

Mr Steve Palethorpe
Senate Standing Committee on Environment, Communications and the Arts
Parliament House
Canberra ACT 2600

16 April 2010

Dear Mr Palethorpe

The Energy Efficiency Council welcomes the opportunity to provide a supplementary submission to the Senate Standing Committee on Environment, Communications and the Arts in relation to the Building Energy Efficiency Disclosure Bill 2010 (the Bill).

The Energy Efficiency Council provided a submission on the Bill to the Senate Committee on 10 April 2010, and presented at the Senate Committee meeting on 12 April 2010.

In its initial submission to the Senate Committee the Energy Efficiency Council noted that it would provide further information on NABERS Tenancy ratings. The Council strongly argues that:

- Prior to lease or sale, tenancy areas should be rated by a technical lighting assessment. This will assist prospective tenants to determine the efficiency of an area before they lease.
- After tenants have moved into a building, the tenant should be required to produce a NABERS Tenancy rating after they have occupied the space for 12 months. This will assist the tenant to benchmark their energy efficiency and determine options for improving it. These ratings should be updated every 2 years.
- As recommended in the previous submission, both NABERS base-building and NABERS tenancy ratings should be displayed in the foyers of buildings on an ongoing basis. The UK has mandated this for public-sector buildings for several years and has released a Regulatory Impact Statement regarding extending this requirement to the private sector.

During the Senate Committee hearing on 12 April 2010 the Council also took two questions on notice. The exact questions are set out in Appendix A. Summaries of the questions are used here.

1. *When was the Energy Efficiency Council first consulted on the Bill?*

The Energy Efficiency Council (which went under the name 'AEPKA' prior to incorporation) responded formally to Consultation Documents on 20 February 2009, and attended a tenancy disclosure workshop in Sydney on 18 March 2009. Other organisations provided input at these stages, and some organisations were in discussion with the Australian Government prior to this

2. *Does the Energy Efficiency Council believe that the Regulation Impact Assessment has underestimated the demand for NABERS ratings in the first year of the scheme?*

The Bill will only compel building owners to obtain NABERS ratings at the point of sale and lease. If the figures in the Regulation Impact Statement (RIS) are correct (each year 8 per cent of properties over 2000m² are sold and 6 per cent are leased) then that this will be the number of buildings that are compelled to obtain a formal NABERS ratings in the first year of the scheme.

The Bill is also likely to raise tenants' demand for energy efficient premises, because tenants will finally be able to easily compare the energy efficiency of properties. Rational building owners will prepare for this by undertaking energy efficiency ratings and upgrades. However, preparing for tenant demand for more efficient premises will not require a building owner to carry out a NABERS assessment on day one of the Bill's operation.

Buildings owners could prepare for tenant demand for more efficient premises by:

- Undertaking either a formal NABERS rating or a lower-cost 'indicative' rating of their building's energy efficiency. A low-cost indicative rating would not be sufficient when the building owner sells or leases their property, but will help a building owner to determine whether they should invest in an energy efficiency upgrade.
- Engage an energy efficiency expert to identify and implement cost-effective energy efficiency opportunities in their building. This is a completely different process to a NABERS rating.

As a result, the tenant driven demand for energy efficiency services will increase after the introduction of the Bill. However, this demand is not mandated by the Bill, and building owners can carry out these activities before or after the Bill commences. As discussed in the Senate Committee hearing, many of the larger and more informed building owners have already undertaken NABERS ratings and some have already upgraded the energy efficiency of their buildings.

If the market is unable to service the increased demand for non-mandatory energy efficiency services, then many building owners will simply delay investment in energy efficiency upgrades until supply is adequate to service their demand. Supply adequacy will be delivered by either demand being spread out over time or an increase in the supply of services. This increase in tenant-lead demand would occur irrespective of when the Bill is introduced. Further delays to this Bill would simply delay, rather than reduce, the period of time when demand exceeds supply.

Therefore:

- The Bill will only increase the unavoidable demand for NABERS base building ratings by the rate at which properties over 2000m² are leased and sold. The Energy Efficiency Council does not have its own estimate of the rate at which properties of this size are leased and sold. According to the RIS 8 per cent of properties of this size are sold and 6 per cent are leased each year.
- The Bill will create a much larger demand for formal and informal NABERS assessments of buildings and a demand for energy efficiency upgrades of buildings. However, if NABERS assessors and energy efficiency service providers are not able to meet the demand, then building owners will simply delay their demand for rating services until supply is sufficient to meet demand.

Summary

The Energy Efficiency Council strongly supports the introduction of an amended Building Energy Efficiency Disclosure Bill 2010. Further delay in the Bill will not obviate the issues with supply and demand in the market for energy efficiency services. The Energy Efficiency Council proposes key amendments to the Bill, which include:

- All governments in Australia commit to participate in the scheme, with the Australian Government including its commitment in the Bill itself.
- 'Public Display Certificates' should be mandated for buildings occupied by both the public and private sectors. This would require tenants to obtain NABERS tenancy ratings 12 months after they move into a building, and then every 2 years. The NABERS tenancy ratings and NABERS base-building ratings should be displayed in the foyer of the building. At a minimum, all governments in Australia must commit to require all buildings that they occupy to have 'Public Display Certificates' that indicate NABERS ratings in their foyers.
- The Australian Government commit to review the scheme in 2011 with a view to extending it to smaller areas (>1,000 m²) and other classes of commercial building, such as hospitals.
- The Australian Government to establish a joint government-industry committee to oversee the implementation of the scheme and the design of the Energy Efficiency Guidance Information. The Energy Efficiency Council should co-chair this committee.

Should you require further information on any of the issues raised in this submission please contact the Energy Efficiency Council on 03 8327 8422 or info@eec.org.au.

Yours sincerely



Rob Murray-Leach
Chief Executive Officer

Appendix A: Questions on Notice

1. Hansard: p ECA 39

Senator FISHER—When did you attend your first consultative meeting about this?

Mr Murray-Leach—I will have to take that on notice.

Senator FISHER—Yes, and could you also indicate what other parties were involved in that consultation.

2. Hansard: p ECA 40

Senator FISHER—Do you consider the eight per cent and six per cent impact assessment on the low side rather than on the real side?

Mr Murray-Leach—For the point to which the legislation is introduced?

Senator FISHER—Yes.

Mr Murray-Leach—I have not got a comment on that. I would actually need to raise it with my members and have a substantial discussion on that.

Senator FISHER—Could you take that on notice and come back to the committee?

Mr Murray-Leach—Yes.