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Mr Phil Manners
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Dear Mr Manners

REVIEW OF THE COMMERCIAL BUILDING DISCLOSURE PROGRAM

Thank you for the opportunity to comment on the *Review of the Commercial Building Disclosure (CBD) Program*. Energy use in buildings accounts for 66 per cent of total greenhouse gas emissions across our municipality, therefore this is an important program for our City to address energy use in commercial buildings.

The City of Melbourne's recent *Climate Change Mitigation Strategy to 2050* ('Strategy') aligns our ambition with the Paris Climate Agreement and reconfirms Council's commitment to reduce greenhouse gas emissions across the municipality. Zero Emissions Buildings and Precincts is one of four Strategic Priorities identified in the Strategy, working towards our goal for all buildings to be net zero emissions by 2050. Specifically, the Strategy states the need to increase energy performance disclosure for a greater range of commercial and residential buildings.

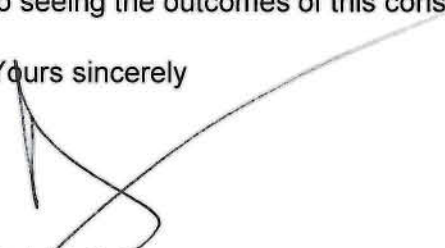
Our experience in delivering sustainability programs targeted at commercial building owners, managers and tenants confirms that addressing information barriers and providing incentives are insufficient measures alone in achieving the emissions reduction needed to align to science-based targets. This is particularly evident in the mid-tier sector where we know regulatory measures, like those in the CBD program are the most effective. We therefore strongly support expansion of the CBD program to include a wider range of building stakeholders such as tenancies, additional building types, and to further explore a wider range of triggers for disclosure beyond the point of sale or lease.

Evidence developed by City of Sydney in partnership with the Opportunity Knocks Coalition demonstrates the case for inclusion of office tenants on a periodic review basis is compelling. This is supported by research undertaken by City of Melbourne in development of the *Climate Change Mitigation Strategy to 2050*, indicating that the total benefit cost ratio of achieving zero carbon buildings is between 1.86 and 2.19, with more economic benefit realised the earlier the target is achieved. Expanding the CBD program is a vital step towards this long term goal.

Deferring energy efficiency improvements means that building occupants, owners and investors miss out on the benefits associated with greater energy efficiency and lower emissions. Not realising this potential for energy efficiency means that emissions reduction from other areas, including the stationary energy supply and future offsetting, must take a greater proportion of the emissions reduction needed to meet Paris Agreement targets.

Please find attached our responses to select questions from the Issues Paper. We look forward to seeing the outcomes of this consultation and participating in future stages of this review.

Yours sincerely



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REVIEW OF THE COMMERCIAL BUILDING DISCLOSURE PROGRAM

Attachment A: Response to Issues Paper (Key Questions 1, 3, 6, 16, 21)

1. Is the objective of the CBD program — to improve the energy efficiency of Australia's larger office buildings and to ensure prospective buyers and tenants are informed — sufficiently clear and appropriate?

The objective of the CBD program is sufficiently clear to the City of Melbourne, however further work needs to be done to understand the effectiveness of informing prospective buyers and tenants.

As outlined in this submission, City of Melbourne supports expanding the CBD program into different building types and changing the trigger to periodic disclosure. These policy reforms would require re-evaluating this objective, in consultation with stakeholders of those building types.

3. Are there other costs and benefits we need to consider outside of those shown in table 2.4?

We recommend that the 'reduced costs of GHG emissions' should include a full assessment of the economic, social and environmental costs of climate change. This could be achieved using a Social Cost of Carbon methodology. Cost benefit analysis carried out for the City of Melbourne *Climate Change Mitigation Strategy to 2050* indicates that the impacts of climate change and the missed economic opportunities of transitioning to a low carbon economy would cost \$12.6 billion to the municipality's economy by 2050. This could be reduced by over \$5 billion by taking strong action as soon as possible.

6. Users of NABERS ratings could include: building owners/managers; investors; and tenants. Are there any other users of NABERS ratings?

City of Melbourne uses NABERS ratings to inform our understanding of the performance of buildings in the municipality and their emissions reduction activities, as well as the effectiveness of our strategies and programs.

With regard to future expansion to new sectors, particularly hotels, there is an opportunity to use NABERS ratings to set a minimum standard in procurement policies for local, state and federal government, as well as large corporates. While there are already a variety of green ratings available within the hotel sector, NABERS is the national standard for measuring and rating energy and water impacts, and could be made available as part of pre-booking information.

16. Should the CBD Program be expanded to include the following and for what reasons:

- a) Office tenancies?
- b) Hotels?
- c) Shopping centres?
- d) Data centres?
- e) Other building types?

City of Melbourne supports the inclusion of office tenancies in the CBD program. Tenancies account for approximately 50 per cent of total building emissions, and expansion is therefore an important opportunity to meet the current objective of the CBD program. Supporting

evidence, developed by City of Sydney in partnership with the Opportunity Knocks Coalition (*Opportunity Knocks for Business – The Compelling Case for Commercial Building Disclosure Expansion to Tenants*, December 2018), explores the cost benefit of a number of scenarios of expanding to office tenancies. For a compliance cost of only \$2 million to 2030, the expanded program can unlock investment in energy efficiency upgrades of \$131.7 million and deliver a societal benefit cost ratio (BCR) of around 2, under a number of scenarios. This is projected to generate total benefits of \$356.5 million and 1.7 million tonnes of emissions reduction.

A similar cost benefit analysis to the *Opportunity Knocks for Business* should be conducted for other NABERS rateable sectors, specifically hotels, shopping centres, data centres, hospitals and apartments to determine the impacts of such change alongside the emissions reduction potential. Additional analysis to assess these sectors' readiness for mandatory rating and disclosure may also need to occur, recognising that NABERS for office buildings has been well established in the sector for many years.

In summary, City of Melbourne supports expansion of the CBD program to include any NABERS rateable spaces where the analysis provides a compelling case, like office tenancies. We note that alternative legislative or regulatory measures may be required to expand to apartments, given this sector is largely within the jurisdiction of state government

21. Currently, the requirement for a BEEC is triggered by office space being offered for sale or lease of covered by the CBD Program. What are the alternative triggers that could be used and what are the advantages and disadvantages of these triggers?

City of Melbourne supports changing the trigger from point of sale or lease to periodic disclosure on an annual or biennial basis.

The effectiveness of expanding the CBD program into hotels, shopping centres, data centres and hospitals will rely on changing the trigger to periodic disclosure, given the infrequency of the sale of such assets.

