

The Hon. Michael Sukkar MP
Minister for Housing and Assistant Treasurer

prebudgetsubs@treasury.gov.au

28 January 2020

Dear Assistant Treasurer,

RE: Green Building Council of Australia priorities for the 2021-22 Federal Budget

Thank you for the opportunity to provide our submission outlining the Green Building Council of Australia (GBCA)'s priorities for the 2021-22 Federal Budget.

The built environment will play an instrumental role in Australia's long recovery from the COVID 19 pandemic. It is particularly well-suited to economic stimulus due to its labour-intensive nature, the availability of shovel-ready projects and its extensive connections with other sectors of the economy. While the focus of initial economic stimulus was rightly on the actions needed to safeguard jobs and incomes, we urge the Government to adopt a much larger stimulus program and shift the focus towards stabilising and growing jobs and investment activity, on a scale that would have a major impact on the economy particularly as population growth recovers.

Our last pre-Budget submission highlighted a number of measures for assisting and securing the recovery of activity across the property and construction sector that would simultaneously deliver our energy and climate objectives. Whilst we continue to emphasise the importance of this near-term goal, we also note the long-term growth opportunities presented by retrofitting existing dwellings and new social housing, with energy efficiency front and centre.

GBCA recognises that the Commonwealth Government must account for the needs of businesses whilst supporting a recovery that accelerates our transition to a low-carbon economy. As previously stressed, investing in high performing construction and infrastructure can accomplish both while ensuring the Commonwealth Government can meet our national emissions reduction target by 2030. Australia's green building sector is one of the most advanced in the world and is well positioned to generate opportunities for economic growth and job creation. By building high-performing, low emission buildings and retrofitting our existing building stock, the Commonwealth Government will create new jobs and scale-up investments, reduce emissions whilst ensuring Australian buildings are more resilient to future climate conditions.

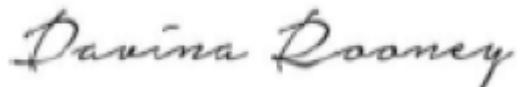
The GBCA's key priorities in relation to the upcoming Federal Budget are the following, with further detail included in **Attachment A**:

- **Recommendation 1:** Invest in home energy retrofits with a \$500m Home Energy Improvement Fund
- **Recommendation 2:** Fund delivery of new social housing that meets high energy efficiency standards
- **Recommendation 3:** Invest in high performing public assets through a \$1 billion Government Buildings Upgrade Fund
- **Recommendation 4:** Undertake a rapid review of skills needs around energy efficiency, and invest \$50 million to roll out priority measures to support workers transitioning from other sectors
- **Recommendation 5:** Support the commercialisation of low emissions technologies through a dedicated \$30 million co-investment fund
- **Recommendation 6:** Support vulnerable Australians through a \$60m grants program to deliver a targeted information campaign and home energy upgrades.

The GBCA looks forward to supporting budgetary measures that advance the development of more sustainable, liveable and resilient cities and communities we welcome opportunities for further collaboration and consultation.

Please do not hesitate to contact myself, at davina.rooney@gbca.org.au should you require any further information, or to discuss any of the issues raised in this submission.

Yours Sincerely,

A handwritten signature in black ink that reads "Davina Rooney". The signature is fluid and cursive, with "Davina" on top and "Rooney" below it, slightly overlapping.

Davina Rooney

Chief Executive Officer
Green Building Council of Australia

ATTACHMENT A – GBCA Pre-Budget Submission 2021-22

About the Green Building Council of Australia

The Green Building Council of Australia represents more than 550 members including individual companies with a collective annual turnover of more than \$46 billion.

Our membership reflects the diversity of Australian business with over 500 small-to-medium enterprises through to 83 companies with annual turnover of more than \$100 million and 30 companies now listed in the SP/ASX200, with a combined market capitalisation of more than \$608 billion. Our members include major developers, professional services firms, banks, superannuation funds, product manufacturers, retailers and suppliers. We also have 32 local government, 24 state government departments and land organisations, and 21 university members. Company members alone employ more than 50,000 staff across Australia.

Recommendation 1: Invest in home energy retrofits with a \$500m Home Energy Improvement Fund

Energy efficiency upgrades present a significant opportunity for economic recovery and emissions reduction across the built environment sector. GBCA submits that it should form a key part of the government's long-term plan to mitigate the economic impact from COVID-19.

In the residential sector, research shows that the majority of Australia's 9.5 million homes average 1.5 stars, well below the minimum mandated energy efficiency standard for new residential buildings.

Improving the performance of these homes through Commonwealth Government energy efficiency retrofits would not only support existing workforces and create new jobs, it could also reduce household energy bills and ameliorate the health risks related to low quality housing. Additionally, better performing houses would also help our communities build resilience in the face of future climate events and price shocks.

A nation-wide home energy efficiency retrofitting program would also help with the Government's emissions reduction goals. Homes are currently responsible for around half of all emissions produced by the built environment. Without action to reduce the impact of this sector, meeting our 2030 emission targets will be difficult.

Whilst a number of useful upgrades can be made across Australia's public and private housing, GBCA believes that energy efficient appliances and thermal improvements should be at the centre of this initiative. Working with state governments for locally orchestrated delivery, the Commonwealth Government should commit \$500 million to a nationwide home energy efficiency retrofitting program. The rollout of funding should be focused along two tracks:

- \$250m to fund the bulk rollout of commonly available technologies that improve the energy performance of homes;
- \$250m to provide grants to improve the thermal performance of existing homes. These grants should focus on renovations that improve the health, safety and energy efficiency of homes, such as draught proofing.

GBCA supports targeting this program at low-income households and social housing in the first instance. With the social housing sector taking the lead and priority assistance provided for vulnerable households, the program can simultaneously help those affected by energy hardship. However, we believe it is also critical to catalyse transformation in the wider building stock, with a focus on technologies that are readily available and can be rolled out quickly by appropriately qualified trades, such as electricians and plumbers.

Recommendation 2: Fund delivery of new social housing that meets high energy efficiency standards

In addition to improving the performance of existing stock, new housing construction is a key part of the Commonwealth Government's stimulus agenda. GBCA supports direct funding for social housing - a much neglected part of public infrastructure investment.

Australia currently has a national shortage of approximately 438,000 dwellings, which is expected to grow to 727,000 by 2036. To simply keep the current shortage from worsening, research estimates that 15,000 additional dwellings a year are required¹.

While recent state budgets have incorporated significant public investment in new social housing and refurbishments, these investments will only make a modest contribution to meeting the current shortfall and addressing emerging demand.

Targeting this area of public infrastructure through direct investment could address this gap, while helping to boost employment and housing construction at a critical time. Research by KPMG shows that for every dollar invested, social housing could boost GDP by \$1.30². Such an investment would also deliver a number of far-reaching social and economic benefits related to reducing homelessness and improving workforce participation, health and productivity.

Working with state and territory governments, GBCA proposes that the Commonwealth Government provide investment to significantly increase the quantity and quality of social housing. Various delivery models have been presented: for example GBCA would endorse the Community Housing Industry Association's [Social Housing Acceleration Program](#) (SHARP) that calls for a commitment of \$7.2 billion to deliver 30,000 new properties, which is expected to raise construction output by at least \$15.7 billion over four years, generating an increase of \$5.8 - \$6.7 billion in GDP and supporting 30,000 jobs. Within the suite of available opportunities, GBCA would like to highlight the importance of energy efficiency and climate resilience, which would allow tenants to enjoy healthier and more comfortable homes that are less expensive to operate and more resilient to weather extremes.

Through a commitment to build new social housing to a higher standard, the Commonwealth Government would signal leadership to key stakeholders, and help to normalise the processes and technologies that will make efficient, resilient social housing the sector standard. The GBCA would be pleased to share our expertise with the Commonwealth Government regarding the application of the Green Star rating tool for all newly constructed social housing based on our past work with state governments.

Recommendation 3: Invest in high performing public assets through a \$1 billion Government Buildings Upgrade Fund

Investing in public assets, including social infrastructure such as schools and hospitals is not only an opportunity to deliver jobs creation, but also vital for meeting community expectations regarding the efficient running of these assets.

Recent months have seen various state governments use public procurement to drive construction activity by committing to upgrades of public assets. Alongside the substantial benefit from direct and future cost savings, as well as the support provided to the energy services sector in Australia these upgrades are expected to deliver environmental and social benefits. Most governments in Australia already recognise the importance of addressing energy efficiency for their operations and many have existing targets for their operations. However, without funding support and the clear mandate of a Commonwealth program, these local efforts will not be able to trigger the large economy-wide multiplier effect that is possible from a nationally coordinated push.

We believe now would be the ideal time to introduce a new Government Buildings Upgrade Fund – a fund applied for by state and territory governments – for investing in energy efficiency retrofits across public assets.

The \$1 billion Government Buildings Upgrade Fund could provide 'dollar for dollar' matched funding, that is offered on a first come, first served basis on the understanding that all funds are expended no later than June 30, 2022. It should also be capped at \$150 million for states, and \$50 million for ACT and the Northern Territory, with the aim of driving a \$2 billion asset improvement program.

¹ AHURI, Social Housing as Infrastructure: An Investment Pathway, <https://www.ahuri.edu.au/research/final-reports/306>

² KPMG, 2012, Social Housing Initiative Review, Housing Minister's Advisory Committee, http://www.nwhn.net.au/admin/file/content101/c6/social_housing_initiative_review.pdf

Recommendation 4: Undertake a rapid review of skills needs around energy efficiency, and invest \$50 million to roll out priority measures to support workers transitioning from other sectors

As discussed above, energy efficiency is a jobs machine that will stimulate the economy by engaging local workforces and supply chains while simultaneously locking in environmental benefits for decades to come.

However, the delivery of energy efficient new buildings and deep retrofits at scale cannot be achieved without a highly trained workforce. To grow the market for sustainable buildings, Australia needs a consistent base of knowledge across the construction supply chain that is accessible and can be tailored to the needs of each industry subsector and jurisdiction. As the Expert Panel led by Grant King noted in their findings recently, skills shortages around energy efficiency is hampering efficiency improvements in the building and transport sectors. Training and education can support industry capacity building, the benefits of which include supporting workers transitioning from other sectors, local economic development as well as improved building quality and greater energy affordability for consumers.

Past research has indicated that cross-industry issues impacting the construction of high-performance buildings including knowledge and skills, quality control and regulatory compliance. We strongly suggest that governments should partner with industry associations as well as tertiary institutions to provide targeted education and skills training to address these issues. To ensure that knowledge and education are subject to constant review and renewal, skills recognition (including CPD training and quality assessment) should be leveraged. The coordination of this training is vital, and necessary to ensure an education and training agenda that encourages an integrated cross-industry understanding of energy efficiency.

We recommend that the Commonwealth Government should commit \$50 million over two years to cross-sector energy efficiency skills and training program. This investment would support jobs, the delivery of energy efficiency stimulus programs, and the long-term success of the Commonwealth Government's 2030 emissions reduction target.

Initial efforts should focus on supporting initiatives that are either underway or in pilot stage at the state level such as energy training for business advisors and energy auditor training. Further activity should be underpinned by a rapid review of skills needs around energy efficiency, as recommended by the King Review. This review should address the differential effects of the COVID19 crisis on industry sub-sectors and how education and training can support those sectors develop business opportunities in the development and supply of energy efficiency products and services. The initiative should be updated every two years to keep pace with consumer demand and technology development and develop targeted education and training programs addressing the gaps.

Recommendation 5: Support the commercialisation of low emissions technologies through a dedicated \$30 million co-investment fund

Australia currently rates poorly in its energy efficiency policy and practices. We are trailing most similar economies due to a very low regulatory stringency and the lack of adoption of proven technologies from overseas (Figure 1). There are significant benefits to be drawn from adopting well-established practices and technologies from overseas. It is estimated that Australian families and businesses can save \$7.7 billion annually through lower energy bills and create 120,000 job-years of employment.³

The market incentives for the adoption of these technologies already exist but there are other barriers to be overcome. These include raising minimum standards to capture low performers, helping developers identify and invest in opportunities to adopt low emissions technologies, and overcoming cultural barriers. As well as investing in the development of new technologies thought the Technology Investment Roadmap, the Commonwealth Government should prioritise efforts to import and establish coherent business cases for proven technologies from overseas.

We recommend the Commonwealth Government invest in a \$30 million co-investment fund to import and commercialise technologies that reduce emissions in the built environment from overseas markets. This fund

³ Green Energy Markets 2018, Energy Efficiency Employment in Australia, Green Energy Markets, Melbourne.

would leverage support from private investment to build the business case and open supply-chains critical to delivering a more energy efficient built environment.

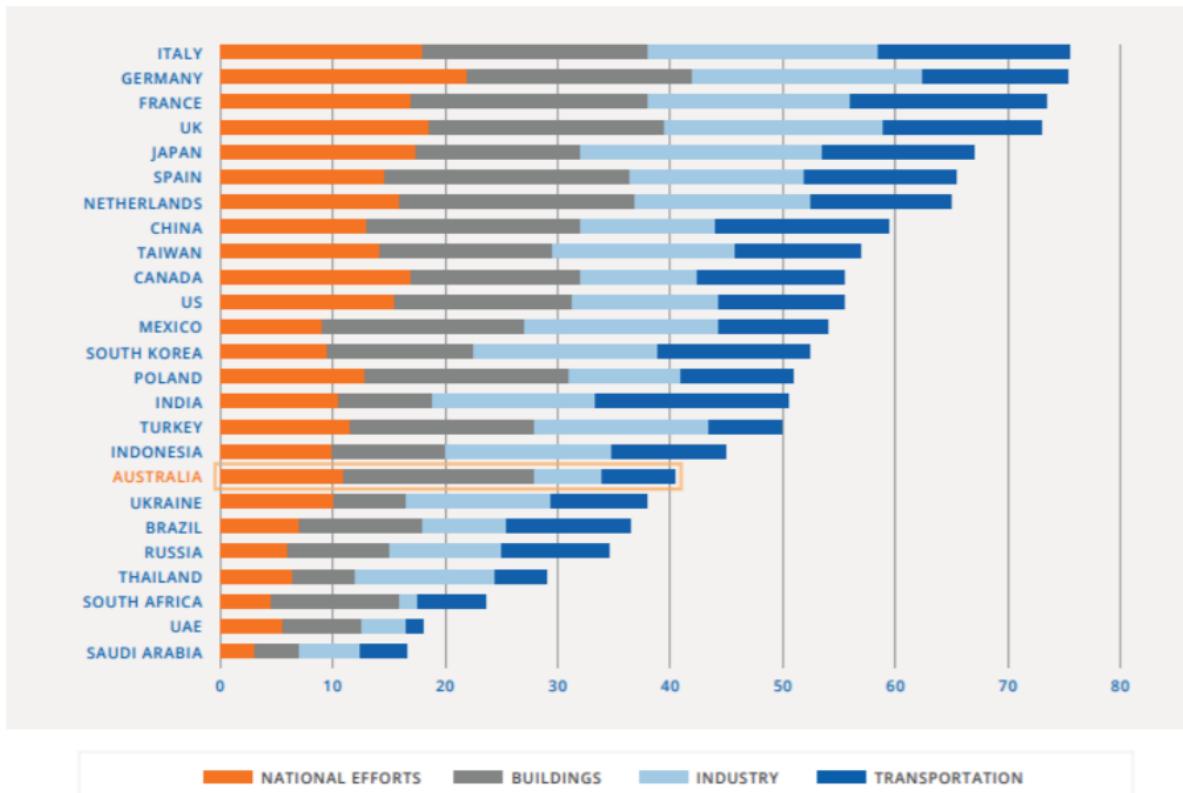


Figure 1 - Energy efficiency policy and practice ratings for the world's largest energy users.⁴

Recommendation 6: Support vulnerable Australians through a \$60m grants program to deliver a targeted information campaign and home energy upgrades

The health and economic impacts of COVID-19 have not been felt evenly throughout the Australian population. COVID-related deaths have disproportionately occurred in the most disadvantaged socio-economic areas.⁵ The closing of many service-related industries impacted lower income Australians particularly severely; this was further emphasized by the fact that many low income Australians find themselves on the wrong side of the “digital divide” and are unable to make an income from home.

Currently many low-income Australians are living in energy inefficient homes that are too hot in summer and too cold in winter. The health and wellbeing impacts of increasing the energy efficiency of these homes are well established.⁶

We encourage the Commonwealth Government to invest \$60 million into a grants scheme to build awareness and increase the energy efficiency of low-income homes. This program could be based on the model used for the successful Low Income Energy Efficiency Program and its outcomes.

LIEEP was a competitive merit-based grant program established by the Commonwealth Government to provide grants to consortia of government, business and community organisations to trial approaches to improve the energy efficiency of low income households and enable them to better manage their energy use. It demonstrated

⁴ Castro-Alvarez, F., Vaidyanathan, S., Bastian, H. and King, J. 2018, The 2018 International Energy Efficiency Scorecard, American Council for an Energy Efficient Economy, Washington DC.

⁵ <https://www.theguardian.com/australia-news/2020/sep/27/we-should-not-pretend-everybody-is-suffering-equally-covid-hits-australias-poor-the-hardest>

⁶ Multiple Benefits of Energy Efficiency – March 2019, International Energy Agency.

many successful approaches to engaging and improving the homes of low-income Australians such as partnering with appliance distributors, empowering community champions and targeted energy efficiency retrofits.