

6 March 2009
Reference: DEWHA MDS 001

Mark Davis
Director – Commercial Building Energy Efficiency Team
Department of Environment, Water, Heritage and the Arts
Via e-mail – commercialbuildings@environment.gov.au

Dear Sir

Re: Mandatory Disclosure of Commercial Office Building Energy Efficiency. Consultation Regulation Document – Consultation Regulation Impact Statement – Published 18 December 2008

On behalf of Napier & Blakeley Pty Ltd I write to express our views and provide comment on the documents released and trust that this will assist your development of regulation should this proceed.

The submission reviews the aspects of the regulation document and regulation impact statement relating to the provision of the energy ratings and the energy efficiency assessment report.

The component marked as “commercial in confidence” is not for public release; understanding the importance of the development of policy to deliver reductions in greenhouse gas emissions we have minimised as much as possible what we have classified as commercial in confidence, which is to protect our intellectual property in this area.

Napier & Blakeley is an Australian based, independent, integrated property services consulting organisation with more than 20 years experience. We specialise in the management and optimisation of property costs, sustainability solutions and take a commercial approach to all we do.

Napier & Blakeley have been providing independent property cost consulting services to both building owners and tenants for over 23 years. In helping our clients to optimise their property costs we have always worked independently of suppliers and other business organisations to ensure that the advice we give is in the best long term interest of our clients.

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Our organisation delivers five main services;

- Sustainability - Property and business operations
- Quantity Surveying
- Building Consulting
- Property Tax Depreciation
- Project Management

This document has been completed by Napier & Blakeley's senior managers, led by our Head of Sustainability, Roger Walker. Mr Walker is a qualified real estate valuer and has worked for the last ten years in building operations with large corporate organisations, delivering cost effective sustainable solutions. This includes delivering existing building lighting retrofits to achieve under six watts psm IPD, in over 100,000sqm of office space across each mainland state in Australia, compliant with Australian Standards and with three year payback periods; completing full energy efficiency assessment reports with reviews of new technology implementation, covering façade changes, tri-generation, solar installations, power management, BMS, lighting, retro-commissioning and HVAC upgrades.

We have based our comments on what we see as the practical issues and outcomes of the proposed regulation including some components and changes that you may wish to consider in your formulation of policy and legislation in this area.

To discuss or provide comment on our submission please direct your queries via e-mail to:

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NSW Government Green Globe Award Winner – Individual Award - Environmental Sustainability Champion 08
Facility Management Association of Australia - Winner - Environmental Achievement Award 08
Asia Real Estate Facilities Projects Magazine Shortlist Nomination – Excellence in FM 09

Executive Summary

The approach to mandatory ratings for commercial office buildings needs to ensure that the market acceptance of such a scheme maintains the integrity of NABERS Energy or other schemes or measures, is not seen as an unreliable rating with additional cost to business and the scheme should have an allowance for older existing buildings to demonstrate best possible performance without being penalised in the market as a perceived inefficient building.

It is recommended for base building energy ratings the cost for the submission of the rating is removed. The certification of staff able to complete energy ratings for base building NABERS Energy include the building manager or suitably qualified staff working for the building owner. It is recommended the provision of tenancy rating is removed and the energy efficiency of the base building components within a tenancy are identified. The tenancy rating is impacted more





by the operations of the incoming tenant, their fit out and behaviour, than the areas under control of the building owner or the previous tenant, except for the provided base building lighting and if renewable or low CO2 emission on site energy supply is available to the tenant for their power.

The development of mandatory rating for commercial buildings must be at a negligible cost to the owner, be accurate and reliable as well as being simple. Stakeholders must easily understand how the ratings and other information supplied affects their business operations and decisions. The simplicity is required as energy use is not a large cost to business operations within commercial buildings. Whilst the percentage difference in base building energy use for a one star building in comparison to a four star building is high, other building costs and employee costs mean the overall percentage of business cost for energy use is still extremely low, even for a one star building.

The danger of the scheme lies with the existing buildings which are performing to excellent energy efficiency, given their structure and age but do not score a high energy rating. They will be seen in the market place as inefficient buildings and the scheme may decrease the value of these buildings. An older building which is operating at three star NABERS Energy which may be at its optimum performance will be penalised in the market place and in time these buildings may be demolished and replaced by a building with an improved energy rating but the carbon impact of the demolition and new construction would outweigh the energy efficiency improvement.

It is recommended that the development of an Energy Efficiency Assessment Report (EEAR) be reviewed in detail and excluded at the commencement of the mandatory reporting requirement scheme. With fourteen percent of buildings to have EEARs completed per year the cost and also the ability to have these undertaken may decrease the reliability of the EEARs and provide confusion in the market when assessing energy efficiency potential with existing energy efficiency performance.

Commercial in Confidence –

(end of CIC section 1)

Base Building Energy Efficiency Ratings

The volume of energy assessments for commercial buildings under the mandatory rating scheme will increase dramatically, this will put pressure on the capacity of assessors to deliver the ratings and the fees for ratings may increase as a result. As a mandatory rating, in a building with net leases this may be charged through to the occupant as an outgoing charge.

The provision of a base building energy efficiency rating is, under NABERS, the simplest form of assessment of the rating tools. The assessment requires the information of floor area, hours of agreed service, energy consumed by central services and postcode.

This information is easily accessible to a building manager and it is recommended that to enable the scheme;

- to be delivered with minimal cost impact to commercial building owners and occupiers and;
- to ensure resources are available to meet the increased demand for these ratings, that:





- the NABERS Energy rating is permitted to be completed by a building manager, with NABERS base building energy on-line training completed;
- with additional sign off by the building owner or company director or portfolio manager.

To further reduce the cost of the scheme to building owners it is recommended the charges for the provision of the rating certificate by the governing body of the NABERS Energy rating tool or other rating scheme selected be reduced to zero or a minimal fee.

The above recommendation will reduce overhead costs in training and as the market becomes more aware of the NABERS scheme the income for the scheme manager may be increased with possible increases in the volume of ratings in other areas of the NABERS rating tools.

Tenancy Energy Efficiency Ratings

The provision to the market of the existing (or previous) tenancy rating for a commercial office building will add considerable cost to the scheme, it will be difficult to obtain and will add little or no value to the aims of the scheme, displaying an efficiency rating that will not be applicable to the incoming tenant.

The tenancy rating is most dependant on the fit out and operation of the tenancy and will not reflect the expected energy efficiency operation of an incoming tenant.

The energy use profile of tenants varies extensively, dependant on their business and significantly with the amount of IT communication rooms and the size of these rooms which the tenant operates.

It is recommended that if disclosing information on the existing tenancy this disclosure is limited to the main base building component affecting the tenancy, being the base building lighting power density and where available the tenants ability to use on site alternative energy supplies such as solar power or gas via a co-generation plant as their energy source.

Energy Efficiency Assessment Reports

The difficulty with the provision of energy efficiency assessment reports lies with the complexity in the design of commercial buildings, regulations governing building work and the identification of work that can be conducted with or without disturbance to a tenancy. This is also compounded with the ability to provide the capital finance required for the work and the time that work suggested with an energy efficiency report can or would be undertaken.

The market use of such information may complicate the tenant decision making process and confuse the issue of building performance and potential building performance.

A purchaser for a building would be unlikely to be able to rely on this information and would most likely conduct separate due diligence in relation to energy efficiency in any review for the purchase of a building if this was a concern in their purchase process.

The provision of an energy efficiency assessment report is complex and can be an expensive exercise depending on the building being reviewed. It must take into account the ability for work to be undertaken with a sitting tenant and the relative payback periods for work which will depend on the lease structure and market position of the existing building.





With the suggested seven year period for EEARs to be undertaken, the EEAR will most likely not be applicable for this time period with the development of technologies. The availability of resources in the industry to undertake these reports, with over fourteen per cent of buildings being completed per year is unlikely to be practical for implementation.

Commercial in Confidence

(end of CIC section 2)

Conclusion

If the mandatory rating for commercial office buildings be passed in legislation we recommend the system be simplified and implementation and ongoing costs are minimised so the integrity and market acceptance of the scheme can be maximised.

Regards,

Napier & Blakeley Pty Ltd

