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Mandatory energy efficiency standards and disclosure for rentals

Background

People who are most impacted by higher electricity costs are also those who are least able to make changes to their property, due to affordability and lack of tenure. In addition, fear of eviction and low rental vacancy rates, prevent renters from asking for energy efficiency improvements to their residency.¹ With COVID exacerbating low vacancy rates for rentals across Australia, there is limited choice or power for renters to demand to live in a home that is thermally efficient, and beneficial for their health and wellbeing.

There is a need for mandatory energy efficiency disclosure and minimum residential energy efficiency standards that builds on existing COAG commitments under the *Trajectory for low energy buildings – existing buildings*. The work to establish a national framework for energy efficiency disclosure and minimum standards for rentals undertaken by the South Australian government under the trajectory is welcomed. However, the framework being developed nationally and within SA for energy efficiency standards and disclosure is not intended to be mandatory in the first instance. This is not a sufficient approach to improve public and private rental housing in SA, as there are no incentives for landlords to meet voluntary standards or disclose the energy efficiency rating of their property.

Research conducted by Wrigley and Crawford (2017), found that over 90 percent of renters supported mandatory energy efficiency standards. Landlords who were initially unsupportive of mandatory energy efficiency standards, were more supportive when energy efficiency improvements could receive a tax offset.² Research from Europe also found that landlords would benefit from the establishment of an independent third party to provide advice, information and listings of accredited installers to assist with implementation.³

In combination with minimum energy efficiency standards, mandatory disclosure can assist to aid in transparency of the overall quality of housing and encourage participation in

¹ Wrigley, K., Crawford, R. (2017) Identifying policy solutions for improving the energy efficiency of rental properties. *Energy Policy*, v.108. <https://doi.org/10.1016/j.enpol.2017.06.009> p.371

² Ibid, p.374

³ Burbidge, M. et al., (2021). Structural Factors Impacting Energy Efficiency Policy Implementation in the European Private Rented Sector. University of Manchester, United Kingdom: ENPOR Project. <https://www.enpor.eu/report-what-prevents-energy-efficiency-policy-implementation-in-the-european-private-rented-sector/>

energy efficiency incentive programs.⁴ Mandatory disclosure can also provide important data and transparency about the state of rental housing.

Policy Response

SACOSS is supportive of the approach for minimum energy efficiency standards that the South Australian government is considering under the national framework that consists of both a features' and a rating scheme. This would allow for flexibility, and is a practical approach for improving rental properties. Concerns have been raised about minimum energy efficiency standards increasing the cost of rental properties; however, it was found that this can be mitigated through a phased approach, and by putting in place protections for renters against unfair rent increases.⁵

SACOSS proposes that a mandatory disclosure scheme and minimum residential energy efficiency standards for public and private rental properties is adopted by the Government of South Australia. It is also recommended that in adopting this mandatory scheme for both disclosure and standards, that the Department for Energy and Mining collaborates with Housing SA to ensure that public and Aboriginal housing is included, and with the Attorney General's office who has responsibility for the Residential Tenancies Act 1995. It is recommended that all parties work together to achieve the best outcome for the health and wellbeing of private and public renters in SA.

SACOSS Proposal

- Minimum energy efficiency standards for private and public rental properties, and mandatory disclosure of energy efficiency ratings for all rental properties in South Australia.

⁴ Myers, E., Puller, S., West, J. (2019) Effects of Mandatory Energy Disclosure in Housing Markets. NBER Working Paper No. 26436
https://www.nber.org/system/files/working_papers/w26436/w26436.pdf#page=1&zoom=auto,-18,801

⁵ Wrigley & Crawford (2017), Op. cit. p.374-375