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Australia's property industry

## Creating for Generations

15 September 2024

Mr Ben Ponton  
Director General  
Environment, Planning and Sustainable Development Directorate  
Lodged via the YourSay ACT portal

Dear Mr Ponton,

The Property Council of Australia welcomes the opportunity to again respond to the ACT Government's *Integrated Energy Plan*.

As Australia's peak representative of the property industry, the Property Council's members include investors, builders, owners, managers and developers across all asset classes. Our industry is a significant contributor to the Australian Capital Territory's economy, accounting for more than \$4.5bn in economic activity and 1 in 7 jobs while also being among the largest contributors to ACT Government's revenue pipeline.

The Property Council is aware of the unique role our industry can have in reducing emissions across the country. We are proud supporters of the electrification of buildings and will be shortly realising a report in partnership with the Green Building Council Australia titled 'Every Building Counts'. This report specifically dives into policy recommendations for State and Territory Governments on how they can decarbonise residential, commercial and public buildings effectively.

In reviewing the *Integrated Energy Plan* it is pleasing to see a dedicated section on the electrification of complex buildings. This will be a large challenge across the country with particular significance for Canberra and the ACT region. For assistance in identifying challenges including the opportunities we have prepared a document that tackles electrification of the different typologies for complex buildings. We have attached this document as *Appendix A*. We also encourage you to refer to the Green Building Council of Australia's *Practical Guides to Electrification for new and existing buildings*<sup>1</sup> for technical input to this process.

Property Council supports the plan to make the ACT an all-electric city by 2045 but recognise that there are still policy issues around transition that also present opportunities. We provided some of these recommendations in our April 2023 response to the Government's issue paper *Regulating for the prevention of new fossil fuel gas network connections* and would ask that you refer to that in conjunction with this submission.

In this submission we are specifically addressing the questions in the consultation paper that are relevant to our industry. In preparing it the Property Council has commissioned a working group of property owners, developers, architects, engineers, and sustainability experts to

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<sup>1</sup> [Electrification | Green Building Council of Australia \(gbca.org.au\)](https://www.gbca.org.au/electrification)

provide advice on the most practical way to approach any future regulation. Our working group look forward to continuing engagement as the role out of the Energy Plan takes place.

Should you wish to discuss the contents of this submission further or embark on additional consultation exercises with our members please feel free to reach out to me directly on 0420 286 087 or by email to [smartin@propertycouncil.com.au](mailto:smartin@propertycouncil.com.au)

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Shane Martin', with a long horizontal flourish extending to the right.

**Shane Martin**

ACT and Capital Region Executive Director  
Property Council of Australia

# **Submission to the Environment, Planning and Sustainable Development Directorate (EPSDD)**

## **Integrated Energy Plan**

September 2024

## 1.0 Executive Summary

### Our track record on sustainability

The Property Council of Australia is a proud advocate for decarbonisation and electrification.

Over the course of our history, we have sought to provide leadership regarding the role our built environment can have in supporting the journey to reduced carbon emissions. This has included our role in establishing the Green Building Council of Australia (GBCA) and the Australian Sustainable Built Environment Council (ASBEC) which extends on these advocacy and leadership initiatives.

At the local level, our Social Sustainability Committee has been at the forefront of the sustainability conversation within the property and construction industry, hosting numerous sustainability events in recent years to help expand the industry's thinking. These include:

- Emerging Trends Outlook – a panel conversation on national sustainability ratings, best practice in adaptive re-use and the impact of vehicle electrification on bespoke asset classes.
- Walking the Talk, practical steps to implementing sustainability in the built environment
- A City with No Gas: Achieving Decarbonisation in Canberra Together
- Retirement Living Demonstration Project – Callum Offices Phillip
- Adaptive Reuse in Canberra

We are also champions of adaptive re-use. By taking Canberra's low-demand, high -vacancy, poor-sustainability C and D grade office stock and converting it to higher and more productive uses we can keep our main centres healthy and vibrant while also tapping into the benefits of embodied carbon from re-using an existing built asset. We see this as a viable pathway to securing the electrification of buildings where traditional measures would not stack up financially.

Additionally, we are working through policy around the circular economy and championing it in the industry. We note the ACT Governments recently release Circular Economy Strategy. When thinking through electrification of buildings considering the property sector as a whole and how circular economy can play its part will be crucial in our sustainability goals. We would welcome the opportunity to discuss this part further.

To support this submission, the PCA Social Sustainability Committee have prepared a Building Typology Matrix in *Appendix A* which looks at the challenges, opportunities and asks of the ACT Government with the electrification of all buildings in Canberra by 2045. We see this as a live document that we will continue to consult with the PCA membership base and as a tool for ongoing communication with the ACT Government.

### Policy recommendation around transitional arrangements

Our members welcome the electrification of our buildings, and we support the Integrated Energy Plan being rolled out in 3 stages. As indicated in consultation documentation, this will allow flexibility and adjustment depending on the outcomes of stage 1. We have answered the consultation questions in **section 2.0 below** but the Property Council has identified other key policy hurdles and opportunities below:

- The need for **an electrical grid that can cater to growth** or is capable of being efficiently upgraded in a short space of time. We understand that the Government will monitor the rate of transition and work with EvoEnergy. Our concern is when households and commercial and residential buildings transition together our grid

capacity may not manage. It is important that the Government manage and review the transition to ensure that appropriate supply is available to meet demand.

- Within this recommendation it will be important that the Government understands the storage capacity and requirements. More work will be required to confirm battery requirements, the way that storage will work, what will be the demand constraints and what work can be done to improve supply.
- **Planning incentives to encourage electrification** to allow faster transition. The ACT Government should consider how it can use its planning policy arm to encourage the transition. Incentivisation should include:
  - **Increased development rights.** To incentivise the electrification of older buildings that are not ideally suited for modern workplace environments or which are beyond their useful life as an office building, there are a number of levers open to Government to incentivise electrification and where relevant Adaptive Reuse including to preserve the embodied carbon including:
    - Increased Building height
    - Encroachment of site boundary above ground level for elements such as balconies
    - Removal of 3<sup>rd</sup> party appeals
    - Waiver of LVC provisions or any LVC being directed towards the building / immediate surrounds
    - Recognition of the need for a range of housing typologies including retirement living, social, community/affordable and incentives there-in
  - **Building height exemptions.** Our current planning systems have a limit on the height in the city, by allowing exemptions to height restrictions to build generators on roofs this will provide space and room for multi-storied apartments and commercial buildings to electricity.
  - **Density bonuses and green door policies.** These planning incentives would support the accelerated deployment of high performing new buildings by targeting one of the highest priorities for building developers – the cost and time invested and the uncertainty of planning processes.
  - **Additional flexibility within the planning system to accommodate more space for electrical infrastructure.** For example, approving an application that falls beneath parking requirements in order to accommodate a retrofitted electrical system. Importantly, the inclusion of additional plant and equipment within large buildings should not be counted toward the Gross Floor Area calculations that are considered when determining Lease Variation Charges. The concept of taxing property owners and developers for making their buildings more sustainable is contrary to the objectives of the government’s energy transition agenda.
- As our city moves into a post-COVID environment the concept of **work from home** looks to remain for the time being. This has negative effects on the economy in our CBD but also has electrification ramifications. If there are empty tenancies, then this presents an opportunity to electrify the building however there are considerations.
  - For empty office accommodation the Government should revalue these properties in line with current expectations. This will see value for these buildings drop and provide a corresponding decrease to rates. This will improve the **feasibility of electrification of these buildings and encourage owners to transition.**
  - The ACT and Federal Governments should become active participants in the electrification of Commercial Office building partnering with property owners with a commit to Green Leases which **recognise embodied carbon** and which provide certainty for the electrification of buildings in an orderly fashion

- Precinct based solutions are they key to a sophisticated approach to electrification where building owners work collectively on a property strategy that ensures:
  - The right buildings remain office accommodate
  - Buildings that lend themselves to adaptive reuse are incentivised to do so
  - Tenants are included in this process and seen as a shared asset
  - Building beyond their use-by date can be demolished and replaced with new buildings that support the precinct
  - Any LVC payments are used in that precinct
- Building on the points above, our **aging office stock could be repurposed for residential**. In Canberra Civic we have an increasing supply of new A-Grade office accommodation leaving behind B & C Grade. With these aging buildings being repurposed it presents an opportunity for those buildings to be electrified. The Government has an opportunity to incentivise adaptive re-use in the Civic creating a vibrant city centre, helping meet housing targets and creating an electric city. Incentivisation should be a Lease Variation Charge (LVC) concession and a fast-tracked planning approval regime. These would allow the market to move quickly and assist in the gas transition of complex buildings.

As the ACT Government considers the implementation of it's Integrated Energy Plan these policy recommendations should be enacted. Through working with the Property industry and providing the appropriate Government leadership and incentives we will see a much faster transition to electrification while not leaving key buildings behind.

## 2.0 Consultation Questions

### Electrifying complex buildings

7. **How can government work with industry and financiers (such as green finance and investors) to electrify existing complex buildings?**
  - a. **How can government work with community and community organisations to ensure a smooth transition for those living in complex buildings?**

#### Working with Industry

Buildings account for half of Australia's electricity use and almost a quarter of its emissions.<sup>2</sup> It also presents some of the least cost emissions reduction opportunities. Industry within the property sector is broadly for the electrification of its buildings but there are barriers in place that prevent the readiness of the uptake.

- The confusion of how the ACT Government policies will work with the Federal Government leasing (carbon neutral by 2030).
- Planning systems that don't incentivise electrification.
- Older commercial buildings that are too expensive to upgrade.
- Gas systems that still have a number of years before they need to be replaced.

It is **recommended** that to work with industry that the Government actively support the creation of leadership groups that brings together academics, industry and government.<sup>3</sup> This forum could drive innovation, connect stakeholders, generate awareness of best practice and develop knowledge, skills and capabilities. This would bring together members to work together to understand best pathways forward for electrification and additionally think through reducing emissions and embedded carbon.

<sup>2</sup> Australian Government Department of Climate Change, Energy, the Environment and Water, 2023

<sup>3</sup> Every Building Counts for State and Territory Governments, 2023

One example of this is the US Carbon Leadership Forum. The Carbon Leadership Forum is an industry-academic collaboration hosted at the University of Washington. It has brought together product manufactures, building owners, general contractors, architects, engineers and policy makers. They have produced thought leadership and worked together to promote education and awareness.

#### Working with the financial sector

The financial sector also has a significant role to play in actively enabling sustainable financing for development projects and on the international scale, sustainable finance instruments such as green loans and green bonds are on the rise.

It is **recommended** that the ACT Government should support green loans and innovating finance products to drive high performing electrification of buildings. This is required because the current issue is that value of retrofitting existing buildings is perceived to be less than the cost. The Government should work with the property and finance sectors to accelerate the expansion of preferential financing mechanisms that incentivise sustainable buildings and upgrades.<sup>4</sup> These loans provide an incentive in the form of a lower interest rate or increased loan amount.

While this would require cooperation with the financial institutions a financial measure that the ACT Government could implement **are rates and charges concessions for the electrification of existing buildings**. This would include stamp duty and land tax concessions for the electrification of existing complex buildings for a set period. In the case of multi-storied apartments this would be the homeowner benefits that would flow to any tenants as well.

#### Community and Community Organisations

Government will be required to bring the community and community organisations along the journey of electrification and there will be occasional resistance. The ACT Government should drive awareness and behaviour change around sustainable housing, by providing information and social support to homebuyers and renovators at key moments of their decision making.

This information could include details of available financial incentives and mechanisms identified above that would provide benefit to the community and tenants. This educational material could be delivered through government campaigns in Canberra broadcast media, social media, and commercial product placement, to accelerate the understanding of the benefit.<sup>5</sup>

#### Working with Strata thresholds and the electrification of commercial and residential buildings

Although not specifically referred to in the consultation questions a key issue that will be encountered will be Strata agreements on electrification. Our **recommendation** is that the ACT Government utilise examples in other jurisdictions around the threshold requirements for Strata agreement.

One example of this is from Mumbai where if 70% of the strata body agree to a decision then it is taken as decided. This same concept could apply to electrification of multi-storied residential or commercial buildings that if 70% agree to pursue this it is decided. This would be a way of ensuring that the transition pathway is not held up.

### **8. What should be the role of body corporates in preparing for the transition?**

For multi-storied apartments body corporates will need to play a pivotal role in the electrification of buildings. They should inform owners of the benefits of transitioning assets

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<sup>4</sup> Ibid

<sup>5</sup> Ibid

to highly efficient and low carbon buildings and seek to coordinate energy performance and electric equipment upgrades on behalf of owners. Additionally, through leadership of the ACT Government they should be encouraged to engage in financial planning and funding and renewable energy adoption of the owners.

Body corporate financial planning and funding should include:

- Developing long-term financial plans to fund sustainability initiatives.
- Researching and applying for grants, incentives, and rebates for energy efficiency and renewable energy projects.

Body corporate renewable energy adoption should include:

- Evaluating the feasibility of installing renewable energy systems like solar panels on the building's rooftop or facades.
- Negotiating contracts and financing arrangements for renewable energy projects.
- Managing maintenance and operation of renewable energy systems.

## Skills and Workforce for the transition

### 12. How can we increase the number of skilled workers in electrical trades?

New skill demands will arise through the electrification change, while demand for gasfitters will fall. This needs to be considered and well thought out over the course of the transition, and the transition needs to be tailored to reflect these capacity constraints. The Property Council can provide recommendations in this submission around how to increase the number of skilled workers for the electrification of complex buildings.

To grow the market for sustainable buildings the ACT Government should provide within its **Industry** Plans a planned pipeline for training and education around electrification of buildings that can support industry capacity building. The benefits would be realised through local economic development, regulatory compliance and driving the industry to aspire to higher standards for building performance.<sup>6</sup>

Through the Skills and Workforce Ministerial Council the ACT Government should work with the Federal Government and other states to support the development of a national education and training agenda for building energy efficiency and emissions reduction.<sup>7</sup>

As identified in *Every Building Counts*<sup>8</sup> priority should be placed on ensuring effective compliance with minimum standards through skills training and incentives, and improved mechanisms for dispute resolution. Market transformation program should be tailored for ACT including the building techniques, industry contexts and capabilities as well as our climate zone. In addition to operational emissions, the agenda should also support a nationally coordinated strategy to achieve net zero embodied carbon.

## 3.0 For more information

For more information, please contact Shane Martin, ACT and Capital Region Executive Director, Property Council of Australia, on 0420 286 087 or by email to [smartin@propertycouncil.com.au](mailto:smartin@propertycouncil.com.au)

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<sup>6</sup> Every Building Counts for State and Territory Governments, 2023.

<sup>7</sup> Ibid

<sup>8</sup> Ibid