



27 September 2018

Committee Secretary
Senate Standing Committees on Environment and Communications
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Dear Sir/Madam

Thank you for the opportunity to provide a submission on the Senate Inquiry into the Treasury Laws Amendment (Improving the Energy Efficiency of Rental Properties) Bill 2018.

The Housing Industry Association (HIA) as Australia's peak residential building representative body participates in numerous state and national committees, working groups, advisory boards regarding the development of building codes and standards, including energy efficiency regulations.

In terms of consideration of future energy efficiency regulations, HIA continues to highlight in these forums and to relevant Government agencies that new buildings only account for approximately 2% of housing stock. Whereas, significant energy efficiency gains can be achieved by improvements made to the estimated 8-10 million homes built prior to our current energy efficiency regulations.

These benefits would include emissions reductions, lower power bills and improved occupant comfort.

HIA continues to advocate strongly that far greater gains can be had by tackling energy efficiency upgrades for existing housing stock, through programs such as put forward in the Bill, rather than seeking to further increase standards for new residential building than are already highly efficient 6-star standard homes.

This was further underlined in a recent report from the Commonwealth Department of Environment on achieving low energy homes, which noted the following in respect to existing buildings:

- *'Existing homes represent the largest potential for energy savings in the residential building sector.'*
- *'The vast majority of Australia's housing was built before the introduction of minimum energy efficiency regulations (estimated at 8-10 million homes) for residential buildings in 2005. This means existing (pre-2005) housing will continue to pose large energy costs, health and emission issues for households, regardless of standard increases in the NCC.'*
- *'By improving the performance of existing buildings by a relatively small amount, the energy savings and benefits roughly double.
For example, by improving existing housing stock by just 1 per cent could deliver an additional \$1.5 billion in net present value.'*

Broadly speaking HIA is highly supportive of State and Federal Government funded or supported programs that provide mechanisms to facilitate energy efficiency upgrades to existing buildings.

History has proven that governments providing incentives for home owners and industry through rebates schemes, or similar, are an effective way to improve the performance of the existing building stock.

However, from what we have witnessed over the years is that for upgrade/rebate schemes to be successful and have significant market uptake, they need to be simple to access, understand and apply.

In terms of the proposed Bill, to allow landlords to claim a tax offset for energy efficiency upgrades to rental properties, HIA is supportive of the merits of this Bill.

Yet we are concerned that the Bill as currently drafted presents a number of barriers that would prevent significant market uptake. These include:

- **The low rental threshold for eligibility** – HIA has undertaken a review of two bedroom homes and/or flats for rent on realestate.com.au and found relatively few if any properties within metropolitan areas in Australian capital cities that are available for \$300 per week or less.

We also surveyed the 'your investment property magazine' which produces statistical information on price guides, including weekly median advertised rents data from last 12 months from all states.

Similar to the review for rentals on realestate.com.au, it indicates that there are few available properties that would meet that would satisfy the \$300 weekly rent threshold. From this review a more appropriate benchmark would be \$400-\$450 per week.

HIA would question though why a threshold is needed, rather we would suggest that the scheme should be available to all landlords regardless of weekly rent, for the scheme to be truly effective and improve the energy efficiency performance of rental properties across Australia.

- **\$2000 tax offset for landlords** – The explanatory notes to the Bill, states that the purpose of this amendment is due to current situation where landlords are able to claim costs of repairs made to their rental properties, but are unable to claim appropriately for energy efficiency upgrades.

HIA questions whether this is more of an oversight of the current legislation that could be easily resolved with clarity of stating that '*landlords are able to claim costs of repairs or for upgrades to a rental property towards current regulations*' or similar wording.

- **Conditions on upgrades** – The draft Bill places a number of conditions to be satisfied for the upgrades in addition to meeting the above criteria. These include where:
 - retrofitting windows, that the new windows must meet the Window Energy Rating Scheme;
 - installing insulation, that it must be performed by an insulation professional accredited under the Clean Energy Council insulation accreditation process;
 - consists of the installation of photovoltaic solar panels, the installer must be accredited by the Clean Energy Council.

And that prior to one of the above upgrade measures being claimed, an assessment using an accredited 'energy performance assessment' tool.

HIA would question the need for such stringent conditions for the types of properties that are likely to have poor current energy efficiency performance, so an assessment on their performance may provide little added benefit.

Whilst it is acknowledged that there needs to be checks and balances in place to ensure the scheme is not misused if implemented. It is suggested that these additional conditions be revisited in consultation with industry stakeholders to develop more straightforward solutions.

As outlined above HIA is supportive of the merits of this Bill, and other Federal and State Government supported targeted rebate programs for energy efficiency measures to reduce energy consumption, reduction in power bills and improved thermal comfort of existing homes and to support new home owners who choose to exceed current regulations.

HIA would be happy to work with Federal and State Governments to assist in the development and support the implementation of such schemes.

If you would like to discuss any matters raised please don't hesitate to contact me on _____ or email at _____.

Yours sincerely

HOUSING INDUSTRY ASSOCIATION LIMITED

Simon Croft
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