green building council australia

Building a sustainable future

Mr Phil Manners
Director
The Centre for International Economics
Level 7, 8 Spring Street
SYDNEY NSW 2000
Via email: pmanners@thecie.com.au

15 March 2019

Dear Mr Manners,

RE: GBCA SUBMISSION TO CBD PROGRAM REVIEW ISSUES PAPER

The Green Building Council of Australia (GBCA) welcomes the opportunity to provide input to the 2019 Independent Review of the Commercial Building Disclosure (CBD) Program. The CBD Program has been broadly successful in its objective of overcoming information asymmetry in the commercial office sector through mandatory disclosure, and driving better building practices. The GBCA welcomes policies, initiatives and mechanisms which encourage these outcomes and which accelerate the transition to a low carbon built environment.

The GBCA's mission is to drive the transformation of Australia's built environment into one that healthy, liveable, productive, resilient and sustainable. The CBD Program's mandate must allow it the flexibility to evolve and ensure the Program's ongoing impact across other areas of the built environment and we welcome the inclusion in this Review an assessment of the case for expansion of the Program to other high energy using classes, in particular to office tenancies.

The GBCA appreciates the opportunity to make a late submission as part of the public consultation process and looks forward to our ongoing engagement as part of the CBD Review Reference Group. Our comments on the Issues Paper are presented in the attached paper. Should you wish to discuss our response please contact Sandra Qian, Senior Advisor – Policy and Government Relations at sandra.qian@gbca.org.au.

Yours Sincerely,

Jonathan Cartledge
Head of Public Affairs and Membership

Green Building Council of Australia Submission to the CBD Program Review 2019 Issues Paper

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

The GBCA submits that the focus on large office buildings in the program's objective is now outdated, since the mandatory disclosure threshold on commercial office space was lowered from 2000 sqm to 1000 sqm. Moreover, we believe that there is scope to expand the remit of the CBD Program beyond its current focus on commercial office buildings. It is worth noting that when mandatory disclosure was first nominated as a federal policy priority in the 2004 Energy White Paper, the scope of buildings covered by this commitment was not limited to any particular typology[1].

In recent years the GBCA has been involved in a number of projects which have provided additional policy insights on the opportunity to expand the CBD Program into other sectors, in particular the mid-tier buildings sector[2]. Mid-tier buildings – those classed as non-A Grade or non-Premium Grade – account for around 80 per cent of Australia's office buildings and 50 per cent of floor space. This sector is highly fragmented, and characterised by varied ownership structures that contribute to market failures including split incentives between owners and tenants, and a lack of information and awareness amongst building owners and operators.

Most recently, the GBCA as part of a coalition of industry associations and leading government bodies produced a paper naming five immediate actions for governments to accelerate energy efficiency for mid-tier buildings[3]. Recommendation 2 of the paper calls for expanding the CBD Program to new sectors including but not limited to mid-tier building stock, and with a priority focus on office tenants. This submission leverages recent research commissioned by the City of Sydney to put forward more evidence in support of this recommendation (see below).

Does the BEEC provide a sufficiently close alignment to the objective of the program? If not, how could it be improved?

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[1] The paper noted "To complement the existing performance ratings for commercial and residential buildings, the government will work with the states and territories to require landlords and building owners to disclose energy performance information in leases and sales agreements".

[2] Notably in 2015, the GBCA on behalf of the Department of Industry and Science and in collaboration with Sustainability Victoria and the City of Melbourne developed a range of actions to improve the performance of mid-tier commercial office buildings. The *Mid-tier Commercial Office Buildings Pathway* identified that expanding and strengthening the CBD Program as a critical element of a coordinated approach, along with a range of other actions to identify gaps and opportunities and improve stakeholder awareness and capacity.

[3] Green Building Council et al. *Opportunity Knocks – Accelerating energy efficiency for mid-tier buildings*, November 2017, accessed https://new.gbca.org.au/news/gbca-media-releases/opportunity-knocks-accelerating-energy-efficiency-our-cities/

No comment

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

No comment

What other assessment criteria should we consider in assessing the effectiveness and efficiency of the program?

No comment

Are there other source of information on the energy use, costs of the CBD scheme and benefits of the CBD scheme that we should consider or that you have access to and can provide to the review?

Sustainability Victoria's *Next Wave Refresh* report published in 2017 considers the changes to the CBD Program's mandatory threshold as part of its assessment of various environmental performance improvements across a broader range of commercial buildings (in addition to office buildings). It notes that 39 per cent of Victoria's office Gross Floor Area remains below the revised CBD threshold, and whilst reaching out to and upgrading 15,027 office buildings remains a challenge, an opportunity to address this could result in savings of 447,000 tonnes CO2-e/annum[4].

Users of NABERS ratings could include: building owners/managers; investors (i.e. potential buyers); and tenants. Are there any other users of NABERS ratings?

Beyond the uses attributed to building owners/managers in the issues paper, the GBCA observes that many large commercial building owners/managers also use NABERS ratings to track building performance over time. For buildings that have undertaken upgrades, continuous disclosure helps to establish an understanding of the capital and/or yield premiums that can be expected as a function of the building's higher performance. Higher expected yield of NABERS rated portfolios also enables greater borrowings and investments by the owner.

Other users of a NABERS rating not included in the issues paper include estate agents, policy makers/government and industry associations representing the property and construction sector.

Estate agents could use a NABERS rating to communicate information about a building's performance and sustainability to attract buyers and tenants.

Policy makers could use NABERS ratings to analyse the building performance of different market sectors, inform emissions baseline calculations and support regulatory efforts to drive emissions reduction and resource efficiency in the built environment.

Government could also use NABERS ratings to procure office accommodation for government tenants.

Industry associations currently use NABERS ratings to inform benchmarks for building sustainability (GBCA's Green Star rating tools) as well as voluntary classifications for office building quality (Property Council of Australia's *A Guide to Office Building Quality*).

[4] Sustainability Victoria and AECOM, *The Next Wave Refresh 2018*, May 2018, p. 5, accessed at https://www.sustainability.vic.gov.au/Business/Commercial-building-efficiency/Sector-research-and-reports

How are NABERS ratings used?

By building owners/managers?

By investors?

By tenants?

Please refer to our response to Q.6.

Does access to a building's NABERS rating provide useful information to prospective buyers/tenants over and above the information currently available through other means?

Yes. Compared to information that is currently available through other (voluntary) means, a NABERS rating provided as part of a mandatory disclosure program is a useful tool for overcoming information asymmetry in the market. Without the requirement for mandatory disclosure, sellers are only likely to apply voluntary rating labels to high-performing assets, whilst owners of poorly performing buildings may choose to withhold this information. Under these circumstances, consumers would be exposed to the risk of adverse selection when faced with average and poorly performing buildings. As such, access to a building's NABERS rating in a mandatory disclosure scenario allows prospective buyers/tenants to make meaningful comparisons of its energy costs relative to other similar buildings on the market.

Does access to a space's Tenancy Lighting Assessment rating provide useful information to prospective buyers/tenants over and above the information currently available through other means?

No comment

Are there additional studies or literature on the impact of mandatory and voluntary disclosure in Australia and overseas that we should consider?

In 2013, the European Commission released the findings of a study examining whether mandatory disclosure is associated with higher prices and rents. The report, *Energy performance certificates in buildings and their impact on transaction prices and rents in selected EU countries* concludes that a one letter improvement in ratings (on the A-G European rating scale) was associated with up to 12 per cent higher property values, though values between 2 to 6 per cent were more common. The study argues that mandatory disclosure can lead to:

"…a radical change in how we understand and value our built environment and that the end result will be the emergence of a proactive, self-perpetuating loop driving further change and even more sustainable behaviour – in other words a virtuous circle instead of a vicious circle."[5]

Mandatory disclosure is also examined in the 2016 report by the Low Carbon Living CRC, *Best Practice Policy and Regulation for Low Carbon Outcomes in the Built environment*[6]. Whilst finding the

[5] European Commission (DG Energy), *Energy performance certificates in buildings and their impact on transaction prices and rents in selected EU countries*, April 2013

[6] Low Carbon Living CRC, *Best Practice Policy and Regulation for Low Carbon Outcomes in the Built Environment*, March 2017, accessed at https://www.cefc.com.au/media/290062/ndy_cefc_bestpracticeguide.pdf

CBD Program to be highly effective overall, it observes that the program's application is limited to a small fraction of the total building stock. The report argues that expanding the scope of mandatory disclosure to all buildings, and not just commercial offices, would dramatically increase the economic and environmental benefits generated by the policy and regulatory framework for the built environment.

The impact of voluntary rating, certification and labelling in the built environment sector is also well documented. In Australia, much of this literature addresses the impact of rating schemes such as Green Star, NABERS and the National House Energy Rating Scheme (NatHERS). Some key publications include:

The Value of Green Star - a 2013 report which analysed the performance of 428 Green Star certified buildings, and found that on average, these buildings: produced 45 per cent less GHG emissions, consumed 50 per cent less electricity than buildings built to minimum National Construction Code requirements and also used 51 per cent less potable water than average buildings[7].

Low Carbon High Performance – a 2016 publication by the Australian Sustainable Built Environment Council which presents a suite of policy reform options for emissions reduction and productivity gains in the built environment. It notes:

"The past decade has seen strong improvements in the energy performance of new office 'base building' energy use, and some improvements in remaining building types due to increased standards. This improvement has particularly been driven by…Demand by large corporate tenants and government departments for high performing office space, leading to competition amongst building owners to attract these tenants and supported by the development of effective environmental performance rating programs including Green Star and NABERS, along with mandatory disclosure of energy performance via the Commercial Building Disclosure (CBD) program…"[8]

Doing Right by Planet and People – a 2018 report by the World Green Building Council which examines case studies of 11 facilities around the globe that have one or more green certifications such as LEED, Green Star and BREEAM. The report evaluates health and wellbeing features that were integrated into the facilities[9].

The Business Case for Green Building – a 2013 report by the World Green Building Council which attempts to synthesize all credible evidence from around the world into a definitive resource on the business case for green buildings including the business costs and benefits of green building in five key categories: Design and Construction Cost; Asset Value; Operating Costs; Workplace Productivity and Health; Risk Mitigation. The report addresses a number of domestic and international rating

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[7] The Value of Green Star – A Decade of Environmental Benefits, Green Building Council of Australia, accessed athttps://www.gbca.org.au/uploads/194/34754/The_Value_of_Green_Star_A_Decade_of_Environmental_Benefits.pdf

[8] *Low Carbon High Performance – How Buildings Can Make a Major Contribution to Australia's Emissions and Productivity Goals*, ASBEC and ClimatWorks Australia, 2016, Accessed

[9] *Doing Right by Planet and People: The Business Case for Health and Wellbeing in Green Building*, World Green Building Council, accessed https://www.worldgbc.org/news-media/doing-right-planet-and-people-business-case-health-and-wellbeing-green-building

tools including Green Star, NABERS, BREEAM, LEED[10].

For building owners/managers, what was the main motivation for improving base building performance?

The drivers for improving base building performance vary between building owners/managers and may be driven by considerations that are financial or organisational. An overarching incentive is for the building to achieve a higher level of performance, making the asset more attractive to tenants and investors. This often aligns with the building owner/manager's corporate social responsibility (CSR) policy, which is in turn part of their brand and market positioning.

Research by Sustainability Victoria emphasises the role that tenant demand and reputation can play in driving owners to upgrade their buildings[11]. The former is influenced by the understanding that reduced outgoings for the base building can result in cheaper lease costs, as well as access to improved workplace amenity, particularly in competitive markets where retention of staff is critical to company success.

Other drivers include:

Sustainability reporting. Demonstrating a commitment to keep global warming below 1.5 degrees is becoming a competitive advantage for larger property companies, who recognise their responsibilities in light of the Paris Agreement and Australia's endorsement of the UN Sustainable Development Goals.

Investor expectations around disclosing climate change resilience. In 2017, the G20's Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) issued a set of recommendations providing structure and consistency for management and disclosure of climate-related risks. Companies are now looking to implement these recommendations into their reporting frameworks.

Funding incentives for building upgrades. Some building owners, particularly those who own mid-tier buildings, lack the capital to complete a substantial upgrade. Funding schemes such as Sustainability Victoria's Better Commercial Buildings program, or energy efficiency obligation schemes (such as Victorian Energy Upgrades or the NSW Government's Energy Savings Scheme) which provide access to discounted energy-efficiency products and services may drive some owners to upgrade.

Vacancy rates in a competitive commercial market. The link between buildings with higher NABERS Energy ratings and enhanced green premiums has been established through a number of studies, one of which is the 2011 *Building Better Returns* report which evaluated 360 office buildings in

[10] *The Business Case for Green Building*, World Green Building Council, 2013, Accessed at https://www.worldgbc.org/sites/default/files/Business_Case_For_Green_Building_Report_WEB_2013-04-11-2.pdf

[11] ibid

Sydney and Canberra[12]. The pressure to reduce vacancy rates can be a driver given that sustainable buildings lease more quickly and produce higher rental returns.

Risk of losing government tenant. Government tenants are generally long-term and a stable form of income. If there is risk to the owner of losing a government tenant due to a building not meeting the NABERS Energy requirement specified in government accommodation policies, they may be incentivised to upgrade.

Drivers for upgrades in other sub-sectors relevant for this review include:

Retail:

- Changes in consumer behaviour, driven by the growth of e-commerce.
- Returns to shareholder, many of whom are large diversified funds.
- Operational efficiencies and subsequent reductions in operating costs.
- Tenants demand for higher quality space, particularly larger chain stores/operators such as larger clothing retails and banks.
- Competition from more shopping centres coming online in the years ahead as well as competition between CBD shopping centres and their suburban counterparts.
- Increased dwell time. Shopping centre landlords continue to be focused on refurbishments and expansions of their dining and entertainment precincts in an aim to increase dwell time and create memorable user experiences

Hotels

- Competition on the market driven by shared economy businesses such as Airbnb, as well as a growing tourism market.
- Reduced operational costs.
- Corporate social responsibility, both of the hotel chain and the occupant. Larger hotel chains can be driven by their global CSR requirements. Large companies are also committing to broader CSR goals and restricting their business travel to hotels who will meet those needs.

For tenants, what was the main motivation for improving the TLA rating?

No comment

What are the types of activities that building owners and tenants have undertaken to improve their energy efficiency?

Whilst every building differs in its history, challenges and layout, opportunities for retrofitting commercial buildings to improve energy efficiency could relate to:

[12] University of Western Sydney, University of Maastricht Netherlands, *Building Better Returns - A Study of the Financial Performance of Green Office Buildings in Australia,* 2011

- A focus on underperforming or ageing equipment and prioritising replacements to achieve greatest reduction in energy use;
- Building tuning to increase energy efficiency;
- Low energy lighting upgrades, which can also improve workplace comfort;
- On-site generation of renewable energy, and
- Improvements to heating and cooling systems, including the upgrade or adjustment of fan systems.

Typical energy saving opportunities identified from energy efficiency audits of (mid-tier) buildings participating in Sustainability Victoria's Better Commercial Buildings Program include:

- Installing modern temperature sensors to ensure that heating and cooling is responsible to real ambient and indoor temperatures;
- Fixing jammed dampers to enable fresh air to be brought into the building;
- Clearing blocked coils and ducts to reduce the amount of energy needed to pump air through buildings;
- Installing modern building management systems to optimise how plant and equipment work together and to detect and rectify problems quickly;
- Balancing air to measure air flow rates and recommissioning dampers and controls to distribute air flow more effectively;
- Installing occupancy sensors to reduce unnecessary lighting in common areas;
- Recommissioning timers to make sure equipment is only operating when necessary;
- Installing variable speed drives for fans and pumps so that they can throttle in response to demand;
- Installing sub-metering to give facility managers better visibility as to where energy is being used for buildings; and,
- Installing carbon monoxide sensors in car parks, so that exhaust fans run only when a build-up of exhaust gases is present13.

There are also a number of best practice initiatives listed in the Clean Energy Finance Corporation's report, *Energy in Buildings: 50 Best Practice Initiatives*[14] which have been tested against industry experience and demonstrated to be technically viable at the commercial scale.

What are the main ways that building owners/managers have improved their NABERS ratings as a result of the CBD Program?

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[13] Sustainability Victoria, *Energy Efficient Office Buildings: Transforming the mid-tier sector*, November 2016, accessed at https://www.sustainability.vic.gov.au/Business/Commercial-building-efficiency/Sector-research-and-reports

[14] CEFC and Norman Disney Young, *Energy in Buildings – 50 Best Practice Initiatives,* June 2017, accessed at https://www.cefc.com.au/media/290062/ndy_cefc_bestpracticeguide.pdf

No comment

Have these changes generally achieved the expected energy savings?

Whilst GBCA recommends that CIE undertake further discussions with building owners and energy performance assessors for this question, there is a large body of existing evidence to suggest that improvements in NABERS ratings as a result of the CBD Program has in fact translated into energy savings. The 2015 CBD Program review for example found that the average star rating for buildings in the mandatory quartile increased and energy intensities rapidly declined, over the period covered by mandatory disclosure. It found that:

"In particular, the buildings in the mandatory 4th quartile[15] have achieved a marked improvement in NABERS star ratings and a significant reduction in energy intensity. There also appear to be improvements attained by the mandatory 1st and 3rd quartiles as a result of the program. These improvements have enabled the program to achieve benefits in excess of costs to date of $44 million in present value terms, under a seven per cent real discount rate."[16]

The GBCA's Mid-tier Commercial Buildings Pathway project found that 4 years after the introduction of the CBD Program, those buildings that had at least one subsequent NABERS Energy rating were found to have an average reduction in energy use of 8.7 per cent and a reduction in greenhouse gas emissions of 11.5 per cent. Considering that the CBD Program does not require buildings to improve their star rating but only to rate and disclose it to the public, these statistics suggest that disclosing the NABERS rating of the building incentivises many lower performing buildings to improve their energy efficiency. The research also found that over the first four years of the CBD Program, the percentage of office floor area lower than 4 stars was almost halved from 60 per cent of the total floor area rated in 2010/11 to just 32 per cent in 2013/14.

What are the main costs of implementing these measures? Are there any costs other than those identified above?

No comment

Should the CBD Program be expanded to include:

Office tenancies?

Hotels?

Shopping centres?

Data centres?

Other building types?

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[15] The analysis of CBD impacts was conducted by segments with each segment representing a quartile of the voluntary and mandatory raters. To establish quartiles, buildings within each group (both voluntary and mandatory) were ranked in order of star rating. The top 25 per cent of buildings in each group were assigned to quartile 1, the next 25 per cent to quartile 2 etc.

[16] ACIL Allen Consulting for the Department of Industry and Science, *Commercial Building Disclosure Program Review Final Report*, March 2015

The GBCA supports the expansion of the CBD Program noting that while it has been broadly successful in the office sector, its limited reach still leaves around three quarters of other stock in the commercial sector (including offices below 1000 sqm) out of the Program's remit.

In particular, we support the expansion of the CBD Program to (a) office tenancies. Tenants have a critical role to play in driving demand for better performing buildings. If tenants and owners were both required to report periodically, there would be a shared incentive to improve performance over time across the whole building sector and overcoming the impact of the split incentive.

To what extent is there scope to improve the energy performance of these buildings?

The energy used by office tenancies can account for around 50 per cent of the total office building's energy use. This is currently not addressed holistically through the CBD Program, despite tenants being responsible for a significant proportion of total commercial sector energy use in Australia[17].

According to research commissioned by the City of Sydney, there is little correlation between base building and tenancy energy intensity. Though tenants are supportive of procuring better performing buildings, this effectively outsources sustainability to a third-party while requiring essentially no improvement by the tenant. However, behavioural and organisational changes can lead to improved decision making. With tenancy energy consumption comprising a significant proportion of total consumption in the energy sector[18], the GBCA believes that the development of an effective engagement strategy is necessary.

Analysis by EnergyAction and Energy Consult shows that the expansion of the CBD Program to office tenancies could provide cost effective and significant energy and carbon savings. Different options and scenarios for disclosure are evaluated on the basis of minimum 1000 sqm tenancy size for comparison purposes. The findings of the analysis can be found below:

Table 17: Costs and Benefits Summary – By Rating Cost Scenario

Scenario	Total Costs ($M)	Total Benefits ($M)	Net Benefits ($M)	BCR
Option 1: Annual - Stand Alone	292.2	356.5	64.3	1.22
Option 2: Annual - Co-Assess	169.8	356.5	186.7	2.10
Option 3: CBD Triggered - Co-Assess	121.3	272.8	151.4	2.25

[17] EnergyAction for City of Sydney, *Expansion of Mandatory Disclosure to Office Tenancies – Feasibility Assessment*, September 2018

[18] EnergyAction estimates the total scale of the market to be around 22.7 million sqm of occupied office space.

Table 18: Cumulative Energy and Greenhouse gas Savings to 2030 – By Rating Cost Scenario

Scenario	Electricity (TJ)	Natural Gas (TJ)	Total Energy (TJ)	GHG Emissions (kt CO2-e)
Option 1: Annual - Stand Alone	7,832	79	7,911	1,668
Option 2: Annual - Co-Assess	7,832	79	7,911	1,668
Option 3: CBD Triggered - Co-Assess	5,988	60	6,049	1,275

The analysis found that the net benefits of expansion ranged from $64 million to $187 million, depending on the scope and costs assumed for the policy. Option 1 (Annual tenancy ratings with all rating costs based on stand-alone NABERS Tenancy ratings) was shown to have the higher rating cost burden, followed by Option 2 (Annual tenancy ratings for all tenancies in the building, with all rating costs based on the NABERS Co-Assess application costs) and Option 3 (Ratings required for all tenancies in the building when a building over 1000 sqm is being leased or sold, with all rating costs based on the NABERS Co-Assess application rating costs) the lowest. The findings also estimate between 6,000 to 7,900 TJ of cumulative energy and greenhouse gas savings by 2030, and cumulative carbon abatement of between 1.3 – 1.7 Mt CO2-e by 2030.

Are there any barriers preventing building owners/operators from improving energy performance without a mandatory disclosure requirement? Which of these barriers would mandatory disclosure requirements address?

Without a mandatory disclosure requirement, office tenancies currently face the following market failures and market barriers:

- Lack of visibility/priority to energy cost due to its small size relative to organisational costs
- Disconnection between the corporate policy actions (e.g. IT operational decisions) and costs (i.e. the IT department does not have exposure to the energy costs incurred by its decisions)
- Short lease timeframes discourage investment in fixed equipment, compounded by make-good provisions which may require removal of upgraded equipment, in some cases even the replacement of upgraded equipment with the less efficient equipment that was replaced.
- Lack of interest in environmental issues, or just “too busy” to consider them.
- Lack of information to inform local tenancy behaviour.
- Lack of defined responsibility or authority agency amongst staff.

Mandatory disclosure in office tenancies addresses the following issues:

- Lack of visibility. A disclosed star rating, suitability publicised, provides visibility of efficiency to stakeholders such as customers, staff, management and investors.
- Lack of information to inform local tenancy behaviour. A tenancy rating disclosed to a tenancy could motivate activity to improve efficiency at a tenancy level.

What minimum thresholds should apply to:

Office space?

Office tenancies?

Hotels?

Shopping centres?

Data centres?

Other building types (where relevant)?

The analysis of net benefits and benefit to cost ratio (BCR) by tenancy size threshold in the table below shows that substantial benefits can be achieved with a minimum tenancy size of 1000 m2. Lowering the tenancy threshold to 500 m2 increases the net benefits by 20 per cent for Options 2 and 3, but lowers them for Option 1. Given that Option 3 provides the lowest cost burden and would be easier to implement and monitor compliance, the GBCA supports setting the minimum threshold at 500 sqm for office tenancies.

Table 3: Policy Option Net Benefits and BCR by tenancy size threshold

	Option 1: Annual - Stand Alone		Option 2: Annual - Co-Assess		Option 3: CBD Triggered - Co-Assess	
Size threshold	Net Benefits ($M)	BCR	Net Benefits ($M)	BCR	Net Benefits ($M)	BCR
> 500 m²	29	1.07	221	1.98	184	2.16
> 1,000 m²	64	1.22	187	2.10	151	2.25
> 2,000 m²	67	1.45	117	2.17	94	2.29
> 3,000 m²	54	1.54	85	2.22	67	2.31
> 4,000 m²	48	1.54	74	2.22	58	2.30

What exceptions and exemptions should apply?

No comment

Currently, the requirement for a BEEC is triggered by sale or lease of office space covered by the CBD Program. What are the alternative triggers that could be used?

For tenancies, an alternative option to the sale or lease of office space as a trigger is periodic rating which can create an improved incentive to action. Unlike base buildings, which increase realisable market value for the asset, tenant benefits centre on the energy efficiency cost reduction, corporate targets and internal and external recognition. As such, mandatory disclosure of tenancy performance should include a continuous regime of disclosure to prompt internal action and affect customer or investor decision making.

What are the barriers (including legal, logistical or other barriers) to these alternative triggers?

No comment

What is the most appropriate trigger for a BEEC for:

Office buildings?

Office tenancies?
Hotels?
Shopping centres?
Data centres?

Based on the City of Sydney's findings, the GBCA advocates moving from a BEEC as a requirement for disclosing a tenancy's performance to disclosure of NABERS Energy ratings through a periodic NABERS Co-Assess Application. We believe the most appropriate 'trigger' should be a requirement for a periodic rating every one or two years. Regular disclosure is assumed to affect greater change in tenancies, since repetition is key to embedding energy efficient behaviours as standard organisational practice.

For each building class under consideration to be included in the CBD Program, what information should be disclosed? What are the alternatives to a NABERS rating?

For tenants, a key piece of information is the NABERS Tenancy rating. The rating process measures actual tenancy use and normalises this to create a NABERS rating on a 6 star scale. Tenancies can be rated alongside the base building through the NABERS Co-Assess application. Research by EnergyAction and Energy Consult identifies two other alternatives to a NABERS Tenancy rating – a CBD Tenancy Lighting Assessment and the Department of Finance's ICT Sustainability Policy Target. It concludes that neither of these options are suitable however. The former is deemed too limited in scope to represent tenancy energy use and address the operational issues associated with actual operation, and the latter is deemed too impractical given that most tenancies do not have independent metering of IT loads.

Would a NABERS rating (or alternative indicators) provide useful information to relevant stakeholders over and above the information already available?

Yes. A NABERS Tenancy rating provides an easy to understand metric that speaks to the performance of the office space. As noted above, the act of disclosure addresses lack of visibility and lack of information to inform local tenancy behaviour. Other market failures and barriers outlined in our response to Question 19 are indirectly affected in that if the disclosure motivates action, then it is possible that the tenancy organisation would address these issues as a consequence.

How would the relevant information be used by stakeholders?

Key stakeholder groups may use the relevant information as follows:

- **Tenancies** may undertake various behavioural, technical and institutional opportunities to save energy.
- **Customers** may make decisions to use or not use the services of the tenancy organisation based on the tenancy rating.
- **Staff** may base behavioural energy efficiency activity on the tenancy rating.

Prospective employees' decisions to work in the tenancy organisation may also be affected by its tenancy rating.

- **Management** may for altruistic or commercial reasons (or indeed both) decide to act to improve disclosed ratings.
- **Investors** may direct investment based on disclosed ratings.

How should the information be disclosed? To whom?

Information should be disclosed to reach the above stakeholders and could be made available through the following means:

- Provide a searchable public central database of ratings. This enables customers and staff the ability to check ratings at any time.
- Require display of a certificate in every affected tenancy. This is difficult to enforce due to the sheer number of tenancies, but would nonetheless provide an important and public display.
- Require listing of tenancy ratings in company annual report, thereby providing information to investors. Note that this risks a potentially perverse outcome whereby tenancy information is published and highlighted in spite of being only a small part of the environmental foot print of a predominantly non-office organisation.
- Support mandatory disclosure with complementary programs that reward high achievers and builds marketable value around the rating.

What is the cost of obtaining a BEEC?

No comment

How could the administrative arrangements for the CBD Program be improved so that the Program operates more efficiently?

No comment