



2 November 2009

Mr John Hawkins
Secretary
Senate Economics References Committee
Parliament House
CANBERRA ACT 2600

Email: john.hawkins@aph.gov.au

Dear Mr Hawkins

Safe Climate (Energy Efficient Non-Residential Buildings Scheme) Bill 2009

Thank you for the opportunity to comment on the above draft legislation, introduced by the Australian Greens to the Senate.

The Property Council supports the introduction of the Carbon Pollution Reduction Scheme (CPRS) as a useful mechanism to reduce Australia's greenhouse gas emissions.

We recognise that property, as with every other sector, can play its own part to reduce the country's emissions.

There are five reasons for opposing the proposed legislation.

1. We should first test the effectiveness of existing and proposed energy efficiency/climate change programs.

The Australian Government has already introduced or is due to introduce several programs designed to improve the environmental performance of buildings.

The effectiveness of these programs should be tested before additional programs are added to an increasingly confusing mix.

Forthcoming programs include the mandatory disclosure regime, which is due to be launched in 2010.

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In addition, the National Strategy on Energy Efficiency announced following the April COAG meeting contains many elements directly relevant to the building sector.

These programs should be implemented and assessed before introducing further initiatives.

2. The CPRS should provide the principal price signal for modifying building energy use.

Buildings and their occupants are major consumers of energy. The CPRS is the Australian Government's principal mechanism for transforming market behaviour.

The final form of the CPRS would need to be determined before an assessment of supplementary schemes, such as the proposed legislation, can be made.

3. Efforts to marry a cap and trade scheme with a baseline and credit scheme will create confusion.

The CPRS is a cap and trade system. The proposed legislation utilises a baseline and credit approach.

The interaction, fungibility and effective complementarity of these distinctly different methodologies raises serious questions about the validity of pursuing the proposed legislation.

The CPRS is already a major market-changing initiative that needs to be finalised and implemented before further measures are considered.

4. All buildings are different – penalising building owners based on theoretical performance levels is unfair.

The proposed scheme will penalise owners of buildings that fail to meet a specified performance metric.

During the past three decades, extensive analysis of building operating profiles has been undertaken by academics, researchers and industry.

This research demonstrates that dozens of factors influence a building's environmental performance – age, use, locale, climate, orientation, equipment type and operating hours, to name a few.

In addition, there are dozens of different building types for which performance metrics would need to be produced under the proposed legislation.

These guidance metrics operate usefully when applied on a voluntary basis, and will soon be disclosed to future lessees and purchasers (under the Australian Government's mandatory disclosure regime).

However, there are many reasons why a building will not conform to a theoretical performance level.

To mandate an obligation based on such theoretical performance levels is inequitable and unfair.

5. Compliance burdens will escalate – costs and benefits need to be weighed up.

The CPRS, which is already shaping up to prove a compliance challenge, includes less than one thousand principal participants.

However, tens of thousands of non-residential buildings in Australia would be captured by the proposed legislation. Consequently, the compliance burden arising from the legislation would be significantly greater than even the CPRS.

In our view, the legislation should not proceed until a comprehensive regulation impact assessment is undertaken.

Conclusion

There are 330 million square metres of non residential space in Australia, most of which is more than 25 years old.

The greatest improvement in energy efficiency and GHG abatement would be achieved by retrofitting these buildings.

An initiative such as accelerating depreciation benefits for owners who upgrade their buildings to a high environmental performance standard is the simplest, most equitable and cost efficient route to achieving significant environmental performance dividends.

Accelerated (green) depreciation could be complemented by the following measures:

- a nationally integrated energy efficiency certificate trading scheme;
- red tape reduction strategies;
- government and energy supplier improvement grants or loans;
- rate relief for green buildings;
- development incentives for green buildings; and,
- building tune-up programs.

Accelerated depreciation, energy efficiency certificates and rebate schemes are publicly supported by the Australian Sustainable Built Environmental Council, which comprises business and environmental groups.

The Property Council is very happy to elaborate on any aspect of this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Verwer', with a horizontal line extending to the left and a vertical line extending downwards.

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