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Response to Regulatory Impact Statement

IMPROVING THE ENERGY EFFICIENCY PERFORMANCE OF SMALL OFFICE BUILDINGS

Public Consultation

Submitted to:

The Department of Industry, Innovation and Science

By

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AIRAH Submission

This submission is in response to public consultation on the proposed regulatory changes to the Commercial Buildings Disclosure (CBD) program.

The suggestions relating to the expansion of the Commercial Building Disclosure scheme to cover smaller office buildings and other building types proposed by AIRAH have been supported by the PRIME Steering Council.

About AIRAH

The Australian Institute of Refrigeration, Air Conditioning and Heating (AIRAH) is an independent, specialist, not-for-profit technical organisation providing leadership in the HVAC&R sector through collaboration, engagement and professional development. AIRAH works with all sectors of the industry and all levels of Government as a trusted partner in HVAC&R related issues.

The Institute's mission is to lead, promote, represent and support the HVAC and related services industry, and membership. The Institute produces a variety of publications and communications aimed at championing the highest of industry standards. AIRAH encourages world's best practice within the industry, and has forged a reputation for developing the competency and skills of industry practitioners at all levels.

The top five AIRAH strategic issues for HVACR in 2016 are:

- Resilience;
- Compliance;
- Sustainability;
- Innovation; and
- Refrigerant transition.

About PRIME

PRIME is an initiative that has been developed by a coalition of stakeholders from within the Australian Heating, Ventilation, Air Conditioning, and Refrigeration (HVAC&R) industry. The industry has been under significant pressure to help reduce the environmental impact of HVAC&R. Key stakeholders have taken a step back and spent some time evaluating exactly what needs to be done to develop low-emission solutions for the essential HVAC&R services that modern Australian society depends upon.

PRIME stands for the five pathways to transition: Professionalism, Regulation, Information, Measurement, and Emission abatement. The PRIME steering council vision is to have an *"Australian HVAC&R industry that is highly skilled and professional, safe, cost-effective and environmentally effective."*

Question 9 What do you think of the proposal to reduce the mandatory disclosure threshold for commercial office properties and tenancies from a net lettable area of 2,000 square metres or more to 1,000 square metres or more?

AIRAH strongly support the current Commercial Building Disclosure (CBD) program and the underpinning NABERS rating tools.

AIRAH strongly support the expansion of the scheme to smaller office buildings by reducing the mandatory disclosure threshold for commercial office properties and tenancies from a net lettable area of 2,000 square metres or more to 1,000 square metres or more.

Smaller offices make up a significant proportion of commercial office space and this building category has been a poor performer in regards to energy efficiency upgrades when compared to offices captured under the current CBD program.

Question 11 Do you have any further comments or suggestions to improve the effectiveness of the CBD program?

AIRAH would like to submit the following suggestions for consideration in the future development of the CBD program. Please note that these are being suggested as an initial voluntary or incentive based program with a view to progressing to a mandatory disclosure based system in the medium to long term.

Suggestion 1: Expand the program to cover additional non-office building classifications.

AIRAH strongly disagree with the conclusion and recommendation of the ACIL ALLEN CONSULTING report (which underpins the RIS) that *“The focus for the CBD program should remain on office buildings.”*

This is largely based on a view that the NABERS Energy tools for additional building types are relatively new and not yet widely embraced by industry. There is no evidence of any cost benefit analysis or other quantification work that has been completed to support this view. This recommendation from the report appears to be an opinion, rather than a justified and tested conclusion.

NABERS now has energy rating tools for shopping centres, hotels, data centres and homes. The Government should consider expansion of the CBD scheme to include these other building types. Initial engagement with the industry should be on a voluntary basis with a firm time signal for the move to mandatory disclosure.

The CBD scheme is designed to address the following market failures that occur in the office building sector:

- a failure in provision of information on the energy efficiency level of the buildings being leased or sold; and

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- the different incentives facing those who take the decision on adopting energy efficient practice (e.g. building renovations) and those who might benefit from using them (known as split incentives);

These market failures occur in a range of other building sectors including shopping centres, hotels, data centres and even residential homes. This is acknowledged in the ACIL ALLEN report (see 6.2) and many of the reasons cited below for not expanding the current CBD scheme to other sectors could all have been applied to office buildings in 2009, prior to the introduction of the current CBD scheme.

- Newness of tools
- Smaller split incentive effects
- Other non-energy factors influencing building choice
- Diverse market in terms of building size
- No problem if the owner is also the operator
- Energy efficiency information available from other means

The ACIL ALLEN report only commented on the introduction of mandatory reporting and did not review or discuss an initial voluntary lead-in period where many of these issues could be addressed.

The CBD program has been effective in inducing positive behaviour change in relation to commercial office building energy efficiency, resulting in significant energy and emissions benefits. Large office buildings are now the leading building sector when it comes to energy efficiency and energy productivity improvements.

AIRAH believe that the CBD program should be expanded to address other building types. Office buildings make up a large part of the commercial building energy use (26%) but not as large as retail (36%). Class 1 housing consumes almost half of all the energy consumed in Australian buildings. If the CBD program can drive improvements in office buildings successfully it can also do so in other sectors. The key to greater sustainability in the shopping centre industry is in creating appropriate market drivers. The CBD program could be that driver.

AIRAH agree with encouraging the market to appropriately value energy efficiency, rather than forcing the adoption of particular energy efficiency measures.

The expansion of the CBD program to cover other building types should be introduced in collaboration with industry. Introduction should be stepped, starting with a voluntary period and an information and awareness program. Over time the program could move to a mandatory setting. NABERS Energy may not be the most effective rating tool for the housing sector and this would need to be discussed with the industry.

The NABERS team should be encouraged to continue tool development and supported to continually refine existing rating tools.

Suggestion 2: Expand the current CBD program for office buildings to include disclosure of ratings for Water, Waste, and IAQ/IEQ performance.

The sustainability characteristics of a building go beyond the energy consumption profiles, and the CBD program should evolve to reflect this.

For Offices of 2000m² consider expanding the scheme or allowing for voluntary (or incentivised) disclosure of NABERS Water, Waste and Indoor Environment ratings.

Initially the program could encourage and indentify a voluntary disclosure and then move to a mandatory disclosure basis over time.

Suggestion 3: Consider aligning the CBD program with Calculating Cool

Is there an opportunity for the CPD program to leverage owners and operators' interest and engagement with free HVAC tools such as the Calculating Cool rating tool <http://www.calculatingcool.com.au/> and the AIRAH/OEH [HVAC Optimisation Guide](#) ?

End of submission