



Policy costing

A Permanent Energy Bill Relief Plan	
Person/party requesting the costing:	Ms Allegra Spender MP, Independent
Date costing completed:	4 February 2025
Expiry date of the costing:	Release of the next economic and fiscal outlook report
Status at time of request:	Submitted outside the caretaker period
	<input checked="" type="checkbox"/> Confidential – <i>Authorised for public release on 24 February 2025</i> <input type="checkbox"/> Not confidential
<p>Summary of proposal:</p> <p>The proposal comprises 3 components, all commencing on 1 July 2025:</p> <p>Component 1: Reducing Power Bills for Social and Community Housing</p> <p>The policy would expand and extend the existing Social Housing Energy Performance Initiative (SHEPI).¹</p> <p>From the policy start date, this component would increase the size of the Commonwealth’s annual commitment to \$200 million per year (exclusive of any departmental funding) and extend the commitment to end 5 years after the policy start date (i.e. at the end of 2029-30).</p> <p>Component 2: Reducing Power Bills for Renters</p> <p>For 5 years from the policy start date (i.e. to the end of 2029-30), the policy would allow owners of residential investment properties to claim depreciation for the full cost of eligible home energy upgrades in the year of installation, up to \$25,000 (subject to annual indexation in-line with CPI) over the course of the scheme. Eligible home energy upgrades are:</p> <ul style="list-style-type: none"> • Thermal envelope improvement works, specifically: <ul style="list-style-type: none"> – Roller shutters and/or heavy drapes for windows; – Double glazing; – Floor and/or ceiling insulation; and – Air tightness upgrades to reduce infiltration • Space conditioning heat pumps where they replace gas heating systems; • Heat-pump water heaters that replace gas water heaters; • Induction cooktops that replace gas cooktops; • Rooftop solar photovoltaic (PV) systems with a max capacity of 20kW; and • Home battery systems with a max capacity of 40kWh. 	

¹ <https://www.dceew.gov.au/energy/programs/social-housing>

Component 3: Reducing Power Bills for Homeowners

For 5 years from the policy start date (i.e. to the end of 2029-30), 10-year zero interest loans would be available to owner-occupiers of residential properties for the installed cost of eligible home energy upgrades. Eligible home energy upgrades are as follows:

- Thermal envelope improvement works, specifically:
 - Roller shutters and/or heavy drapes for windows;
 - Double glazing;
 - Floor and/or ceiling insulation; and
 - Air tightness upgrades to reduce infiltration
- Space conditioning heat pumps where they replace gas heating systems.
- Heat-pump water heaters that replace gas water heaters;
- Induction cooktops that replace gas cooktops; and
- Home battery systems with a max capacity of 40kWh.

Each household may borrow a maximum of \$25,000 (subject to annual indexation in-line with CPI) over the life of the proposed policy, for one or many upgrades. Administration and delivery of the loans would follow a similar model as the ACT Sustainable Household Scheme, with funds made available by the Commonwealth Government for delivery to end-users by private sector providers.

Distributional analysis of the impact of the proposals is also requested, where possible.

Overview

The proposal would be expected to decrease the fiscal cash balance by around \$2.1 billion, decrease the underlying cash balance by around \$879 million and decrease the headline cash balance by around \$4.1 billion over the 2024-25 Budget forward estimates period, including public debt interest (PDI) impacts (see Table 1). This impact reflects an increase in administered and departmental expenses, and a decrease in personal income tax receipts.

The proposal would be expected to have an impact beyond the 2024-25 Budget forward estimates period. A breakdown of the financial implications over the period to 2034-35 for the 3 components across each of the budget aggregates is provided in Attachment A.

For component 3, the fiscal, underlying cash and headline cash balance impacts differ in the treatment of interest payments and the flow of loan principal. A note on the accounting treatment of concessional loans is included at Attachment B. In particular, only the fiscal balance reflects the impact of the loan being provided on a concessional (interest-free) basis which is included as a concessional loan discount expense with associated unwinding income and loan write-downs. Only the headline cash balance includes transactions related to loan principal amounts. The impact on net debt will be broadly consistent with movements in the headline cash balance.

Requested additional analysis has been provided in Attachment C.

Table 1: A Permanent Energy Bill Relief Plan – Financial implications (\$m)^(a)

	2024-25	2025-26	2026-27	2027-28	Total to 2027-28
Fiscal balance	-	-575.8	-722.6	-766.9	-2,065.3
Underlying cash balance	-	-127.5	-334.4	-417.2	-879.1
Headline cash balance	-	-1,313.5	-1,386.4	-1,354.2	-4,054.1

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

- Indicates nil.

Uncertainties

The financial implications of the proposal are sensitive to a range of assumptions including the cost of the eligible home upgrades – estimations of which were used for the modelling of components 2 and 3. Home upgrade costs are subject to a range of factors including regionality, availability of eligible providers, local regulations and broader economic conditions. Furthermore, upgrade costs are also sensitive to increases in demand that could be reasonably expected as a result of the proposed policy, in addition to providers increasing prices under the rationale that consumers may become less price-sensitive when they are able to access monetary incentives such as those offered under the proposed policy. If the proposed policy were implemented, the cost of eligible home upgrades could change as a result of these sensitivities, in turn impacting the financial implications of the policy.

For the modelling of the uptake of component 2, the financial implications are highly sensitive to the rate at which landlords replace broken-down appliances with electric appliances. Take-up rates are impacted by energy prices, appliance prices, installation costs and non-financial factors such as landlord dispositions towards green energy. Appliance prices and installation costs also impact the financial implications of the proposal by directly determining the value of the incentives. The incentives and the take-up rates are also sensitive to other policy incentives, such as those from state governments, which are subject to change over the life of the policy. While there are a number of state and territory incentive schemes in place, most are not available to landlords or are not available across an entire state. However, the Victorian Energy Upgrades program, the Small-scale Renewable Energy Scheme, and the ACT Government's Minimum Energy Efficiency Standards are available to landlords in their respective jurisdictions, and thus were considered.

Modelling of the uptake of component 3 of the proposed policy was based heavily on the uptake of the ACT's Sustainable Household Scheme. However, there are some limitations to this approach due to the differences in income, climate, and energy use between households in the ACT and at the national level. Although attempts have been made to control for these factors, there are still resulting uncertainties around the stated financial implications. The ACT's demographic and economic profile, characterised by higher median incomes and a smaller, more urbanized population, is not representative of the broader Australian context. This may lead to an overestimation of participation rates, given the viability and attractiveness of uptake of the proposed policy would differ in regions with different incomes and economic conditions. Additionally, variations in climate, housing types, and energy consumption patterns across different states and territories further complicate the extrapolation of the ACT's results to a national scale, as these differences are likely to affect uptake rates of the different eligible home upgrades.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Component 1: Reducing Power Bills for Social and Community Housing

- No funding allocated to a given year would be left unspent.
- Departmental funding would not be drawn from the specified annual funding amount.

Component 2: Reducing Power Bills for Renters

- All eligible types of thermal envelope improvement upgrades would have the same rate of uptake under the scheme.
- Private rentals would contain the relevant eligible home upgrades at the same rate as all residential properties.

- For eligible home upgrades that are appliances, landlords would only replace these when they break down.
- The average useful life of an eligible home upgrade is the same as its depreciable life for tax purposes.
- 90% of rental properties in the ACT would have insulation by 2026, and no further installations would occur from 2027 due to new ACT government regulations mandating that by 30 November 2026, all residential rental properties in the territory must meet insulation standards.
- All residential rooftop solar PV systems have a max capacity of less than 20kW.
- All residential home battery systems have a max capacity of less than 40kWh.
- The cost of eligible home upgrades would not increase under the proposed policy when compared to the cost of those same upgrades under current conditions.
- Installation costs of relevant appliances would increase with inflation as measured by the Consumer Price Index (CPI).
- The ratio between electricity and gas prices would remain constant across the medium term.
- Occupants of properties with solar PV systems would self-consume 80% of the power generated by their system.
 - This reflects owners installing systems slightly larger than their estimated consumption.
- Under current conditions, for capital improvements to rental properties that would be considered eligible home upgrades under the proposed policy, an equal amount of depreciation by value is claimed using the straight line and diminishing value methods.
- Under the proposed policy, for capital improvements that would be considered eligible home upgrades, 100% of depreciation by value would be claimed using the 'instant asset write-off' method introduced by the proposed policy.
- The average marginal tax rate of investment property owners is 32%.
- No additional departmental resourcing would be needed by the Australian Taxation Office (ATO) in response to the changes in depreciation rules for the eligible home energy upgrades.

Component 3: Reducing Power Bills for Homeowners

- An equal number of eligible home energy upgrades for owner-occupied residential properties are supported by zero-interest loan financing across each year of the proposed policy.
- The cost of eligible home upgrades would not increase under the proposed policy when compared to the cost of those same upgrades under current conditions.
- All eligible types of thermal envelope improvement upgrades have the same rate of uptake under the scheme.
- There would be a default rate of 5% for the total issued value of loans under the proposal.
- Loans are repaid uniformly over the 10-year repayment period, with no early repayments made.
- By value, loans are issued evenly across a given financial year.
- All residential home battery systems have a max capacity of less than 40kWh.
- Departmental funding would be required to support the assessment of new loan applications and the management of outstanding loan accounts under the proposed policy.

Methodology

All Components

Financial implications were rounded consistent with the PBO's rounding rules².

Component 1: Reducing Power Bills for Social and Community Housing

- The administered expense of this proposal component was calculated as the difference in funding between the proposed funding profile of \$200 million annually for 5 years from 1 July 2025, and the existing funding profile.
- The departmental expenses were estimated based on the cost of administering similar programs and calculated in relation to the additional funding allocated under the proposal.

Component 2: Reducing Power Bills for Renters

- The financial implications were derived by estimating the number of installations that would occur under current conditions and under the proposed policy, then estimating the tax impact of depreciation claimed for eligible home upgrades over the medium term.
 - For space conditioning heat pumps, heat pump water heaters, and induction cooktops, the number of installations was estimated by projecting the number of gas appliances in rental properties eligible to be replaced by the appliances considered to be eligible home upgrades, the number of these gas appliances which would break down each year, and the proportion of these that landlords would choose to replace with appliances considered to be eligible home upgrades.
 - For insulation, rooftop PV systems, and batteries, the number of installations under current conditions were derived from projections of appliance stock. Under the proposed policy, these projections were modified to account for estimated increases in demand due to improvements in the net present value of installing these upgrades.
- Revenue recognition for personal income tax is in accordance with the Taxation Liability Method (TLM). Under this method, taxation revenue is recognised at the earlier of when a tax liability has been assessed, or the Australian Taxation Office (ATO) receives payment. As personal income tax liabilities for a given financial year are assessed in the following financial year, the financial impact of this component has a 1-year lag³.

Component 3: Reducing Power Bills for Homeowners

- The estimated annual value of loan issuance was based on:
 - the estimated number of each type of eligible home upgrade, based on the number of upgrades installed under the ACT's Sustainable Household Scheme, scaled up based on the relative number of households and median income of the ACT
 - scaling factors to account for the larger accessible benefit available to participants of the proposed policy than the existing ACT Sustainable Households Scheme
 - the estimated cost of each type of eligible home upgrade, based on a range of relevant and trusted sources.

² <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

³ For example, when the owner of a residential investment property claims full depreciation for the cost of an eligible home energy upgrade in the 2025-26 financial year, they will make the claim in 2026-27 when they complete and lodge their 2025-26 tax return.

- The financial implications of the concessional loan issuance and repayment were calculated in accordance with the Department of Finance’s guidance for the accounting of concessional loans⁴.
- Departmental expenses were calculated by estimating the level of staffing resources required to process new loan applications and to manage outstanding loan accounts, then calculating the cost of the estimated staffing levels using the Department of Finance’s standard departmental costing template.

Data sources

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Attachment A – A Permanent Energy Bill Relief Plan – Financial implications

Table A1: A Permanent Energy Bill Relief Plan – Fiscal balance (\$m)^(a)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Revenue													
Tax revenue													
Administered tax													
<i>Component 2 - Impact of change in depreciation claims on personal income tax receipts</i>	-	-	-230.0	-210.0	-200.0	-193.0	-188.0	103.0	93.0	85.0	79.0	-440.0	-661.0
Total – tax revenue	-	-	-230.0	-210.0	-200.0	-193.0	-188.0	103.0	93.0	85.0	79.0	-440.0	-661.0
Non – tax revenue													
Administered non-tax													
<i>Component 3 - Income from unwinding of discounts</i>	-	72.0	139.0	205.0	266.0	321.0	292.0	261.0	226.0	189.0	147.0	416.0	2,118.0
Total – non-tax revenue	-	72.0	139.0	205.0	266.0	321.0	292.0	261.0	226.0	189.0	147.0	416.0	2,118.0
Total – revenue	-	72.0	-91.0	-5.0	66.0	128.0	104.0	364.0	319.0	274.0	226.0	-24.0	1,457.0
Expenses													
Administered													
<i>Component 1 - Expanded SHEPI funding</i>	-	-75.0	-2.0	-43.0	-30.0	-200.0	-	-	-	-	-	-120.0	-350.0
<i>Component 3 - Homeowner concessional loan discount expense</i>	-	-448.0	-447.0	-474.0	-477.0	-484.0	-	-	-	-	-	-1,369.0	-2,330.0
<i>Component 3 - Loan write downs</i>	-	-65.3	-65.2	-65.7	-66.2	-67.1	-	-	-	-	-	-196.2	-329.5
Total – administered	-	-588.3	-514.2	-582.7	-573.2	-751.1	-	-	-	-	-	-1,685.2	-3,009.5
Departmental													
<i>Component 1 - Expanded SHEPI funding</i>	-	-1.9	-0.1	-1.1	-0.8	-5.0	-	-	-	-	-	-3.1	-8.9
<i>Component 3 - Homeowner concessional loan scheme</i>	-	-28.6	-28.3	-28.1	-28.0	-28.0	-6.1	-6.1	-6.2	-6.3	-6.4	-85.0	-172.1
Total – departmental	-	-30.5	-28.4	-29.2	-28.8	-33.0	-6.1	-6.1	-6.2	-6.3	-6.4	-88.1	-181.0
Total – expenses	-	-618.8	-542.6	-611.9	-602.0	-784.1	-6.1	-6.1	-6.2	-6.3	-6.4	-1,773.3	-3,190.5
Total (excluding PDI)	-	-546.8	-633.6	-616.9	-536.0	-656.1	97.9	357.9	312.8	267.7	219.6	-1,797.3	-1,733.5
PDI impacts	-	-29.0	-89.0	-150.0	-209.0	-269.0	-298.0	-285.0	-265.0	-245.0	-223.0	-268.0	-2,062.0
Total (including PDI)	-	-575.8	-722.6	-766.9	-745.0	-925.1	-200.1	72.9	47.8	22.7	-3.4	-2,065.3	-3,795.5

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: A Permanent Energy Bill Relief Plan – Underlying cash balance (\$m)^(a)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Receipts													
Administered tax													
<i>Component 2 - Impact of change in depreciation claims on personal income tax receipts</i>	-	-	-230.0	-210.0	-200.0	-193.0	-188.0	103.0	93.0	85.0	79.0	-440.0	-661.0
Total – receipts	-	-	-230.0	-210.0	-200.0	-193.0	-188.0	103.0	93.0	85.0	79.0	-440.0	-661.0
Payments													
Administered													
<i>Component 1 - Expanded SHEPI funding</i>	-	-75.0	-2.0	-43.0	-30.0	-200.0	-	-	-	-	-	-120.0	-350.0
Total – administered	-	-75.0	-2.0	-43.0	-30.0	-200.0	-	-	-	-	-	-120.0	-350.0
Departmental													
<i>Component 1 - Expanded SHEPI funding</i>	-	-1.9	-0.1	-1.1	-0.8	-5.0	-	-	-	-	-	-3.1	-8.9
<i>Component 3 - Homeowner concessional loan scheme</i>	-	-28.6	-28.3	-28.1	-28.0	-28.0	-6.1	-6.1	-6.2	-6.3	-6.4	-85.0	-172.1
Total – departmental	-	-30.5	-28.4	-29.2	-28.8	-33.0	-6.1	-6.1	-6.2	-6.3	-6.4	-88.1	-181.0
Total – payments	-	-105.5	-30.4	-72.2	-58.8	-233.0	-6.1	-6.1	-6.2	-6.3	-6.4	-208.1	-531.0
Total (excluding PDI)	-	-105.5	-260.4	-282.2	-258.8	-426.0	-194.1	96.9	86.8	78.7	72.6	-648.1	-1,192.0
PDI impacts	-	-22.0	-74.0	-135.0	-195.0	-254.0	-291.0	-288.0	-270.0	-250.0	-229.0	-231.0	-2,008.0
Total (including PDI)	-	-127.5	-334.4	-417.2	-453.8	-680.0	-485.1	-191.1	-183.2	-171.3	-156.4	-879.1	-3,200.0

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: A Permanent Energy Bill Relief Plan – Headline cash balance (\$m)^(a)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Receipts													
Administered tax													
<i>Component 2 - Impact of change in depreciation claims on personal income tax receipts</i>	-	-	-230.0	-210.0	-200.0	-193.0	-188.0	103.0	93.0	85.0	79.0	-440.0	-661.0
<i>Component 3 – Homeowners loan repayments</i>	-	124.0	248.0	373.0	499.0	626.0	626.0	626.0	626.0	626.0	626.0	745.0	5,000.0
Total – receipts	-	124.0	18.0	163.0	299.0	433.0	438.0	729.0	719.0	711.0	705.0	305.0	4,339.0
Payments													
Administered													
<i>Component 1 - Expanded SHEPI funding</i>	-	-75.0	-2.0	-43.0	-30.0	-200.0	-	-	-	-	-	-120.0	-350.0
<i>Component 3 - Loans made</i>	-	-1,310.0	-1,300.0	-1,310.0	-1,320.0	-1,340.0	-	-	-	-	-	-3,920.0	-6,580.0
Total – administered	-	-1,385.0	-1,302.0	-1,353.0	-1,350.0	-1,540.0	-	-	-	-	-	-4,040.0	-6,930.0
Departmental													
<i>Component 1 - Expanded SHEPI funding</i>	-	-1.9	-0.1	-1.1	-0.8	-5.0	-	-	-	-	-	-3.1	-8.9
<i>Component 3 - Homeowner concessional loan scheme</i>	-	-28.6	-28.3	-28.1	-28.0	-28.0	-6.1	-6.1	-6.2	-6.3	-6.4	-85.0	-172.1
Total – departmental	-	-30.5	-28.4	-29.2	-28.8	-33.0	-6.1	-6.1	-6.2	-6.3	-6.4	-88.1	-181.0
Total – payments	-	-1,415.5	-1,330.4	-1,382.2	-1,378.8	-1,573.0	-6.1	-6.1	-6.2	-6.3	-6.4	-4,128.1	-7,111.0
Total (excluding PDI)	-	-1,291.5	-1,312.4	-1,219.2	-1,079.8	-1,140.0	431.9	722.9	712.8	704.7	698.6	-3,823.1	-2,772.0
PDI impacts	-	-22.0	-74.0	-135.0	-195.0	-254.0	-291.0	-288.0	-270.0	-250.0	-229.0	-231.0	-2,008.0
Total (including PDI)	-	-1,313.5	-1,386.4	-1,354.2	-1,274.8	-1,394.0	140.9	434.9	442.8	454.7	469.6	-4,054.1	-4,780.0

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Australian Government.

Budget impact⁵

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.⁶ Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Australian Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

⁵ The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

⁶ This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.

Attachment C – Additional Analysis

Provided below are several pieces of additional analysis as requested in the original costing request specification. Figures were rounded consistent with the PBO's rounding rules⁷.

Additional Analysis 1 – Estimated Number of Total Households Supported by Proposed Policy

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Component 1: Reducing Power Bills for Social and Community Housing	40,000	40,000	40,000	40,000	40,000	200,000
Component 2: Reducing Power Bills for Renters	55,200*					276,000
Component 3: Reducing Power Bills for Homeowners	91,300^					456,500

* Based on the total estimated policy component cost, and assuming that each participating owners of residential investment properties would – on average – utilize 62.5% of the maximum benefit amount available.

^ Based on the total estimated policy component cost, and assuming that each participating household would – on average – utilize 55% of the maximum benefit amount available.

Additional Analysis 2 – Estimated Number of Additional Households Supported by Proposed Policy

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Component 1: Reducing Power Bills for Social and Community Housing	15,000	440	8,660	6,040	40,000	70,140
Component 2: Reducing Power Bills for Renters	10,300*					51,500
Component 3: Reducing Power Bills for Homeowners	N/A					

* Based on the total estimated policy component cost, and assuming that each participating owners of residential investment properties would – on average – utilize 62.5% of the maximum benefit amount available.

Additional Analysis 3 – Estimated Average Cost by Type of Eligible Home Upgrade

	2025-26	2026-27	2027-28	2028-29	2029-30
Drapes/roller shutters	\$3,140	\$3,220	\$3,310	\$3,400	\$3,490
Double glazing%	\$10,000	\$10,300	\$10,500	\$10,800	\$11,100
Floor insulation	\$1,340	\$1,370	\$1,410	\$1,440	\$1,480
Ceiling insulation	\$2,200	\$2,250	\$2,310	\$2,360	\$2,420
Air tightness upgrades*	\$1,810	\$1,860	\$1,910	\$1,960	\$2,010
Space conditioning heat pumps replacing gas heating system [#]	\$6,270	\$6,510	\$6,760	\$7,080	\$7,430
Heat pump water heaters replacing gas water heaters	\$3,670	\$3,870	\$4,070	\$4,280	\$4,490
Induction cooktops replacing gas cooktops	\$2,350	\$2,400	\$2,460	\$2,520	\$2,590
Rooftop solar photovoltaic (PV) systems [^]	\$9,900	\$10,000	\$10,300	\$10,800	\$11,600
Home battery systems [~]	\$13,400	\$12,900	\$12,700	\$12,400	\$12,200

% Estimated weighted average based on residential dwelling window surface area data from the Nationwide House Energy Rating Scheme (NatHERS)

* Estimated combined cost for draught & wall cavity sealing, and sub-floor ventilation reduction works.

[#] Estimated weighted average based on projections of ducted and non-ducted systems.

[^] Estimated weighted average based on projections of residential rooftop PV installations by size.

[~] Estimated average cost based on average residential battery system size.

⁷ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Additional Analysis 4 – Estimated Number of Upgrades Installed Under Policy per Type of Upgrade

	Estimated Annual	Estimated Total
Component 2: Reducing Power Bills for Renters		
Thermal envelope improvements	71,600	358,000
Space conditioning heat pumps replacing gas heating system	24,400	122,000
Heat pump water heaters replacing gas water heaters	48,200	241,000
Induction cooktops replacing gas cooktops	6,600	33,000
Rooftop solar PV systems	4,430	22,150
Home battery systems	3,690	18,450
Sub-total	158,920	794,600
Component 3: Reducing Power Bills for Homeowners		
Thermal envelope improvements	25,100	125,500
Space conditioning heat pumps replacing gas heating system	62,900	314,500
Heat pump water heaters replacing gas water heaters	19,300	96,500
Induction cooktops replacing gas cooktops	2,860	14,300
Home battery systems	56,000	280,000
Sub-total	166,160	830,800
Total	325,080	1,625,400

Additional Analysis 5 – Estimated Effective Discount for Household by Type of Eligible Home Upgrade (Component 3 only)

	Average Cost	Repayments		Savings	
		Total repayments for market loan	Total repayments for zero interest loan	\$	%
Re-drawn Mortgage^(a)					
Drapes/roller shutters	\$3,310	\$4,372	\$3,310	\$1,062	24.3%
Double glazing%	\$10,500	\$13,868	\$10,500	\$3,368	24.3%
Floor insulation	\$1,410	\$1,862	\$1,410	\$452	24.3%
Ceiling insulation	\$2,310	\$3,051	\$2,310	\$741	24.3%
Air tightness upgrades*	\$1,910	\$2,523	\$1,910	\$613	24.3%
Space conditioning heat pumps replacing gas heating system#	\$6,810	\$8,994	\$6,810	\$2,184	24.3%
Heat pump water heaters replacing gas water heaters	\$4,080	\$5,389	\$4,080	\$1,309	24.3%
Induction cooktops replacing gas cooktops	\$2,460	\$3,249	\$2,460	\$789	24.3%
Rooftop PV systems^	\$10,500	\$13,868	\$10,500	\$3,368	24.3%
Home battery systems~	\$12,700	\$16,773	\$12,700	\$4,073	24.3%
Unsecured Personal Loan^(b)					
Drapes/roller shutters	\$3,310	\$4,975	\$3,310	\$1,665	33.5%
Double glazing%	\$10,500	\$15,782	\$10,500	\$5,282	33.5%
Floor insulation	\$1,410	\$2,119	\$1,410	\$709	33.5%
Ceiling insulation	\$2,310	\$3,472	\$2,310	\$1,162	33.5%
Air tightness upgrades*	\$1,910	\$2,871	\$1,910	\$961	33.5%
Space conditioning heat pumps replacing gas heating system#	\$6,810	\$10,236	\$6,810	\$3,426	33.5%

	Average Cost	Repayments		Savings	
		Total repayments for market loan	Total repayments for zero interest loan	\$	%
Heat pump water heaters replacing gas water heaters	\$4,080	\$6,132	\$4,080	\$2,052	33.5%
Induction cooktops replacing gas cooktops	\$2,460	\$3,697	\$2,460	\$1,237	33.5%
Rooftop PV systems [^]	\$10,500	\$15,782	\$10,500	\$5,282	33.5%
Home battery systems [~]	\$12,700	\$19,088	\$12,700	\$6,388	33.5%

- (a) 6.08% p.a. fixed rate, 10-year repayment period for comparability to zero-interest loan duration.
 - Based on average annual interest rate for outstanding owner-occupier principal-and-interest housing loans as of September 2024 (RBA, 2024)
- (b) 9.28% p.a. fixed rate, 10-year repayment period for comparability to zero-interest loan duration.
 - Based on the average comparison interest rate for unsecured personal loans across 3 providers (Canstar, 2024)
- % Estimated weighted average based on residential dwelling window surface area data from the Nationwide House Energy Rating Scheme (NatHERS)
- * Estimated combined cost for draught & wall cavity sealing, and sub-floor ventilation reduction works.
- # Estimated weighted average cost based on projections of ducted and non-ducted systems.
- [^] Estimated weighted average cost based on projections of residential rooftop PV installations by size for <20kW systems.
- [~] Estimated average cost based on average residential battery system size.