**NSW Department of Climate Change,
Energy, the Environment and Water**

By email: energyefficiency@dcceew.nsw.gov.au

18 May 2026

Re: Investigation into minimum energy efficiency rental standards consultation paper

The Affiliated Insulation Industry Coalition (AIIC) is a collective of insulation trade associations including Insulation Australasia (IA) and the Insulation Council of Australia & New Zealand (ICANZ). Collectively, the AIIC represents Australian insulation manufacturers, insulation installer organisations and polymers-based insulation supply chain manufacturers.

The AIIC welcomes the opportunity to contribute to the NSW investigation into minimum energy efficiency rental standards. We have included our responses the consultation paper below.

Question 1: What are the biggest issues that renters and landlords face in New South Wales regarding energy efficiency of rental homes? Are there any important issues not included in the list that should be included?

The "split incentive" between landlords and tenants is a key issue in rental properties. This occurs when a landlord pays for energy upgrades (like space heating/cooling or insulation), but the tenant receives the benefit of lower energy bills. This barrier often discourages landlords from investing in efficiency improvements and leads tenants to experience the issues outlined in the paper such as higher energy bills, poor outcomes in health and wellbeing and unsafe indoor air temperatures. Regulated minimum energy efficiency standards is the best solution to this issue, although complementary measures to support landlords in the transition may also be valuable.[1]

Another constraint for landlords may be the availability of suitably trained installers to deliver insulation upgrades at scale. Even where landlords are willing to undertake upgrades, access to skilled labour could limit delivery if in short supply, particularly for technically complex systems or installations.

Question 2: What information do renters currently have access to about the energy efficiency of a rental home before signing a lease, and how could this be improved?

Currently, renters have minimal visibility of insulation presence, condition, or performance. Insulation is typically a concealed building feature and is not a required disclosure at point of lease. In a features-based MEERS scenario, introducing clear disclosure (e.g. ceiling insulation presence, R-value where known and last upgrade date) at point of lease would improve transparency and support informed decision making.

[1] For complementary measures, see Better Renting and EEC, Complementary measures to minimum rental energy performance standards: Policy and discussion paper, 2024.

Question 3: Are some groups of renters disproportionately affected by poor energy efficiency (for example, low-income households, older people, people with disabilities, families with young children, or renters in regional and remote areas)? Please explain.

Australians spend 90% of their time indoors,[2] yet our homes are among some of the least energy efficient globally. Many NSW homes were built before mandatory minimum energy performance standards were introduced and often suffer from poor thermal performance. Improving home efficiency enhances physical and mental health, as well as societal connectedness for residents.

Thermal performance upgrades promote healthy living for all, but research shows they are especially valuable for vulnerable households, which are disproportionately affected by poor housing conditions and energy inefficiency. These households often face energy poverty, forcing difficult choices between heating and other essentials, which worsens health problems and financial stress.

Upgrades like insulation, draught sealing, and efficient heating improve indoor comfort, reduce exposure to cold, damp, and mould, and lower energy bills, providing financial relief. By addressing these disparities, thermal upgrades create healthier, more stable living environments, breaking the cycle of poverty and improving wellbeing.

The Victorian Healthy Homes Program assessed the impact of energy efficiency and thermal comfort upgrades for households with elderly occupants. Upgrades included insulation, draught sealing, space heating, and window coverings, averaging a cost of $3,500 per home. For every $1 saved on energy bills, over $10 was saved in healthcare costs, with almost $900 in healthcare savings per person during winter.[3]

An insulation program for vulnerable homes in New Zealand delivered NZD $7 in benefits for every dollar spent, reducing hospitalisations, medical visits, and missed work or school days.[4] The NZ Healthy Homes Initiative achieved similar success, ensuring children lived in warm, dry, healthy homes with access to thermal upgrades. Over five years, every dollar spent by Health NZ returned NZD $5.07 in health savings, a 507% return on investment.[5]

Overseas, a study of insulation retrofits in social housing in the United Kingdom found that tenants reported improved social and emotional benefits, including feeling more comfortable at home, improved mental health, social interaction, and family relations.[6]

Insulation is a foundational upgrade because it improves the performance and efficiency of all other measures, such as heating, cooling and right-sizing appliances. Without adequate insulation, vulnerable households may continue to experience poor thermal conditions even when new efficient appliances are installed.

[2] DCCEEW, Indoor Air, accessed May 2026.
[3] Sustainability Victoria, The Victorian Healthy Homes Program Research findings, 2022.
[4] Grimes et al., Cost Benefit Analysis of the Warm Up New Zealand: Heat Smart Programme Ministry of Economic Development, 2012.
[5] Pierse et al., Healthy Homes Initiative: five year outcomes evaluation, 2024.
[6] Gilbertson et al. 2006, 'Home is where the hearth is: Grant recipients' views of England's Home Energy Efficiency Scheme (Warm Front)', Social Science & Medicine vol. 4 issue 4, pp. 946-956.

Questions 4 and 5:

No AIIC comment.

Question 6: What lessons from other jurisdictions would be most relevant to New South Wales if MEERS were introduced, particularly in relation to exemptions, lead-in times, or support measures?

The ACT and Victorian experiences are important to learn from if a minimum efficiency standard for insulation is adopted in NSW. Key lessons include:

- **Early Industry engagement is essential** in developing technical standards to ensure the settings are practical and effective.
- **Electrical safety guidance related to insulation installation should be developed collaboratively** with representatives from both the electrical and insulation installation industries to ensure it is accurate, practical and fit for purpose.
- **International and domestic experience shows that insulation policies only work when installation quality is high.** Poor installation reduces performance and can introduce safety or moisture risks. This underscores the need for appropriately trained and certified installers across all insulation types, particularly for system-based products (such as spray foam).
- **Insulation installers should be required to hold a current EEC Certified Insulation Installer Certification**, or equivalent (as in the ACT and soon Victoria). This certification involves training and a formal assessment process, introducing cost and complexity for an occupation that has historically been unregulated. Strong communication will be needed to help businesses and installers understand their responsibilities. Both the ACT and Victoria initially provided funding to support installers to get trained and certified; the AIIC recommends NSW do the same (or ensure the insulation installation skill set, anticipated to be available nationally from July 2026, is offered as “Free TAFE” in NSW).
- **Targeted communication with insulation installation businesses should begin early**, with clear, accessible messaging for an audience largely unfamiliar with regulation of the training and credentialling of its workforce.

Question 7: Are there any unintended consequences observed in other jurisdictions with MEERS (for example, impacts on rental supply or rents) that New South Wales should consider?

As noted in the consultation paper, the introduction of a minimum rental standard for ceiling insulation in the ACT has not had an observable impact on rental prices. Likewise, previous standards introduced in Victoria (2021), as well as the global standards referenced, show minimal evidence that such requirements lead to any meaningful increase in rental costs.

There is some potential for workforce bottlenecks if standards are introduced without sufficient lead-in time and training pathways. A sudden increase in demand for insulation upgrades may exceed installer capacity, delay compliance and increasing costs. This can be managed through clear communication with industry. Jurisdictions such as the ACT and Victoria have utilised strategies to manage this risk which may be considered in NSW.

There is a potential risk that landlords may undertake the work themselves ahead of regulation, creating the possibility of unsafe or non-compliant practices.

Given the strong benefits of improved thermal performance (including better health outcomes, greater comfort, and lower energy bills), it is intuitive that NSW proceed with introducing MEERS for insulation.

<u>Question 8:</u> If MEERS were introduced in New South Wales, what objectives should they have? Please list the objectives in order of priority. You can include the objectives listed in the potential objectives for minimum energy efficiency rental standards in New South Wales, or something else.

As it relates to insulation and thermal performance, key objectives should be:

1. Improve the thermal safety (and comfort) of rental homes to protect renters' health.
2. Improve energy affordability and reduce energy hardship for renters.
3. Reduce greenhouse gas emissions from rental homes.
    - The AIIC notes that this can include emissions avoided by reducing reliance on heating and cooling, as well as the complementary benefits of thermal performance upgrades, which support the 'right sizing' of other equipment such as heating and cooling technologies, solar systems and batteries - improving both cost efficiency and embodied carbon outcomes.
4. Maintain and improve the quality of rental homes by upgrades energy efficiency features ***and*** improve renters access to energy saving technologies.

<u>Question 9:</u> What are likely to be the main benefits and impacts of introducing MEERS?

The main benefits of introducing MEERS for insulation and other thermal performance measures include improved health and comfort for tenants - with associated productivity gains in work, education and the health system - alongside reduced household energy costs, as homes with strong thermal performance require less energy to maintain comfortable indoor temperatures. MEERS would also contribute meaningfully to decarbonising and climate-proofing the built environment in NSW.

<u>Question 10:</u> Do you support the introduction of MEERS for rental homes in New South Wales? Why or why not?

The AIIC supports the introduction of MEERS for insulation in rental homes in NSW because it would unlock the following benefits for the community:

- Improving outcomes in physical, social, and mental health.
- Complementing efficient electrification of space heating and cooling, enabling occupants to pre-heat and cool homes with minimal energy waste, and take best advantage of household solar.
- Enabling more accurate sizing of space heating and cooling systems, household batteries and other infrastructure – reducing the costs of these upgrades, and the materials required to complete them.
- Promoting grid reliability by better matching supply and demand in an energy system powered by renewables.
- Enhancing the climate resilience of homes.
- Making reverse cycle heating more comfortable by increasing internal surface temperatures, thus preventing cooled air creating a cold draught.
- Reducing household emissions by taking strain off heating/cooling systems.

- Helping to reduce energy bills through decreased need to run heating and cooling.
- Reducing external noise, condensation, and the possibility of mould.

<u>Question 11:</u> If MEERS were introduced in New South Wales, what are likely to be the main challenges of introducing MEERS in houses?

- Developing suitable technical parameters for application and exemption.
- Lifting standards in the insulation workforce to ensure upgrades are delivered to a high standard of quality and safety.
- Availability of trained and certified installers, particularly in regional areas, and for specialised systems.
- Ensuring appropriate inspection and audit regimes are in place, and that tenants are not left with the burden of trying to enforce standards.
- Managing the costs associated with electrical safety requirements.
    - In many cases, homes require lighting or wiring upgrades to install insulation (and other appliances such as heating and cooling technologies).
    - While these costs are often attributed to insulation, uncovering and rectifying unsafe electrical work is essential for tenant safety and for supporting NSW's broader energy-transition, CER, and electrification goals.
    - Insulation may be the trigger for an electrical upgrade, but the upgrade enables future installation of CER and efficient electric appliances.
- Effective communication with industry, landlords and tenants.
- Physical cost associated with upgrade activity.
    - In Victoria, the VEU is being utilised to assist with this. NSW could consider similar arrangements under the ESS.

<u>Question 12:</u> If MEERS were introduced in New South Wales, what are likely to be the main challenges of introducing MEERS in apartments and other types of strata developments?

NSW should look to the Victorian and ACT experiences for analysis and approach.

<u>Question 13:</u> If MEERS were introduced in New South Wales, what are likely to be the main challenges and opportunities of introducing MEERS in social and community rental housing, affordable housing, boarding houses, build-to-rent housing, student accommodation, and other rental accommodation?

Social and community housing provides an important pathway for delivering insulation upgrades at scale, with programs like SHEPI showing that works can be implemented efficiently across large portfolios. Many of the challenges in social and community housing mirror those found elsewhere in the market. Installation complexity varies significantly by building type: while upgrades in semi-modern detached homes may be straightforward, strata apartments or older housing stock can present additional constraints. Ensuring there is a sufficiently trained and certified workforce to deliver high quality, safe installations across this diversity of buildings will also be critical.

Question 14: If MEERS were introduced in New South Wales, do you think they should be applied consistently across New South Wales or vary, for example by building type or climate zone or in some other way? For example, if MEERS requires ceiling insulation: should the requirements in hot, humid climate zones such as the North Coast be the same as cool climate zones, for example, the Southern Highlands?

The AIIC supports that rental properties be upgraded in line with National Construction Code 2022 climatic zone standards.

Question 15: If MEERS were introduced in New South Wales, how could potential impacts on rents be minimised to ensure renters are better off overall, including both rental and energy costs?

The research included in the consultation paper has not uncovered sufficient evidence that MEERS would create negative impacts on rental prices. However, when considering whether renters are better off overall, the health, comfort and wellbeing benefits of improved thermal performance should be weighted extremely highly. Cold, damp or excessively hot homes are well-established contributors to respiratory illness, cardiovascular stress, poor sleep and reduced daily functioning.

By contrast, homes with adequate insulation support healthier indoor conditions, reducing preventable health issues and associated costs for households and the wider health system. These health gains, combined with lower energy bills and improved comfort, represent a substantial net benefit for renters (and the broader community).

It is also worth noting Insulation is among the most cost-effective upgrades, meaning it delivers significant benefits at relatively low cost, compared to other interventions.

Question 16: Please indicate if you think there should be variations in how MEERS applies to certain home types, and if so, how and why.

Any property covered by the Residential Tenancies Act in NSW ('the Act') should be subject to MEERS requirements, unless an exemption is granted on technical or other clearly defined grounds. Exemptions should be developed in collaboration with a broad cross-section of stakeholders, including industry, to ensure they are fair, practical and evidence-based.

Governments should also lead by example by applying MEERS (or equivalent standards) to all residential properties in which they have an interest, even where those properties would otherwise qualify for an exemption under the Act.

Questions 17-20

No AIIC comment.

Question 21: What would be a fair and effective approach to compliance monitoring for MEERS, if they were introduced?

Tenants should not be given primary responsibility for policing their landlord's compliance with MEERS.

A fair and effective system requires proactive oversight by the NSW Government, ensuring that compliance is treated as a regulatory obligation rather than a tenant-driven enforcement issue.

A balanced approach could include two core mechanisms:

- **Random checks of lease documentation** to verify that properties meet MEERS requirements at the point of leasing, and that real estate businesses have complied with evidence requirements, reducing the likelihood that non-compliant homes enter or remain in the rental market.
- **Random on-site inspections** to confirm that insulation and other thermal-performance measures have been installed correctly and meet the standards specified under MEERS.

Both mechanisms should include verification that installation has been completed by trained and certified installers.

Together, these measures would create a credible compliance framework that protects tenants, supports high-quality installation practices, and ensures MEERS delivers its intended health, comfort and energy efficiency benefits across the rental sector.

<u>Question 22:</u> What role should education and support play compared with enforcement, particularly during any transition period?

Education and support should play a central role during the transition to MEERS, sitting alongside enforcement rather than replacing it. Clear guidance, practical tools and targeted early engagement will help landlords, property managers and insulation installers understand what is required and how to comply, reducing the risk of non-compliance, particularly unintentional non-compliance.

At the same time, MEERS are ultimately regulatory standards, and consistent enforcement is necessary to ensure fairness across the rental market and to protect tenants. A balanced approach) strong education and support paired with proportionate enforcement (will give the sector confidence, minimise confusion, and help ensure the policy delivers its intended health, comfort and energy efficiency benefits.

<u>Question 23:</u> Which of the potential implementation models in the minimum energy efficiency rental standards have already been implemented in a number of other jurisdictions do you think would be most effective, practical and workable? Please also explain why.
• Option 1: Features approach
• Option 2: Home Energy Ratings (NatHERS) approach
• Option 3: Multiple pathways

There are merits to all three implementation options:

- **Option 1: Features approach** – While prescriptive, this model is simple, transparent and easy for landlords and installers to understand. It also enables government to directly target the upgrades that deliver the greatest benefit to tenants and the community, rather than relying on individual landlord discretion to drive improvements. The targeting of insulation upgrades is particularly valuable, as thermal performance upgrades underpin the effectiveness of other upgrades, such as heating and cooling.

- **Option 2: Home Energy Ratings (NatHERS) approach** – Depending on the ambition of the minimum rating required, this option has the potential to deliver stronger overall housing outcomes for tenants. It also provides flexibility in how compliance is achieved, which is particularly valuable across diverse housing types and construction methods. However, it does limit the government's ability to target specific upgrades it determines particularly desirable.
- **Option 3: Multiple pathways** – Allowing compliance through either a features-based approach or a NatHERS rating offers maximum flexibility for landlords while still ensuring meaningful improvements in energy performance. BASIX could also be considered; however, a unified national approach to rating the energy performance of homes is preferable, and NatHERS currently shows the strongest potential to serve as that national standard.

If Option 2 were selected, lifting NatHERS ratings may be challenging for landlords with the poorest-quality rental stock. It may also place pressure on the insulation and broader retrofit workforce, as well as the NatHERS assessor workforce, which is already undergoing significant growth and change as the program expands.

The choice of option should facilitate the earliest possible introduction of standards while coordinating closely with other elements of the Consumer Energy Strategy. This may require an initial approach based on Option 1 (features) with a longer-term phase in of a ratings-based compliance pathway; however a wider introduction of mandatory disclosure of energy ratings at the point of sale or lease may facilitate an earlier introduction of a NatHERS-based approach in NSW.

Question 24: Do you have any comments on the advantages and disadvantages for each model? Are there any additional advantages or disadvantages that should be considered?

No AIIC comment.

Question 25: Are there any other alternatives or hybrid implementation models that would help achieve the objectives listed in the potential objectives for minimum energy efficiency rental standards in New South Wales?

In our view, the models above are sufficient.

Question 26: What types of support (financial, technical or regulatory) would most assist landlords, property managers and renters to improve the energy efficiency of their rental properties?

Funding to help the real estate industry build its understanding of residential energy performance, relevant technologies and NatHERS ratings may be appropriate, as this would strengthen literacy around the importance of energy efficiency in rental properties and clarify obligations under any new MEERS.

<u>Question 27:</u> Are there any policy alternatives that you believe the NSW Government should consider on top of, or instead of, MEERS that would achieve the same objectives as those proposed in the potential objectives for minimum energy efficiency rental standards in New South Wales?

MEERS is the best tool available to achieve the objectives specified.

The AIIC welcomes the opportunity to engage on this matter further. Should you have any questions about this submission or wish to discuss further, please contact our Senior Advisor, Rachael Wilkinson at Rachael.Wilkinson@eec.org.au.

Sincerely,

Jim Hall
Chair, Affiliated Insulation Industry Coalition