

Pathways Call for Evidence Submission

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Submission

CALL FOR EVIDENCE – DECARBONISATION PATHWAYS FOR NSW

INTRODUCTION

The Community Housing Industry Association NSW (CHIA NSW) welcomes the opportunity to contribute to the development of NSW's first decarbonisation pathways.

NSW has rightfully set ambitious emissions reduction targets. Achieving them will require more than incremental actions. It will demand concerted efforts across industry, government, and the community, supported by clear policy direction, sustained investment and practical implementation pathways. The challenge is no longer whether to decarbonise, but how to do so at the speed and scale required.

The development of decarbonisation pathways for NSW provides an opportunity to move beyond ambition and establish a clear roadmap for delivery. The pathways need to identify the reforms, investment priorities and collaborative actions needed to accelerate emissions reduction while improving economic and social outcomes.

CHIA NSW agrees that the transition to net zero must also be a just transition. Low-income households, including social and affordable housing residents, are particularly vulnerable to rising energy costs, poorly performing homes and the impacts of a changing climate. They are among those who can least afford the costs of the transition, but stand to benefit most from lower energy bills, healthier homes and improved climate resilience.

Decarbonising social and affordable housing represents a significant opportunity to deliver emissions reductions alongside broader social and economic benefits. A large-scale program of retrofit and electrification will reduce emissions, lower energy costs, improve health outcomes and strengthen community resilience, while contributing to the State's net zero objectives.

As long-term owners and managers of housing, community housing providers (CHPs) are committed to delivering this transition. The industry has already demonstrated its capacity to deliver decarbonisation through participation in programs such as the Community Housing Energy Performance (CHEP) grant. Programs like the CHEP demonstrate what can be achieved when government partners with CHPs to invest in existing homes.

However, achieving decarbonisation at-scale will require significant and sustained investment, supported by policy settings that recognise the realities of the non-market housing sector. CHPs manage an ageing portfolio that requires significant ongoing investment, while operating within highly constrained revenue settings and without the ability to recover upgrade costs through rents. Without dedicated investment and coordinated delivery, the sector will face difficult trade-offs between decarbonisation, essential maintenance, tenant support and new housing supply.

NSW's pathways should therefore be designed to accelerate emissions reductions while ensuring the transition is equitable, delivers better outcomes for vulnerable households and strengthens the long-term sustainability of the housing system.

ABOUT THE COMMUNITY HOUSING INDUSTRY

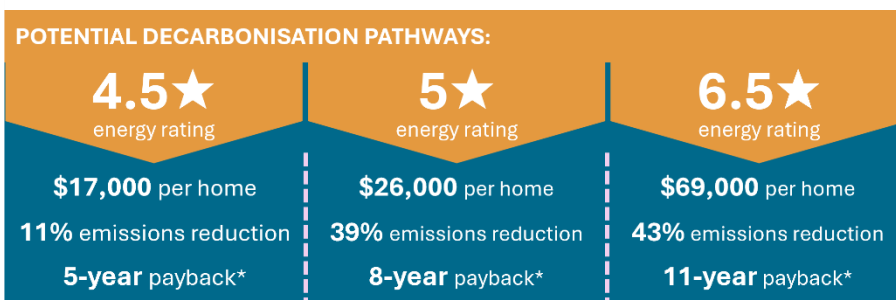
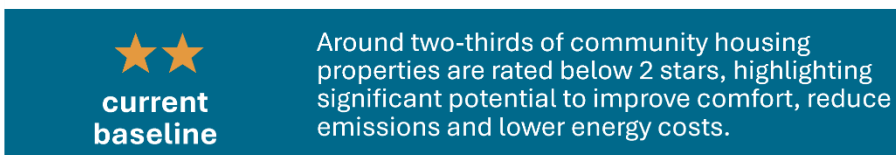
CHIA NSW represents Australia's largest not-for-profit community housing industry, which provides social, affordable and specialist housing for more than 94,000 people across NSW who cannot afford to rent on the private market. This includes managing more than a third of NSW's social housing portfolio.

CHPs are more than just property managers. They support residents through tailored services and build new safe, secure and affordable housing, ensuring that more people can successfully participate in the economic and social lives of their communities.

Most tenants will contribute 25%-30% of their income towards rent. CHPs are unable to increase the rents they charge to cover additional construction or operating costs. As a result, they operate with highly constrained revenues.

In this submission, "non-market housing" collectively refers to social, affordable and other subsidised and specialist housing provided to eligible households by government housing agencies or CHPs. Specific references to social housing reflect the fact that it makes up the majority of the non-market housing portfolio and presents the greatest decarbonisation challenge.

QUICK STATS



*Payback includes bill savings, the social value of carbon, and public health savings.

SUMMARY OF RECOMMENDATIONS

Deliver a just transition

- Identify non-market housing as a priority sector within the built environment decarbonisation pathway, recognising its potential to deliver emissions reductions alongside significant economic, health and resilience benefits for low-income households.
- Prioritise reducing energy demand and improving the energy performance and climate resilience of existing homes, alongside decarbonisation of the energy system.
- Establish a goal of achieving net zero emissions across the social housing portfolio by 2035, supported by a long-term funding and implementation program.

Provide certainty and a coordinated delivery pathway

- Provide policy certainty and a clear implementation framework that aligns decarbonisation initiatives with broader social housing renewal and portfolio planning, supporting targeted investment and coordination across government, asset owners and housing providers.
- Establish a coordinated, long-term funding program to support retrofit and electrification across non-market housing, recognising that existing funding programs or traditional debt-financing mechanisms alone will not be sufficient.
- Establish a Social Housing Retrofit Accelerator to support planning, procurement, quality assurance, supplier capability and delivery across the sector.

Adapt responses to the realities of the non-market housing system

- Reform the NSW Energy Savings Scheme to better support decarbonisation of non-market housing by increasing incentives for non-market housing upgrades and expanding support for deep retrofit activity, including portfolio-scale programmes.
- Ensure any future disclosure requirements and minimum energy efficiency rental standards are fit-for-purpose for the non-market housing sector, reflecting implementation challenges including diverse dwelling types and sector-specific operating constraints.
- Provide clear pathways for end-of-life and hard-to-treat homes, as well as alternative pathways for apartments, to avoid poorly targeted investment and reflect practical implementation constraints.

DECARBONISATION POTENTIAL OF NON-MARKET HOUSING

Non-market housing represents one of the clearest opportunities to achieve emissions reductions while delivering broader social and economic benefits. NSW's non-market housing portfolio comprises more than 173,000 homes. This includes more than 156,000 social housing dwellings, which account for the majority of the sector and present the greatest decarbonisation challenge.

A significant proportion of these homes are more than 40 years old and were constructed before contemporary energy efficiency standards were introduced. Modelling commissioned by CHIA NSW estimates that around two-thirds of community housing managed properties have an energy rating below 2 stars,¹ with many lacking insulation, efficient appliances and other features that support lower energy use and emissions reduction. This highlights the substantial opportunity to reduce energy demand and emissions through retrofit and electrification.

To have maximum impact, decarbonisation of the built environment must involve more than reducing the emissions intensity of the energy system. The pathway also needs to reduce energy demand and improve the energy performance and climate resilience of existing homes. Doing so will not only reduce emissions, but also help achieve broader objectives of the NSW Consumer Energy Strategy, including lowering energy bills, improving thermal comfort, and enhancing the health and wellbeing of NSW residents.

Realising these outcomes will require a pathway that supports upgrades to existing homes through measures such as insulation, draughtproofing and electrification, alongside efforts to decarbonise energy supply.

Proven and scalable solutions already exist for upgrading existing homes. As a result, the built environment is well placed to deliver early and cost-effective emissions reductions, helping NSW make progress towards its interim targets while decarbonisation pathways continue to develop for more technically challenging sectors.

A sustained program of retrofit and electrification across the non-market housing sector would provide a stable pipeline of work, supporting investment in workforce capability, supply chains and industry capacity. This would help reduce delivery risks and support broader decarbonisation across NSW's built environment.

For these reasons, CHIA NSW recommends that the built environment decarbonisation pathway identifies non-market housing as a priority sector for emissions reduction and investment.

To provide clear direction and accountability, CHIA NSW further recommends that the NSW Government establish a goal of achieving net zero emissions across the social housing portfolio by 2035, supported by a long-term funding and implementation program.

BARRIERS, RISKS AND IMPLEMENTATION CHALLENGES

While the opportunity is significant, decarbonising non-market housing at scale will require several implementation barriers to be addressed. These include funding constraints, complex

¹ Urbis (2024) [Decarbonising Social Housing: Delivering on NSW's Climate Ambition](#), prepared for CHIA NSW.

management and ownership arrangements, ageing and hard-to-treat homes, workforce and supply-chain capacity, and overlapping regulatory, asset management and service obligations.

The funding gap

Funding is the dominant barrier to decarbonising non-market housing at scale.

Research commissioned by CHIA NSW² estimates that improving the energy performance of the NSW community housing portfolio would cost an average of \$17,300 per property for a package of basic upgrades capable of achieving an 11% emissions reduction across the portfolio. More comprehensive retrofit and electrification measures could reduce emissions by 43%, at an average cost of \$69,100 per property. Across all social housing in NSW, this equates to an estimated \$2.7 billion to \$10.8 billion investment requirement, with the greatest investment needed for government-owned properties, which are among the least energy efficient. These costs exceed the highly constrained budgets of CHPs.

Non-market housing typically requires government subsidy to remain viable, as rental income is insufficient to cover the full cost of delivery and operation. In NSW, the annual funding gap for social and affordable housing is between \$10,300 and \$17,100 per dwelling.³ This is especially the case for social housing, where tenants generally pay no more than 25 per cent of their income in rent. This operating model is central to the purpose of non-market housing, ensuring homes remain affordable for households on the lowest incomes.

However, it also means CHPs have limited capacity to absorb additional unfunded costs or recover them through rent revenue. Provider budgets are already under pressure from maintaining an ageing portfolio and supporting tenants with complex needs. Without dedicated funding, decarbonisation would place additional pressure on a system that is already operating within significant financial constraints.

International experience demonstrates that governments are increasingly treating housing decarbonisation as a strategic investment priority. CHIA NSW's engagement with UK housing associations has highlighted the important role that long-term public investment has played in accelerating retrofit and electrification across the social housing sector. Through the UK's Warm Homes Plan, the Government has committed £15 billion to upgrade 5 million homes by 2030⁴, building on previous investments of more than £20 billion in social housing energy upgrade programs⁵. These initiatives recognise that achieving emissions reductions across non-market housing stock requires sustained funding, clear policy direction and long-term delivery programs.

The community housing industry in NSW has demonstrated its capacity to deliver upgrades when targeted government funding is available. As previously noted, the Community Housing

² Urbis (2024) *Decarbonising Social Housing: Delivering on NSW's Climate Ambition*, prepared for CHIA NSW.

³ Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C (2018) *Social housing as infrastructure: an investment pathway*, AHURI Final Report No. 306, Australian Housing and Urban Research Institute Limited, Melbourne.

⁴ See: <https://www.gov.uk/government/publications/warm-homes-plan/warm-homes-plan-html>

⁵ This includes more than £1 billion through the [Social Housing Decarbonisation Fund](#) and £22 billion through the [Decent Homes Programme](#), which included thermal comfort upgrades.

Energy Performance Grant is supporting upgrades to more than 2,300 homes through \$13.2 million in joint funding from the Commonwealth and NSW governments. However, the scale of funding available is insufficient to deliver the comprehensive upgrades required to achieve decarbonisation across the entire social housing portfolio.

NSW's decarbonisation pathways must therefore be accompanied by a coordinated, long-term grant-based funding program for social housing. With funding certainty, CHPs can plan, procure, and deliver upgrades more efficiently across their portfolios.

The NSW Government's investment will generate net-positive multiplier effects for the economy from reduced energy bills, improved public health, and avoided social costs. Analysis commissioned by CHIA NSW demonstrates a pay-back period of between 5 and 11 years, depending on the level of investment made available from government.⁶ Further benefits would be realised as a result of significant reduction in energy systems costs and reduced requirement for investments in energy supply and distribution.

Management and ownership arrangements

In addition to funding constraints, ownership and management arrangements across the non-market housing sector create challenges for decarbonisation. While CHPs manage around one-third of NSW's social housing portfolio, most of these homes remain under government ownership. Many of the dwellings requiring the most significant upgrades are government-owned. CHPs also manage housing on behalf of local councils and private investors.

These arrangements create additional complexity regarding investment responsibilities and decision-making, requiring close coordination between asset owners and housing managers. Where a CHP does not own the asset, it is unable to offset costs against asset value appreciation or long-term rental returns. The length of management arrangements can also impact certainty over long-term investment decisions.

Unlike owner-occupied housing, CHPs are not able to offset costs against energy bill savings as these benefits would typically accrue to the tenant. This poses significant barriers to accessing private financing for decarbonisation interventions – given access to finance is dependent on demonstrating a return on investment.

These challenges highlight the importance of a coordinated, system-wide approach to decarbonisation across the non-market housing sector. Clear investment frameworks, well-defined responsibilities and collaboration between government, asset owners and housing providers will be essential to delivering emissions reductions efficiently and at scale.

Ageing and hard-to-treat social housing

Decarbonisation pathways must account for the challenges associated with end-of-life and hard-to-treat properties.

As previously noted, a significant proportion of non-market housing is ageing, with many homes at or approaching the end of their useful life. Across social housing in particular, the average

⁶ Urbis (2024) [Decarbonising Social Housing: Delivering on NSW's Climate Ambition](#), prepared for CHIA NSW.

age of properties is over 40 years, with 20 per cent of homes constructed more than 50 years ago.⁷

These homes often require deeper and more costly upgrades to meet modern energy standards. In many cases, additional enabling works are needed before energy upgrades can proceed. For example, roof repairs or structural works may be required to support solar PV, insulation may require asbestos removal or fire safety upgrades, and electrification of appliances may require electrical upgrades.

Decarbonisation pathways need to recognise that not all properties will present the same upgrade opportunity. For some ageing or end-of-life assets, redevelopment or replacement may represent a more effective decarbonisation pathway than major retrofit investment.

Homes NSW and CHPs are partnering on a range of renewal projects to increase the supply of non-market housing and deliver homes that better meet system needs. This includes small-scale redevelopment opportunities and renewal of larger concentrations of social housing. These projects will ultimately deliver new, highly efficient housing, but can have long lead-times.

Decarbonisation strategies for non-market housing therefore need to align with broader asset renewal and portfolio planning. Doing so will help ensure investment is directed to the right properties at the right time and avoid significant expenditure on homes that are likely to be redeveloped or substantially renewed.

Apartment and strata properties

Non-market housing encompasses a wide range of dwelling types, ages, ownership arrangements and resident needs. This includes apartments, which make up more than 40 per cent of social housing dwellings.⁸ Almost half of the apartment dwellings managed by CHPs were built before 2002.

CHPs have experienced practical challenges upgrading older apartments. Common barriers include limited roof space for solar PV, constraints on insulation, a lack of suitable products, and electrical capacity limitations.

Strata properties create additional governance challenges. Upgrades affecting common property, such as window changes, external air-conditioning units or solar infrastructure, may require Owners Corporation approval. These processes can be lengthy and uncertain, particularly where CHPs manage only a small number of dwellings within a larger scheme.

These constraints mean apartments will require different decarbonisation approaches to free-standing dwellings. CHIA NSW notes that feasibility concerns informed the NSW Government's decision not to apply higher BASIX energy and thermal performance requirements to mid-rise apartments in 2023.

⁷ Department of Family and Community Services (2016) [Submission to the Inquiry into the Management of NSW Public Housing Maintenance Contracts](#), NSW Parliament.

⁸ NSW Department of Communities and Justice, [Social Housing Residential Dwellings Dashboard – At 30 June 2025](#). Access on 29 May 2026.

The diversity of NSW's housing stock means decarbonisation pathways for the built environment cannot adopt a one-size-fits-all approach. The practical constraints and challenges of multi-dwelling buildings need to be reflected in the design and implementation of future policy responses, including disclosure requirements, minimum energy efficiency standards and retrofit programs. This may require differentiated policy settings and implementation timeframes.

POLICY AND MARKET MECHANISMS TO ACCELERATE EMISSIONS REDUCTIONS

Accelerating emissions reductions across non-market housing will require a combination of direct government investment, adapted market mechanisms and practical delivery support. No single policy lever will be sufficient to deliver decarbonisation at the pace and scale required.

Mobilising market mechanisms to support decarbonisation

CHIA NSW strongly recommends that the NSW Government prioritise investment in decarbonising non-market housing.

As noted above, the scale of investment required to decarbonise non-market housing cannot be delivered through existing funding programs or traditional debt-financing mechanisms alone. While increased direct government funding will be necessary, there is also an opportunity to better leverage existing market mechanisms, including the NSW Energy Security Safeguard, to support retrofit and electrification across social housing.

The Energy Security Safeguard operates through several certificate-based schemes, including the Energy Savings Scheme (ESS), which provides incentives for energy efficiency activities. The framework could play a larger role in supporting social housing decarbonisation, particularly if the ESS was expanded to better support the deep retrofit and building fabric improvements needed to reduce energy demand and emissions across existing housing stock.

While the ESS provides some support for energy efficiency upgrades, its design favours lower-cost, technology-based measures such as lighting and appliance upgrades. In addition, the value of Energy Savings Certificates fluctuates and typically covers only a portion of project costs.

As a result, high-impact measures such as insulation, glazing upgrades, draughtproofing and other building fabric improvements remain difficult to fund at scale, despite their critical role in reducing energy demand, improving thermal comfort, enhancing resilience to climate extremes and supporting long-term emissions reduction.

With targeted reforms, the ESS could play a stronger role in supporting the decarbonisation of social housing at-scale, alongside direct government investment. CHIA NSW recommends:

- Expanding the range of eligible measures to include building envelope upgrades, supported by simplified methods for calculating and verifying energy savings.

- Mandating a proportion of energy saving certificates be directed to comprehensive upgrades of non-market housing to ensure investment reaches households most in need.
- Introducing a dedicated social housing stream within the Scheme Rule, incorporating a multiplier mechanism to enhance the value of discounts for high impact measures. This approach recognises the multiple social, environmental and economic benefits accruing from upgrades to social housing.
- Creating a streamlined methodology for large-scale, bundled social housing projects to simplify compliance and enable social housing providers to deliver upgrades more efficiently.
- Better aligning state and federal energy efficiency programs to maximise funding available for social and affordable housing retrofits.

Mandatory disclosure and minimum energy efficiency rental standards

The NSW Government is currently considering the introduction of both mandatory energy performance disclosure and minimum energy efficiency standards for rental housing (MEERS). While these measures have the potential to support decarbonisation of the built environment, regulatory approaches developed for the private housing market will not necessarily translate directly to non-market housing.

Within the private housing market, the costs of mandatory disclosure and MEERS can be reflected in asset values and rents where better-performing homes attract greater value and demand. In non-market housing, this mechanism is significantly weaker because rents are regulated and eligible households generally have limited choice over the homes available to them.

CHIA NSW supports the objective of ensuring all social housing achieves a reasonable level of energy performance. However, to be successful, the application of disclosure requirements or MEERS to non-market housing must be tailored to the sector's unique circumstances and considered as part of a broader decarbonisation strategy, supported by dedicated funding, coordinated portfolio planning and clear implementation pathways.

If disclosure requirements and MEERS are introduced for non-market housing, CHIA NSW recommends:

- The NSW Government coordinate a statewide baseline assessment of social housing to support pathway modelling, investment planning and future upgrade programs. Establishing a robust evidence base is a critical first step in identifying the most cost-effective decarbonisation opportunities across the sector. This should prioritise efficient portfolio-level assessment methodologies, including archetype and sampling approaches, to reduce costs and avoid diverting resources away from upgrade activity.
- The design of disclosure requirements and minimum standards recognise the diversity of the non-market housing portfolio, including differences in dwelling type, climate, ownership arrangements and resident needs. A flexible hybrid compliance model should be adopted, incorporating both features-based and performance-based pathways.

- Alternative pathways be established for properties identified for future redevelopment, allowing providers to focus on low-cost, high-impact measures that improve comfort and reduce emissions while avoiding poorly targeted investment.
- Existing assessment frameworks, including BASIX, be recognised where appropriate to avoid duplication, reduce administrative costs and streamline implementation.

Providing certainty and a clear delivery pathway

Achieving meaningful emissions reductions across non-market housing will require more than ambitious targets. Housing providers need clear and stable policy signals to support long-term investment decisions, portfolio planning and the efficient delivery of upgrade programs. Clear direction regarding government priorities, funding mechanisms and implementation pathways will be essential to building confidence and enabling delivery at scale.

International experience demonstrates the importance of policy certainty. In the United Kingdom, changes to proposed energy performance requirements created uncertainty for social housing providers that had already begun planning and investing against earlier benchmarks.⁹ This contributed to delays and revisions to elements of the Government's proposed implementation framework.¹⁰

For NSW, the lesson is clear: decarbonisation pathways should provide a stable and credible roadmap for the built environment.

This is particularly important given the scale of the task. Decarbonising a large and ageing housing portfolio will require long-term planning, workforce development, procurement capacity and coordination across government and housing providers. It will also require integration with existing asset management, maintenance and renewal programs. Greater clarity regarding the pathway forward will allow these activities to commence sooner and reduce the risk of costly delays later in the transition.

Workforce and supply-chain capacity should also be recognised as critical enablers of delivery. CHPs operating outside metropolitan Sydney have identified ongoing challenges in accessing trades, installers and materials. International experience demonstrates that poorly sequenced implementation can place significant pressure on workforce and supply chains, increasing costs and slowing delivery.

For NSW, this reinforces the importance of providing clear and stable implementation pathways, supported by sufficient lead times and visibility of future investment. This will be critical to stimulating investment in workforce development, manufacturing, supply chains and delivery capacity across the broader built environment sector, while reducing the risk of cost escalation, delivery bottlenecks and other implementation challenges.

⁹ National Housing Federation (2025) [Minimum Energy Efficiency Standards: Submission to MHCLG](#)

¹⁰ Ministry of Housing, Communities and Local Government (2026) [Improving the energy efficiency of socially rented homes in England: government response](#), UK Government.

Coordinating delivery across the non-market housing system

Decarbonising more than 170,000 non-market homes will require coordinated planning and delivery across government, CHPs and the retrofit supply chain.

Without a clear portfolio-wide roadmap, decarbonisation activity risks becoming fragmented and reactive, resulting in higher delivery costs, missed opportunities for coordinated investment and poorer outcomes for residents.

Any implementation framework needs to recognise the complexity of the multi-provider non-market housing system, including varied ownership and management arrangements. It should provide clarity on priorities, roles and responsibilities, and funding opportunities, aligned to broader asset management and renewal priorities. This would support targeted investment and collaboration, and opportunities to realise economies of scale.

Additionally, CHPs would benefit from practical support to plan and deliver retrofit and electrification programs. Providers have identified a lack of information on upgrade and funding opportunities, available technologies, as well as supplier quality assurance issues as barriers to upgrading homes.

To address these barriers, CHIA NSW recommends that the NSW Government establish a Social Housing Retrofit Accelerator to support CHPs to plan and deliver upgrades, prepare funding applications, coordinate procurement, improve quality assurance and build supplier capability.

This could be modelled on the UK's Retrofit Information, Support and Expertise (RISE) service. The RISE is a free support service that helps social housing providers and local authorities in England to plan and deliver successful retrofit programs. It provides a clear pathway for organisations seeking government funding, offering training, guidance and assistance with preparing funding bids. Alongside this, RISE supports suppliers to better meet the needs of the sector, promoting coordination across the retrofit supply chain.¹¹

A similar model in NSW would help build sector capability, improve delivery consistency, reduce costs and support the efficient implementation of retrofit and electrification programs across the social housing portfolio.

¹¹ See <https://riseretrofit.org.uk/>