

The Hon Tony Abbott MP
Prime Minister
Parliament House
PO Box 6022
CANBERRA ACT 2601

22 September 2014

Dear Prime Minister

The Green Building Council of Australia (GBCA) is Australia's authority on sustainable buildings and communities with over 780 member organisations from the property and construction industry and beyond. The GBCA asks you to support the retention of the Renewable Energy Target (RET) in line with the Australian Government's pre-election commitment that there would be no cuts to the target. The GBCA opposes the reduction of the target, which was legislated with bi-partisan support. The GBCA also opposes denial of access to new projects, the abolition or reduction of the Small-scale Renewable Energy Scheme (SRES) and the inclusion of GreenPower in the RET.

The RET has had a positive impact on Australia's economy in a number of ways, some of which include:

- Supporting the installation of renewable energy solutions across Australia, contributing to reduced emissions intensity in Australia's national energy market and reduced energy bills for building owners and tenants
- Supporting more than 15,000 businesses to invest in solar power which in turn has supported more than 13,000 jobs, benefitting the Australian economy and boosting our international competitiveness
- Contributing to Australia's position as a world leader across a range of sustainability benchmarks and metrics, making it an attractive option for international and domestic investment, innovation and business
- Providing an opportunity for organisations which are increasingly accountable for the economic, social and environmental impacts of their businesses, to integrate renewable energy solutions into their strategies for reducing greenhouse gas emissions and reducing exposure to rising energy prices.

Further details of the ways in which the RET is supporting Australia's economy and the importance of retaining this vital policy are outlined below.

Retaining the RET

The RET was designed to serve a dual purpose; to reduce carbon pollution from the electricity sector and to encourage the growth of Australia's renewable energy industry. Since its implementation, the RET has contributed to a reduced reliance on energy sourced from burning fossil fuels and has helped to reduce the greenhouse gas emissions intensity of the electricity that powers the Australian economy by more than eight per cent since the RET was expanded in 2009¹.

The RET is a vital part of a coordinated approach to reducing Australia's greenhouse gas emissions. A range of complementary measures is necessary if Australia is to meet and exceed the agreed target of unconditionally reducing emissions by 5 per cent compared with 2000 levels by 2020.

The RET, and in particular the SRES, enables building owners and developers to include renewable and distributed energy solutions in projects by reducing pay-back periods, assisting in leveraging private funds and helping to overcome the split incentive (where tenants rather than building owners benefit most from building upgrades). Without the SRES, investment in renewable energy solutions will be at risk for many projects.

Solar photovoltaic (PV) technology has been used extensively by building owners and developers and the installed capacity for commercial solar PV has increased from 12.9 mega watts in 2010 to 116.7 mega watts in 2013. Installed capacity is forecast to increase to 182 mega watts in 2016, but this is unlikely to be achieved without the support of the SRES.

There are now over 750 projects which have achieved Green Star certification, and many of these have included renewable energy solutions. Examples include:

- GPT Group, Murray Rose, Homebush NSW – 130kW Solar PV and 6 Star Green Star – Office Design v2 (demonstrating 'World Leadership')
- Monash University, Briggs and Jackomos Halls, Clayton VIC - 153kW solar PV, 5 Star Green Star – Multi Unit Residential Design v1 and 5 Star Green Star – Multi Unit Residential As Built v1 (demonstrating 'Australian Excellence'). This was the largest residential solar array in Australia at time of installation and capable of supplying up to 35 per cent of the building's energy demands.
- Australian Institute of Management, Katitjin Centre, Floreat WA – 45kW solar PV, 6 Star Green Star – Education Design v1 and 6 Star Green Star – Education As Built v1 (demonstrating 'World Leadership').
- Lifestyle Working Collins Street, Melbourne VIC – 85kW solar PV, 5 Star Green Star – Office Design v3 (demonstrating 'Australian Excellence'). The base building's PV system allows renewable energy to complement the grid supply for Lifestyle Working's common area uses, with separate, strata-titled 'Solar Lots' also available for purchase.
- Ausgrid Learning Centre, Silverwater NSW – 51kW solar PV, 6 Star Green Star – Education Design v1 and 6 Star Green Star – Education As Built v1 (demonstrating 'World Leadership'). Coupled with a 337kW tri-generation plant, this facility saves 600MW per year.

¹The Climate Institute: *Who really benefits from reducing the Renewable Energy Target?* August 2014

Including renewable energy allows projects like these across Australia to:

- reduce greenhouse gas emissions
- reduce energy bills and exposure for building owners and tenants to increasing electricity prices
- provide a risk management opportunity to building owners, particularly institutional investment funds, which are held increasingly accountable to investors for management of the environmental and social impacts of their business, including energy-related greenhouse gas emissions
- increase property values
- increase industry skills and capability.

Research by ClimateWorks Australia has demonstrated the opportunity for emissions reductions both across the economy and for the building sector. The *Tracking Progress Towards a Low Carbon Economy* report released in 2013 stated that:

If there is no further abatement activity beyond 2009-10, the sector's emissions would grow by 19 per cent by 2019-20, driven by increases in commercial floor space and number of households. Sustaining current abatement trends would more than compensate for this growth, leading to an overall decrease in emissions of 7 per cent by 2019-20. Energy efficiency improvements would contribute a total of 6.2 MtCO₂e; 2.2 MtCO₂e from commercial buildings, and 4 MtCO₂e from residential buildings, where recent data and modelling suggest that historical increases in electricity use per household are likely to reverse.

Increases in distributed energy, in particular solar PV, would contribute an additional 6.3 MtCO₂e through displacement of grid-supplied electricity. Reduction in grid emissions intensity by 2020 will further reduce building emissions by 16.6 MtCO₂e by 2019-20.

The removal of the RET is likely to have a significant negative impact on this emissions reduction potential.

GreenPower

The GBCA is deeply concerned by the recommendation made in the Warburton Review that all voluntary renewable energy implemented, including GreenPower energy, be included in the mandatory 20 per cent target and therefore no longer be additional to the target.

The GBCA strongly recommends that GreenPower remains additional to the RET. Owners and tenants of commercial property are major consumers of GreenPower as a means of lowering their greenhouse gas emissions. Initiatives such as the National Australian Built Environment Rating Scheme (NABERS), the National Carbon Offset Standard and Green Star have also driven demand for this scheme.

Inclusion of GreenPower within the RET would severely undermine this scheme and subsequently deny any consumer, especially those that are unable to implement onsite renewable energy solutions, the opportunity to choose lower emissions electricity. Inclusion in the RET removes the incentive for choosing GreenPower and many users would be forced to negotiate the cancellation of existing GreenPower contracts. This would have negative flow-on effects to GreenPower generators and to a range of other property initiatives including NABERS and Green Star, as well as to Australia's ability to meet its emissions reduction target.

Consistency, certainty and investment

The Australian property and construction industry is considered a world leader in delivering efficient, healthy and sustainable buildings. 637 institutional investors and property companies around the world were recently surveyed as part of the Global Real Estate Sustainability Benchmark (GRESB) annual survey. These organisations collectively manage \$5.5 trillion in institutional capital and hold a total property value of \$2.1 trillion. The 2014 report showed that Lend Lease and ISPT were among the world's top 10 leading organisations and that the Australia/NZ region performed better than all other regions overall across a range of sustainability benchmarks and metrics.

Australia's outstanding performance in the GRESB and the consistent high performance of Australian companies in other respected indices, such as the Dow Jones Sustainability Index, contribute to the appeal of Australian organisations to foreign investors.

However, many countries around the world are taking meaningful action on climate change and putting long-term plans in place to improve efficiencies, increase resilience to climate extremes and achieve significant emissions reductions. The Chinese Government's Action Plan for Air Pollution Prevention and Control (2013-17) aims to significantly improve air quality by 2017 in a range of ways including through mandatory targeted reductions in fine particulate emissions, a ban on new coal power plants and sharp cutbacks in coal consumption.

The American Council for an Energy-Efficient Economy recently published its 2014 International Energy Efficiency Scorecard which found that Australia ranked 10th behind countries such as Germany (1st), France and China (4th) United Kingdom (6th) and Spain (8th). While we can be proud of this achievement, and of our global green building reputation, significant opportunities for increased energy efficiency and reducing carbon intensity still exist and Australia cannot afford to fall behind.

If Australia is to continue to perform well against international metrics and compete in a global market for both international and domestic investors, it must have policy certainty and consistency regarding emissions reductions and support for alternative energy solutions.

The GPT Group is just one example of an organisation that has taken advantage of renewable energy opportunities to strengthen their business and meet investor expectations. GPT has a diverse property portfolio and must increasingly account for the social and environmental impacts of their business to their domestic and foreign investors.

GPT's investors have identified energy-related greenhouse gas emissions as an area of material environmental risk that must be managed and in response, GPT has a policy goal to achieve carbon neutrality in their own operations. This will be achieved through optimising energy efficiency, installing on-site renewable energy, purchasing renewable energy from the grid and using offsets as a method of last resort.

Despite a number of barriers to adopting renewable energy solutions including energy market rules that discourage the export of energy to the grid when generation exceeds consumption and some current limitations in industry knowledge and experience, GPT views the installation of on-site renewable energy as a significant opportunity. Should significant changes be made to the RET, GPT and many other companies like them may be forced to re-evaluate their commitment to on-site renewable energy solutions.

Australand, one of Australia's leading development groups, is another example of an organisation that has embedded both on and off-site renewable energy in the sustainability strategy for their business which covers industrial, commercial, residential and retail development. Australand has been implementing renewable energy solutions as a way to reduce greenhouse gas emissions and to protect their customers from rising energy costs. Australand has already installed 100kW of solar PV and has a further 150kW under construction. Of this 250kW, around 60 per cent would not have been built without the small-scale technology certificates which are supported by the RET. With the support of the RET, payback periods for these installations are currently around five to six years. While even this payback period is not commercially acceptable for many of Australand's customers, without the RET, the payback period would extend to over eight years and would not be acceptable to any of their customers.

Australand has a further 2MW of solar PV projects planned and the majority of these rely on RET support in the form of upfront or annual renewable energy rebates to be viable. Any significant change to the RET will put projects such as these at risk.

Sydney's Barangaroo redevelopment project, valued at over \$6 billion, and expected to inject more than \$1.5 billion into the NSW economy annually, has committed to being Australia's first CBD precinct to be climate positive. This will be achieved through the inclusion of a range of features and initiatives, including enough on-site solar energy generation to service the public areas and the generation of enough new renewable energy off-site (including a solar farm in regional NSW) to power approximately 5000 homes. Barangaroo's remarkable commitment also demonstrates the importance of providing policy consistency and certainty in promoting investment in renewable energy.

The GBCA's 780 member organisations are spread across construction companies and sub-contractors, property developers, professional services, building owners, facility and asset managers, governments and universities, financial institutions, building tenants, building product manufacturers, building controllers and service contractors, and environmental NGOs, associations and professional societies, and these organisations seek similar efficiency, productivity, resilience and market certainty.

Skills, leadership and competitiveness

Green building is arguably the world's fastest-growing industry. Research by McGraw Hill shows that in 2005, the value of the residential and commercial green building globally was worth approximately \$10 billion in 2005. In 2012, that value had risen to over \$85 billion.

As demand for more environmentally, socially and economically responsible building and investment portfolios grows alongside the rapid growth in the green building industry, Australia has an opportunity to position itself not just as a leader in sustainable building practices, but as a leader in implementing renewable energy solutions in the built environment.

The Clean Energy Council recently released figures to show that more than 15,000 businesses have now installed a commercial-size solar power system, representing a combined investment of \$458 million. This level of commitment to solar could not have been achieved without the RET and SRES. Not only will these solar PV installations lead to collective savings of around \$64 million on energy bills annually, according to research from ROAM Consulting they have also supported 13,000 jobs in the solar energy industry. A renewed commitment to the RET by government will support further jobs and encourage further investment in increasing Australian skills and expertise in renewable energy.

A commitment to better outcomes

The GBCA, our members, and the wider industry is calling for a RET that helps to encourage the best possible environmental, economic and social outcomes.

In the lead-up to the 2013 federal election, there was multi-partisan support for the RET and the GBCA calls on the Australian Government to honour its pre-election commitment to retain the RET in its current form.

The GBCA and other industry associations such as the Property Council of Australia, the Australian Sustainable Built Environment Council and the Clean Energy Council, as well as influential business groups such as the Better Buildings Partnership, have all received overwhelming feedback from members that retention of the RET is critical for ensuring Australia's preparedness for an increasingly low-carbon global economy.

A recent poll by Crosby Textor showed that Australians of all political persuasions want a strong commitment from government to renewable energy. Over 80 per cent of all those polled believed that the RET should be left intact, with over 70 per cent of Liberal voters believing that the RET should remain in place and unchanged.

It is clearer than ever that as well as a continuing focus of energy efficiency, on-site renewable energy solutions and the voluntary purchase of GreenPower are the preferred strategies for achieving deep emissions reductions. The RET must be retained in a form that provides optimal support for such outcomes.

The GBCA calls on you to provide certainty to industry and to ensure Australia's continued long-term economic prosperity.

Yours sincerely



Romilly Madew
Chief Executive



Daniel Grollo
Chair

About the GBCA

The GBCA is Australia's authority on sustainable buildings and communities. Our mission is to accelerate the transformation of Australia's built environment into one that is healthy, liveable, productive, resilient and sustainable.

We work together with industry and government to encourage policies and programs that support our mission. We educate thousands of people each year on how to design and deliver sustainable outcomes for our buildings and communities. And we operate Australia's only national, voluntary, holistic rating system for sustainable buildings and communities - Green Star.