

Ms Helen Bennett  
General Manager, Energy Productivity Branch  
Department of Industry and Science  
GPO Box 9839  
Canberra ACT 2601

14 April 2015

Dear Ms Bennet

Thank you for the opportunity to comment on the review of the Commercial Building Disclosure (CBD) program. We congratulate the Department of Industry and Science on what has been, to date, a well-structured, evidence-based review. This submission sets out the Energy Efficiency Council's views on the CBD program and the proposed changes to the program.

### **General comments on the CBD program**

There is a strong case for the CBD program, which boosts productivity and adds substantial value to the property sector. Before the scheme was introduced, buyers and tenants were unable to easily identify the differences in quality between buildings, which caused substantial distortions. The CBD scheme solves this problem by providing standardised, well-trusted ratings for buildings.

The CBD scheme is light-handed regulation that unlocks the power of the market. The scheme does not mandate energy efficiency improvements. Instead, it allows buyers and tenants find out how efficient buildings are and select buildings that meet their needs. As many tenants are prepared to pay more for efficient buildings, building owners now have an incentive to upgrade the efficiency of their buildings. As a result of the CBD scheme, building owners secure a greater return on their assets and tenants have access to offices that are both cheaper to run and more productive.

The final results of the independent review of the CBD scheme are not yet public, but figures that have been publicly released already indicate that the scheme has delivered real benefits.

- The efficiency of Australia's office buildings improved dramatically between 2010 and 2014, with the amount of energy that offices use per square meter falling 15 per cent. This is more than double the rate of improvement in the preceding decade, and a significant proportion of these improvements can be directly attributed to the CBD scheme.
- The NSW Government estimates that this improvement in efficiency has saved building owners and tenants \$60 million a year in energy costs.
- In November 2014, the consultants reviewing the CBD scheme, ACIL Allan, publicly discussed a provisional estimate that the scheme delivered a minimum benefit-cost ratio of 1.7 to 1. We note that the actual benefit-cost ratio is likely to be much higher.

The Council notes that it is too early to determine whether the Tenancy Lighting Assessment (TLA) tool has been effective. The TLA tool has only been in operation for just over two years, and so it is impossible to assess its effectiveness at this time. We strongly recommend that the TLA tool be reviewed in five years time.

There is a strong case to retain and strengthen the CBD program. Any changes that undermine the CBD scheme would have a negative impact on the economy and would be strongly opposed by both the business sector and the community. However, sensible changes to the CBD scheme would both improve its effectiveness and reduce compliance costs.

### **Recommendation 1: The CBD program should be expanded to smaller office spaces**

The Council supports ACIL Allen's proposal to lower the threshold for mandatory disclosure from 2,000m<sup>2</sup> to 1,000m<sup>2</sup>. In principle, the Council supports lowering the threshold for mandatory disclosure of both NABERS ratings and TLAs. However, as we believe that it is too early to determine the effectiveness of TLAs, there is a case to delay lowering the threshold for disclosure of TLAs until sufficient evidence is available on the effectiveness of TLAs.

The Council notes that ACIL Allen has estimated that expanding the CBD program to smaller office spaces will deliver an additional benefit of \$24 million. We note that lowering the threshold will affect two types of building owner:

- **Large building owners that are already involved in the CBD program**

Many building owners are not disclosing NABERS ratings when they lease small areas in larger buildings, even when NABERS ratings already exist. Expanding the CBD program to these smaller spaces will have minimal costs for building owners and significant benefit for tenants. We recommend that the government focus its compliance efforts on this group.

- **'Mid-tier' building owners that are not yet familiar with the CBD program**

Some building owners own small buildings that were not captured under the 2,000m<sup>2</sup> threshold for the CBD program. These 'mid-tier' building owners are often much less familiar with energy efficiency issues and will need support to respond to the CBD program. We recommend that the government adopt a 'supportive' compliance regime for these types of building owners, and work with state and local governments to develop the tools to engage mid-tier building owners more generally in energy efficiency.

### **Recommendation 2: Extension of the validity period of the TLA from one to five years**

The Council supports ACIL Allen's proposal to extend the validity period of the Tenancy Lighting Assessment (TLA) from one to five years.

As a result of the cumulative changes by tenants to lighting systems, TLAs become less accurate as time progresses. While tenants and building owners are unlikely to remove lighting controls or replace existing lighting systems with less efficient technology (unless they face a poorly-structured make-good provision in a lease), tenants often increase the density of luminaires, which affects the accuracy of TLAs.

The Council believes that TLAs would remain relatively accurate if their validity is extended from one to five years, with accuracy dropping off beyond five years. Given the benefits of reducing compliance cost, we support the proposal to extend the validity of TLAs from one to five years.

### **Other recommendations**

The Council has four additional recommendations:

1. Insufficient time has passed since the introduction of TLAs to assess the effectiveness of TLAs. We recommend that the effectiveness of TLAs be reviewed in five years.
2. Tenants and building owners are still unfamiliar with TLAs. We recommend substantial investment over the next five years to educate tenants and building owners about TLAs, and make changes to the TLA to make its implications clearer for owners and tenants.
3. We recommend investment to improve the NABERS tool, including the NABERS online interface, to reduce the time and cost of rating buildings.
4. We recommend the promotion of public displays of NABERS ratings in building foyers, particularly for buildings owned or occupied by government agencies.

We look forward to continuing to work with the Department over the coming months on implementing changes to the CBD program to deliver greater benefits while lowering compliance costs. If you have any questions, please contact me at [ceo@eec.org.au](mailto:ceo@eec.org.au) or 0414 065 556.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rob Murray-Leach', is displayed within a light blue rectangular background.

Rob Murray-Leach