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## Bank Australia submission to the National Energy Performance Strategy consultation

Bank Australia welcomes the chance to input into the development of the Federal Government's National Energy Performance Strategy.

We strongly support efforts by the Federal Government to deliver policy that will rapidly improve energy performance, which is critical to an affordable, secure and clean energy system, and the transition to a net zero emissions economy.

Bank Australia agrees that a National Energy Performance Strategy will help to prioritise, coordinate and harmonise action across government, industry and households. We welcome the strategy focus areas put forward for consultation, and make specific comments here on energy efficiency in the residential sector (Strategy Focus Area 2.2) as one of the urgent priorities that the National Energy Performance Strategy needs to address.

Responding to our customers' expectations, Bank Australia has developed an ambitious [Climate Action Strategy](#), including a target to reach net zero emissions by 2035. A key part of achieving this target will be supporting our mortgage holders to electrify and improve the energy efficiency of their homes.

Our current Clean Energy Home Loan product rewards customers with an interest rate discount when they buy or build a new green home, or make ambitious green upgrades to an existing home. We are also exploring ways to support our customers to electrify their homes.

An enabling policy environment will support the scaling and mainstreaming of home electrification and efficiency programs. With Australia's residential building sector accounting for 24% of electricity consumption and contributing 11% of national emissions,<sup>1</sup> addressing energy efficiency at the household level will be instrumental in driving down emissions. Further, energy efficiency upgrades are critical to reducing household energy bill pressure and preventing energy hardship, and to making homes healthier and more comfortable.

Bank Australia encourages the National Energy Performance Strategy to include: strategies for reducing complexity for consumers; consistent residential building standards and tools for both new and existing homes; mandatory disclosure of energy performance; minimum residential energy efficiency standards; and prioritisation of upgrades for low-income households.

### **Reducing complexity for households will be key to scaling up home electrification and energy efficiency upgrades.**

Bank Australia's experience in developing our Clean Energy Home Loan product has identified that a key behavioral barrier for households in undertaking upgrades is over-complexity and the lack of a 'one-stop-shop' or 'concierge' solution.

<sup>1</sup> DCCEEW (2020) [National inventory by economic sector: data tables and methodology](#)

A range of factors create complexity for households, including inconsistent information, standards and definitions (as discussed below), and a disjointed experience in managing multiple suppliers, services and sources of advice.

The Federal Government can take a leadership role in setting up the framework and enabling conditions to create a concierge model for households, making it simpler to coordinate programs that step through household energy assessment, interpretation of the financial cost-benefits of upgrade options over time, procuring multiple suppliers for specific upgrades and appliances, and managing the process of evidencing and verifying upgrades with financial institutions.

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, delivery partners (e.g. energy assessors, technology suppliers, installers) and financial institutions.

**Banks have a clear role to play in supporting households to electrify and improve energy efficiency. However, banks are hampered by a lack of standards on what is considered to be a net-zero and energy efficient home, as well as a lack of clear and consistent tools to understand building performance.**

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

Bank Australia's experience implementing the Clean Energy Home Loan over the last three years has shown that clear and nationally consistent standards for energy efficiency criteria would simplify financial institutions' green product development and enable scale-up of finance for green home upgrades. Clear and consistent criteria that are simple for a household to implement and then evidence to a financial institution could greatly improve the take-up of green finance products, and enable financial institutions to tap into green finance markets.

New build homes may be more straightforward to address through policy measures than the retrofitting of existing homes, but improvements can still be made to enable an uptick in the scale and pace of electrification and energy management in new builds.

Bank Australia welcomes the positive progress being made, such as the shift in the minimum NatHERS rating from six to seven stars in the National Construction Code in 2022. The National Energy Performance Strategy presents an opportunity to shift away from incremental progress and to set ambitious medium-term goals, including working towards targeting all-electric net zero homes for new builds.

For existing homes the task is more challenging and consistent national tools will be the critical first step. We currently have little in terms of tools that capture the performance of buildings as-built and as-equipped, which results in a significant gap in the information available to households.

**The residential energy performance rating tool needs to be finalised and implemented at scale, and should be followed by mandatory disclosure of energy performance at the point of sale or lease.**

Rolling out a single, national residential energy performance rating tool will help to inform the market and will allow financial institutions to better invest in energy efficiency retrofits, including via accessing green finance markets. Tools such as the Residential Efficiency Scorecard could be helpful if made consistently nationally available. Tools that are only

available in individual states are more challenging to use given most financial institutions operate nationally and need to set national product criteria.

Once the energy performance rating tool is in place, Bank Australia supports mandatory disclosure of energy performance at the point of sale as soon as possible, followed by evolution into rental markets.

**The National Energy Performance Strategy should support the introduction of minimum energy efficiency standards for rental properties.**

Minimum energy efficiency standards for rental properties should ideally be based on the national residential energy performance rating tool described above. In the short-term, features-based property standards could bridge the gap for consumers, such as mandating that rental properties have minimum levels of insulation and efficient heating and cooling systems.

**The National Energy Performance Strategy must prioritise the energy performance of low-income households. This early action to establish frameworks and resourcing could underpin longer-term efforts to upgrade Australia's broader housing stock.**

Governments must take a leadership role in ensuring that low-income households, including public and private rental housing, are prioritised for electrification and energy efficiency upgrades.

The current poor energy efficiency of Australian homes means that millions of people on low incomes, particularly renters, suffer from poor health as a result of energy hardship and unhealthy homes.

For financial institutions, providing loans to low-income households to undertake energy efficiency upgrades can be limited by responsible lending policies. Therefore, Government must prioritise its efforts on households experiencing vulnerability, and the National Energy Performance Strategy can use this early work to establish the frameworks, tools, skills and supply chains to underpin longer-term efforts to scale upgrades across Australia's housing stock.

**Bank Australia has taken a leadership position on climate action, and is committed to supporting households in Australia to electrify and improve energy efficiency.**

As part of Bank Australia's ambitious Climate Action Strategy, which includes a net zero target by 2035, we are committed to supporting Australia's transition to a future of electrified and energy efficient homes.

We support the Federal Government's efforts to put the right policy settings in place to do this, via a robust National Energy Performance Strategy, and would welcome further opportunities to support collaborative efforts with the business community.