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Phil Manners, Director
The Centre for International Economics
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Dear Phil

RE: Review of the Commercial Building Disclosure Draft Report

Please find enclosed feedback on the *Independent Review of the Commercial Building Disclosure* draft report prepared by the Centre for International Economics for the Australian Government Department of the Environment and Energy in October 2019.

The Commercial Building Disclosure (CBD) scheme is a world-leading program that should be continued and expanded to increase energy efficiency in a broader range of buildings. The scheme has delivered significant benefits to the Australian economy.

Regular assessment and understanding of energy use has led to better performing buildings. Simply, more buildings are being rated and buildings with repeat ratings are showing improvement. The scheme is overcoming awareness and expertise barriers.

The City of Sydney has targets to reduce greenhouse gas emissions across the local government area by 70 per cent below 2006 levels, net zero emissions by 2050, and 50 per cent of all electricity to be renewable by 2030.

Highly efficient buildings are essential to meet our targets and to improve liveability, productivity, health, resilience and efficiency of the energy system. Efficient and healthy buildings are key to Sydney remaining a desirable place to work and live.

Mandatory disclosure under the CBD scheme is improving the energy performance of existing buildings with potential to do significantly more. Mandatory ratings are able to achieve higher impact compared with voluntary ratings.

The City supports recommendations of the draft report to continue the CBD scheme, targeting of low performing buildings, and expansion to hotels and office tenancies. Expansion to other sectors would contribute significantly towards Australia's energy productivity and emission reduction targets.

The City acknowledges the significant work undertaken by CIE to assess the impact of the CBD scheme and develop recommendations. The final report should recommend that future reviews need to include shopping centres, data centres and other major building types where NABERS tools are available.

city of villages



The City of Sydney makes the following general recommendations:

- The City supports **periodic disclosure** each two years for ratings to retain currency while balancing administration requirements.
- The City supports the **ongoing use of NABERS Energy** for disclosure on the basis that it is a performance based, robust, clear and demonstrated tool operated by the Australian Government.
- The City agrees with the consolidated objectives proposed by CIE, however would recommend substituting or **removing the word ‘commercial’** as it may be interpreted as office buildings and/or limit future expansions of the scheme.
- The City supports the recommendation for a **Commonwealth funded program** delivered by Councils to target low NABERS rated buildings and would welcome being involved at the design stage (based on experience with Better Buildings Partnership, CitySwitch Green Office, Sustainable Destination Partnership, Smart Green Apartments and Building Tune-Up programs).
- The final report should recommend that future reviews assess the case for **mandatory upgrades** with time (in reference to the mandatory upgrades case study for New York City).
- The final report should make clear recommendations for processes that can be implemented in parallel to any **Regulatory Impact Statement** processes that result from this work to avoid further delays, for example:
 - Engaging with the hotel sector on the NABERS Energy tool.
 - Piloting NABERS co-assess tool in each State and Territory.
- Whilst acknowledging water is not an objective within the BEED Act, the opportunity to introduce **NABERS Water** ratings into mandatory disclosure should be considered. NABERS Energy and Water ratings can be procured together to make the process more efficient and cost-effective.
- The final report should reference the **NABERS 5-year Strategic Plan** goal that “every major building type can be rated by NABERS” and recommend that future reviews of the CBD scheme aim to expand mandatory disclosure to all building types as NABERS tools become available.
- The City supports **review of the CBD scheme** every three years in line with reviews of the NABERS Strategic Plan, National Construction Code, and COAG Energy Council Trajectory for Low Energy Buildings work.

Sector specific comments are provided below.

Office buildings

- The City supports to use of **NABERS Co-Assess** to reduce the cost of ratings and to improve engagement between building owners and office tenants.
- Tenancy Lighting Assessments (TLAs) have improved lighting performance especially with regard to lighting controls. However, the City supports the recommendation to **replace TLAs with NABERS tenancy ratings** as a more user friendly and holistic measure of performance.
- The final report should include electricity bill savings by tenants in the **cost benefit case** reflecting savings due to Tenancy Lighting Assessments and improving overall benefit of the scheme to date.
- Mandatory disclosure of NABERS ratings must be appropriate for the right **audience** and should include tenant, owner, property manager, staff, customers and investors.
- The City agrees with the recommendation to use **NABERS ratings without GreenPower** for mandatory disclosure to address the market failure of energy efficiency.

- The draft report notes that there may be **barriers for some states** to implement NABERS Co-Assess due to availability of data. The final report should be clear about which states this applies to, and recommended ways forward. A nationally consistent method to enforce tenants to undertake a NABERS rating and disclose their energy data to a building manager who can undertake a NABERS Co-Assess would be preferred and avoid each State having to take different approaches.
- A legal requirement on tenant disclosure would provide greater compliance and consistency. It should be investigated whether access to energy data via the **Consumer Data Right** by the Australian Competition and Consumer Commission is a suitable option. This mechanism allows consumers and small businesses to share data with trusted third parties. It is also overseen by the same COAG Energy Ministers as the CBD scheme.
- Further analysis should be undertaken to examine the case to **reduce thresholds below 1,000sqm** for commercial office buildings. Mid-tier buildings are significant consumers of energy and mandatory disclosure would be an effective way to drive energy efficiency for this sector. The draft report cites a lack of data since the last major review as a basis for not recommending further changes. However, this should be explored further given the significant energy savings opportunities of the otherwise hard to engage with mid-tier sector. The statement on page 11 that there is “*no compelling case to change current disclosure requirements*” should also be removed.
- The City supports the case that **all tenancies** within an office building disclose using the NABERS co-assess tool. This will normalise the change and ensure full transparency and comparison opportunities within the building.
- Contrary to CIE’s view, the City considers that the CBD scheme does address an **information asymmetry**. NABERS ratings enable prospective lessees and owners to rank and compare a number of sites easily. The final report should be updated to reflect this.
- The City supports **placement of ratings** on tenant boards in building foyers, the NABERS website, and specific channels to inform staff and investors such as in office reception areas and annual reports.

Apartment buildings

- The City welcomes the draft report recommendation for states and territories to investigate mandatory disclosure of **NABERS ratings for apartment buildings** including consideration of an appropriate legal framework. Given the significance of this growing sector, the final report should recommend implementing this program as a priority.

Hotels

- Data from City of Sydney Building Tune-Up and Environmental Grants programs shows there are substantial cost-effective energy savings opportunities in hotels **without costly upfront capital**. For example, there are many cases where HVAC optimisation through BMS control modifications can achieve significant energy savings with payback in less than 12 months.
- Through its engagement with the Sustainable Destination Partnership the City observes that many in the industry may be **ready to respond** to mandatory disclosure. Accordingly, the City recommends that a shorter voluntary rating period of up to one year (instead of two years as proposed) is more appropriate to bring forward the significant environmental, economic and social outcomes.
- NABERS is a robust tool underpinned by a thorough methodology. Through our experience within the Sustainable Destination Partnership, the City recommends

that greater **engagement with industry** is likely to reduce perceived concerns. Further, industry concerns are also likely to diminish or be resolved as more hotels are rated.

- Industry testing should be conducted in parallel with the voluntary disclosure period to avoid unwarranted delay. The City is happy to work with the NABERS team and the industry to **build trust** in the tool. This work has already commenced through the Sustainable Destination Partnership.
- The City supports an initial **100-room threshold**, and notes that in the City of Sydney this would cover 50% of our hotel buildings. The City also supports two-yearly periodic disclosure and the proposed **placement of ratings**. However, ratings should also be available on hotel booking pages to ensure they are available at the point of sale.
- The City supports the recommendation about **federal funding** to support first ratings – the City would welcome being a delivery partner in the rollout of this initiative through the Sustainable Destinations Partnership.
- The City agrees that mandatory disclosure of hotel ratings would facilitate sustainable procurement of hotels by all levels of **government and corporate Australia**. The market is increasingly ready for mandatory disclosure as evidenced by :
 - Local Government NSW recently voting to recommend that local Councils in NSW adopt a policy to procure accommodation only from hotels that disclose their rating.
 - A growing number of corporate and government travel buyers asking for environmental ratings when seeking proposals for accommodation procurement.
 - Updated City of Sydney travel policy to preference rated accommodation.
 - Work underway by the City of Sydney, NABERS and booking agents to make ratings information available at the point of sale.
 - Members of the Sustainable Destination Partnership noting that requests for proposals increasingly seek information about environmental ratings.

Mixed-use

- The final report needs to make a recommendation for how the scheme can address **mixed-use buildings**. Mixed-use is a major and increasing form of building typology with significant energy demand – totally overlooked by the current review. The final report should recommend a suitable NABERS Energy tool be developed as a priority with subsequent mandatory disclosure.

Shopping centres

- While leading shopping centres are voluntarily rating using NABERS, this is not standard practice. The draft report should recommend that shopping centres are included in the **next scheduled review**. There is a clear role for mandatory disclosure of shopping centres to inform customers, tenants and owners to drive efficiency upgrades.

Data centres

- The City supports the recommendation for **rating of government owned data centres** given stakeholders report many are under performing. This would also gather data to support mandatory disclosure for the next review of the scheme.

For any questions relating to this submission, please contact the City's Manager of Carbon Strategy, Nik Midlam on 02 9265 9847 or at nmidlam@cityofsydney.nsw.gov.au

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Kim Woodbury', with a stylized flourish at the end.

Kim Woodbury
Chief Operations Officer