



27 February 2009

Commercial Building Energy Team
Department of the Environment, Water, Heritage and the Arts
GPO Box 787
Canberra ACT 2601

Stockland Response to Mandatory Disclosure Consultation Regulation Documents

Stockland is pleased to make a submission to the Commercial Building Energy team in relation to the Consultation Regulation Documents for Mandatory Disclosure of energy efficiency in commercial office buildings.

Stockland is one of Australia's leading diversified property groups with total assets of over \$14.7 billion and operations in Australia and the United Kingdom. We are active in retail, office and industrial property, as well as residential communities, apartments and retirement living.

Stockland supports mandatory disclosure of the energy performance of office buildings subject to a number of key considerations outlined below.

Current Stockland Disclosure Practices

Stockland supports the principle of disclosure as a means to understand opportunities for enhanced performance.

The NABERS scheme is an industry accepted rating tool that allows Stockland to benchmark the performance of its office portfolio and develop action plans for improvement to energy efficiency.

Stockland Commercial Property uses the NABERS Office Energy rating scheme to measure the **base building** energy performance of its office buildings. This measure is typically undertaken at the end of each calendar year.

Stockland voluntarily discloses the **base building** energy performance of its office assets, including the following:

- The NABERS website – where accredited ratings are listed;
- When entering into a Commitment Agreement for new developments;

- Stockland annual Corporate Responsibility and Sustainability Report since 2006, : www.stockland.com.au/about/sustainability ; and
- Upon request by tenants.

Areas of Concern

The proposed introduction of mandatory disclosure **for tenancy** presents a number of concerns:

- that it will be difficult to manage;
- that it will be costly and resource intensive; and
- that it will be of limited value to potential buyers and tenants of office buildings.

1. Requirement for Tenancy and Whole Building NABERS Ratings

Disclosing a 'whole building' or 'tenancy' rating provides little or no benefit to prospective purchasers or tenants. As a consequence this will be costly and inefficient for the property owner.

The owner does not control energy efficiency within a tenancy. Nor does the owner typically have access to energy usage or occupancy data for the tenancy. Collecting this data from the tenant would present an administrative burden and it is unlikely that certified ratings could be delivered within sale or leasing timeframes.

Energy usage is specific to the needs and fit out of the individual tenant. The energy performance of the tenancy is primarily driven by the nature of the tenant , their fit out, activities and other unique aspects of their occupancy. There are many variables which affect the energy profile of an office space from the hours of occupation, lighting control, types of office equipment and supplementary cooling plant all having varying energy profiles making direct comparison difficult.

The usage profile of one tenant is likely to vary significantly to that of a subsequent tenant occupying the same space. This means that a tenancy rating provides little useful information for an incoming tenant as a predictor of likely energy efficiency. Furthermore, a rating from a previous tenant may mis-communicate potential performance of the work space.

In order to prepare and disclose a NABERS tenancy or whole building rating Stockland would be required to undertake substantial additional work including undertaking a detailed survey of tenant activities in the following areas;

- The nature of functional spaces;
- Hours of occupation; and
- Numbers of computers and other energy intensive equipment.

Furthermore these surveys may be seen as impacting on the 'quiet enjoyment' and right to privacy of tenants.

There is no adequate evidence presented in support of the assertion in the Consultation RIS that, "The cost of a base building and tenancy assessment does not differ significantly from the cost of a base building only or a tenancy assessment only".

Determining and disclosing a NABERS tenancy rating is further complicated where tenants sub lease (an increasingly common circumstance in the current market). This is particularly challenging where there is no sub-metering of the sub-let space.

Stockland Position - That any requirement on the owner to provide a NABERS rating should be limited to **base building** only, except in the case of a Strata Title where sale or lease of a part of a building is likely and would require a tenancy rating to be performed by the owner of the Lot for sale or lease.

2. Requirement to provide an Energy Efficiency Assessment Report

Stockland does not support the proposal to prepare Energy Efficiency Assessment Reports (EEAR). Preparation of EEARs will duplicate cost and effort with other mandatory reporting regimes such as those required under the Energy Efficiency Opportunities Program. Stockland already reports under the Energy Efficiency Opportunities Act. Stockland is currently undertaking EEO assessments on all office buildings in its portfolio. Furthermore, Stockland is currently committing substantial resources to support mandatory reporting under the National Greenhouse and Energy Reporting System (NGERS).

Stockland Position - Include for eligibility as an alternative to the requirement for an EEAR, a valid EEO Assessment Report where applicable for the base building only on the asset in question.

3. Proposed Modified and Simpler NABERS Assessment Tool

Stockland does not support the concept of a modified and simpler NABERS assessment tool to be used as an alternative method of assessment. NABERS is well established in the market. Modifying the tool may lead to further confusion among sustainability rating tools for buildings and undermine the relevance and success of the existing NABERS scheme.

Stockland Position – Adopt NABERS Energy as the tool to measure and communicate energy performance without any modification.

Request for Consultation with Building Owners

Stockland supports the principle of Mandatory Disclosure of energy performance for office assets. Stockland understands that many other major owners also support the principle of disclosure, while also sharing the same concerns around rating tenancy and whole building ratings.

Stockland invites DEWHA to engage in closer stakeholder consultation with property owners to discuss concerns and work together on solutions. Stockland would be willing to host a stakeholder forum at our Sydney Head Office.

Conclusion

Mandatory Disclosure has the potential to transform the market and achieve its objective of providing information about the energy performance of office buildings in sales and leasing transactions. The property sector is very familiar with rating tools and has demonstrated its willingness to use rating tools voluntarily.

Stockland believes mandatory disclosure will grow awareness of energy efficiency in buildings. This awareness is likely to translate into demand for energy efficiency improvement in the large proportion of existing buildings not captured by regulatory and voluntary schemes, provided it is implemented in a simple and cost-effective manner.

Stockland requests that the proposed scheme does not impose a cost and reporting burden on property owners already acting voluntarily and where captured by other mandatory reporting schemes.

While the consultation documents supporting the proposal for Mandatory Disclosure are extensive, limited engagement has been undertaken with those building owners who are currently disclosing on a voluntary basis. Stockland requests further dialogue with DEWHA and property owners to review current voluntary and mandatory disclosure practices, and examine costs and implantation concerns in relation to this proposal.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Siobhan Toohill".

Siobhan Toohill

General Manager - Corporate Responsibility & Sustainability