

Clean Energy Options for Renters

This document is adapted from the Clean Affordable Energy for All chapter of the Repower Australia Plan.

Options for private renters

Community Power Agency have identified four main approaches or model types to supporting private renters to access clean energy solutions such as solar, energy efficiency and storage.

Model 1: Solar Gardens. Solar gardens work by installing a central solar array, generally near a population centre. Consumers can purchase a share of the array, with the electricity generated credited on their bill. In this way private renters can sidestep their landlords and still access the benefits of solar without having to install it on their own roof. Because solar gardens are in front of the meter (not behind the meter like rooftop solar), network costs are still charged, this makes them much more financially marginal. Ways to support low-income renters to access solar through Solar Gardens are currently the focus of an ARENA funded and CPA and ISF led study. Currently rebates are looking like the best option.

Model 2: Landlords (or third parties) & tenants split the benefit. A property owner (landlord) installs a solar system and a special smart meter. A third-party organisation monitors the household energy use and solar output, then splits the financial benefit of the solar array between the tenant (lower electricity bills) and the landlord (for example a monthly payment). Note the South Australian Virtual Power Plant initiative is a variation of this model, though it cuts out the landlord and just has the tenant dealing with the third party at no cost (but no incentive) to the landlord. This requires both a property with a suitable roof to install solar and a landlord willing to enter into such an arrangement. This model comes with high transaction costs and thus is not as commercially viable as selling solar to homeowners. Support for social enterprises delivering this model should be considered. It can also be challenging dealing with retailers, the multiple trading arrangements rule change that was knocked back by the AEMC in 2015 would help alleviate this issue.

Model 3: Incentivise landlords to install solar and improve energy efficiency. Provide a financial incentive to landlords to install solar and undertake energy efficiency upgrades. Financial incentives could come in the form of make the upgrades/solar installation tax deductible or eligible for accelerated depreciation. This could be as simple as changing what is considered eligible repairs and reasonable upgrades to rental properties under the Income Tax Assessment Act 1997 ('the ITAA1997'). Alternatively, this financial incentive for landlords to do the right thing could become part of the ALP's negative gearing reform.

Model 4: Unlock rates-based financing for private rental properties. Rates financing is where finance for rooftop solar or energy efficiency is facilitated through the local government. Solar or energy efficiency measures are installed at zero upfront cost to either the tenant or the landlord. The cost of the clean energy upgrade is then repaid through a special opt-in charge or rate levied on the property and paid by the occupant through normal rate repayments. In a tenant-landlord situation, the landlord could pass the special rate through to the tenant. To do this requires state-based Local Government Acts to enable opt-in council rates (not so in NSW) and to allow special exemption in the Tenancy Acts to allow landlords to pass-on this opt-in rate.

Options for social/public housing

Models 1, 2 & 4 above would also work for tenants of social and public housing. However there are other options available to social landlords, specifically:

Directly funding and undertaking retrofits. For example the Victorian government offer subsidised energy efficiency and renewable energy upgrades to a limited number of social housing tenants. It includes free in-home energy assessment, free guidance to choose the best energy plan to suit their needs, generous

government subsidy towards the cost of a home retrofit.¹ The program is implemented through community organisations like Moreland Energy Foundation. This program could be scaled nationally.

Providing loans to build more energy smart social/public housing. CEFC and the largest NSW social housing provider – St George Community Housing (SGCH) – have reached agreement about a 10-year loan of up to \$60 million to develop high-performing, energy-efficient homes.² This should be expanded to a national program including all social housing providers in the country.

Providing low-interest loans for existing social housing upgrades. CEFC or other financial providers could provide low-interest loans to social housing providers to upgrade existing housing and install solar. However, social housing providers will need to recoup the cost of the loan over time. Social housing providers could charge their tenants an additional utilities bill, which would be highly undesirable and inefficient or could slightly raise the rent, where the household is better off from lower power bills. This was not possible under the National Affordable Housing Agreement, that is social housing providers would not be able to do a small rent increase and still be eligible for federal funding. It is unlikely that this has changed under the new National Housing and Homelessness Agreement.

Financing

Energy efficiency and rooftop solar stack up economically and can substantially reduce household energy bills. It thus follows that financing should be possible to support renters and low-income households to do clean energy. There are two main issues and additional barriers that make financing options difficult in practice:

1. Credit rating issues. Low income households who would most benefit from clean energy are not credit worthy and thus ineligible for finance. The Federal Government could fix this issue by underwriting loans, it could start with solar, energy efficiency and storage upgrades in edge of grid and off-grid Aboriginal communities.

2. Repayment mechanism. A loan must be recouped somehow. For most vulnerable households an additional bill (loan repayment) is undesirable, impractical and adds further bill stress. Tying repayment to an existing bill is likely to be much more effective, in addition, since the upgrades are made to the house, the repayment should stay with the house, rather than the tenant. This rules out retail electricity bills, which are impractical for other reasons such as not allowing long-term contracts. Existing bill options to tie a loan to are thus:

- a. Council rates (see above)
- b. The electricity meter component of the electricity bill – however this requires a network company to manage the loan and that has proven impossible to get traction even in publicly owned network companies.
- c. Rent (see above option for social housing providers)

Duty of care & delivery agency

Even if all the issues above are worked through, there are still issues of trust, complexity and confusion. Furthermore, for vulnerable households it is imperative that the organisations delivering these options have a duty of care to the people involved. Any policies implemented, must ensure households are better off and not being sold a bad deal. This is where community energy groups and an expanded version of the ALP's Community Power Network policy become essential.

¹ Victoria State Government (2017) Affordable Retrofits Program. Available: <https://www.energy.vic.gov.au/affordable-retrofits-program> (accessed: 27/11/2017).

² CEFC (2015) New finance gives NSW community housing a clean energy boost. Available: https://www.cefc.com.au/media/107497/cefc-factsheet_sgcommunityhousing_lr.pdf