

Public consultation submission template

National Carbon Offset Standard for Buildings

Overview <p>This submission template should be used to provide comments on the draft <i>National Carbon Offset Standard for Buildings</i> (the draft building Standard) only.</p> <p>A separate submission template is available for comments on the <i>National Carbon Offset Standard for Precincts</i>.</p>	
Background <p>The draft building Standard is a voluntary standard for carbon neutral buildings in Australia. The Standard sets rules for measuring, reducing, offsetting and reporting emissions to make a carbon neutral claim for buildings.</p> <p>Certification against the draft building Standard will be provided through the Australian Government's Carbon Neutral Program, NABERS Energy and Green Star – Performance rating schemes.</p> <p>The draft building Standard has been developed in consultation with the property sector and carbon account experts.</p> <p>The draft building Standard is an expansion of the existing National Carbon Offset Standard available for organisations, products and services (see http://www.environment.gov.au/climate-change/carbon-neutral/ncos). Key principles and international best practice on which the requirements of the National Carbon Offset Standard are based (Section 1.3 and Appendix A), are not for review.</p>	
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Date of submission	10 February 2017

The Department is especially interested in responses that include options or advice on how to resolve any identified issues or problems. This will assist in the finalisation of the Standard following the public consultation.

Appendix A: Eligible offset units has been attached to the Standard for completeness, but is not open for review at this time.

Note: This section will be published unless a request for confidentiality has been made (above). Please do not include any personal information from here onwards.

Part A

Please provide comments and resolutions against sections or subsections of the draft building Standard, including Appendix B. Please consider clarity of definition, completeness and usability of the Standard.

(or provide comments on specific topics at Part B)

National Carbon Offset Standard for Buildings

Section	Comment
	PLEASE REFER TO PART B

Appendix B: Carbon accounting requirements and guidance

Section	Comment
	PLEASE REFER TO PART B

Part B

Please provide comments, views or suggested resolutions on specific topics outlined below

(or provide comments against individual sections of the Standard at Part A)

Carbon account requirements:

The carbon accounting requirements of the draft building Standard have been developed in accordance with the Greenhouse Gas Protocol and are based on the existing National Carbon Offset

Standard for organisations, products and services. Please provide any comments below in relation to implementation for buildings.

Feedback from IGCC is provided principally from the investor perspective.

IGCC supports the approach taken in the Standard to align, as much as is practical, with existing national and international standards.

Investors welcome a mechanism that enables assets to demonstrate their ability to competitively achieve net zero emissions. Having reliable and certifiable net zero emission buildings will allow consumers and investors to apply this information in their selection of property investments.

As a general principle, carbon neutral certification should be designed to allow the broadest set of buildings across the economy to participate, while supporting credible net zero emissions outcomes.

IGCC supports strategies that use market mechanisms to reduce emissions across the economy. Investors continue to support a market based carbon price signal which can be incorporated into investment decisions and which responds to dynamic market conditions in the most cost effective manner. We note that the proposed NCOS Standard for buildings (and precincts), if taken up across the industry, will mark a significant milestone as the property sector takes steps to voluntarily embed an internal carbon price signal in decision making. This will support a flexible approach to building development and property management able to deliver on the overall goal of net zero emissions in the most cost effective manner.

The standard should also seek to incentivise energy efficiency and on-site renewable energy projects where these measures enhance property performance, as a means of delivering ongoing and enduring emissions reductions and resource efficiency. The emphasis on energy efficiency justifies disclosure of this energy metric as part of the certification, allowing consumers to make an informed choice.

The certification process should be efficient for all stakeholders, therefore best use should be made of existing systems and resources such as NABERS and Green Star.

Implementation of the Standard:

The draft building Standard will form part of a series of Standards for organisations, products and services, buildings and precincts. Each Standard will be described in a separate document. Please provide any comments on whether the draft Standard is implementable, level of information and presentation of the draft.

Overall, the draft standards look to be implementable, clearly set out and accessible.

IGCC has some brief comments on the provisions relating to the calculations regarding onsite energy generation and the treatment of Renewable Energy Certifications (LGCs) and potential implications

for investment decisions. In providing these views, IGCC is commenting principally from the investor perspective.

IGCC notes that there are divergent views across the property sector on the treatment of Renewable Energy Certificates (LGCs).

Part of the business case for investing in onsite renewable energy generation to achieve emission reductions for a building is the ability to use additional revenue generated through the sale of Renewable Energy Certificates or through the PPA to offset the upfront capital expenditure required. We would note that netting it out may have implications on the investment decisions of property owners. This may lead to perverse outcomes whereby building owners are more incentivised to make short term offset purchasing decisions, rather than invest in enduring emissions reduction projects onsite. Particularly as it is currently cheaper to purchase offset credits than to invest in sustained onsite emission reductions.

IGCC also recognises the argument that selling the LGCs and attributing the emission reduction in energy to a single footprint has the potential to be considered 'double counting'. We note that LGCs cannot currently be traded as a carbon unit and are not considered an eligible carbon offset unit under the draft Standard for Buildings. We note that the RET scheme and other offset generating schemes (ERF, CDM, JI, VER etc) are not fungible markets. However, many international standards have adopted this view on 'double counting' and global property developers are looking for an internationally consistent approach.

In summary, we believe that the current provisions will likely have some impact on the decisions property owners adopt in the total mix of projects and activities required to achieve the net zero emissions or carbon neutral outcome for buildings, with further potential to limit take up rates of the standard overall with some property owners (although not all). This will impact the implementation of the Standard in the short term.

We also note that the policy frameworks which support the sale of LGCs are time bound, and investors frequently look to make longer term investment decisions which play out over the life of the asset rather than the life of the existing policy mechanism.

From an investor perspective, the key consideration is transparency on the measures undertaken to achieve net zero emissions. Investors will adopt a range of positions over preferred pathways to carbon neutrality, and will pursue different investment options on the basis of their investment position. We would support further guidance on how property owners disclose to the market the hierarchy of measures undertaken to achieve net zero emissions to allow investors to make more informed decisions.

Finally, from an implementation perspective, IGCC notes that investors are increasingly applying the terminology of 'Net Zero Emissions', rather than 'Carbon Neutral', in line with the goals of the Paris Agreement. IGCC would support consideration of whether the market facing certification label should adopt the language of 'Net Zero Emissions' rather than 'Carbon Neutral'.

Completeness of the draft building Standard:

Is there anything additional you need for using the draft building Standard?

Given the highly competitive nature of the property industry and a strong record of industry leadership, there is a high probability that the standard will see strong take up and adoption levels once complete. This will lead to innovation as the standard is put into industry practice. At the same time, policy frameworks continue to evolve rapidly in the climate change area, especially with the 2017 Climate Change Policy Review just commencing, with potential flow through implications for the sector, energy policy and the market provisions of the standard.

Therefore, IGCC would support a clearly communicated review mechanism as part of the standard, to allow for the evolution of industry best practice, policy frameworks and market practice to be incorporated into the standard on an ongoing basis.

Part B

Summary of key comments or priorities (please limit to 300 words)

The Investor Group on Climate Change (IGCC) represents Australian and New Zealand institutional investors with over \$1 trillion of funds under management, along with members of the investment community focused on the impacts of climate and energy issues.

The Paris Agreement, finalised in 2015 and which entered into force in 2016, is a major market signal for investors with significant implications for investment decision-making. At the heart the agreement, is the commitment to move to a net zero emissions global economy by the second half of the century. Investments are now pivoting around this long term commitment, while tracking national and regional short and medium term emission reduction commitments.

In decarbonising their own investment portfolios, investors are actively pursuing low carbon investment opportunities. Property is a significant low carbon investment opportunity. This can be evidenced by the role that buildings have played across a number of 'Green bonds' issued to date. In 2016, Buildings and Industry represented 18% of the total global use of proceeds for Green Bonds. ([Bonds & Climate Change: State of the Market 2016](#))

IGCC supports the development and adoption of a National Carbon Offset Standard (NCOS) for Buildings. The development of clear and consistent standards which support the development and promulgation of Net Zero Emissions, or Carbon Neutral Buildings, are an important next step in the decarbonisation of the property sector.

IGCC notes that the Australian property sector, and Australian investors, are industry leaders in the development of rating and certification tools which support greater energy and emission efficiency

performance norms and outcomes for property. The development of the NCOS Standard for Carbon Neutral Buildings is a logical next step.

IGCC has sought to provide feedback on the NCOS Standard for Buildings (and precincts) specifically from the investor perspective.

IGCC will continue to play an active and engaged role in the policy discussion on the best way forward for Australia and to develop the tools, resources and guides investors need to better manage climate change across the investment decision-making chain.