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Residential energy efficiency disclosure scheme

Background

Residential energy efficiency disclosure builds on existing COAG recommendations to establish a national framework for energy efficiency disclosure at point of sale to include at point of lease. The ACT implemented a requirement for energy efficiency disclosure at point of sale under the Civil Law (Sale of Residential Property) Act 2003. This legislation requires that all homes sold in the ACT carry an energy rating.¹ The rating and disclosure of a property's energy performance is intended to incentivize governments and owners to improve the energy efficiency of existing housing stock.

A study conducted by Myers et al (2019)² in the US, suggests that homeowners are largely ignorant of their homes energy efficiency and that this is a market failure that mandatory disclosure can improve. In addition, the study found that mandatory disclosure can assist over the longer term in improving the overall quality of housing and encouraging participation in energy efficiency incentive programs.

The disclosure of rental property's energy rating when advertising in the ACT is legislated through the Residential Tenancies Act (1997), section 11A,³ however there are loopholes where disclosure can be avoided, for example if the dwelling does not have an existing energy efficiency rating and policing of non-disclosure is lax. Non-disclosure rates of greater than 50% were observed in the ACT rental market.⁴ Results from the disclosure program running since 1997 in the ACT show that energy efficiency of owner-occupier homes increases, however rental properties in the ACT, underperform and investment by landlords in energy efficiency improvements is limited. There is also a positive correlation with energy efficiency and rental prices. Meaning that rental prices will be higher for energy efficient properties. To avoid non-disclosure the authors of the study suggest a mandatory requirement to disclose a valid energy efficiency rating to the rental market⁵; however, this is likely to increase prices as it is a moderate cost to obtain the certificate.

¹ ACT Government (2019) Energy Efficiency Standards, Ratings and Disclosure.

<https://www.environment.act.gov.au/energy/smarter-use-of-energy/energy-efficiency-standards,-ratings-and-disclosure>

² 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

³ Residential Tenancies Act 1997. <https://www.legislation.act.gov.au/View/a/1997-84/current/PDF/1997-84.PDF>

⁴ Fuerst & Warren-Myers (2018) Does voluntary disclosure create a green lemon problem? Energy-efficiency ratings and house prices. Energy Economics, 74. Pp. 1-12. <https://doi.org/10.1016/j.eneco.2018.04.041>

⁵ Ibid.

Policy Response

There are various options available to adopt mandatory disclosure that include regulatory options to require thermal assessments to be undertaken of properties at the point of sale or rental. Options can range from a full thermal assessment of a property with an accredited building energy efficiency assessor, to more simplified assessments include online self-assessments or checklists, as well as opt out or voluntary options.⁶

The Victorian Government introduced the Victorian Residential Efficiency Scorecard, which provides an efficiency rating for residential homes. Properties are assessed by government approved assessors and several not for profit organizations are also accredited to provide Scorecard assessments. The price of assessments ranges from \$250 to \$500. When an assessment is done, an energy star rating is provided for the property.⁷ A National Scorecard field trial is being conducted in early 2021 with assessments available across Australia. Additionally, work is currently underway to extend the National House Energy Rating Scheme (NatHERS) to existing homes.⁸

SACOSS proposes that a residential energy efficiency disclosure scheme for public and private rental properties is implemented by the Department of Human Services, the Department for Energy and Mining and through the Attorney General's office who has responsibility for the Residential Tenancies Act 1995.

SACOSS Proposal

1. That the government enacts a residential energy efficiency disclosure scheme, which applies to public and private rental properties in SA.

⁶ COAG Energy Council (2011) Residential Building Mandatory Disclosure Fact Sheet.

<http://www.coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/Attachment%20B%20-%20RBMD%20Factsheet.pdf>

⁷ State Government of Victoria (2021) What is a Scorecard assessment?

<https://www.victorianenergysaver.vic.gov.au/save-energy-and-money/get-a-home-energy-assessment/getting-an-assessment>

⁸ State Government of Victoria (2021) National Scorecard field trial.

<https://www.victorianenergysaver.vic.gov.au/save-energy-and-money/get-a-home-energy-assessment/news-and-publications/national-scorecard-roll-out>