Finance for decarbonising the $10tn housing stock

FEATURED SPEAKER

NISHTHA AGGARWAL

Financed Emissions Analyst
Climate Energy Finance
Capital acceleration and systems change are driving the decarbonisation of Australia’s $10tn housing stock

**Public: Household Energy Upgrades Fund**
- $1bn to be delivered by CEFC for retrofits – driving mass market demand, crowding in private finance, and building capacity of banks
- $300m for social housing energy performance upgrades

**Private**
- Big banks’ combined 80% mortgage market share
- Non-bank lenders – e.g. Brighte

**Policy**
- Treasury’s Sovereign Green Bond Framework – first issuance mid-2024
- Sustainable Finance Taxonomy – ASFI and CBI developing, due late 2024
- Climate Change Authority’s sector pathways – due October 2024
- Residential Energy Efficiency Disclosure Information initiative – ratings at point of sale and leave
- Grid decarbonisation commitments – 82% renewable energy, 43% emissions reduction, Capacity Investment Scheme

**Ecosystem**

**Technological innovation**
- CSIRO RapidRate – AI-driven home energy rating tool

**Behavioural incentives**
- Energy efficient buildings fetch a premium of up to $125,000 for houses and $72,750 for units
- GBCA Green Star Ratings creates transparency on home energy performance
- Drive green loan demand – banks’ in box seat to drive product promotion and innovation
With 80% mortgage market share, Australia’s big banks are the main entry point to stimulating private finance

<table>
<thead>
<tr>
<th></th>
<th>CBA</th>
<th>WBC</th>
<th>NAB</th>
<th>ANZ</th>
<th>MQG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage market share</td>
<td>25%</td>
<td>21%</td>
<td>15%</td>
<td>13%</td>
<td>5%</td>
</tr>
<tr>
<td>2030 sector target</td>
<td>60%</td>
<td>56%</td>
<td>Not yet established</td>
<td>Not yet established</td>
<td>Forthcoming in May 2024</td>
</tr>
<tr>
<td>Green loan products</td>
<td>• Green Home Offer (for 7-Star rated homes) • Green Loan • Personal Loan</td>
<td>• Green Home Loan • Personal Loan for solar and battery</td>
<td>• Personal loan for energy efficiency • Business finance for green equipment</td>
<td>• Business Green Loan • Electric Car Loan</td>
<td></td>
</tr>
<tr>
<td>Green home asset financing</td>
<td>• $19.5bn in FY20-FY21 • $7.6bn FY23</td>
<td>• Not measured • Will be measured from FY24 in WBC’s Sustainable Finance Framework</td>
<td>• $5.5bn in FY22</td>
<td>• Not disclosed (commercial builds only)</td>
<td>• Not disclosed</td>
</tr>
<tr>
<td>Asset definition</td>
<td>• 6-Star NatHERS rating • 7-Star as it is rolled out nationally</td>
<td>• 7-Star NatHERS rating • Incl. construction, acquisition, refurb.</td>
<td>• 6-Star NatHERS in FY22 • 7-Star NatHERS rating from FY24</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Insights**

- CBA’s average annual green home capital allocation fell from $10bn in FY21 and FY22 to $7.6bn in FY23 – potentially an indication of slowing green loan uptake?
- 7-Star NatHERS ratings is becoming the new norm for defining green homes.

With 80% mortgage market share, Australia’s big banks are the main entry point to stimulating private finance.
Banks need to go beyond ~60% emissions reduction targets to accelerate electrification and energy efficiency.

AEMO forecasts a ~60% emissions reduction in the grid by 2030 against a 2021 baseline.

Most of CBA and WBC’s 2030 sector target under the NZBA leverages Australia’s efforts to decarbonise the power grid.

More aggressive 2030 targets would require the bank to double down on driving green loan adoption and innovation, as well as policy advocacy that helps to remove barriers to finance and accelerates electrification and energy efficiency upgrades.

Source: AEMO, 2023 Inputs, Assumptions and Scenarios Report, p.42
A lot of work is being done! A collection of resources

Climate Energy Finance resources

- Big banks take on greening Australia’s $10tn housing stock
- Green Bonds for Low Carbon Buildings – A case study on the Woolworths Green Bond
- Big 4 banks’ transition plan assessments

Additional resources

- ASFI, Public Webinar: Australia’s Household Energy Upgrades Fund, November 2023
- ANZ & Energy Efficiency Council, Putting Energy Efficiency to Work, May 2023
- Climateworks Centre, Climate-ready homes: Building the case for a renovation wave in Australia, December 2023
- UTS Institute for Sustainable Futures, Scaling Green Retrofit Housing Finance, October 2023 and podcast
- Australian Government, Green Bond Framework, December 2023