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# Mapping NSW and Australian decarbonisation policies

Some preliminary observations and recommendations to assist community housing providers meet the challenge of decarbonisation

Prepared by the NSW Community Housing Industry Council  
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Communities and Justice

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The NSW Community Housing Industry Council (CHIC), convened by the NSW Department of Communities and Justice (DCJ), is seeking to enhance the capacity of the community housing sector to meet the challenges of climate change. This report builds on existing work undertaken by the CHIC to identify the gaps and issues and potential funding sources, and raise the profile of the social and affordable housing sector in the decarbonisation conversation across NSW.

### Policy and legislative context

While there are numerous initiatives at all levels of government aimed at promoting energy efficiency and clean energy adoption, **the coordination of the overall policy landscape appears to be somewhat fragmented**, leading to potential overlap and duplication of effort. For example, multiple programs offer financial incentives and support for energy performance upgrades in social and affordable housing, but there are inefficiencies and redundancies in how these programs are administered and accessed by Community Housing Providers (CHPs). The suite of existing residential decarbonisation initiatives needs to be better targeted at CHPs.

An increase in government funding is required to meet net-zero targets and prevent energy poverty from affecting vulnerable social housing tenants. The impact of promising initiatives, such as the NSW Department of Climate Change, Energy, the Environment and Water (NSW DCCEEW)'s Social Housing Energy Performance Initiative (SHEPI) is likely to be insignificant, due to insufficient funding.

The **incorporation of the decarbonisation imperative varies across different legislative frameworks**, with some policies setting clear targets and standards, while others provide more general guidelines without specific benchmarks. This lack of consistency may hinder the effectiveness of decarbonisation efforts and create challenges for stakeholders in navigating the complex policy environment.

A range of recent major policy developments exist **which incorporate the decarbonisation imperative to a certain extent, even if it is not the primary focus of the policy itself**. For example, although the key focus of the national Housing Australia Future Fund (HAFF) and Social Housing Accelerator (SHA) is to deliver mass social and affordable housing stock, provision of this stock will be implemented under updated NCC and BASIX energy efficiency and thermal performance standards. The updated BASIX thermal performance standards now require new homes in NSW to achieve a minimum 7-star NatHERS rating, excluding homes in the North Coast climate zones and small apartment buildings (up to five storeys) across NSW.

In NSW, NSW DCCEEW is largely responsible for the implementation of the NSW Government's climate change policies and decarbonisation implementation measures. The key piece of legislation supporting decarbonisation efforts is the NSW Government's *Climate Change (Net Zero Future) Act 2023*, which (amongst other objectives) **proposed the establishment of the Net Zero Commission** to independently monitor, review and report on progress in NSW towards targets. It is important that the Commission incorporate a strong focus on social housing and advance decarbonisation measures across the sector. As part of its guiding principles of equity and social justice, the Commission will consider the impacts on socially disadvantaged groups and economically vulnerable regions. Additionally, the Commission has the ability to establish advisory groups as required.

### Stakeholder consultation

Under the direction of the CHIC, SGS Economics & Planning undertook targeted engagement with industry stakeholders and agencies to better understand the complexity involved with social housing decarbonisation, service gaps, and opportunities for the sector.

A range of key considerations were identified through this process:

- The NSW Government needs to develop a **coordinated and well-resourced approach** to decarbonise existing housing stock. This should be developed in collaboration with NSW DCCEE, NSW Community Housing Industry Association (NSW CHIA), Homes NSW and small to large CHPs.
- A substantial part of CHP portfolios consists of properties managed on long term leases from the NSW Government. These provide accommodation to very low and low income households. CHPs do not accrue the benefit of their potential investment in retrofitting to improve energy efficiency and liveability, as under the terms of the agreements the property may be returned to the NSW Government. Like Homes NSW, CHPs have limited capacity to fund the improvements from tenant rents. They cannot charge higher rents to service loans that could fund retrofits. The benefit of the improvement through reduced energy consumption and charges goes to the tenant not to the CHP. It is difficult to incentivise CHPs to implement decarbonisation measures unless there are direct subsidies.
- Current **Federal funding provides a limited opportunity for CHPs to actively pursue energy efficiency upgrades and adapt to climate change.**
- Many **skills overlaps and gaps exist across the industry** – both within CHPs and government entities, regarding decarbonisation. This includes skills in routine maintenance, decision-making, procurement and administration specific to decarbonisation efforts. The extent to which these exist should be identified through a mapping exercise.
- There needs to be **better integration and utilisation of data** in order to set realistic targets, monitor progress and achieve decarbonisation outcomes.

### Policy gaps

A desktop review of existing and prospective national and state-level policies and frameworks has revealed a suite of implementation, funding and thematic gaps.

**Implementation gaps** exist where there is a lack of focus on retrofitting existing housing stock, and an overall lack of accessible and reliable information for CHPs and tenants. There are **gaps** on how government spending could be better targeted at retrofitting existing social housing stock with energy efficiency upgrades, and there is a shortage of funds to address the decarbonisation challenge.

**Thematic gaps** include a lack of comprehensive data collection and monitoring systems, limited awareness and understanding of available grants and initiatives, a lack of capability and capacity in the retrofitting business sector, and there is insufficient attention to health policy considerations in the climate change agenda.

### Key challenges facing the sector

Analysing the policy gaps identified various decarbonisation related challenges that face the social housing sector and particularly CHPs:

- **Legislation specific for the decarbonisation of social and affordable housing is required to drive strategy, policy, funding and programs.** Unless this is done it is likely that the action will not be prioritised. This will lead to inconsistency and a lack of clarity in the implementation of policies and allocation of funding related to social and affordable housing decarbonisation efforts.
- **Comprehensive strategies are required as a priority,** reflecting a more nuanced understanding of the unique challenges faced by CHPs and tenants with limited financial resources.

### Recommendations

The CHIC is proposing six preliminary recommendations.

- **Push for greater strategic and policy integration, to ensure that the community housing sector plays an active part in the development and implementation of state and national residential decarbonisation programs for social and community housing.**
- Ensure funding is commensurate to decarbonise social and affordable housing owned and/or managed by CHPs. Work with the NSW Government and community housing sector on a **funding gap assessment which considers the scale of upgrades and financing required** eligibility criteria and the needs of social housing tenants.
- **Build collaboration and partnerships** by promoting cooperation and dialogue among CHPs, government agencies, industry stakeholders, and advocacy groups to share resources, experiences and best practices, and building partnerships with utilities, renewable energy providers, and technology companies to explore innovative solutions and new technologies.
- **Facilitate data sharing and data literacy at the decision-making level** by establishing data-sharing agreements and common data standards for the sector in collaboration with others doing similar work across the sector.
- **Promote the CHIA Environmental, Social and Governance (ESG) reporting standard** to provide greater incentives for CHP boards and management to approach energy efficiency and climate adaptation in a disciplined, consistent, and enduring manner.
- **Address information gaps by defining the Community Housing Industry Development Plan.** As part of the Development Plan process, the CHIC could advocate for a platform to facilitate knowledge sharing and peer learning across CHPs and tenants. The CHIC can also incorporate monitoring and evaluation mechanisms to track progress towards decarbonisation goals and identify areas where additional education and training support may be required.