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Commercial Buildings Policy Team
Department of Climate Change, Energy, the Environment and Water

By email: 

City of Sydney Submission - Commercial Building Disclosure (CBD) Expansion

The City of Sydney (the City) welcomes the opportunity to provide this submission to the Commercial Building Disclosure (CBD) Program Expansion Discussion Paper 2024. The CBD Program is well established and has achieved substantial energy and cost savings for large commercial office buildings.

This submission supports the proposal to expand the CBD Program and introduce Minimum Energy Performance Standards (MEPS) for buildings and emphasises the important role for local government.

The City also supports related processes to reduce emissions in the built environment including the draft National Home Energy Ratings Disclosure Framework V2, expansion of the NABERS program, MEPS for appliances, and improvements to the National Construction Code.

About the City of Sydney

The City has endorsed a target for net zero emissions across its local area by 2035 and to reduce emissions by 70 per cent based on 2006 levels by 2030. As of June 2022, greenhouse gas emissions for the local government area were 41 per cent below our 2006 baseline.

Our community supports action to reduce emissions. Many high-profile organisations are working collaboratively to help meet our targets through our Better Buildings Partnership¹, Sustainable Destination Partnership², and CitySwitch Green Office³ programs.

In October 2023 we introduced Net Zero Performance Standards which require large new offices, hotels, and shopping centre developments in our area to improve energy efficiency and use renewable energy prior to commencing use.

¹ <https://www.betterbuildingspartnership.com.au/>

² <https://www.sustainabledestinationpartnership.com.au/>

³ <https://cityswitch.net.au/>

Local Government's Role

Non-residential buildings are the largest consumer of energy in our area. The City welcomes the initiative to expand the CBD Program, to improve how energy is used in existing buildings, potentially making a key contribution to our emissions targets.

In late 2023, the Australian Government joined the Coalition For High Ambition Multilevel Partnerships⁴ (CHAMP) at COP28 - to enhance cooperation with subnational governments in the planning, financing, implementation, and monitoring of climate strategies.

Local governments are at the forefront of implementing climate action initiatives. We recognise the critical role local governments play in the design and communication of national climate programs.

Resources and Support

The City of Sydney is prepared to collaborate closely with the Australian Government to enhance the effectiveness of the CBD Program rollout, leveraging our experience and insights, gained through our sustainability programs, communications, and planning expertise.

To fulfill our role effectively, we require access to resources that will enable us to engage with stakeholders to disseminate information and facilitate uptake.

- **Recommendation 1.** Work with the City of Sydney and other capital cities to identify how local government can support the CBD Program expansion, and what resources councils require to do this.

This would also be a demonstrable way for the Australian Government to deliver against its commitment under the Coalition For High Ambition Multilevel Partnerships (CHAMP).

Consultation questions

What are your views on expanding the CBD Program to different types of commercial buildings in line with the suggested road map?

The high-level road map and principles to introduce mandatory disclosure to most major commercial building sectors by 2035 are appropriate and allow more than adequate lead time for building types that are not currently subject to ratings or disclosure to transition.

Prioritising early expansion to larger building types where NABERS ratings tools are available and phasing in minimum energy performance standards over time to building types that have first been subject to disclosure requirements is a logical approach.

The City concurs that a detailed plan is needed to model specific details on timing, size thresholds, trigger points and disclosure/consideration requirements following more detailed cost benefit analysis, regulatory impact statement (RIS) and industry consultations.

⁴ www.cop28.com/en/cop28-uae-coalition-for-high-ambition-multilevel-partnerships-for-climate-action

Where should disclosure information (e.g. energy ratings) be displayed? Some examples include on advertising (including online advertising), on your business website, in the foyer.

Transparency of information supports the objectives of the CBD Program by promoting informed decisions and encouraging energy-efficient practices.

The proposed ways to disclose information on advertising, websites, and within buildings, for example in foyers and elevator screens, are appropriate.

In addition, the CBD Downloadable Data Set should continue to be made available via the CBD website as the scheme expands. This enables other levels of governments, academia, and others to transparently track progress.

- **Recommendation 2.** Include local government area as a field in the CBD Downloadable Data Set and consider ways to make the data more accessible and interactive.

What should trigger disclosure? Some examples include on sale or lease, or a periodic trigger such as yearly or once every two years.

Disclosure at the point of sale or lease is a significant step towards transparency in energy performance. However, there may be instances where poorly performing buildings that have low churn or sale rates will not be required to disclose and miss out on energy savings opportunities.

Anecdotally, this occurs in 'mid-tier' commercial office buildings. Point of sale or lease would also be less appropriate for some of the new building types that are proposed, for example private hospitals.

Further analysis is required to determine which sub sectors or cohorts may be excluded by a point of sale or lease trigger, and the marginal difference in ratings that would ensue through a periodic trigger.

- **Recommendation 3.** Introduce a periodic trigger for disclosure of building types and cohorts that are not frequently tenanted or exchanged.

What are the barriers to disclosing a building's energy rating? What might be needed to help overcome those barriers?

Electrification

Owners of poorly performing buildings will be reluctant to disclose energy performance ratings. Electrification of buildings significantly improves energy performance because electricity is far more efficient than gas. The benefits also include improved air quality and human health, lower running costs, and enabling the renewable energy transition.

However, there are barriers and costs to electrify existing buildings. Government support for timely electrification, especially for poorly performing buildings, would result in better ratings and less reluctance to mandatory disclosure.

- **Recommendation 4.** Introduce complementary programs to incentivise the electrification of existing buildings in parallel with the introduction of mandatory disclosure.

Should other information also be disclosed in addition to the NABERS energy rating? Possibilities include Scope 1 emissions from on-site activities (for example gas use, diesel use and refrigerants) or the NABERS Renewable Energy Indicator which displays the proportion of the building's energy that comes from on-site renewable energy generated and off-site renewable energy procured.

NABERS Renewable Energy Indicator

The City of Sydney endorses the NABERS Renewable Energy Indicator (REI), recognising its importance in tracking and communicating the renewable energy performance of buildings. This indicator is a valuable tool for setting benchmarks and driving improvements in the sector.

By including the addition of the NABERS REI in mandatory disclosure, there would be alignment and consistency with existing voluntary NABERS ratings, and the CBD Program that is based on the NABERS Energy rating.

The disclosure of Scope 1 emissions sources is important. The majority of Scope 1 emissions for most buildings would be fossil gas which would be counted within a NABERS REI.

Requiring additional disclosure of fossil gas could be viewed as duplicative. An alternative could be to disclose if a building is all electric and fossil fuel free. Again, the NABERS REI would convey that information.

- **Recommendation 5.** Require mandatory disclosure of a NABERS Renewable Energy Indicator in addition to the NABERS Energy rating.

Refrigerants

Refrigerants are a source of Scope 1 emissions; however the Government is already working to phase out high global warming potential gases. Further analysis would be needed to understand whether disclosure would accelerate the phase down.

If the analysis shows that it would be beneficial to include refrigerants, disclosure could take the form of wording such as “predominantly low global warming natural refrigerants” or “high global warming synthetic refrigerants”.

This would make disclosure understandable to a wider audience and avoid cost and complexities of calculating the total global warming potential from multiple systems servicing a building.

- **Recommendation 5.** Introduce a clear way to convey information if refrigerants are included in mandatory disclosure ratings.

Embedded networks

There has been significant growth in embedded networks in recent years where private embedded network operators pay to receive energy from the grid and then on-sell services such as electricity and hot water to customers within a building or precinct.

Concern around customers facing worse price and consumer welfare outcomes has led to several jurisdictional reviews and inquiries. For example, the Australian Energy Regulator is seeking like-for-like consumer protections for embedded network customers as apply to grid connected customers.

However, done well, embedded networks are also an opportunity to provide cost-effective, renewable electricity at scale, and to support grid-interactivity, and the electrification of buildings and precincts, through bulk purchasing of renewable energy, lower cost tariffs, on-site solar, electric vehicle charging, and batteries.

- **Recommendation 6.** Consider introducing disclosure when there is an embedded network to inform prospective buyers and renters.

Demand flexibility

Grid interactive buildings are energy efficient with smart metering and equipment and/or onsite distributed energy, to provide demand flexibility that optimises energy costs, grid services, and occupant needs, in a continuous and integrated way.

Grid interactive buildings will play an increasingly important role in supporting the renewable electricity transition and managing peak loads, especially as more electric vehicles will be charging (and discharging) within buildings.

Buildings in aggregate are akin to large scale storage that can use energy during times of high renewable supply, and discharge when less renewable energy is being supplied. Only fully or predominantly electric buildings are able to be grid interactive in this way.

Designed well, this integral part of the energy system will reduce the need to oversize and curtail renewable energy, and other forms of storage including pumped hydro and batteries, and costly transmission, lowering the overall energy system costs.

The Buildings as batteries⁵ work by Buildings Alive and the Australia Institute found that if buildings shifted one third of their peak electricity consumption to the middle of the day (for example by pre-cooling in the middle of the day rather than during afternoon peaks), it would save \$1.7 billion annually.

Gathering data about grid interactive readiness of buildings through the CBD Program would assist governments to measure and incentivise demand flexibility in buildings to unlock these significant benefits.

- **Recommendation 7.** Introduce a requirement to disclose grid interactive readiness of buildings.

What are your views on the use of minimum energy performance standards to improve the energy efficiency of commercial buildings?

Minimum Energy Performance Standards (MEPS)

The City supports the proposal to phase in MEPS for building types that have first been subject to disclosure requirements.

Expanding the scope and increasing MEPS for appliances and equipment used in buildings would be highly cost-effective and complimentary. These standards should be ambitious, achievable, and reflect latest technological advancements.

⁵ <https://australiainstitute.org.au/report/buildings-as-batteries/>

The Institute for Energy Economics and Financial Analysis⁶ for example has identified that continued installation of inefficient gas and resistive electric appliances is locking Australian consumers into \$3.4 billion in unnecessary costs each year.

Improving minimum energy performance standards for space heating, hot water and cooking appliances via the Greenhouse and Energy Minimum Standards (GEMS) Act could mitigate these costs.

- **Recommendation 8.** Expand and improve Minimum Energy Performance Standards (MEPS) for appliances and equipment used in buildings prior to introducing MEPS for buildings.

The City of Sydney is dedicated to supporting the Australian Government in expanding the CBD Program. We believe that with the right resources and collaborative efforts, we can achieve significant strides towards a clean and energy-efficient future. We look forward to contributing to the program's success.

Should you wish to speak with a Council officer about this submission, please contact

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⁶ <https://ieefa.org/resources/appliance-standards-are-key-driving-transition-efficient-electric-homes>