
23 October 2018

Christine McDonald
Secretary
Environment and Communications Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: ec.sen@aph.gov.au

Dear Ms McDonald,

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

The Property Council of Australia welcomes the opportunity to comment on the Treasury Laws Amendment (Improving the Energy Efficiency of Rental Properties) Bill 2018. We are encouraged to see consideration by the Senate Environment and Communications Legislation Committee of a measure to improve the energy efficiency of rental properties.

The Property Council of Australia champions the industry that employs 1.4 million Australians and shapes the future of our communities and cities. Property Council members invest in, design, build and manage places that matter to Australians: our homes, retirement villages, shopping centres, office buildings, industrial areas, education, research and health precincts, tourism and hospitality venues and more.

The Property Council is committed to policies that unlock the potential of the built environment to reduce emissions as buildings, consistent with the strong sustainability mandate of our leading members. Australian property companies consistently lead international sustainability benchmarks¹² and many have carbon neutral targets or net zero emissions targets that fall well before 2050.

Australia's buildings account for almost a quarter of national emissions and nearly half the country's electricity consumption, divided almost equally between residential and non-residential buildings. Implementing the right suite of policies could deliver \$20 billion in financial savings by 2030 as well as contributing to improved health and productivity for occupants.³

¹ 2018 Global Real Estate Sustainability Benchmark, <https://gresb.com/2018-gresb-results-released/>

² 2018 Dow Jones Sustainability Index <http://www.robecosam.com/en/sustainability-insights/about-sustainability/corporate-sustainability-assessment/industry-leaders.jsp>

³ ClimateWorks for Australian Sustainable Built Environment Council (ASBEC), *Low Carbon, High Performance*, 2016

The report Low Carbon, High Performance, authored for the Australian Sustainable Built Environment Council (ASBEC) by ClimateWorks, provides a clear policy roadmap for realising this opportunity comprised of five key policy solutions:

1. **Establish national plan towards zero carbon buildings by 2050** This includes supporting policy frameworks, governance arrangements with interim and long-term targets, clear responsibility at Ministerial level, coordination across different spheres of government and public reporting requirements
2. **Set strong mandatory minimum standards** Creation of strong minimum standards for buildings, equipment and appliances, and establishment of a forward trajectory for future standards
3. **Create targeted incentives and programs** Support higher performance in the short to medium term through incentives and programs including the use of government market power and a range of financial incentives for building owners and tenants
4. **Reform the energy market** Support the implementation of cost-effective energy efficiency and distributed energy improvements by removing energy market barriers and distortions,
5. **Resource appropriate energy data, information, research, and education measures** Enable informed consumer choice and support the innovation, commercialisation and deployment of new technologies and business models for delivery of energy efficiency and distributed energy solutions.

Targeted policies are required in this sector to improve uptake of energy efficiency opportunities as there are complex barriers at play, including tenant/landlord split incentives and information asymmetries that make it hard to unlock the opportunity that exists.

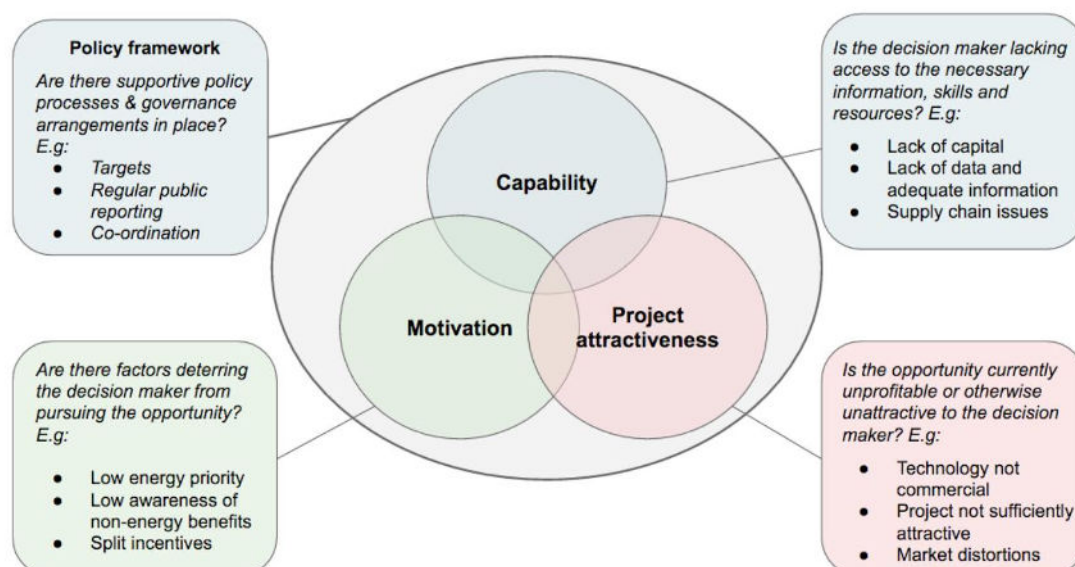


Figure 1: Barrier and impediment framework

Low income households tend to live in more inefficient dwellings than other households, spend more of their household income on energy, and face stronger barriers to upgrading including strong split incentives between tenant and landlord and low capability to fund upgrades.

A strong public benefit exists for improving the energy performance of rental properties. The poorest performing homes are often rental properties occupied by low income and vulnerable households, who have a greater need to contain living costs including energy costs, and less capability to engage with landlords to rectify very poor energy performance of rented properties. In this context, there is a strong rationale for establishment of targeted policies aimed at low income households.

These would include mechanisms to facilitate upgrades to rental properties, including targeted tax incentives. Increasing a home's energy rating from 2 to 5 Energy Stars can result in a 54% reduction in energy required for thermal control, equal to \$600 savings/25% reduction in annual energy bills.⁴ In addition to this, low income and vulnerable households are often the recipients of financial assistance from state and territory governments. Improving the quality of low income housing could reduce this burden, providing another reason to invest effort in this space.

We also know that many Australians are struggling with high energy bills and measures to support improved energy efficiency for households are strongly supported. In April 2018 a survey found that 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.⁵ Voters surveyed supported a wide range of specific energy efficiency policies, including:

- 85 per cent support for incentives for upgrading homes
- 84 per cent support for policies to upgrade the homes of vulnerable households
- 80 per cent support for minimum standards for rental homes to ensure that they are safe, comfortable and have low energy bills, and
- 88 per cent support to strengthen minimum standards for new homes.

Making changes to the tax system will encourage landlords to move in advance and go beyond minimum standards, helping families all around the country. There is currently 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 appliances fail, a landlord can get a greater tax benefits from replacing it with a like-for-like model than with a more efficient model. This distortion should be remedied as a matter of priority.

Therefore, we strongly recommend that the Senate Standing Committees on Environment and Communications support Senator Storer's proposed legislation and we look forward to discussing the details of the Bill with the Committee further. Please don't hesitate to contact

⁴ ACOSS, 2013 p4

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

Frankie Muskovic at fmuskovic@propertycouncil.com.au or 02 9033 1997 to arrange a meeting.

Yours sincerely



Ken Morrison
Chief Executive