



CLIMATE ENERGY FINANCE

## **New green home partnership between CEFC and CBA a welcome step toward residential sector emissions reduction**

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***CEFC's \$125m support of CBA's Green Home Offer puts focus on the single largest asset base in Australia and the massive climate and energy efficiency opportunity on hand. It is a good start, however much more public-private effort is needed to drive energy efficiency within Australia's \$9tn residential asset class.***

This week, the Clean Energy Finance Corporation (CEFC) [announced a \\$125m partnership](#) with Commonwealth Bank's Green Home Offer to help recognise the value of energy efficiency in new and renovated homes and cut emissions in the housing sector. This public private partnership is an important pilot move that demonstrates the power of the CEFC to catalyse action by Australia's banks in cooperation with a key regulatory authority, but also highlights the massive need and opportunity to change our policy framework to financially incentivise climate action.

The Green Home Offer provides a discount of up to 0.18% p.a. on standard variable rates over a five-year period, equally split between the CEFC and CommBank. To be eligible, houses must meet a 7-star rating under the Nationwide House Energy Rating Scheme (NatHERS) and incorporate a range of initiatives under the Green Building Council of Australia's '[Green Star Home](#)' Standard.

This CEFC investment represents 0.006% of the approximate \$2tn value of the major banks' mortgage books – a drop in the ocean, when balance sheets need to be pivoted towards decarbonisation at scale. This opportunity can feasibly be enhanced and scaled up a thousand-fold to create a long term value driver in decarbonising this [\\$9tn asset class](#) which has often been labelled as "[glorified tents](#)" due to low energy efficiency standards across the sector. We also need CEFC to provide financial incentives for house upgrades that increase NatHERS

ratings, particularly if it provides a capital value uplift for the owner to get around the split-incentive for rental properties.

As Australians increasingly turn towards renewables to future proof against rampant fossil fuel commodity hyperinflation, [rooftop solar installations](#) have reached an all time high at 20GW of combined grid connected capacity. While fossil fuel export multinationals reap [billions of dollars in war profits](#), everyday Australians are paying for it through a cost of living crisis driven by repeated interest rate hikes and reduced real wages.

Urgent acceleration of energy efficient homes will help to bring permanent alleviation of the fossil fuel induced energy crisis to thousands of Australians and accelerate decarbonisation.

The US Department of Energy's [Loan Programs Office](#), under the leadership of [Jigar Shah](#), has a [war chest approaching US\\$400bn](#) (~AU\$600bn) for the acceleration of new energy technologies. CEF recommends Treasurer Jim Chalmers lift the funding of the CEFC five-to-tenfold, significantly upsized from its original \$10bn mandate, to crowd-in private capital and help seize the '[once in a century opportunity](#)' ahead.

At home, [Senator Jenny McAllister](#) brings Federal leadership on managing energy demand, citing the massive energy efficiency dividend as an avoidable waste that could simultaneously reduce energy prices for consumers and lower demand across the grid, and hence lowering emissions. The goal is achieved through, both, operational energy efficiencies and built-in energy efficiencies. Australia's residential houses and apartments are responsible for 23% of overall electricity use and 11% of total carbon emissions nationally," [Ms McAllister has said](#).

An [electrified household](#), driven by installed rooftop solar capacity, battery storage (potentially boosted by an EV on-site), and major appliances like solar hot water, ground heat pumps, induction cooktops etc., is anti-inflationary by nature, according to Dr Saul Griffith of the SEC and Rewiring Australia partnership. Gas replacements are already underway with Lily D'Ambrosio's Victorian [Gas Substitution Roadmap](#), working in concert with the [Global Cooksafe Coalition](#) to provide households with access to affordable, energy-efficient cooking appliances, along with the improved health consequences, reduced emissions and permanently reduced energy bills resulting from terminating gas connection costs.

The home's built design contributes greatly to energy efficiency through construction materials for walls, insulation, double-glazed windows, and roofs etc. The [Green Building Council Australia](#), under Davina Rooney's leadership, sets the industry benchmark in Australian Green Star Homes inching the sector towards homes that are positive, healthy and resilient. It operates adjacent to the [NatHERS](#) and the new [National Construction Code \(NCC\) 2022](#) energy efficiency requirements which continue to evolve and respond to international best practice.

As banks try to navigate the potential impacts of climate change, Finity Consulting's lead Sharanjit Paddam provides a [climate risk framework for residential lending](#) which harnesses the insights of the insurance sector to help banks deal with their prudential responsibility in managing and mitigating climate risk. Home insurance policies are a critical lever for banks in mitigating climate risk. As insurance premiums increase and home owners are affected by transition risks (employment, property prices, household income levels), customers may opt out of unaffordable home insurance policies which then exposes the bank to physical climate risks. Asset values are also affected where a recent study found the US housing market potentially [overvalued by US\\$200bn](#) due to inadequate consideration of flood risk .

The cumulative effort across these fronts needs to be brought together, and IT disruptors like Nigel Bradshaw's [Home EfficientC](#) promises to deliver a fintech solution that unites the residential energy efficiency ecosystem of lenders, homeowners and the property sector. The CEFC partnership with CBA demonstrates a model in need of scaling to solve for the energy crisis and the decarbonisation agenda. Greater collaboration can only help Australia achieve the overall goal faster and more efficiently.

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