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Department of Government Services
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To whom it may concern,

Climateworks Centre submission to the Review of the Domestic Building Contracts Act

Climateworks Centre welcomes the opportunity to respond to the Victorian Government's review of the Domestic Building Contracts Act 1995 (the 'Act'). Climateworks sees the amendment of this act as an opportunity to support homeowners in undertaking renovation works needed to support Australia's emission reduction commitments.

Climateworks bridges the gap between research and climate action, operating as an independent not-for-profit within Monash University. Climateworks develops specialist knowledge to accelerate emissions reduction, in line with the global 1.5°C temperature goal, across Australia, Southeast Asia and the Pacific.

Recommendations

Climateworks recommends:

- Building works undertaken to improve home energy efficiency should have a statutory warranty providing building owners with the ability to commission testing of energy efficiency works against existing minimum standards and energy rating tools and entitling the builder owner to rectification where compliance has not been achieved.
- Where domestic building work includes one or more works that improve the energy efficiency of an existing home, or that are undertaken during the construction of a home to meet energy efficiency requirements, domestic building contracts should include mandatory testing and inspection of energy efficiency works at inspection stages and completion of the work.
- The Domestic Building Contracts Regulations (the 'Regulations') 2017 r 7 be amended to remove the following single works from the list of building work to which the DBC Act does not apply when the works are undertaken to improve the energy efficiency of a home:
 - glazing
 - insulating

Main submission

A key goal of the review should be to ensure the Act keeps up with modern construction practices and protects consumers. Energy efficiency works are becoming increasingly important; however, a common barrier to uptake is the potential for works to not meet the expectations of householders. The Victorian Government has a role to play in ensuring that energy efficiency works will lead to actual benefits and that any issues can be resolved as smoothly as possible. Works that underperform

against expectations could lead to consumer backlash against energy efficiency measures, resulting in lower uptake, while also impeding emissions reduction efforts.

Consumer confidence has been highlighted as a key risk in the energy transition as a whole, and the Act should support public confidence in energy efficiency measures (Ben-David 2023). Providing adequate testing will uphold the purpose and objectives of the Act while ensuring the regulatory framework for residential building works supports the Victorian Government's policies aimed at reaching net zero emissions by 2045 (DEECA 2023a).

Energy Efficiency works will be increasingly important

Victoria contributes 17 per cent of Australia's emissions, with the majority of those emissions coming from the residential building sector (DEECA 2023b). Against this backdrop, Climateworks modelling has indicated that energy efficiency and electrification in residential buildings plays a 'significant' role in decarbonising in line with 1.5 degrees of warming. In these scenarios, housing energy efficiency improves by 41 per cent by 2050 compared to current levels (Li et al 2023).

Climateworks' recent research as part of the Renovation Pathways programs demonstrates the importance of energy efficiency upgrades to a home's thermal shell alongside electrifying space conditioning in reducing greenhouse gas emissions and household energy costs. Our research has indicated that energy efficiency improvements to homes with minimal insulation and gas space conditioning could reduce greenhouse gas emissions by between 1.1 tCO₂e and 3.5 tCO₂e per dwelling annually and result in annual energy bill savings between \$800 and \$2,600 per household across Victoria.

Our analysis has also shown that detached houses upgraded from a 'low energy performance' state to a comprehensive package of energy efficiency improvements could reduce peak demand by 4 kW per household, easing pressure on the energy grid and reducing the required growth in renewable energy generation.

Improving testing and compliance through statutory warranties

In addition to closing this gap in the Act's coverage by amending the Regulations there is an opportunity for the Act to ensure that, as more and more Victorians commission work to improve the energy efficiency of their houses, the quality of the work is covered by the Act. The Act should provide for mandatory testing and compliance of energy efficiency work at inspection stages and completion of work. It should also provide for a statutory warranty for building owners where work is undertaken to improve a home's energy efficiency, allowing for building owners to commission testing of energy efficiency works against existing minimum standards and energy rating tools. The Act should also ensure building owners can seek rectification where compliance is not achieved.

Closing gaps in the Act's coverage

Our modelling included the following upgrades:

- insulation
- double glazing
- roller shutters
- draught-sealing
- electric heat pumps
- electric hot water and cooking systems (Armstrong et al 2023).

Many households are likely to undertake these works in a piecemeal fashion with individual types of upgrades rather than all at once, due to factors such as costs and time constraints (Hines 2022). As people increasingly seek to undertake energy efficiency improvements to their homes, there is a potential gap where works are not covered by the Act due to the exception in Regulations r 7

excluding insulation and glazing from the definition of domestic building work where that work is undertaken under a contract for only that type of work. To close this gap and promote consumer confidence, the Regulations should be amended to ensure that insulation and glazing works undertaken to improve the energy efficiency of a house are considered domestic building work even when undertaken under a contract for only that type of work.

Building work contracts can support climate action

Climateworks' evidence shows that the building sector has a key role to play in achieving Australian and Victorian decarbonisation commitments. Building consumer confidence to undertake the needed upgrades is a key challenge, and we encourage the Victorian Government to seize the opportunity by amending the Act accordingly.

Thank you for taking the time to consider our submission. We would welcome an opportunity to brief your team to explore our responses in further detail.

Yours sincerely,

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References

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