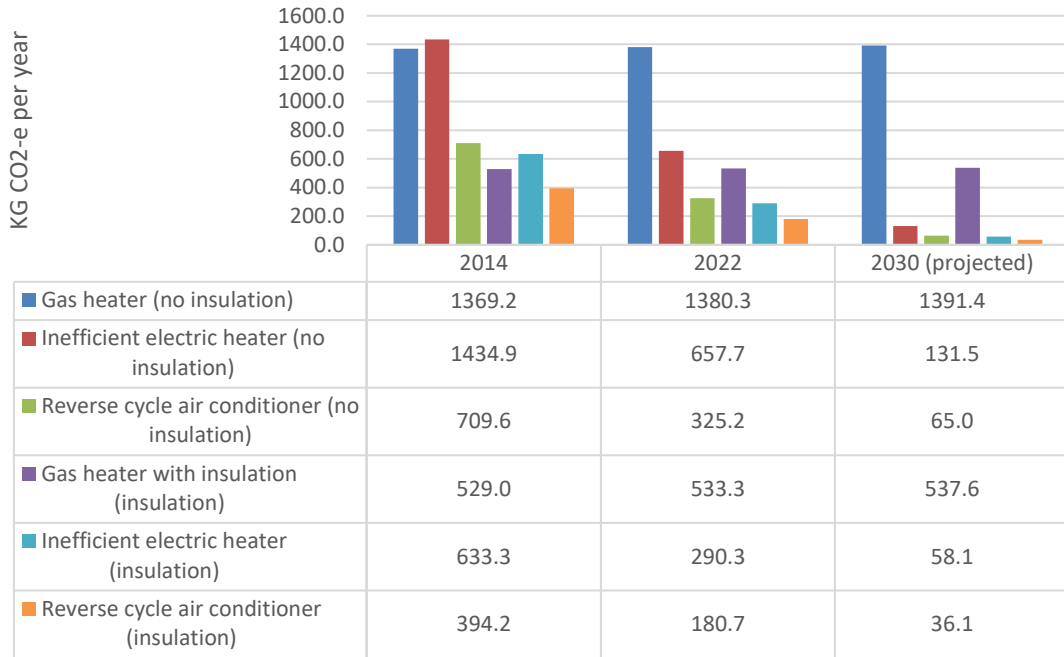
Bills were significantly reduced by ensuring efficient appliances and thermal efficiency through insulation.

Compared to a home with gas heater and no insulation in 2022, insulation cut heating costs by 61%; replacing the gas heater with reverse cycle air conditioning cut heating costs by 65%; and doing both together cut heating costs by 81%.

## Emissions

We furthermore considered the emissions generated from energy used for heating. Our analysis assumes that energy is drawn from the electricity grid or gas mains, and therefore understates the emissions benefits of onsite solar.

## Annual emissions from energy to heat 50m2 living space (Adelaide)



Emissions are already significantly lower for homes with reverse cycle air conditioners and insulation. Because renewables are increasing in overall share of electricity generation, the emissions associated with electric heating is reducing as emissions intensity decreases. AEMO forecasts that renewables will make up 85% of SA electricity supply by 2026 and the state is committed to 100% renewables by 2030. Meanwhile, remaining gas heaters will maintain a similar emissions intensity and impact to present.

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.

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](mailto:rob.mcLeod@renew.org.au) should you require further information.

Regards,

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