

Industry Workshop: Finance for Home Retrofits

Report | April 2023



1. Overview

On 23 February, around 65 representatives from banks, non-bank financial institutions, insurance firms, industry bodies, services providers, policy organisations, and government participated in a workshop to explore opportunities to unlock finance for Home Retrofits.

The Workshop featured a series of expert presentations, panel discussions, and a breakout group discussion. A summary of key themes identified by presenters and participants is set out below. Participants also identified several potential solutions to support finance for home retrofits. These are listed at [Attachment A](#).

1B. Next Steps

Following the workshop, participants were invited to complete a survey to provide feedback on the workshop and submit their views on which of the solutions identified at the workshop were the most important/urgent, and which actions should be prioritised. Twenty-nine participants responded to the survey, and 21 provided views on the identified solutions and proposed actions.

Of the 13 proposed 'actions', the top five most popular were:

1. A joint statement / advocacy to Government on key policy asks
2. Seeking an ACCC exemption for climate collaboration
3. A workshop with institutional investors and banks on innovative financing models
4. Technical work on data and verification, and on the design of a single national standard
5. A sustainable finance taxonomy for the property sector

More detail on these results is set out at [Attachment B](#).

ASFI's activities since the Workshop

As an immediate follow-up to the Workshop, ASFI worked with a number of workshop participants on a Joint Statement on Home Energy Performance endorsed by major Australian banks and other financial institutions as well as industry bodies. The statement urged state, territory and federal governments to act decisively to deliver healthy, comfortable and energy smart homes for Australians. It urged accelerated progress to deliver a single national ratings framework, mandatory disclosure of energy performance, and policies and incentives to support renters. The statement was released on Wednesday 19 April and is available [here](#). It received strong media attention (see articles in the [AFR](#) and [OneStepOfftheGrid](#)).

At the Australian Treasurer's Investor Roundtable on Friday 21 April 2023, CEOs and Chairs from Australia's largest financial institutions met to discuss barriers and opportunities to clean energy investment and finance, including in the residential building sector. At the Roundtable, the Government announced it would expand and upgrade NatHERS. We expect the details of this announcement to be clarified in coming weeks, and further announcements relating to energy performance to be made in the context of the federal budget in May and the release of the Government's National Energy Performance Strategy in mid-2023.

The Roundtable announcements also included the Government's decision to co-fund ASFI to lead the initial development phase of an Australian sustainable finance taxonomy. ASFI is continuing to hold discussions with the Government and other stakeholders to finalise the scope of this initial work – including the sectors to be prioritised. In our view, the property sector is one of the top 5 most important sectors for an Australian sustainable finance taxonomy. Building on taxonomies developed internationally, and in particular the EU taxonomy, a taxonomy for Australia's property sector would support the development of financial products and allow better access to debt capital markets for green home loans. ASFI is engaged with potential funding partners for the residential building sector to enable this work to progress rapidly.

Actions by other participants

We are aware of extensive work being conducted by workshop participants and other policy, industry and private organisations in this space including to take forward a number of the Actions identified in this Report. On 13 April 2023, the Public Interest Advocacy Centre and the Australian Council of Social Service ran a workshop to support coordination and collaboration on home electrification and energy efficiency. Participants at this workshop agreed to develop some tools to support “light collaboration” and identify opportunities for deeper collaboration.

ASFI looks forward to working with workshop participants and the broader ecosystem of actors to continue to efforts to unlock finance for home retrofits.

2. Competition law compliance

Before the workshop began, it was acknowledged that some of the participants at the workshop represented firms that compete with each other in the different markets. Participants were reminded to be mindful of their obligations under the Competition and Consumer Act. In particular, it was noted that Australian competition law prohibits competitors from reaching any kind of agreement or understanding about the things in respect of which they compete (including capacity restraints, product specifications quality, price or discounts, and terms and conditions), and that no competitively sensitive information should be shared during the workshop.

3. Discussion: Key Messages

The workshop was conducted under the Chatham House rule. The following summaries identify the key themes and messages without attributing comments to individual participants. The report is intended to support participant organisations, and others active in this space, to understand the key challenges to accelerating finance for Home Retrofits, and where the opportunities are to overcome these challenges.

Session 1: Setting the Scene

Decarbonising Australian homes: We need to decarbonise homes by 2035. This means electrifying quickly, efficiently and equitably. We have the technology now – focus must be on deployment.

Commonwealth Government activity:

The [Trajectory for Low Energy Buildings](#) was agreed by all Energy Ministers in 2019. It is a national plan that sets a trajectory towards zero energy (and carbon) in Australia’s building sector. Priority measures currently being progressed under the Trajectory include expanding the Nationwide House Energy Rating Scheme ([NatHERS](#)) to existing homes and the development of a residential energy efficiency disclosure framework.

Industry is seeking consistent ratings for existing and new homes, which is important to ensure that all homes in Australia can be benchmarked and compared consistently. The NatHERS Scheme can deliver on those goals. NatHERS was recently expanded to deliver whole of home energy ratings for *new builds* (both the thermal shell and the energy performance of major appliances, solar and batteries).

A NatHERS framework for ratings of *existing buildings* is under development, for consultation in 2024. NatHERS ratings for existing homes will include both simplified (data driven) and detailed (on-site) assessments. DCCEE is working through the policy settings, program design options and legal frameworks required to support delivery of these assessment types, in collaboration with states and territories. For the detailed home assessments, the NatHERS certificates will include upgrade advice to householders. This could assist financial institutions as it provides a verified elemental pathway for energy efficiency upgrades.

The Commonwealth is also working in collaboration with state and territory governments to deliver by mid-2023:

- the National Framework for the Disclosure of Residential Energy Efficiency Information.
- the National Framework for Minimum Energy Efficiency Standards in Rental Properties. This Framework is being led by the Victorian State Government.

Consumer needs and messaging: Consumers need to know three things: What do I need to do? How much will it cost? Who will do it for me? People need simple solutions from trusted sources – a “one stop shop”. A one-stop shop could come in a couple of forms: a supplier (i.e. a business who can do or coordinate the full suite of electrification upgrades in a home); or an end-to-end user experience for consumers (where they can access reliable information and guidance, do their energy assessment, apply for finance, select their supplier, and have their upgrades verified back to the financial institution in an integrated way via a single platform).

Focus message on value to the consumer: cost savings, health and safety benefits. Peer to peer influence: if your neighbours have a smart, modern home, you want one too. Scale and aggregation are essential; will help develop the service delivery eco-system. Need to reach all parts of our communities – home-owners, renters, social housing, etc.

Many participants noted the importance of placing consumer needs and considerations front and centre in this agenda. There was a concern expressed that lending for home retrofits could increase the financial pressure on households if the upgrades did not translate to energy bill savings.

What can Australia draw on for this task: Can learn from commercial building sector: a single, national rating tool; built up a network of skilled professionals; quality assurance program; led to world’s best building performance. Can learn from international experience, in particular Germany: common standards, mandatory disclosure, training and accreditation; consumer incentives.

Government leadership: Opportunity for Commonwealth Government leadership: Create a single, national rating tool for residential buildings; Blaze the trail for a nation-wide ramp-up of electrification and energy efficiency; Don’t be afraid to leave behind existing state-based approaches to create a national standard (but do build on NatHERs); Need better data: including through mandatory disclosure at point of sale and lease. Opportunity for stakeholders to collaborate on advocacy to clearly state the asks.

Finance sector drivers: There are strong drivers for financial institutions to accelerate home retrofits: Net zero by 2050 commitments include ‘financed emissions’ from home loans; Large FIs will be required to disclose their climate risks from 2024; Regulator crackdown on greenwashing – must substantiate green claims. Insurance sector increasingly focused on resilience: extreme weather events leading to higher levels of non-insurance and under-insurance for poor performing homes. Regulators and central banks seeing climate as a systemic risk to financial system – lending a focus in Australia, but increasingly insurance also: no home insurance means no home loan. ASFI leading finance sector development of a ‘sustainable finance taxonomy’, which will cover buildings and define what is ‘green’. Government stepping in to support. The finance sector won’t solve the home retrofit challenge alone – requires collaboration between the various actors, pulling all levers, and coordination.

Session 2: Finance it and They Will Come?

Part A – Presentations

Barriers to households: Upfront cost is the biggest barrier; access to relevant information and tools; access to reputable vendors; split incentives (landlord/renter)

Learnings from programs to date:

- Need a *national 'sustainable home' scorecard with nationally accredited suppliers.*
- Need to simplify customer experience – a *one-stop shop* for energy assessment, supplier/installers, verification, and finance.
- *Simplify message:* communicate the benefits for the customer (especially cost savings).
- For banks, internal process and data collection is manual and labour intensive. Opportunity for solutions, digitisation of consumer interface, efficient and high-quality data provision. It must address privacy challenges.
- If loans are for the upgrade only, how do banks incentivise customers to stay with them?

Public / private sector collaboration: There are good models to apply (e.g. CEFC model; Bright-ACT Gov partnership). CEFC finance played role in developing the green loan market for new builds. CEFC is actively considering finance opportunities for retrofits. Its role is to facilitate a broader pool of capital from private markets for clean energy (not to finance all projects). Bright's partnership with State Gov to roll out home electrification + EE products has huge uptake but more challenging for products which do not have positive payback.

Insurance and resilience: Insurers have interest in Home Retrofits, repairs and buildbacks improving household resilience. Health insurance not yet in play but could be – if retrofits = healthier homes = lower claims. Resilience retrofits have significant overlap with energy efficiency and electrification – opportunity for retrofits to electrify, make efficient, make resilient – build this into single, national 'sustainable home' standard. GBCA developing its Sustainable Home Retrofit Guide. Connects with RBC Resilient Home Tool.

Session 2: Finance it and They Will Come?

Part B – Panel discussion and audience Q&A

Why is data so important for banks?

- Data is critical for banks to a) understand their residential lending assets; b) take action to improve performance c) package up assets for investors.
- Quality of data a key issue – must be validated to be useful. Option for valuers to validate home assessments – need a coordinated, industry-wide approach
- Disclosure at point of sale and lease (and renovation) is necessary to build a national baseline across all homes – State Governments key to this currently.
- Access to significant data sources held by Commonwealth would be a good start including: solar installations (from Clean Energy Regulator) and energy performance data (DCCEEW, Australian Energy Statistics).
- CSIRO working on platform that uses dataset of 1.1 million NatHERs homes to give quick estimates of NatHERs ratings based on limited inputs.

What are the opportunities to use finance to aggregate/scale investment in home retrofits?

- Targeting individual households through e.g. green loan products is a scale challenge.
- Opportunities to intervene up the line, that would drive ecosystem development (i.e. create demand signal for services providers, installers, etc), achieve efficiencies.

- Government supported blended finance solutions.
- Bulk purchasing of materials to drive down costs.
- Resilience bonds.
- Social impact bonds.
- Environmental upgrade agreements.

What regulatory and market barriers are there for this finance?

- Need a common definition for green/sustainable home.
 - Should fit with what international investors expect (esp EU taxonomy).
 - Single, national approach.
 - Ideally single standard for electrification, energy efficiency, resilience
 - The simpler it is, the more ability to scale and easier to implement – banks need a simple, streamlined processes for their customers.
- Look at banking policy and regulation e.g. capital reserve requirements to incentivise and reduce cost of green finance.
- Be clear on role of private financial institutions vis a vis Government: Banks are good at providing finance – not their role to develop policy and regulatory framework; do need leadership from Government in this space.

Session 2: Finance it and They Will Come?

Part C – Solutions Pitch

Pitches from:

- [Boom](#): Simplifies the electrification of commercial and residential buildings.
- [Race to 2030](#): Home Retrofit Finance Pilots – seeking partners now.
- [National Renewable Network](#): partners with energy retailers to support home upgrades at no cost to the householder.
- [EnergyFit](#): helps consumers identify lowest cost home upgrades.
- [ValAI](#): property emissions platform to your customers to understand, report and address emissions.

Attachment A: Identified Actionable Solutions

Policy, regulation and tools

1. National standard for “green/sustainable” home
 - a. Cover energy performance, electrification and resilience
 - b. Simple standard and tools
 - c. Allows verification through existing eco-system
2. Mandatory disclosure at point of sale, lease (and renovation?) now
3. Mandatory rental standards
4. A “one stop shop” for consumers
5. Common definitions for green finance in property sector
6. Enable access to data (including CER, Australian Energy Statistics)
 - a. Use ABS powers to require data provision
 - b. Consumer data right (amend/utilise)
 - c. Establish data sharing arrangements between Gov and FIs
7. A net zero pathways for property sector
8. ACCC exemption for climate collaboration
9. Amend RBA capital requirements for banks to incentivise green loans
10. Tax incentives (eg delayed stamp duty, instant write-offs)
11. Help to Buy schemes – nudge for home retrofits (with support mechanisms to avoid adverse equity outcomes)
12. Train / upskill service providers and installers
13. Accelerate smart meter rollout
14. Streamline the law-making process (ie Commonwealth regulates where States not acting)

Advocacy and collaboration

1. Joint statement / advocacy from (some) workshop participants, to governments
 - a. Support a whole of Government approach, include State Governments inc tenancy and building Ministers
2. Follow up workshops with:
 - a. energy retailers, valuers, & others in value chain
 - b. marketing and user experience teams
 - c. Institutional investors
3. Focus groups / small collaborative groups / technical work on specific issues
 - a. Rating approach
 - b. Data & verification
 - c. Marketing and user experience
4. Outreach to ACCC, Fair Trading offices & Obudsman to build understanding of market
5. Ecosystem map – actors and initiatives
6. Dashboard for pilots and programs

Messaging and industry action

1. Simplify the message for consumers
2. Use extensions / renovations as opportunity to promote retrofits
3. Insurance industry: promote rebuilds/repairs as a retrofit/build back better opportunity
4. Start with social / community housing to build the ecosystem
5. Engage marketing & user experience teams to improve the messaging & approach
6. Identify and utilise trusted influencers in the system

Innovative financing

7. Explore financial models: PACE; resilience bonds; social impact bonds, environmental upgrade agreements; UK GFI (Coalition for the Energy Efficiency of Buildings) models
8. Follow up workshop on innovative financing options – with institutional investors
9. Research / report on financial models with analysis of suitability for Australian market

Attachment B: Survey Results

Q. The following is a list of solutions identified by Workshop participants. Please rate how important each one is out of 4:

	Average (of 4)	Count (of 23 respondents)
Mandatory disclosure at point of sale and lease	3.5	22
National "green/sustainable" home standard	3.39	18
Mandatory rental standards	3.35	20
Use extensions and renovations as an opportunity to promote retrofits	3.3	20
Train / Up-skill service providers and installers	3.29	21
Promote rebuilds and repairs as opportunities to retrofit and 'build back b...	3.21	19
Streamline law-making (ie Commonwealth regulates where States not acting)	3.15	20
Other (please specify)	3.1	10
Focus groups / technical work on specific issues (standard & rating approac...	3.05	19
Simplify the message for consumers	3	20
Explore new financial models: PACE, resilience bonds, social impact bonds,...	3	20
"One stop shop" for consumers	2.9	21
Net zero pathways for the property sector	2.85	20
Access to data (e.g. CER, Australian Energy Statistics)	2.82	22
ACCC exemption for climate collaboration	2.8	20
Joint statement / advocacy from workshop participants to Government	2.79	19
Tax incentives (e.g. delayed stamp duty, instant write-offs)	2.76	21
Common definition for 'green finance' in property sector	2.76	21
Start with social / community housing to build ecosystem	2.75	20
'Help to Buy' schemes - nudge for home retrofits	2.71	21
Accelerate Smart Meter roll-out	2.7	20
Amend RBA capital requirements to incentivise green loans	2.57	21
Ecosystem map of actors and initiatives	2.5	18
Follow-up workshops with energy retailers, valuers, institutional investors...	2.47	19
Outreach to ACCC, Fair Trading Office & Ombudsman to build understanding	2.37	19
Engage marketing and user experience teams to improve messaging/comms	2.35	17
Identify and utilise trusted influencers in the system	2.32	19
Dashboard for Home Retrofit pilot or programs	2.28	18

Q. The following is a list of specific actions that could be taken forward by workshop participants to help unlock finance for home retrofits. Please rate how important each one is

	Average (out of 4)	Count (of 21 responders)
Joint Statement / advocacy to Governments on key policy asks	2.85	20
Seek ACCC exemption for climate collaboration	2.83	18
Workshop with institutional investors & banks on innovative financing model...	2.79	19
Focus group / technical work on data and verification	2.79	19
Focus group / technical work on the design of a single national standard	2.68	19
Taxonomy (ie common definition for green finance) for property sector	2.65	20
Research / report on financial models with analysis of suitability for Aust...	2.6	20
Follow up workshop that includes broader eco-system actors including energy...	2.59	17
Ecosystem map of actors and initiatives	2.41	17
Other (please specify)	2.3	10
Dashboard for existing Home Retrofit pilots and programs	2.26	19
Outreach to ACCC, Fair Trading Offices, & Ombudsman	2.13	16
Focus group on marketing and user experience	1.94	18

Other solutions / actions identified by survey respondents:

- Work with startups to understand the user perspective, improve collaboration and diversity of stakeholder discussions, and promote innovation.
- Regulatory mechanism to allow sharing of power bill savings between tenants and landlords to solve the issue of split incentives
- Leverage and grow existing state EE schemes.
- Work with insurers to develop pricing models to reduce premium cost.
- Roll-out retrofits to low income homes to start to build the eco-system
- Workshop with experts on risks and value to the customer
- Regulatory solution to allow sharing of power bill savings between landlords and tenants (where solar is installed on the property)