Ms Glenys Beauchamp PSM
Chair
Australian Building Codes Board

[submitted through the ABCB online Consultation Hub]

Dear Ms Beauchamp

VICTORIAN GOVERNMENT SUBMISSION ON THE CONSULTATION REGULATORY IMPACT STATEMENT – NATIONAL CONSTRUCTION CODE 2022 PROPOSED RESIDENTIAL ENERGY EFFICIENCY PROVISIONS

The Victorian Government’s primary objectives are to ensure the interests of Victorian energy consumers are represented and that policy priorities, including climate change targets and transitioning to a net zero emissions economy, are supported by reforms that benefit all Victorians.

Enhancing building energy efficiency will deliver significant greenhouse gas (GHG) emissions reductions, meaningfully reduce household energy bills, and create more climate resilient and comfortable homes. Residential buildings account for one-third of Victoria’s electricity and gas use and contribute 20 per cent of our state’s total net emissions.¹ Stronger minimum energy efficiency provisions in the National Construction Code (NCC) are needed to drive those numbers down.²

The extensive work done by the Commonwealth, State and Territory Governments to develop the nationally-agreed Trajectory for Low Energy Buildings (the Trajectory)³ to inform future updates to the NCC was completed in recognition of the outcomes that could be realised through a strong national approach of energy efficiency improvements in the building sector and with a clear direction that energy efficiency provisions should be substantially updated in NCC 2022.

Victoria is committed to delivering nationally consistent provisions in the NCC that are in line with the Trajectory, recognising that consistency across jurisdictions has advantages for the building sector and consumers. It is important to ensure the Regulatory Impact Statement (RIS) for proposed changes is accurate, complete and robust so that Building Ministers can fully consider their policy implications.

The Victorian Government welcomes effective engagement across the sector that the NCC 2022 Consultation RIS process provides. Accordingly, on behalf of the Victorian Government, I appreciate the opportunity to provide a submission on the Consultation RIS for residential energy efficiency provisions proposed for the National Construction Code (NCC) 2022.

¹ Sustainability Victoria, Victorian Energy Consumption Update – to 2018/19 [unpublished analysis], Sustainability Victoria, Melbourne, November 2020
² Due to the interconnected nature of the national electricity market, some GHG emissions reduction from energy efficiency standards for new buildings would occur interstate.
³ COAG Energy Council, Trajectory for Low Energy Buildings, 2018, accessed 29 September 2021
Changes to the NCC are needed now to support the transition to a net zero emissions economy

Victoria has a legislated target of net-zero emissions by 2050 and the Victorian Government has set ambitious but achievable targets to reduce the state’s greenhouse gas emissions from 2005 levels by 28–33 per cent by 2025, and 45–50 per cent by 2030. These targets maintain Victoria’s position as a climate leader in Australia and confirms our position among leading jurisdictions around the world. All sectors of the Victorian economy, including the building sector, need to take sustained action to achieve our emissions reduction targets.

The Victorian Government’s Energy Sector Emissions Reduction Pledge was released in May 2021 in conjunction with Victoria’s Climate Change Strategy, a significant milestone in Victoria’s pathway to achieving a net zero emissions, climate-resilient state.  

The energy sector pledge explicitly references proposed changes to residential energy efficiency provisions in the NCC planned for 2022 as part of a suite of policies and programs to achieve economy-wide emissions reductions. This pledge affirms the Victorian Government’s support for changes to the NCC for 2022, including:

- improving thermal performance (from 6-Star to 7-Star) to make homes more comfortable and resilient, and
- strengthening energy performance standards for fixed appliances such as heating and cooling, hot water systems and lighting to make homes cheaper to run and increase demand response capability.

Both the energy sector pledge and Victoria’s Zero Emissions Vehicle Roadmap also explicitly support introducing ‘readiness’ provisions in NCC 2022 so that apartments and some types of non-residential buildings are designed and constructed for easy retrofit of solar photovoltaic panels, batteries and electric vehicle charging. Victoria will continue to work with the ABCB towards introducing effective readiness provisions in NCC 2022.

The global pathway to achieving net zero emissions by 2050 recently released by the International Energy Agency (IEA) reflects the critical contribution of improvements in building energy efficiency to minimising energy demand growth and resultant emissions. Consistent with this economic analysis the Victorian Government’s Climate Change Strategy also notes that improving building energy efficiency, alongside electrification, is one of the one of the most effective options to achieve emissions reductions.

The IEA has stated that all new buildings should be zero-carbon-ready from 2030 in order to achieve net zero emissions by 2050. Buildings are long-lived and residential energy efficiency provisions set in NCC 2022 will directly shape future energy demand and resulting emissions to 2050 and beyond. This creates a clear imperative for change, and for that change to begin now.

There are significant global and local economic consequences to not acting on climate change. Taking strong action to reduce emissions now is the most cost-effective way to do this and avoids placing a heavy burden on future generations through our delayed action. Expert analysis commissioned by the

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4 DELWP, Victoria’s Climate Change Strategy, 2021, accessed 28 September 2021  


https://www.iea.org/reports/net-zero-by-2050

7 DELWP, Victoria’s Climate Change Strategy Economic Analysis, 2021, accessed 28 September 2021  
Victorian Government found lower overall economic costs for pathways to net-zero that achieved greater emissions reductions by 2030 rather than delaying strong action until after 2030.8

The Consultation RIS does not fully consider the benefits of proposed changes

We encourage the ABCB to review and adjust the analytical approach underpinning the Consultation RIS to ensure that all benefits have been fairly and fully costed in the Decision RIS. Below we have provided key areas where additional review is required.

Cost of carbon

The Consultation RIS adopts a resource cost of carbon (GHGs), estimating a price per tonne of carbon dioxide-equivalent (tCO$_2$-e) abatement of $25 in 2030 and approximately $45 in 2050 based on projected forward prices for Australian Carbon Credit Units. This approach yields prices that are conservative, particularly in the context of the need to achieve net zero emissions by 2050. It would be more appropriate to refer to carbon values such as those identified by the Intergovernmental Panel on Climate Change (IPCC) or International Energy Agency for advanced economies.

Including an appropriate cost for carbon is critically important in estimating the benefits of energy efficiency provisions proposed for NCC 2022. The recent RIS for changes to the Victorian Energy Upgrades program used carbon values with reference to IPCC’s carbon values, based on the scenario most consistent with achieving Paris Agreement commitments.9 The Victorian Government recommends that a more appropriate value of carbon is used for the Decision RIS.

Timeframe for analysis and technology expiry assumptions

The Consultation RIS assumptions for the life of the regulation’s impact are conservative, with no heating and cooling savings after 30 years and even shorter timeframes for other elements. Despite buildings being recognised as long-lived assets (with lifetimes of at least 40 years) this foreshortened timeframe results in a cumulatively significant reduction in the calculated benefits of proposed residential energy efficiency provisions.

Furthermore, the appliance efficiency benefits in the Consultation RIS revert to zero at the end of life for the initially installed appliances, sooner than the thirty-year period noted above. It is more appropriate to assume like-for-like replacement of technology at asset life expiry, to better reflect real-world choices and acknowledging the continual improvement in appliance performance.

The Victorian Government recommends setting longer timeframes in the Decision RIS for the life of the regulations impact, including a more realistic set of assumptions for end-of-life replacement of technology.

Taking an unbundled approach to testing and reporting on regulatory options

The Consultation RIS presents benefits and costs for bundled sets of provisions under Options A and B. An unbundled approach is necessary to better understand the relative impact of provisions within each option (i.e. increases to thermal performance, choice of efficient appliances and installation of on-site renewables) and reduce the ‘all or nothing’ implications of reporting solely on overall benefits and costs.

8 CIE for DELWP, Impact of timing of emissions abatement, 2019, accessed 28 September 2021

A clearer demarcation between results for Class 1 and Class 2 is also required to complement the separate reporting of household and economy-wide benefits and costs, which would also enhance consideration of the different levels of stringency proposed for each building class.

The Victorian Government recommends adjusting the presentation of findings in the Decision RIS to facilitate greater appreciation of the value of final residential energy efficiency provisions.

Demonstrating a full and fair approach to assessing benefits and costs of proposed options

The Consultation RIS acknowledges that several assumptions including learning rates, rebound effect of energy consumption and estimated effects on housing affordability, result in conservative estimates. This exacerbates the impact of the shortened analysis timeframes noted above. When considered overall, this is suggestive of an inconsistent approach to addressing uncertainty in the data, and in the further development of the RIS. Assumptions that result in conservative estimates need to be adjusted so that assessment is demonstrably even-handed in its treatment of inputs and assumptions.

We note the Consultation RIS includes sensitivity analyses for the discount rate, industry costs, carbon prices, rebound effect and energy savings achieved in practice. Reporting of results by variable limits the scope to understand compounding impacts of multiple changes to assumptions and inputs. Further adjustments to inputs and assumptions including carbon cost, timeframes and benefit assumptions must be assessed in a collective manner to determine their combined impact on benefits and costs for the Decision RIS.

Given the strong national support for changes, we strongly recommend the ABCB review and adjust the analysis approach underpinning the Consultation RIS to ensure that all benefits have been fairly and fully costed in the Decision RIS.

Victoria remains committed to delivering energy efficiency improvements in residential buildings

The Victorian Government reaffirms its commitment to pursuing stronger minimum energy efficiency standards for new homes through NCC 2022. We will continue to actively engage in the national process highlighting economic, health and climate benefits of ambitious energy efficiency standards. The RIS will help shape State and Territory Building Ministers’ decisions on whether to incorporate strengthened residential energy efficiency provisions in the NCC for adoption from September 2022.

Notwithstanding our preference for nationally consistent provisions, Victoria reserves the right to set state-level provisions to maintain forward momentum towards buildings effectively contributing to a net zero emissions economy, subject to outcomes of national work for NCC 2022. Any specific variation to the NCC would be developed with Victorian stakeholder input through a further RIS and public consultation process.

Thank you for the opportunity to provide input into the NCC 2022 Consultation RIS process. If you would like to discuss any of the issues raised in this submission further, please contact Alex Badham, Acting Executive Director Energy Demand, Efficiency and Safety, DELWP at alex.badham@delwp.vic.gov.au or 0418 484 493.

Yours sincerely

Hon Lily D’Ambrosio MP
Minister for Energy, Environment and Climate Change
Minister for Solar Homes

27 / 10 / 2021