

BEST PRACTICE POLICY & REGULATION FOR A LOW CARBON BUILT ENVIRONMENT

POLICY GUIDE NOTE



KEY POINTS

- Australia's policy and regulatory environment for energy efficiency and carbon outcomes in the built environment is out of date and needs review
- The delay in taking up building efficiency opportunities has been estimated at \$43 billion over 10 years, with an additional 397 Mt CO₂-e of greenhouse gas emissions being produced.
- The CRC for Low Carbon Living recommends expanding and updating existing national regulatory and policy measures in the short term, followed by a thorough review and rationalisation in consultation with states, territories, industry and the community.

THE NEED

Australia's policy and regulatory environment for energy efficiency and carbon outcomes in the built environment lags well behind that of other OECD countries, and well behind market realities.

Existing regulations have not been updated over a period when energy prices have risen dramatically and some technology costs for high efficiency, low carbon solutions have fallen significantly.

This means Australian households and businesses are paying unnecessarily high energy costs. Indeed, ASBEC and ClimateWorks estimate the delay in taking up building efficiency opportunities could cost Australia \$43 billion over 10 years, with an additional 397 Mt CO₂-e of greenhouse gas emissions set to be produced².

What's more, the absence of a forward trajectory for regulatory settings under the National Construction Code is creating regulatory uncertainty, and increasing the risk of investment in low-carbon products, services and business models.

CRC for Low Carbon Living

The CRC for Low Carbon Living (CRCLCL) is a national research and innovation hub that seeks to enable a globally competitive low carbon built environment sector and is supported by the Commonwealth Government's Cooperative Research Centres (CRC) programme.

With a focus on collaborative innovation, the CRCLCL brings together property, planning, engineering and policy organisations with leading Australian researchers. The CRCLCL develops new social, technological and policy tools for facilitating the development of low carbon products and services to reduce greenhouse gas emissions in the built environment. For more information visit www.lowcarbonlivingcrc.com.au/

OUR RESEARCH

The CRCLCL undertook a study comparing Australian and global best practices in policy and regulation in relation to the energy and carbon performance of the built environment¹.

We examined opportunities and barriers relating to the adoption of best practices in Australia, and proposed a set of optimal measures, at national, state/territory and local levels, along with an indicative pathway for their implementation.

Reasons for policy and regulatory delay

Our study found the key reasons for the delay in policy and regulatory action in Australia to be:

- Key regulatory measures have not been iteratively updated (e.g. minimum energy performance standards (MEPS) for buildings have not been updated since set in 2009, and are not currently set for updating until 2019 or 2022).
- Australia has been wary of using some policy models commonly found overseas, including national energy savings

targets and related schemes, and market transformation initiatives that bring down the cost of high-performance equipment (e.g. high performance glazing).

- Compliance with the MEPS for buildings is widely acknowledged to be poor, reducing the potential for expected savings to be achieved, and generating unexpected and unnecessary costs for households and businesses.
- Policy review and updating processes and timelines are discretionary, and achieving consensus with the COAG Energy Council is challenging.
- The Government's regulatory offsets policy and the 'gate-keeping' role of the Office of Best Practice Regulation are key reasons for the lack of regulatory progress.
- Studies have found a systematic conservative bias in regulation impact assessment, with costs commonly overstated and benefits understated.



To address these issues in the short term, it is recommended that the Australian government, working with states and territories, require ambitious outcomes from existing initiatives such as the National Energy Productivity Plan and the 2017 Climate Policy Review. This would include:

- Significantly lifting minimum energy performance standards in the 2019 National Construction Code for residential and commercial buildings, to the degree that maximises net social welfare.
- Remove existing state variations to the Code that weaken its impact, notably including BASIX in NSW (or aligning BASIX stringency requirements with NCC requirements), and variations in the NT.
- Expanding the scope of mandatory building disclosure to all buildings for which existing ratings tools are available – including all residential buildings and all commercial buildings covered by NABERS tools.
- Eliminating scope limitations within the mandatory disclosure program that limit its effectiveness, such as primary purpose provisions and by further reducing size thresholds to 500m².
- Re-invigorating the MEPS and labelling program for appliances and equipment by significantly streamlining RIS and removing regulatory offset requirements; expanding its scope to include building products; requiring that regulatory outcomes maximise net social benefit; and requiring regulatory reviews for all standard on a three-yearly cycle.

At state/territory level:

- In addition to removing state variations on energy performance, removing Code provisions that distort fuel mix choices for space and water heating.
- Undertaking a large-scale audit of compliance with NCC energy performance requirements, publishing the results, and – in collaboration with local government – putting in place systematic and permanent arrangements to ensure compliance.
- Ensuring that all building practitioners require appropriate accreditation to practice, including continuous professional development and competency-based training.

For local government, key short term initiatives would include:

- Collaborating with State Governments and building surveyors as needed to ensure that building approval processes lead to verified Code compliance.
- Putting in place systems to capture and publish de-identified data on key building activity and outcomes including NABERS/NatHERS ratings, audit outcomes for new building work and key statistics on local building activity including area demolished, refurbished and new build by building type.

It is recommended these short-term steps are followed by:

- A thorough review and rationalisation of policies and regulations in consultation with states, territories, local government, industry and the community.
- Designing and implementing the longer-term processes of market transformation that will enable a rapid transition to the low- and zero-carbon built environment of the future, while maximising economic, environmental and social benefits.

This would be expected to lead to initiatives including:

- An ambitious national energy savings target.
- A national energy savings scheme, that would replace existing schemes in NSW, Vic, ACT and SA and provide targeted assistance, where justified, focused on lifting the performance of the existing building stock.
- Universal and continuous mandatory disclosure of building performance – using simplified and low-cost processes including ratings tools.
- A long-term trajectory to net zero emissions for all buildings, including an evidence-based and least cost strategy for attaining this outcome, and full integration of renewable energy into building standards.
- National Construction Code governance and process reforms, including national legislation, rules-based processes for Code change that minimise discretion and delay; state variations would require justification by way of a regulation impact assessment; higher standards at state and local levels would be encouraged rather than discouraged.
- A shift to post-construction verified performance targets in the National Construction Code, with full integration of renewable energy into building solutions, and full disclosure of verified outcomes

- Institutional reforms to create an expert and independent body to undertake buildings research, policy analysis, Code/standards development and data collection/publication.
- Adding a market transformation program to the MEPS and labelling program, with market transformation initiatives undertaken in a prioritised manner to enable the most efficient technology choices to be available to Australian households and businesses at competitive prices.

FURTHER INFORMATION

For more information about this project, please contact:

CRC For Low Carbon Living
E: s.summerhayes@unsw.edu.au
T: +61 2 9385 0394
W: lowcarbonlivingcrc.com.au

REFERENCES

1. CRC for Low Carbon Living, *Best Practice Policy and Regulation for Low Carbon Outcomes in the Built Environment*, April 2017.
2. ASBEC/ClimateWorks, *Low Carbon, High Performance: how buildings can make a major contribution to Australia's emissions and productivity goals: summary report*, May 2016, p. 15.