27 November 2020

The House Standing Committee on the Environment and Energy

PO Box 6021
Parliament House
Canberra ACT 2600

Via email: Environment.Reps@aph.gov.au

Dear Standing Committee members

RE: Property Council of Australia submission to the ongoing inquiry into the Climate Change Bill 2020

The Property Council of Australia is pleased to make a submission to the ongoing Inquiry into the *Climate Change (National Framework for Adaptation and Mitigation) Bill 2020* and the *Climate Change (National Framework for Adaptation and Mitigation) (Consequential and Transitional Provisions) Bill 2020*.

The Property Council is the peak body for owners and investors in Australia's property industry. Our industry contributes 13% of Australia's GDP and employs 1.4 million people, more than mining and manufacturing combined. While there are disparities across the sector, **Australia's property industry leaders are world leaders in sustainability, topping indices like the Global Real Estate Sustainability Benchmark for ten consecutive years.**

As a signatory to the Paris Climate Change Agreement, Australia has committed to decarbonise our economy by mid-century. **To create the regulatory certainty needed to achieve this objective, we recommend the Commonwealth commits to an explicit target of net zero emissions by 2050, consistent with State and Territory government plans. This will drive game-changing innovation and investment.**

The *Climate Change (National Framework for Adaptation and Mitigation) Bill 2020* (the Bill) recognises Australia's international commitments and establishes the legislative framework to deliver broad ranging emissions reductions across the economy.

Australia's built environment contributes almost a quarter of Australia's emissions[1] and offers significant shovel-ready, and largely untapped opportunities for emissions reduction.

The Property Council and Green Building Council of Australia's practical plan for emissions reduction, Every Building Counts, provides a comprehensive suite of policies to reduce emissions from Australia's buildings. We commend this plan to the Committee and acknowledge the work underway through the

[1] Low Carbon Living CRC, Best Practice Policy and Regulation for Low Carbon Outcomes in the Built Environment, 2017

Commonwealth's *Trajectory for Low Energy Buildings.* These foundational pieces of work should be expanded upon to form a comprehensive sectoral plan for the built environment.

The Property Council's key priorities in relation to the Bill are the following, with further detail included in Attachment A:

- The establishment of a national target of net zero emissions by 2050 and a sector plan for net zero emissions buildings by 2050 with interim, science-based, targets and a process for review.
- The creation of a National Climate Change Risk Assessment Framework to inform and guide future projects in the built environment sector.
- The creation of a National Adaptation Plan to ensure a coordinated approach to resilience across sectors and within the property industry.
- The establishment, and adequate resourcing, of an independent agency to advise government on climate science, risks, targets and adaptation.
- The leveraging of existing frameworks, such as the CEFC and ARENA to develop and commercialise, lowest cost abatement technologies.

The Property Council would also welcome the opportunity to provide further evidence at the parliamentary hearing for this Inquiry. Please don't hesitate to reach out to Tim Wheeler, Policy Manager at twheeler@propertycouncil.com.au or 0491 731 496 to discuss our recommendations and/or arrange a time to participate in the hearing.

With thanks,

Mike Zorbas

Group Executive, Policy & Advocacy

Attachment A – Property Council submission to the Climate Change Bill 2020 Inquiry.

A long-term target of net zero emissions by 2050.

Australia is lagging on climate policy. In 2020, the Climate Change Performance Index[2] ranked Australia last among 61 countries for our climate policy. We are also a country that is on the front line of experiencing the impacts of climate change.

In order to mitigate future risks and meet our international obligations, the Commonwealth must set a trajectory to reach net zero emissions by 2050.

The property industry has already recognised this challenge and is committed to playing its part in reducing national emissions. To achieve maximum emissions reduction at least cost, the Commonwealth must put in place long term targets and policies to support emissions reduction efforts in every sector.

A long-term target of net zero emissions by 2050 with staged interim targets and progress reviews is an appropriate and necessary step for the Commonwealth. This will provide policy certainty for industry and time to progress innovative research and technology.

The business community is already acting to address the threat of climate change with investors increasingly aware of the risks inaction poses to long term productivity. As of 2020, nearly 60% of the world's 100 largest public companies support the Task Force on Climate-related Financial Disclosures (TCFD), report in line with the TCFD recommendations, or both.[3]

The Bill represents an opportunity for the Commonwealth Government to provide certainty to Australian businesses who will have to innovate and adapt rapidly in coming years.

Recommendation: The Commonwealth should commit to a long-term target of net zero emissions by 2050 with staged interim targets. These targets should be established in four-year intervals to provide certainty to business and they should be guided by an independent authority to help meet our obligations under the Paris Agreement. The Commonwealth should also commit to public reporting on progress against these targets and set out a process for regular review and adjustment of policy settings.

Establishing a National Climate Change Risk Assessment Framework

Australia is already experiencing the impacts of Climate Change and these are predicted to increase in frequency and severity in the years to come.

Over the past 30 years, natural disasters have resulted in billions of dollars in direct costs, as well as a multitude of intangible costs such as deaths, injuries and significant social impacts including the health and wellbeing of our communities. As Deloitte reports, when combined, the total economic cost of natural hazard-triggered disasters in the 10 years to 2016 has averaged $18.2 billion per year, equivalent to 1.2% of average gross domestic product (GDP) over the same period. This is expected reach $39 billion per year on average by 2050 (in present value terms), even without considering the impact of longer term 'stresses' due to climate change.[4]

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[2] https://www.climate-change-performance-index.org/country/australia accessed 26/11/20

[3] Task force on climate-related Financial Disclosure, 2020 Status Report.

[4] Deloitte Access Economics for the Australian Business Roundtable for Disaster Resilience and Safer Communities, 2017, 'Building Resilience to natural disasters in our states and territories', p.7

These impacts have been identified by the World Economic Forum as the main global risks facing our societies (Figure 1). Climate change and its impacts make up the top five risks by likelihood and three out of four of the top risks by impact.

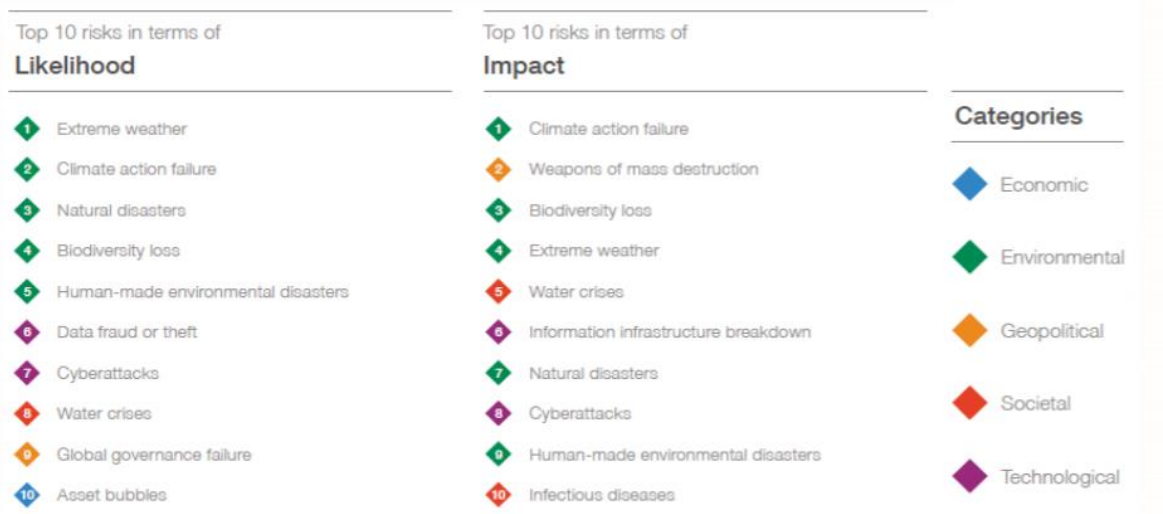

Figure 1 - World Economic Forum Top 10 risks from Global Risks Perception Survey 2019-2020

There is a need to develop and communicate a local body of knowledge that encompasses these risks by their nature, severity and likely location of occurrence. The Commonwealth with its national reach is uniquely placed to take the lead on this initiative and should engage with state and territory governments to deliver a risk assessment framework.

Recommendation: The government should support the built environment by establishing a National Climate Change Risk Assessment Framework to help business and communities recognise and manage the risks they face. This will clarify what governments expect the biggest risks to be, the sectors of the economy and environment most impacted and what action is necessary to mitigate and adapt to the risks posed.

Establishing a National Adaptation Plan

The absence of a comprehensive national policy framework and supporting actions to mitigate and adapt to the impacts of climate change has manifested in many ways across the country and within major sectors of the economy. For Australia's built environment and property industry:

- a lack of national, comprehensive data and mapping has undermined understanding of natural hazard risk by governments and the community. This has contributed to poor planning decisions leading to property development in areas of significant risk
- inappropriate building design and construction in the past has been widespread, leading to buildings susceptible to damage by the local impacts of climate change
- local, state and territory and federal governments have not invested adequately in strategic disaster mitigation initiatives and infrastructure. Potential changes in climate will likely lead to further increases in the frequency and severity of weather-related losses in Australia. A 2018 study jointly produced by the University of Melbourne, the ANU and the CSIRO[5] estimated the

[5] AGU100 report, 2018, 'The Effects of Climate Change on GDP by Country and the Global Economic Gains From Complying With the Paris Climate Accord'

global gains from limiting warming to a 2°C increase are approximately $US17,489 billion per year out to 2100.

Without appropriate risk assessment, mitigation and adaptation measures to offset the uncertainty of future impacts, the cost of insurance is very likely to rise, with some locations becoming too expensive for consumers to bear the cost or causing some insurers to withdraw. As this occurs, governments will be called upon to cover the cost of repair and reconstruction currently met by insurers.

The recommendations below will assist in preparing industry to face the inevitable effects of climate change and reduce the impacts on the community.

Recommendation: Realise economic benefits from early adaptation through risk minimisation and the development of a National Adaptation Plan with strategies for key economic sectors, including the built environment.

Recommendation: Establish a 'one stop shop' climate change adaptation web portal and make it freely available. This will:

- provide information on national climate change data, such as expected temperature changes, flooding risk and other hazards, to facilitate adaptation decision making
- assist communities to keep up-to-date with the most recent advice and data provided to government;
- allow built environment professionals and communities to understand the predicted impacts of climate change for their local areas and to take appropriate action to enhance resilience.

The recent Recommendation 4 of the Royal Commission into National Natural Disaster Arrangements should be adopted and expanded on to deliver this.

Establish an Independent Climate Change Agency

There is currently an information vacuum on data relating to climate change and its impacts in Australia. Consistent and publicly available data on disaster risks, costs, and impacts on public investment in recovery and resilience would improve awareness and planning.

Limited information is leading to a scattered approach to risk mitigation and resilience building in the built environment. There is also a backloading of government expenditure on recovery from natural disasters rather than a more cost-effective investment in prevention measures. Policy makers and industry Australia-wide require a single and reliable source of information to drive their decision-making. To meet this need, the Commonwealth should establish and Independent Climate Change Agency with the responsibility to research, collate and promulgate the most up-to-date climate science. This agency should also provide advice to government on interim emissions reductions targets and the forward trajectory.

Recommendation: Establish and fund an Independent Climate Change Agency to provide information on the risks of climate change and provide guidance to the Commonwealth on science-based, interim targets for emissions reductions.

Technology readiness assessment

The Bill rightly identifies low emissions technologies as a significant potential source of emissions reductions. In the context of the built environment, the government's Technology Investment Roadmap (TIR) and the associated low emissions technology statements provide an initial step to identifying and supporting the development of low emissions technologies.

Improvements to the Technology Investment Roadmap

The Property Council made a submission to the consultation process for the TIR that outlined some areas for improvement that would lead to greater carbon abatement. The following recommendations are relevant to the Bill as it directly references the TIR and relies on it to deliver emissions reductions through technological innovation and uptake.

The Property Council strongly supports the objective of government bolstering the development and deployment of new and existing low carbon technologies for the built environment. We support the government's choice to shortlist technologies for investment within the Technology Investment Roadmap, but we caution that it must be done in ongoing consultation with industry.

Failing to do so will create a risk that government investment will back technologies that do not deliver cost-effective abatements. If the final products do not deliver the most economical reductions in energy use and carbon emissions, it is likely that they will not be commercially successful.

To avoid this, the government should ensure that its shortlist of technologies is road-tested with industry and supported by the best available evidence. Technologies will need market support to attract private investment and achieve optimum results.

Delivering commercial rigor to government investments through the CEFC

The Clean Energy Finance Corporation (CEFC) is one of the Commonwealth's most successful endeavours in accelerating Australia's transition to a low emissions future. As the CEFC applies commercial rigour to its investments and generates income for the Commonwealth, its role is central to achieving a long-term target of net zero emissions by mid-century.

The CEFC is actively working with the built environment sector to catalyse increased investment in energy efficiency and renewable energy in new and existing buildings, helping reduce energy costs and emissions.

The Property Council is strongly supportive of its mandate and efforts to date and we see potential for further investment in energy efficiency and new low carbon technologies across various sub sectors including commercial office buildings, community housing and aged care and student accommodation.

The government should leverage the structure and delivery-model currently available through the CEFC to encourage further private sector investment.

Expanding the mandate of ARENA for energy and emissions management

ARENA's current innovation model is well suited to areas of existing activity: renewable energy and grid stabilisation. However to address the needs of key economic sectors, ARENA needs to shift from a R&D innovation model focused primarily on the supply of low carbon energy, to one that helps drive energy productivity in particular sectors of the economy, and the 'enabling ecosystem' of energy management products and services that sits around those sectors. To do this, ARENA should be empowered to address both of the following:

- Demand-side barriers: The role of demand-side measures is more crucial than ever. ARENA should be enabled to contribute to the development of energy efficiency, demand management and demand response technologies and programs.
- Mature technology barriers: There has been very limited deployment of several mature energy management practices or technologies in particular sectors, even if they are commonly deployed overseas. Further, highly efficient technology is often unavailable or expensive in

Australia due to a historic lack of demand. This means the capability of service providers is often low, and supply chains can be limited or non-existent.

ARENA is currently constrained by how it can engage with the issues listed above and its mandate should be expanded to deliver on these important measures and unlock further carbon abatement throughout the built environment.

Recommendation: The Technology Investment Roadmap is a good policy basis to engage low emissions technologies to deliver carbon abatement. The government should continue to apply market rigor to ensure that the shortlist of technologies remains commercially viable upon release.

Recommendation: The Government should look to commercialise existing low emissions technologies from overseas by breaking down barriers to their adoption. Actions include raising minimum standards to capture low performers, helping developers identify and invest in opportunities to adopt low emissions technologies, and overcoming cultural barriers.

Recommendation: ARENA and the CEFC provide highly functional frameworks and their mandate could be expanded to develop and commercialise low carbon technologies. We urge government to revisit their scopes of operation to ensure Australia can benefit from the lowest cost carbon abatement technologies and skills.