Parents for Climate
**Submission to DCCEEW**
# Commercial Building Disclosure Expansion

## 13 September 2024

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Parents for Climate represents over 22,000 parents, grandparents and carers from across Australia. We are Australia's leading organisation for parents advocating for a safe climate. Our supporters are from across the political spectrum, across all Australian electorates, and from varied socio-economic positions. We seek non-partisan responses to climate change and its impacts.

We advocate for Australian governments and businesses to take urgent action to cut Australia's carbon emissions to net zero as quickly as possible. We encourage Australia to take a leadership role on the world stage, leading by example and calling for other nations to take the necessary action to protect our children's futures.

A Lowy Institute poll in 2023 found "there is a significant gap between how younger and older Australians respond to [the question of what Australia and other countries should do [about climate change.] Those aged under 30 are far more likely to see global warming as a serious and pressing problem requiring immediate action (72%), compared to a bare majority (53%) of those aged 30 and older who say the same." Overall, 56% of Australians surveyed shared this view. Parents for Climate is here to amplify our children's valid and factually grounded concerns.

For more information, visit www.parentsforclimate.org

This submission was prepared by parent volunteer David McEwen (previously a NABERS Accredited Assessor) and has been approved by Nic Seton, Chief Executive Officer of Parents for Climate.

## Submission

We welcome the government's intention to expand the Commercial Building Disclosure (CBD) program and introduce minimum energy performance standards (MEPS). These measures (in conjunction with other measures at federal and state level such as improvements in the National Construction Code, the proposed introduction of ratings for existing residential buildings, minimum energy performance standards for rentals, etc.) are overdue to help accelerate efficiency, electrification and decarbonisation of Australia's existing and new building stock.

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

Bring it on! The existing CBD program and international programs have demonstrated success. Minimum energy performance standards are the logical step and should be established with a ratchet raised at regular intervals. The scheme should also encourage already high-performing buildings to strive for continual improvement.

With regard to public buildings such as hospitals and schools, we recommend accelerating the timeline between disclosure and MEPS - there is less reason to delay.

It is recommended the minimum size for offices (sale or lease) be reduced to 500 sqm or lower. We suggest the entry size for new property classes should be commenced at 1,000 sqm. In the case of data centres, cool stores and other energy intensive classes, this should be assessed on a gross floor area basis, not limited to the size of the data halls or cool rooms themselves.

**2. 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.**

The existing CBD requirement to display the NABERS rating in advertising (including hoardings) relating to sale or lease works well for that class and may be sufficient for some of the additional property classes. For buildings that don't change hands regularly (or at all), including public buildings and those with a more B2C focus (such as shopping centres or aged care), display of ratings in public areas of the building and prominently on the facility's website would be useful to raise awareness.

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

With the introduction of MEPS, clearly it will be necessary to ensure that the minimum NABERS ratings are being maintained. Given some property classes (particularly hospitals, aged care, schools, higher education and other public or monolithic buildings) are highly "illiquid", at a minimum it should be a requirement to provide an updated rating following any capital works that could affect the rating. Biannually sounds appropriate as a minimum. It may be necessary to modify the NABERS website to permit the display of non-current ratings (with a suitable caveat).

**4. Who would be most interested in your energy use?**

Obviously, stakeholder interest will depend on the property class. While we are a parent group, we are also employees, managers, business owners, property investors through our super funds, stakeholders in our children's schools and higher education facilities, users of medical centres, hospitals, shopping centres, hotels, childcare centres, galleries and sports facilities. We are indirect users of data centres, warehouses and cold storage, and future users or aged care and retirement living. Some of us are employed as procurement officers responsible for selecting facilities on behalf of our employers. We are very interested in the energy use of the facilities we variously interact with.

There is evidence that consumers value and reward brands that "walk the talk" on sustainability, such as this McKinsey study on consumer packaged goods brands. While NABERS ratings have limited salience outside the commercial property sector, the tools have demonstrated integrity and trustworthiness. It is recommended that the introduction of CBD for public and consumer facing buildings be accompanied with an awareness raising campaign.

To ensure better consumer recognition – which will improve pressure on certain building classes to improve their efficiency – it is recommended that rating schemes for *all* building classes, including residential, be unified under a single brand. At the moment it is confusing for people to see NatHERS vs NABERS, not to mention State-based schemes such as NSW's BASIX.

**5. What are the barriers to you getting and disclosing your building's energy rating? What might be needed to help you overcome those barriers?**

As a parents' group we are most typically users of commercial buildings rather than owners. However, typical barriers are likely to include:

- Costs of obtaining NABERS ratings and BEECs.
- Availability of NABERS accredited assessors. Expanding the scheme will intensify assessor demand. Building owners will be seeking to minimise costs. NABERS requires a level of documentation diligence that will see considerable effort expended for initial ratings. It is likely that subsidies will be required to ensure assessors can receive commensurate compensation given the effort involved and to encourage additional assessors to join the program.
- Issues and one off costs involved in obtaining key data inputs. This may be accentuated for public buildings and monolithic property classes that have not been required to maintain survey records necessary to validate area measures or other inputs required for the NABERS rating. It is recommended that assistance be considered to help new property classes or size breaks to obtain key NABERS data points.
- Resistance is likely to come from owners concerned of the likelihood of a poor rating that would require considerable capital works to improve. We note that a fair amount of smaller commercial property is held by individuals or families in self managed super funds, by people who may appear

asset rich but are cash poor. It will be important to ensure efficiency upgrade finance is easily available to owners in all property classes and grades impacted by the scheme.

**6. 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.**

Yes! We would support the use of the NABERS REI and would encourage additional disclosure of refrigerants (commencing with high refrigerant property classes including cool stores, supermarkets, data centres, etc.).

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

We are very supportive of the introduction of minimum energy performance standards. An important data point missing from the KPMG report is relative energy consumption of different size-breaks of differing property classes apart from offices (perhaps because in the absence of ratings there is little data availability).

Noting from the KPMG report Table 2 that smaller office properties (and presumably unrated properties) are more likely to have lower ratings, but smaller buildings are typically more numerous than large (depending on the class), we suggest that for some classes it might be useful to consider an implementation that has a relatively low minimum rating (the regulatory stick), but perhaps could include an incentive for achieving excellence (i.e. high NABERS ratings) through a recognition scheme.

It is imperative that the MEPS include a legislated ratchet clause to ensure continuous improvement. On the other hand, there will likely be a lot of work for engineers and services trades to help lower performing buildings meet minimum requirements and there will need to be time to build up a capable workforce. As such, it is essential that the scheme clearly communicates intentions and dates to meet minimum compliance levels, noting that some owners will likely sell rather than upgrade.

While we are mindful that we have precious little time to drive operational building emissions to zero, we acknowledge the process will take time and resources. We suggest a program such as the following for the introduction of MD and MEP for each additional property class.:

- Year 0 - introduction of mandatory ratings, with, say, two years to obtain the initial rating.
- Year 5 - initial minimum rating (property class dependent and potentially size dependent: typically the minimum star rating would be higher for larger properties and in classes where NABERS ratings have been established for longer. In the case of offices, we suggest that the first minimum rating be introduced within two years of scheme commencement).

- Year 8 - first ratchet
- Year 10 - second ratchet
- Year 12 - third ratchet, etc.

For example, if the legislation is passed during 2025, the program could look something like:

| **Year** | **Office <5,000sqm** | **Office >5,000sqm** | **Additional Classes for which bespoke NABERS ratings already exist*** | **Classes for which NABERS ratings do not yet exist** |
|---|---|---|---|---|
| 2025 | MD lowered to 500sqm+ | | MD introduced 1,000sqm+ (2 years to obtain first rating) | Development of tools / proof of concept of NABERS “energy performance indicator” |
| 2026 | | 2 star MEPS** | | |
| 2027 | | | | |
| 2028 | | | | MD introduced 1,000sqm+ (2 years to obtain first rating) |
| 2029 | | 3 star MEPS | | |
| 2030 | 2 star MEPS | | 1 star MEPS | |
| 2031 | | | | |
| 2032 | | 4 star MEPS / REI 100% | | |
| 2033 | 3 star MEPS | | 2 star MEPS | 1 star MEPS |
| 2034 | | | | |
| 2035 | 4 star MEPS / REI 100% | | 3 star MEPS | |
| 2036 | | | | 2 star MEPS |
| 2037 | | | 4 star MEPS / REI 100% | |
| 2038 | | | | 3 star MEPS |
| 2039 | | | | |
| 2040 | | | | 4 star MEPS / REI 100% |

*NABERS Energy Ratings currently exist for: apartment buildings, data centres, hotels, office buildings & tenancies, public hospitals, residential aged care, retail stores, retirement living, schools, shopping centres, warehouses and cold stores.
**Noting Table 2 in the KPMG report, there is little to be gained by introducing MEPS for larger offices at less than 2 stars as there are only a small number of under performing properties. Larger office owners are already facing pressure from tenants, the Green Building Council of Australia, and certain LGAs to electrify, and have had several years to align their capital works programs with efficiency and electrification objectives.

We feel that a clear timetable, which includes acknowledgement that all buildings will need to achieve a minimum rating *and* achieve a 100% REI, will provide property owners and the market with clarity, provide confidence for engineering and construction firms to develop efficiency and electrification upgrade services, and help owners align plant electrification with normal capital upgrade cycles. Staggering the requirements commencing with larger office properties (which are generally owned by institutional investors) will ensure that learning rates for different upgrades benefit owners of lower grade and broader property classifications.

We would welcome the opportunity to be engaged further at any stage throughout the development process.

Sincerely

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