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## **Bank Australia submission to the Senate Committee on Economics inquiry, *Residential Electrification***

Bank Australia thanks the Senate Standing Committee on Economics for the opportunity to provide a submission to the inquiry, *Residential Electrification*.

Electrifying and improving the energy efficiency of residential buildings is a key part of decarbonising Australia's economy, and is also foundational to Bank Australia's [climate action strategy](#). Residential electrification and energy efficiency can help households save on energy bills, increase the comfort and health of homes, and stimulate innovation and an employment market across a range of sectors.

Bank Australia welcomes the Federal Government's plan for [Powering Australia](#), and in February 2023 we made a submission to the National Energy Performance Strategy (NEPS). Our submission to this inquiry will draw on [our NEPS submission](#), making 4 key points:

- residential electrification and energy efficiency can significantly reduce emissions from the built environment, as Australia's electricity becomes increasingly sourced from renewable energy
- national standards and datasets for household energy ratings and energy usage will enable financial institutions to develop tailored products for consumers, as well as support accuracy of climate disclosures
- the implementation of a 'one-stop shop' consumer solution for households could reduce consumer barriers to residential electrification and efficiency
- in addition to reducing emissions, benefits of residential electrification and energy efficiency include household energy bill savings, improved health and comfort, and the stimulation of new markets and jobs.

### **Residential electrification and energy efficiency can significantly reduce emissions from the residential sector, as Australia's electricity becomes increasingly sourced from renewable energy**

Residential electrification and energy efficiency is key to decarbonising Australia's economy and forms part of Bank Australia's climate action strategy, which includes a net zero emissions by 2035 target. Bank Australia has also set an interim [validated science-based target for 2030](#).

Residential housing is a critical sector to address for reducing banks' financed emissions. Bank Australia supports the recent government decisions in ACT and Victoria to ban gas in new residential and public buildings. Stopping the construction of new buildings with gas is an important policy lever, however retrofitting Australia's existing building stock will be essential to reduce national emissions in line with Australia's climate action goals.

Currently over 5 million homes are connected to gas across Australia<sup>1</sup> and as the volume of renewable energy increases in the electricity grid, gas will account for a higher proportion of emissions from energy. We need a favourable policy environment that supports the building of all-electric, energy efficient homes, as well as incentivising households to retrofit existing homes at scale.

### **National standards and datasets for household energy ratings and energy usage will enable financial institutions to develop tailored products for consumers, as well as support accuracy of climate disclosures**

Bank Australia established its Clean Energy Home Loan in 2020, with the Clean Energy Finance Corporation providing initial investment.

Our experience implementing the Clean Energy Home Loan has shown that clear and nationally consistent standards for green homes would simplify financial institutions' green product development and assist banks with their climate disclosures. Clear and consistent standards will also benefit consumers making decisions about purchasing, building, renovating or renting a green home.

In our NEPS submission we recommended national criteria be developed for existing buildings, as we currently have few tools that capture the performance of buildings as-built and as-equipped. This results in a significant gap in the information available to households to inform their decision-making, and to financial institutions to inform product development. We support the government's plan to endorse a further draft of the Nationwide House Energy Rating Scheme (NatHERS) framework by the end of the year.

While national standards and improved household energy usage data sets are critical enablers of financial institutions' climate disclosures, there are opportunities right now to stimulate consumer demand for and uptake of household electrification.

### **The implementation of a 'one-stop shop' consumer solution could reduce barriers to residential electrification and efficiency**

Through Bank Australia's experience delivering Clean Energy Home Loan products and developing a new Electrify Your Home pilot we have identified a key behavioral barrier for households in undertaking green upgrades to their homes. This barrier is over-complexity of carrying out upgrades and the lack of a 'one-stop-shop' or 'concierge' solution tailored for households.

A range of factors create friction for consumers, including inconsistencies in the information, standards and definitions available. Additionally, consumers can be affected by a disjointed experience in procuring and managing multiple suppliers, services and sources of advice.

Bank Australia is preparing to launch an Electrify Your Home pilot program with a small cohort of existing Bank Australia home loan customers, initially focused on the Latrobe Valley region. The pilot will investigate the customer experience of using an online energy assessment and a concierge service similar to the one described above, as part of making home electrification upgrades. We would welcome the opportunity to share findings from this pilot with the Federal Government.

Strong concierge services that have endorsement from government could encourage more households to take on home electrification and energy efficiency upgrades, making clear connections between the different participants in the market including households, supply

<sup>1</sup> Grattan Institute, 2023, [Getting Off Gas: Why, How and Who Should Pay](#)

chain (e.g. energy assessors, technology suppliers, appliance installers) and financial institutions.

**In addition to reducing emissions, benefits of residential electrification and energy efficiency include household energy bill savings, improved health and comfort, and the stimulation of new markets and jobs**

Residential electrification can deliver energy bill cost savings, and the potential for improved household health and comfort. However this means those still using gas and living in inefficient homes may bear disproportionately higher energy costs in future, and will lose out on the health and comfort benefits of an energy efficient home.

The Federal Government should consider the equity dimensions of stimulating residential electrification roll outs. This should include a focus on equitable opportunities for low income households, who may not have the capacity to fund retrofits for their homes. Tailored interventions to drive electrification uptake by landlords will benefit renters and stimulate consumer demand.

Residential electrification also involves opportunities for job creation across a range of sectors, including construction, engineering and project management. The Federal Government should also consider how the stimulation of this employment market could provide equitable social outcomes, such as creating employment in communities affected by the decarbonisation of the energy sector.

**Concluding comments**

National standards and improved household energy usage data sets are critical enablers for financial institutions' climate disclosures and green product development, and will support consumers in making informed decisions. While Bank Australia welcomes the development of standards and datasets, there exist many opportunities to stimulate consumer demand and uptake of household electrification right now.

Bank Australia would welcome the opportunity to continue our engagement with the Federal Government on residential electrification, and to assist with identifying opportunities for financial institutions to support residential electrification at scale.