

Ms Emma Fishburn  
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Deloitte Touche Tohmatsu Limited  
225 George St  
SYDNEY NSW 2000

Via email: [cefcreview.environment.gov.au](mailto:cefcreview.environment.gov.au)

16 February 2018

Dear Ms Fishburn,

**RE: GBCA SUBMISSION - CLEAN ENERGY FINANCE CORPORATION STATUTORY REVIEW**

The Green Building Council of Australia (GBCA) welcomes the opportunity to make a submission to the Government's Clean Energy Finance Corporation Statutory Review.

The GBCA is Australia's leading authority on sustainable buildings and communities. Since the GBCA was established in 2003, we have encouraged governments to adopt emissions reduction strategies, and have worked closely with industry to drive down emissions. Alongside the adoption of our rating tool, Green Star, our advocacy, education and training continues to demonstrate how a more sustainable built environment can help lower our carbon emissions, reduce costs, boost the health and wellbeing of building occupants and enhance the value of building assets.

The GBCA continues to work closely with the Clean Energy Finance Corporation (CEFC) to use Green Star as an independent benchmark for building projects that must demonstrate energy efficiency and carbon emissions reduction to be eligible for finance. We are strongly supportive of CEFC's ongoing work to secure financing solutions for clean energy projects. These projects will greatly assist the built environment in achieving its abatement potential directly, and through leading market transformation by demonstrating the wider benefits of these investments.

Please find attached our feedback to the Statutory Review Consultation Paper. If you would like any additional information on this submission, please contact Sandra Qian, Senior Advisor – Policy and Government Relations at [sandra.qian@gbca.org.au](mailto:sandra.qian@gbca.org.au).

Yours Sincerely,



Jonathan Cartledge  
Head of Public Affairs  
Green Building Council of Australia



Established in 2002, the GBCA is Australia's leading authority on sustainable buildings and communities. We are an industry association committed to developing a sustainable property industry in Australia. Our vision is to create healthy, resilient and positive places for people and the natural environment.

To achieve this, we

- Rate the sustainability of buildings and communities through Australia's only national, voluntary, holistic rating system – Green Star;
- Educate industry and government practitioners and decision makers and promote green building programs, technologies, design practices and operations; and,
- Advocate for the sustainable transformation of the built environment.

The GBCA represents more than 650 individual companies with a collective annual turnover of more than \$40 billion. Our membership reflects the diversity of Australian business, with over 500 small to medium enterprises through to 75 companies with annual turnover of more than \$100 million and 24 companies now listed in the ASX 200, with a combined market capitalisation of more than \$620 billion. Members include major developers, professional services firms, government departments and local councils, banks, superannuation funds, product manufacturers and suppliers.



Launched by the GBCA in 2003, as Australia's only national, voluntary and holistic rating system for sustainable buildings and communities, Green Star is an internationally recognised built environment rating system. The Green Star rating system has been developed by Australian industry and locally adapted to suit the Australian market. From individual buildings to neighbourhoods, precincts and entire communities, Green Star is transforming the way our built environment is designed, constructed and operated.

There are over 1722 Green Star-rated projects across Australia:

- 37% of Australia's CBD office space is Green Star certified
- 6% of the workforce head to a green office each day
- 42,000 people live in Green Star-rated apartments
- 425,000 people are moving into Green Star communities
- 1.3 million people visit a Green Star-rated shopping centre each day
- Green Star certified buildings, on average: produce 62% fewer greenhouse gas emissions and use 66% less electricity than the average building; 51% less potable water than minimum industry requirements; and recycle 96% of their construction and demolition waste.



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## RESPONSE TO CONSULTATION QUESTIONS

### How has the Australian clean energy sector evolved?

Australia's clean energy sector has changed significantly in the past decade, driven in part by a global momentum towards low emissions buildings.

Under our ratification of the Paris Climate Agreement, Australia is committed to reducing our national emissions to limit global warming to below 2 degrees. Delivering on this commitment means that governments and industries will need to work collaboratively to drive the transition toward zero net emissions by 2050.

In this context, the Australian property industry has emerged as a key sector that can make a major contribution to Australia's emissions and productivity goals. A 2016 report by the Australian Sustainable Built Environment Council (ASBEC) points out that the property sector is uniquely placed to become a global market leader in energy and sustainability, with buildings presenting low cost opportunities to reduce emissions and deliver almost \$20 billion in energy savings, as well as other benefits<sup>1</sup>. Going forward, our ability to leverage these opportunities will be important, as buildings account for almost a quarter of our national emissions and nearly half of the country's electricity consumption.

The challenge remains for policy makers to leverage the sector's full potential, whilst addressing the barriers to emissions reduction. Currently, there are few government initiatives that are delivering on these outcomes. For example, the Government's flagship policy mechanism, the Emissions Reduction Fund has failed to incentivise take-up in the property sector as it considers only a limited range of activities and presents a number of barriers to entry. In this context the CEFC has performed a critical role in demonstrating the value of the built environment in helping to reduce our emissions, the technologies available now that can be deployed to achieve this, and importantly, the return on investment for all parties that will ensue with this approach.

The breadth and diversity of the property industry presents many complex issues for policy makers. While some elements of the property industry have made impressive improvements in energy productivity over the previous decade, there are more segments of the existing built environment, such as the mid-tier sector, in which progress has been limited<sup>2</sup>. Notably, these sectors are diverse in terms of their size, business structure, investment strategy, risk appetite and understanding of energy efficiency benefits and opportunities. In order to extend the progress made by leaders across the sector as a whole, it will be important to ensure that examples of best practice are highly visible in order to help drive transformation through the supply chain.

In the built environment, where asset lifespans can last many decades, practices and technologies that result in lower energy consumption can provide ongoing cost benefits. Buildings that operate at lower emissions levels are therefore competitive in a global economy, and Australia's property sector is home to many organisations which actively target emissions reduction to attract global investment. The 2017 Global Real Estate Sustainability Benchmark (GRESB), which assessed 850 real estate companies and funds (representing 77,000 assets and \$4.6 trillion in gross asset value), ranked Australia the world's

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<sup>1</sup> ClimateWorks for Australian Sustainable Built Environment Council (ASBEC), *Low Carbon, High Performance*, 2016, p.57

<sup>2</sup> Mid-tier buildings are classed as non-A Grade or non-Premium Grade, and account for around 80 per cent of Australia's office buildings. The Green Building Council of Australia and other organisations have co-authored a paper outlining immediate actions for governments to accelerate energy efficiency for mid-tier buildings, titled *Opportunity Knocks: accelerating energy efficiency for mid-tier buildings*.

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most sustainable real estate market for the seventh year in a row.<sup>3</sup> Despite growing international competition, the average score of Australian companies and funds continues to increase, making Australia's property market an increasingly attractive investment option.

It is in the property sector that the effects of technology and innovation can also be seen. Achieving zero emissions buildings is likely to involve a combination of distributed solar PV, as well as decarbonisation of grid-supplied electricity. The *Low Carbon, High Performance* report shows that improvements in buildings energy performance over the past decade have decoupled energy consumption from growth, and saved over 186 Mt CO<sub>2</sub>-e and \$28 billion (gross) in avoided energy bills<sup>4</sup>. However, overall energy performance across the sector has only slightly improved, which suggests that the achievements of market leaders in the sector have not yet spread to the majority of buildings.

## How effective has the CEFC been in the evolution of the Australian clean energy sector?

The CEFC is one of the Commonwealth Government's most successful initiatives in driving investment in clean energy in Australia, and furthermore in helping the property sector reach its abatement potential. Since its inception, it has generated \$1 billion for the Commonwealth Government, by investing in property-related projects worth more than \$3.4 billion.

As a corporate entity working alongside investors and project proponents, the CEFC is well positioned to make an impact in the clean energy sector, where commercial decisions are highly driven by market pressures and incentives. This is further enabled through the CEFC's capacity for independent decision making and ability to deliver to an investment mandate.

The CEFC's financing methodology requires projects to pursue ambitious clean energy targets which are typically demonstrated in the building's design and operation, and independently benchmarked using the GBCA's Green Star rating system and the National Australian Built Environment Rating System (NABERS). In this context, the Green Star rating tool enables CEFC to:

- Functionally rate the design of the building (Green Star - Design & As Built) and measure its operational performance (Green Star - Performance);
- Use robust modelling methodology;
- Make comparisons between a project's operational performance data against a data set for a specific sub-sector; and,
- Create baseline data sets through the collection of operational performance data.

Reduced energy costs and emissions are achieved through energy efficiency practices, precinct based energy solutions, onsite solar photovoltaic generation and tenant engagement, across a wide range of asset types including commercial property, community housing and social infrastructure.

Property-related projects supported by CEFC finance are making significant contributions to reducing emissions. Across the CEFC portfolio of current investments, CEFC financed projects are estimated to achieve annual abatement of almost 7.3 million tonnes CO<sub>2</sub>-e, and more than 121 million tonnes CO<sub>2</sub>-e over their lifetimes<sup>5</sup>.

The following case studies illustrate a number of clean energy investments in the sector which is currently supported by CEFC finance:

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<sup>3</sup> Green Building Council of Australia, *Australia posts seven years of global sustainability leadership*, media release, September 2017, viewed 15 February 2018 <<https://new.gbca.org.au/news/gbca-media-releases/australia-posts-seven-years-global-sustainability-leadership/>>

<sup>4</sup> ClimateWorks for Australian Sustainable Built Environment Council (ASBEC), *Low Carbon, High Performance*, 2016, p.36

<sup>5</sup> CEFC Annual Report 2016-2017

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### Moorebank Logistics Park

The CEFC made its first investment in clean energy transport infrastructure in 2016-17, committing up to \$150 million to the Moorebank Logistics Park intermodal terminal in southwestern Sydney. By 2030, developer Qube Holdings expects the project to:

- Reduce the distance travelled by container trucks on Sydney's road network by 150,000 kilometres every day
- Deliver annual net carbon emission savings equivalent to removing 11,000 vehicles from the road for a full year, or burning 25,000 tonnes of coal
- Generate 65,000 MWh/year from renewable energy sources installed on site, capable of powering more than 10,000 homes.

More than 1,300 jobs are expected to be created during the construction phase. This infrastructure investment will also contribute to delivery of the Australian Government's Western Sydney City Deal, which brings together Federal, State and local governments to help unlock the economic potential of Sydney's outer west, while improving liveability in the local environment

### Dexus Healthcare Wholesale Property Fund

The CEFC is investing up to \$100 million in the Dexus Healthcare Wholesale Property Fund (HWPF) which will own Australia's first portfolio of hospital and healthcare assets with a sustainable development focus. New HWPF buildings will target a Green Star Performance rating and a Green Star Design & As Built rating of 5 stars. Over the long term, the HWPF is also targeting a portfolio of zero net emissions, including low emission transport options, such as electric vehicles, ride sharing and integration with local transport infrastructure. Tenants and hospital users will also be encouraged to adopt energy efficient practices.

### AMP Capital Wholesale Office Fund

The CEFC investment in the \$4.7 billion AMP Capital fund will help accelerate the development of world-leading energy efficient commercial property portfolios in Australia. The centrepiece is the redevelopment of 50 Bridge Street in Sydney, as well as the wider Quay Quarter Sydney precinct. AWOFF's portfolio includes landmark properties at 200 George Street, Sydney and Melbourne's Collins Place and 700 Bourke Street. The 700 Bourke Street property is only the fourth in Australia to achieve the 6-Green Star performance rating, indicating world's best practice operational performance.

### Investa Commercial Property Fund

The CEFC is investing \$110 million in equity as part of a \$600 million capital raising for the \$4.1 billion Investa Commercial Property Fund (ICPF). The commitment will help Investa finance the development of the \$900 million 33-storey energy efficient office tower at 60 Martin Place in Sydney. The building is being designed to achieve both a NABERS rating in excess of 5.5 stars, and a 6-star Green Star rating. Investa is the first Australian property company to commit to a Science Based Target of net zero emissions by 2040, supported by a work plan of carbon reduction programs.

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Besides helping to improve industry access to capital, the CEFC has also been effective in growing industry capacity in the property sector and promoting best practice through education, and knowledge sharing. For instance, the CEFC encourages project partners to share learnings from funded projects, by developing case studies and gathering performance data. Another example is the CEFC's collaboration with Investa Commercial Property Fund, which will involve developing an online resource that will be made available to the wider property community, outlining Investa's approaches and the economics behind the development of energy efficiency in buildings.

Lack of information or awareness about particular opportunities in the built environment is a major barrier to best practice energy initiatives, and to address this the CEFC has published a handbook to help property owners and managers to reduce energy costs and cut emissions for their buildings. The publication, *Energy in Buildings: 50 Best Practice Initiatives* is designed as a practical guide for building owners and senior management to understand where specific initiatives are likely to deliver the most positive benefits for their assets, by setting out potential upfront costs and typical payback periods. In this way, it is also intended to help the market adapt to rapid and continuous changes in technology and industry practice.

## Conclusion

The Green Building Council of Australia is strongly supportive of the CEFC, noting the critical role it plays in accelerating the transformation of the built environment and its efforts to date in sharing useful experiences, insights and project expertise with industry stakeholders.

Our submission has established how the CEFC is actively working with the property industry to catalyse increased investment in energy efficiency and renewable energy in the built environment, which represents lowest cost emissions abatement opportunities.

We commend the leadership shown by the Government in supporting the work of the CEFC, and see potential through the Statutory Review for the Government to ensure that the CEFC's future mandate is secured through greater funding and through the CEFC Act enabling its continued strong performance.