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Department of the Environment and Energy  
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16 October 2019

**Re: Trajectory for Low Energy Buildings: Coordinated Policy Options for Existing Commercial Buildings – Draft Report**

Dear NEPP Secretariat,

Thank you for the opportunity to comment on the Draft Report of the Trajectory for Low Energy Buildings: Coordinated Policy Options for Existing Commercial Buildings (hereafter referred to as 'the Draft Report').

The Energy Efficiency Council (EEC) is the peak body for energy efficiency, energy management and demand response. Our members include energy management companies, independent experts and various levels of government. The following points are the EEC's preliminary comments on the Draft Report, and the EEC will reserve its full position on the draft trajectory until it has fully consulted with members.

The EEC welcomes the development of the Trajectory and congratulates the staff at *Ernst & Young* and *Strategy. Policy. Research.* for their evidence-based approach to the Trajectory. The EEC has identified a number of priority actions to upgrade the energy efficiency of existing commercial buildings in its reports '*The Energy Efficiency Policy Handbook (1<sup>st</sup> Edition)*' and '*The World's First Fuel – how energy efficiency is reshaping global energy systems*'. Priority actions include:

- **Governance Reforms and Energy Efficiency Funds**

Currently, energy supply and energy management are poorly integrated and implementation of the National Energy Productivity Plan (NEPP) is fractured and ad hoc at both the jurisdictional and interjurisdictional levels. Jurisdictions should reform governance to effectively implement the NEPP and to ensure investment in the lowest-cost mix of supply-side and demand-side solutions. Part of these reforms should be establishing clear funding for energy efficiency agencies and programs, similar to the NSW Climate Change Fund.

- **Energy Efficiency Schemes**

Energy efficiency schemes should be harmonized and extended to Queensland, Western Australia, Tasmania and the Northern Territory.

- **Mandatory energy efficiency ratings**

The Commercial Building Disclosure (CBD) program has been incredibly effective at reducing energy use in office buildings. The CBD program should be expanded to a broader range of buildings, including hotels, office tenancies and shopping centres.

- **Minimum standards for leased properties**

While the CBD program has been highly effective at driving upgrades in premium and A-grade commercial buildings, minimum standards should be brought in to ensure that all properties perform at a base acceptable level. The UK introduced minimum standards for leased commercial properties through its *Energy Efficiency (Private Rented Property) (England and Wales) Regulations* in 2015, which came into force for all new and renewed leases in April 2018 and will come into effect for existing tenants in commercial properties in April 2023. Minimum standards would place performance requirements on buildings that are far lower than their potential optimal performance, and would not impact any buildings that are currently performing at a reasonable level (e.g. all Premium buildings already have NABERS Energy ratings of 4 star and above).

- **Energy efficiency programs for government owned and occupied buildings**

While governments should set minimum standards for their owned and occupied premises, effective benchmarks currently only exist for a sub-sector of buildings (e.g. offices). In addition, while there has been significant focus on buildings leased by governments (e.g. offices), the vast majority of energy used by governments is in government-owned properties, including health, education, justice and water facilities. Therefore, we recommend that a high priority be given to programs that upgrade government-owned facilities, with a focus on investing in all cost-effective energy efficiency opportunities rather than achieving arbitrary benchmarks. While this is partly captured in the Draft Report under 'Financial Incentives', it might be more effective to reframe Policy Option 4 to include all measures to upgrade government buildings, including:

- **Whole-of-government policies to energy efficiency upgrades** – this would improve the effectiveness of individual agencies efforts and, more critically, overcome misaligned incentives to energy efficiency upgrades. There is a strong whole-of-government incentive to upgrade buildings, but a much weaker incentive for individual agencies.
- **Expert facilitation** – a central team should assist agencies to engage energy efficiency experts and undertake effective upgrade. State and Territory governments should also provide funding for local government bodies to facilitate upgrades by local governments.
- **Treasuries to finance energy efficiency upgrades** – most governments in Australia need to individually invest over \$100 million over the next four years to upgrade their facilities, although the required funding would be less in smaller jurisdictions.
- **Mandate on agencies** – agencies must undertake assessments at their facilities to identify energy saving opportunities and invest in all opportunities that meet minimum financial criteria (e.g. Internal Rate of Return of 11% and above)
- **Procurement guidelines (including minimum standards)** for leased properties, hotel accommodation, event venues, vehicles and equipment.

- **Engagement, upskilling, accreditation and tools**

A range of measures are required to address information and skill barriers. In particular, the EEC strongly recommends that governments require upgrades to government facilities to be lead by individuals with the mature '*Energy Efficiency Certification Scheme*', and basic education of building owners and managers.

We look forward to further engaging with the NEPP Secretariat as the Trajectory is developed. If you would like any clarification of the issues set out in this submission I can be contacted via email at [rob.murray-leach@eec.org.au](mailto:rob.murray-leach@eec.org.au) or telephone on 0414 065 556.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rob Murray-Leach', with a stylized flourish at the end.

Rob Murray-Leach  
Head of Policy  
Energy Efficiency Council