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Mandatory Disclosure of Commercial Office Building Energy Efficiency

As a property professional and researcher in the provision of sustainable workplaces in Australia I welcome the Federal Governments interest in trying to further the development of sustainable buildings into the future. There is a clear need for the property sector to address the issues we face in terms of climate change and the part that the built environment plays in contributing to the emission of green house gases. I have read with interest the paper prepared by Pitt & Sherry and wish to make some observations and recommendations which might be of assistance to the Government in their further consideration and development of the proposed disclosure process as follows:

1. There is a need for further effort on the part of building owners, investors and occupiers to provide a more sustainable commercial building environment. Industry through voluntary codes and general good practice has been improving the quality of buildings for many years.
2. There is a preference for voluntary codes of conduct over government regulation as proposed in this case. The take up of NABERS as reported in the consultation document does not match with the number of reported certified buildings. Analysis of current voluntary measures show that only a small proportion of buildings are currently either Green Star or NABERS certified and of those a large proportion are in government ownership. In addition a disproportionate number of NABERS rated buildings are located in NSW reflecting the origins and nature of this model (Warren 2009).
3. The lack of voluntary certification may be a reflection of the perceived value and quality of the measures to the property industry. If tenants and investors valued the certification then the market forces would have resulted in a greater take up of certification. Mandating certification will force owners to measure the efficiency of buildings but it will not force occupiers and investors to place any value or credibility in the measures.
4. The mandatory scheme will impose a cost on sale and leasing over and above current costs. These costs will be particularly high in the case of leasing as this will, in most large buildings result in annual measurement of the building and tenancies. These costs may rightly be perceived by industry as a further tax on property. In addition the mandating of the NABERS methodology, a public sector developed and administered tool may not be the most inclusive approach to gaining market acceptance of the proposed methodology.
5. The proposed disclosure of efficiency is limited to sale and leasing documentation and advertising. This very restricted disclosure will, unlike the UK system, not be freely accessible to the general public or employees within a building. Similarly this proposal will

exclude public sector assets and those owned and operated by large corporations from being publicly disclosed. A system that shows at a building level the energy efficiency and is publicly displayed would have a much more profound effect on the building owner and occupiers.

6. The proposal seeks to address energy use efficiency yet uses a green house gas emission measure as the metric. Which is it trying to achieve the two are not the same.
7. There is a significant problem posed in mandating energy measures of tenancies at the letting phase. In effect a building owner has to let the space based on a measure of energy use by the previous outgoing tenant. Owners have little or no control over the use of the premises by a tenant and will be placed at significant disadvantage or be forced to manipulate the measures of vacant space to achieve a suitable rating. The most energy efficient building is an empty one, surely the objective of this proposal is not to reward poorly managed buildings. In my view tenancy level energy measurement should be a matter for the current tenant; any measure should be of that tenants use and reported by that tenant on an annual basis. Such a model would demonstrate to the employees and public the efficiency of that occupier.
8. There are clear disadvantages to owners and tenants that use facilities in a more efficient and effective way. A building that is more intensively used in terms of operating hours and in terms of the number of employees per meter of usable space will inevitably use more energy due to increased heat loads and use of equipment. The metrics in their current form will discourage this efficient use of space and favour those organisations that have large space allocations per employee. The only way of addressing this concern is to develop measures which look at the efficiency and effectiveness of space use and its interrelationship with energy. While the objective of the government proposal is clearly to reduce green house gas emissions the tool chosen is a very blunt instrument and not reflective of contemporary space use planning within office environments. By way of example an accounting firm which encourages hot desking and home working will be disadvantaged by the intensity with which it uses its hot desk facilities. It will also gain an advantage through home working in that employees will not be using tenancy energy, they will be at home with the air-conditioning running using disproportionately more energy than in a controlled office environment.
9. There are a number of minor issues that also need addressing, the need for additional NLA measures of office space is a further cost consideration. The limited number of certified assessors compared to the very large number of certificates that will be required will in my view necessitate a major training push to meet the demand. If sales and leasing become dependent on a limited number of assessors then the costs of assessment will inevitably rise. It is also likely that as major sales become inexorably linked to the validity of an assessors certification of a building then the level of professional indemnity insurance that an assessor will need is likely to increase considerably.

While there is a need to address climate change and energy use in buildings I feel that this proposal does not meet either the needs of the property industry or fulfil the objectives of government. A more open and transparent building rating system which relies on much less subjectivity on the part of assessors and those devising the rating tool is likely to be better received. Mandating energy schemes by governments should be seen as a last resort and perhaps money would be better spent in researching methods of better using existing spaces and in encouraging voluntary reductions in energy use across all property sectors.

Yours Sincerely

Associate Professor Clive M J Warren

Reference

Warren, CMJ 2009, 'Who needs a Green Star?', paper presented to Pacific Rim Real Estate Society - Annual Conference, Sydney, 19 - 21 January.