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YARRA ENERGY FOUNDATION

9 April 2021

To whom it may concern,

Thank you for the opportunity to provide input into Victoria's 10-Year Social and Affordable Housing Strategy.

All Victorians have a right to live in a secure and healthy home. We welcome the commitment of the Victorian government expressed in the Strategy to invest in much needed social and affordable housing.

The primary focus of this submission is the need to make sure social housing is not left behind in the energy transition that will shape the next 10 years.

Thousands of Victorians are now benefitting from renewable energy and more efficient homes – but structural barriers are excluding social housing residents from the transition.

Meeting Victoria's targets for greenhouse gas emissions reductions will require significant changes to both our energy system and housing, which is the source of approximately 20% of Victoria's greenhouse gas emissions.

We are concerned that without action now, social housing residents will be excluded from the health, financial, employment and social benefits that will come with the shift away from residential energy powered by fossil fuels.

In this submission we argue that Victoria should:

1) Implement a 7-star minimum NatHERS rating for new social housing homes immediately, with scope to increase to 7.5-8 stars in line with industry-wide changes expected in 2025.
2) Audit existing public and community housing stock for energy performance using the Victorian Residential Efficiency Scorecard.
3) Conduct large-scale energy efficiency retrofits of Victoria's social housing stock.
4) Create jobs and training opportunities for social housing residents in energy efficiency audits and retrofits of housing stock.
5) Ensure social housing residents are not disadvantaged in the energy transition by investing in onsite solar, community battery storage, replacement of gas appliances with efficient heat pump systems, and delivering a renewable power purchase agreement (PPA).
6) Adequately resource support, information, and concessions to social housing residents to manage and reduce energy costs.

Thank you for your consideration of our comments.

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1) Standards for newly built social housing

The Victorian government has committed to building 9,300 new social housing homes under the Big Housing Build package, alongside 2,900 affordable or low-cost homes. This commitment is welcome and should be followed by further stock growth to bring the proportion of social housing in Victoria to at least the level of other Australian states and territories.

The Big Housing Build package furthermore includes a commitment that all new social housing homes are built to a minimum NatHERS thermal efficiency rating of 7 stars. We support this commitment. Homes built to a 7 star standard require approximately 25% less energy to heat and cool than homes with a 6 star rating[1] and are more resilient in extreme weather. This will reduce energy bills for residents and reduce health risks. Setting a minimum 7-star standard now will furthermore assist industry to build capacity for increased energy standards under the National Construction Code.

As per the *Trajectory for Low Energy Buildings*, Australian states and territories are set to move beyond a minimum NatHERS rating of 7 for new buildings by 2030 (and likely earlier). Renew analysis[2] has found that typically building homes to a 7.5-8 star standard is already cost effective due to reduced energy bills over time; it is expected that over the coming years the upfront costs of higher energy efficiency will continue to come down.

New social housing in Victoria should continue to lead the way for greater energy performance in new homes. The strategy should plan for further improvements to the energy standards of new homes, ensuring that public and community housing residents do not miss out on the benefits of the industry-wide transition.

Recommendation 1: implement a 7-star minimum NatHERS rating for new social housing homes immediately, with scope to increase to 7.5-8 stars in line with industry-wide changes expected in 2025.

2) Energy efficiency audit of existing social housing homes

Little information is available on the public record about the energy performance of the majority of social housing homes in Victoria. It is our understanding that no comprehensive and consistent data is maintained on the energy ratings of stock, or of residents' energy bills.

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[1] https://www.nathers.gov.au/sites/default/files/2019-10/NatHERS%20Star%20bands.pdf
[2] https://renew.org.au/wp-content/uploads/2019/09/Renew-6-10-Star-Analysis-FINAL-Report-v4-1.pdf

A full-scale energy efficiency audit of Victoria's public and community housing stock presents a unique opportunity to support the Victorian government's existing work in rolling out the *Victorian Residential Efficiency Scorecard* (VRES). VRES is a user-friendly home energy rating tool that can provide clear information about the energy performance of homes alongside tips for improvement; unlike existing NatHERS ratings, it can be applied to existing homes as well as newly built homes. Under the intergovernmental *Trajectory for Low Energy Buildings*, work is underway to develop a consistent national framework for the rating and disclosure of home energy standards. It is likely that the VRES tool will be accredited nationally as a home rating tool for use under this framework.

However, there is a need for capacity building for the VRES system. As of 2020, 3,350 homes had been assessed using the Scorecard in Victoria, along with little over 100 homes interstate in a national pilot program. Investment is needed in training and accreditation for Scorecard assessors in order to achieve a wider impact for the program.

A large-scale audit of public and community housing stock using the accredited VRES tool will benefit residents with clear information on energy bills and how they can be reduced. It will allow for strategic investment in retrofitting homes for better energy efficiency. Furthermore, by aligning the program with DELWP and accredited training organisations, an audit of public and community housing would strengthen existing work towards a national energy ratings framework under the *Trajectory for Low Energy Buildings*.

Recommendation 2: audit existing public and community housing stock for energy performance using the Victorian Residential Efficiency Scorecard.

3) Energy efficiency retrofits

Based on the outcomes of the energy audits, social housing properties could install energy productivity measures that would include (but not be limited to) reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), draught sealing, ceiling fans, efficient thermal building envelope, lighting and solar PV.

The National Low Income Energy Productivity Plan (NLEPP)[3] estimates a cost of $3,800 per dwelling to invest in a combination of more efficient hot water, heating/cooling, lights, gap sealing and insulation (noting some houses will require slightly greater investment and some will require slightly less).

We welcome the commitment of the Victorian government in the 2020-2021 Budget to $112 million to upgrade 35,000 social housing homes. These upgrades should be undertaken alongside Scorecard assessments with a view to further possible energy efficiency improvements, including insulation. We note that the Victorian government has committed to minimum rental standards including

[3] https://renew.org.au/wp-content/uploads/2020/06/Economic-Stimulus-Healthy-Affordable-Homes-NLEPP-June-2020-Final-18062020.pdf

insulation in all rental homes, meaning that investment in insulation for social housing is likely to become a legal requirement.

Recommendation 3: conduct large-scale energy efficiency retrofits of Victoria's social housing stock.

4) Create employment opportunities for residents in energy audits and retrofits

Investing in energy efficiency upgrades and training for assessors and practitioners would result in significant employment opportunities. Pathways should be created for the training and employment of social housing residents in these upgrades.

The Public Tenant Employment Program, alongside other initiatives of Jobs Victoria and community programs, are in place to address barriers to employment experienced by some public and community housing residents. Through these programs, residents have secured jobs in other major government infrastructure projects. These initiatives should be engaged in planning for social housing energy efficiency upgrades.

DELWP has commenced planning to partner with accredited training organisations to train and certify assessors using the Victorian Residential Efficiency Scorecard. Homes Victoria should work with DELWP to ensure that this training and employment opportunity is accessible for social housing residents.

Recommendation 4: create jobs and training opportunities for social housing residents in energy efficiency audits and retrofits of housing stock.

5) Access to renewable energy

Renewable energy is predicted to provide a growing proportion of Victoria's energy supply within the coming decade. The growth of renewables is a key response to climate change. It is also occurring in the context of low costs and high community uptake, and the challenges of ageing coal-based power plants and insecure gas supply.

There is a significant risk that, without planning, social housing residents will face barriers to accessing renewables. As a result, social housing residents may face a relative increase in energy costs as the cost of renewables comes down through an energy transition.

If the transition to distributed energy resources (DER) is left to individual market-based action, social housing residents are less likely to be able to benefit from solar PV or other systems than owner-occupier households. Barriers to renewables or distributed energy resources are likely to include upfront costs of installation; permissions to install solar PV or other systems; infeasibility for residents of high-density buildings; a split incentive in which residents can only save on bills if the social housing provider pays the upfront cost of installation; and access to information.

Furthermore, the social housing sector needs to start planning for the transition from gas appliances to all-electric appliances powered by renewables that is already underway and gathering momentum. Many residents in social housing currently access rebates for gas connections, including in some cases paying no connection fees. However, as gas comes to play a smaller role in Victoria's energy supply, homes dependent on gas appliances risk leaving social housing residents paying higher energy bills. Furthermore, homes dependent on gas heating rather than renewables-powered reverse-cycle air conditioners do not have cooling options.

In order to ensure social housing residents are not disadvantaged in the expected broader energy transition, strategic planning is required now to ensure social housing residents are not excluded from access to renewable energy. Priority measures should include onsite installation of solar PV where feasible; power-purchase agreements (PPAs) led by Homes Victoria; investment in community battery and storage facilities; and installation of efficient electric heating, cooling, and hot water systems.

A renewable power purchase agreement for all social and public housing residents provides a distinct opportunity to lower and stabilise electricity costs and reduces barriers in navigating the retail market. In some cases, gas and water utility is included in rental costs, not electric, so each individual household is subject to electric cost fluctuation. A renewable power purchase agreement will result in community and public housing residents participating in the energy transition, while also providing lower electric costs.

Recommendation 5: ensure social housing residents are not disadvantaged in the energy transition by investing in onsite solar, community battery storage, replacement of gas appliances with efficient heat pump systems, and delivering a renewable power purchase agreement (PPA).

6) Energy bill concessions and support

Alongside investment in energy efficiency and access to renewables that can be expected to reduce energy costs, appropriate support should be provided to residents to manage the costs of energy bills. This support should include appropriately resourced information, support and financial counselling services, and concessions and rebates for people on low incomes. Appropriate planning should be undertaken to ensure that no bill increases are experienced by residents currently receiving connection rebates or discounts for gas connections as renewable energy increases as a share of Victoria's energy supply.

Additionally, support should be provided to community and public housing residents tied to a renewable energy asset through a power purchase agreement, which can provide stabilised electric costs while also participating in the energy transition. The asset can be owned by state government providing greater oversight and support to households.

Recommendation 6: adequately resource support, information, and concessions to social housing residents to manage and reduce energy costs.