



COAG
Energy Council

NATIONAL COLLABORATIVE APPROACH TO RESIDENTIAL BUILDING RATINGS AND DISCLOSURE - PRINCIPLES

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Problem

Energy use in buildings accounts for almost one quarter of Australia's greenhouse gas emissions. Residential buildings account for just over half of these emissions, with the remainder from commercial buildings. Improving the energy productivity of Australia's new and existing residential buildings can lower costs for households, improve the comfort and amenity of our buildings, reduce energy use and lower greenhouse gas emissions.

Minimum standards for residential building performance exist and are necessary to set and improve the performance of residential buildings, but they are insufficient to drive large improvements in the market beyond minimum standards. The synergies between disclosure and minimum standards can be seen in the appliances and commercial buildings sectors, which have rating and disclosure programs that drive the market to improve and minimum standards that remove the lower performing products/buildings from the market.

The energy performance of residential buildings is currently very difficult for consumers to discern and compare, due to inadequate information provided at key decision points (i.e. purchasing, leasing and renovating). This leads to inefficient market outcomes with regard to valuing and choosing high performance buildings to live in and reduces the understanding of the benefits of improving building performance.

The market barriers in the residential building sector primarily relate to:

- *Information shortfalls* – there is a lack of awareness, and understanding, amongst prospective buyers/tenants and property owners about the potential value of improved performance (that is, what they could save on energy costs if they were to improve the performance of a property, or choose a property with particular characteristics over another); a lack of information about what can be done to improve performance; and a lack of information about the value of making changes; and
- *Information asymmetry* – buyers and sellers have different information about the energy performance of residential buildings.
- *Split incentives* – there is little incentive for owners of rental properties to invest when tenants reap the benefits from improved energy performance and little incentive for sellers to invest when prospective buyers will reap the benefits.

There have been different approaches internationally for resolving these market barriers, such as rating and disclosure schemes, guidance material and industry training in energy efficiency. Approaches are continuing to develop over time with changing consumer needs, but evidence shows that in many countries rating and disclosure programs have been a vital component for driving change and providing the foundations for other complementary programs to leverage.

In considering the best approach for ratings and disclosure in Australia, it is important to consider all aspects of the scheme and how it engages consumers and industry. There may be many aspects of consumer and industry needs that vary around Australia. However, inconsistent or incoherent approaches could increase confusion and costs for both consumers and industry, decreasing credibility and market impact. An approach for ratings and disclosure is therefore needed that balances consistency with the flexibility to incorporate changing needs and improve overtime.

A National Collaborative Approach

A national collaborative approach to residential building ratings and disclosure will provide information to the housing market that allows home owners, buyers and tenants to understand, compare, value and act upon the energy performance of existing and new residential buildings.

This approach will also enable the different circumstances of states and territories to be accommodated while getting consistency where possible.

Principles

The following principles have been established to guide the consistent development and collaboration of state and territory based schemes.

| | | Commitment | Rationale |
|--------------------------|----------------------|--|--|
| Strong Governance | | | |
| 1 | Collaborative | <p>COAG Energy Council supports a national collaborative approach to residential building ratings and disclosure. This will include:</p> <ul style="list-style-type: none"> • communicating with stakeholders to ensure disclosure schemes are developed and implemented to best achieve the intended outcome; • regular jurisdictional meetings (every six months) to share information on the development, implementation and operation of disclosure schemes; • consideration by jurisdictions of the findings of pilots, trials and other programs in the development, implementation and operation of their disclosure schemes; and • regularly reviewing the Principles to ensure they continue to be relevant for disclosure schemes. | <p>Disclosure schemes should be founded on collaboration between national government, state and territory governments, and industry, to reduce confusion in the market and minimise compliance costs for industry.</p> |

| | | Commitment | Rationale |
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| 2 | State and Territory Led | Rating and disclosure schemes will be phased-in by State and Territory Governments to suit their specific circumstances. | States and Territories are responsible for building regulation and have different policy environments and industry. State and Territory led schemes will allow ratings and disclosure schemes to be phased-in by each state and territory as appropriate, noting the ACT already has a mandatory scheme and NSW and Victoria have schemes under development. |
| Empowers Householders | | | |
| 3 | Householder Focused | Rating and disclosure schemes will provide credible and useful information in a way that supports householder understanding and engagement. Rating and disclosure schemes will include at a minimum: <ul style="list-style-type: none"> • assessments that communicate energy performance of the thermal shell; • options to improve the building's performance; and • complementary information and resources that assist householder engagement. Rating and disclosure schemes will consider the inclusion of: <ul style="list-style-type: none"> • fixed appliances (lighting, hot water, fixed heating/cooling appliances); and • on-site renewable energy systems. | To support greater uptake, higher levels of engagement, and give people an opportunity to make informed choices and take action to reduce their energy bills, improve comfort and reduce their greenhouse gas emissions, rating and disclosure schemes need to be design with a user focus. |
| Appropriate Frameworks | | | |
| 4 | Efficient and Effective Schemes | Rating and disclosure schemes will leverage and align systems in other states and territories where practical, to ensure schemes are efficient and effective. | Aligning the systems and processes for governing, administering and maintaining schemes can leverage learnings and most efficiently and effectively maximise resources. |

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| 5 | Assessors and Quality Assurance | <p>Rating and disclosure schemes will use trained and authorised assessors, where appropriate, that are supported by formal quality assurance processes.</p> <p>While self-assessments may be considered as a way to empower the householder, certified assessments will be conducted by appropriately trained and authorised assessors.</p> | <p>Requiring trained and authorised assessors plays a vital role in ensuring the credibility of rating and disclosure schemes, while self-assessments may play a role in helping to empower the householder before or after a formal certified assessment.</p> |
| 6 | Consistent and Repeatable Assessments | <p>States and Territories will make transparent and share assessment methods and methodologies used for rating and disclosure schemes.</p> <p>Assessment methods will have the following characteristics as a minimum:</p> <ul style="list-style-type: none"> • balance cost of delivery with accuracy of result; • have an appropriate level of consistency between ratings and with ratings for new builds; • use credible methods for measuring and benchmarking house performance; • produce assessments that allow for simple comparisons of different dwellings; and • produce repeatable assessments. | <p>By having transparency and sharing assessment methods and methodologies will enable other jurisdictions to more easily leverage, align and make consistent their assessment methods.</p> <p>Ensuring assessment tools give repeatable assessments and leverage existing methods will provide certainty to the market.</p> |
| 7 | Whole Supply Chain Approach | <p>Rating and disclosure schemes will take a 'whole supply chain' approach when reviewing, developing and implementing schemes.</p> | <p>As schemes provide information, for them to be effective they must take into account the intended and unintended consequences up and down the supply chain.</p> |
| Adaptable Structures | | | |
| 8 | Support Voluntary and Mandatory | <p>All voluntary and mandatory schemes will consider these principles to ensure a coherent approach to ratings and disclosure.</p> | <p>Considering these principles across voluntary and mandatory schemes will increase leveraging across schemes, noting the ACT already has a mandatory scheme.</p> |

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| 9 | Complement Other Policies and Programs | If practicable, disclosure schemes will be designed to complement other relevant policies and programs. | This will increase the effectiveness and efficient use of both disclosure and complementary actions. For example, building disclosure schemes could complement existing jurisdiction energy efficiency savings schemes to encourage greater adoption of residential building upgrades. |
| Continual Improvements | | | |
| 10 | Data and Evaluation | <p>Rating and disclosure schemes will:</p> <ul style="list-style-type: none"> • collect and retain detailed data gathered through assessments, to support evaluation of the scheme and energy efficiency policy-making; • report annually on the development and operation of any disclosure schemes or associated trials and pilots, and alignment with the Principles; and • conduct a formal evaluation of disclosure schemes against the Principles after three years and report to the COAG Energy Council opportunities for greater harmonisation and adoption across jurisdictions. | <p>This will enable schemes to be reviewed, improved and harmonised over time, and inform other policy development.</p> <p>This could also support in the future wider uses of the data by the householder, for example, it could be imported into householder decision tools.</p> |

Timeframes

The following milestones outline next steps for disclosure schemes:

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| <i>National</i> | <p>Bi-Annually: Jurisdictions meet to share information.</p> <p>Annually: Energy Council are updated through NEPP reporting, and make public, the development and operation of any rating and disclosure schemes and/or commitment to implement rating and disclosure schemes.</p> <p>End 2020: Energy Council are provided with an independent Evaluation Report/s that assess rating and disclosure schemes and identify opportunities for greater harmonisation and adoption across jurisdictions.</p> |
| <i>NSW</i> | Early 2017: NSW to progress processes for introducing a rating and disclosure scheme for NSW. |
| <i>VIC</i> | Early 2017: Victoria to release Residential Efficiency Scorecard. |