



Regulation Policy and Governance Services
Department of Justice and Community Safety
Via consultation website:
rentalreforms@justice.vic.gov.au

20 December 2019

Dear Review Team,

REGULATORY IMPACT STATEMENT FOR RESIDENTIAL TENANCIES REGULATIONS 2020

The Green Building Council of Australia commends the Victorian Government for seeking to strengthen minimum rental standards and appreciates the opportunity to provide input on the Regulatory Impact Statement. We are a national, not for profit industry association that works to deliver sustainable buildings and communities. As part of our remit, we promote policies, initiatives and mechanisms that encourage these outcomes and accelerate the transition to a low carbon built environment.

Australian homes contribute more than 50% of greenhouse emissions attributable to the built environment in the country. As part of our focus on achieving decarbonisation by mid-century, the GBCA is actively working to improve the performance for existing residential buildings, including rental properties. A key priority for state government in this sector, as identified in our policy toolkit for governments (www.everybuildingcounts.com.au) is the introduction of minimum energy performance standards, which can deliver a basic level of energy efficiency and comfort that also impacts on health, wellbeing and equity outcomes for renters. As documented through much industry and government research, older rental properties lag significantly behind owner occupied premises, with lower rates of insulation, window treatments, rooftop solar and solar hot water systems. The existence of barriers to uptake such as split incentives and ownership models, means that voluntary programs have limited impact in this sector.

The GBCA welcomes the Victorian Government's commitment to introduce minimum energy efficiency standards in the updated Regulations. While the proposed requirement represent a step in the right direction, we believe that it misses a key opportunity to meaningfully lift the performance of rental properties, particularly as this is the first time the regulations have been revisited since 1997. Our concerns are as follows:

- According to the RIS, introducing a minimum standard of a 2 star heating system for all Class 1 homes would spell an upgrade in energy performance for only 2 per cent of Class 1 homes which currently have heaters that do not meet this standard. 2 star heating systems represent the lower end of the market with respect to energy performance and quality.
- 9 per cent of Class 1 rental properties currently do not have a heating system at all and setting the standard at 2 stars risks locking in low heating efficiency for this larger cohort of rental properties.
- There is no proposal to introduce minimum energy efficiency standards for Class 2 properties at all, due to 'structural barriers'. It is unclear the extent to which these barriers affect all Class 2 properties, and we note that no alternatives are presented to improve minimum standards for Class 2 properties in light of this blanket exemption.

- The proposed energy efficiency standards are limited in scope. No other standards have been proposed besides heating energy efficiency, however we acknowledge the work underway to investigate an energy efficiency standard for hot water systems, cooling and building insulation.

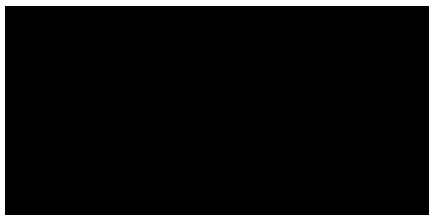
To demonstrate further the case for higher energy efficiency heating standards, The GBCA draws attention to the in-house analysis conducted by Renew (and submitted to this consultation) based on a selection of popular low cost reverse cycle heating systems, which demonstrates that:

- 4 Star heaters are between 29%-39% more cost-effective to run than a 2 Star heater, depending on size;
- Renters with a 4 Star heater in a typical open-plan setting would save over \$100 per year relative to a 2 Star heater;
- Savings by renters from higher efficiency units outweigh costs to rental providers over a period of 6-10 years;
- There is negligible difference in the capital (purchase and installation) costs between 2 Star and 4 Star heaters currently available in the market (approximately \$400 for larger units, which equates to no more than approximately one week's typical rent); and,
- Purchase and installation costs for small and large systems remain similar for a range of units rated 3 stars and above.

We further recommend that minimum energy efficiency standards for heaters should be investigated for Class 2 homes, with appropriate exemptions where installations are not feasible. The GBCA additionally supports the Australian Sustainable Built Environment Council's submission to this consultation noting the practical benefits of improving rental energy efficiency. We look forward to continuing our support for reform measures that advance the energy performance of existing and new rental properties and welcome opportunities for further collaboration and consultation.

Please do not hesitate to contact [REDACTED], Senior Manager – Government Relations and Policy, should you require any further information, or to discuss any of the issues raised in this submission.

Yours Sincerely,



Jonathan Cartledge

Head of Public Affairs and Membership