SHOPPING CENTRE
COUNCIL OF AUSTRALIA

18 May 2015

Department of Economic Development, Jobs, Transport and Resources
Energy Sector Development Division
GPO Box 4509
MELBOURNE VICTORIA 3001

By email: energysaver.incentive@ecodev.voc.gov.au

To whom it may concern

Setting future Victorian Energy Efficiency Targets Consultation Paper – April 2015

I write to signal the Shopping Centre Council of Australia's (SCCA) in principle support for the proposed removal of the current exclusion of "large business sites", including shopping centres, from participation under the Victorian Energy Efficiency Target (VEET), and associated Energy Saver Incentive (ECI).

The SCCA represents Victoria's major owners and managers of shopping centres. Our members have interests across Victoria's metropolitan, regional and rural areas, covering around 90 shopping centres and 2,500,000 square metres of retail floor space. In the context of "large business sites", this includes four of the 10 largest shopping centres in Australia in terms of GLA, including Chadstone Shopping Centre (around 175,000m^2), Westfield Fountain Gate (around 175,000m^2) and Knox (around 140,000m^2), and Highpoint (around 154,000m^2). (We note that each of these centres, and others, are larger than some of the largest commercial office buildings in Victoria eg. 101 Collins Street is only around 84,000m^2). There are also a large number of regional, sub-regional and neighbourhood shopping centres across Victoria, including the likes of Stockland Highlands, Karingal Hub and Rosebud Plaza Shopping Centre.

Our members are continually looking for opportunities to improve the operational performance of their centres and reduce their costs and their tenants' costs. This includes through the investigation and implementation of energy efficiency initiatives. A number of our members are also active participants in the NSW Government's Energy Savings Scheme (ESS) and have expressed interest in seeing the VEET extended to cover relevant investments in energy efficiency activities at their Victorian centres.

There are many examples where shopping centres have been ignored or misunderstood in the design of energy saving schemes, including the now terminated Green Building Fund and the current Emissions Reduction Fund (ERF). In the former, shopping centres where only allowed to participate in the scheme in the seventh and final funding round. In the latter, the fund's policy settings, including the high minimum abatement threshold of 2,000 tonnes CO_2 –e / year, and additional constraints built into the relevant methodology which ignore the fundamentals of shopping centre management and redevelopment, will make it extremely difficult for shopping centre owners to find material benefit under the ERF.

Opportunity

We understand that the immediate task facing Government is the setting of regulated emission reduction targets for 2016 onwards. We also understand from the Discussion Paper that the Government's present modelling finds that there are opportunities for large business sites under the VEET, but that the inclusion of large businesses would require regulatory change and, therefore, additional consultation.

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We recommend the Government continue with its apparent intent to extend the VEET to large commercial sites and to adopt a target which would allow sufficient capacity for large commercial sites, specifically shopping centres, to receive an attractive material benefit under the scheme following investment in appropriate energy saving activities.

We would welcome direct engagement during the subsequent consultation period about the regulatory changes needed to see this 'strengthening' of the VEET scheme successfully implemented for shopping centres.

More specifically, we recommend that two important program parameters should be applied:

- Payment for emissions reductions should continue to be made up-front or, alternatively, as achieved under new and more flexible methodologies (as per the NSW ESS scheme for, for example, a total building upgrade).

- There should be no minimum abatement threshold (as currently exists in the context of the ERF).

Subject to an extension to large commercial sites, these parameters will, generally speaking, make the VEET more attractive and accessible for shopping centre owners. The former is particularly important to allow shopping centre owners to appropriately manage their capital investment in the energy efficiency project. The latter will allow owners the flexibility to progress with a single asset upgrade and still access the VEET, as opposed to being required to manage the complex task of aggregating energy savings at a number of assets (that may or may not be held in the same ownership).

We note that the extension of the VEET to large commercial sites would require the development and regulation of new 'energy efficiency activities'. We further note that these new activities are not specifically considered in the Discussion Paper and will be considered "separately, at a later date".

The SCCA's early view is that developing methods for calculating energy savings which are akin to those in operation in NSW under ESS would be an efficient and tested path for the Victorian Government to consider.

By way of example, in NSW, asset owners are able to demonstrate total asset energy savings as a result of a building upgrade via a NABERS metered baseline method. NABERS is a well understood and widely utilised tool across the property sector, with specific tools having been developed for a range of commercial property asset classes, including NABERS for Retail (ie. shopping centres).

(NABERS is also the tool which underpins the commercial building methodology under the ERF. A range of issues, including a high barrier to entry, constraints on asset floor space growth and the application of a degrading baseline make it generally unattractive to shopping centre owners)

NABERS is administered by the Office of Environment and Heritage within the NSW Government and ratings are 'accredited' by rating assessors. As such, the adoption of a NABERS metered baseline method under the VEET would neutralise the concern expressed in the Discussion Paper that "more flexible methods however require more input from businesses to show the proposed energy savings are valid, so there may be an increased cost to businesses to create certificates".

We anticipate discussing appropriate methodologies with the Victorian Government, including the possible adoption of a NABERS metered baseline method, at the appropriate time.

Members

The SCCA's members are AMP Capital Investors, Blackstone Group (Australia), Brookfield Office Properties, Charter Hall Retail REIT, DEXUS Property Group, Eureka Funds Management, Federation Centres, GPT Group, ISPT, Ipoh Management Services, Jen Retail Properties, JLL, Lancini Group, Lend Lease Retail, McConaghy Group, McConaghy Properties, Mirvac, Novion Property Group, Perron Group, Precision Group, QIC, Savills, SCA Property Group, Scentre Group and Stockland.

If you have any questions, please contact Kristin Pryce, Senior Advisor, on 02 9033 1941 or at kpryce@scca.org.au.

Yours sincerely

A. N 13.5.2015

Angus Nardi
Executive Director