Australian Government
Department of Climate Change
and Energy Efficiency

thinkchange

Tax Breaks for Green Buildings

Consultation Paper

January 2011

Published by the Department of Climate Change and Energy Efficiency

www.climatechange.gov.au

IMPORTANT NOTICE – PLEASE READ

Table of Contents

Chapter 1 - Introduction

Australia has begun a multi-decade transformation towards a low carbon economy. A successful transformation will see Australia's carbon emissions levels fall, our communities and industries adapt to the climate change impacts that we cannot avoid and new opportunities for economic growth and jobs emerge. Capping emissions and placing an explicit price on carbon will be the key to this transformation.

Energy efficiency has a critical role as well. Energy efficiency offers a fast and cost-effective way to reduce our carbon pollution and most Australians have opportunities to improve energy efficiency whether at home, in business and industry, or in the community sector. With commercial buildings accounting for around ten per cent of Australia's greenhouse gas emissions, improvements in energy efficiency in this sector will be an important contribution to meeting our overall emissions reductions objectives.

The Tax Breaks for Green Buildings program (the Tax Breaks program) is an integral part of the Government's strategy to improve the energy efficiency of existing commercial buildings. It seeks to unlock energy efficiency opportunities in certain types of existing buildings and reduce the impact of Australia's built environment on greenhouse gas emissions.

The Tax Breaks program is a voluntary scheme for eligible businesses, and does not impose additional regulation on business.

The program will complement the Commercial Building Disclosure and Energy Efficiency Opportunities programs, which have served to heighten awareness of the importance of building energy efficiency and to identify cost effective energy savings.

1.1 – Program overview

From 1 July 2011 eligible businesses that invest in eligible assets or capital works to improve the energy efficiency of their existing buildings will be able to apply for a one-off bonus tax deduction.

The Tax Breaks program will be available for eligible capital expenditure which is incurred as part of a qualifying retrofit of an existing office building, hotel or shopping centre that is currently covered by the National Australian Built Environment Rating System (NABERS) scheme.

To be eligible for the tax break, the retrofit will need to be assessed by an accredited NABERS assessor both before and after the project, to ensure an improvement in energy efficiency from 2 stars or lower to 4 stars or higher is achieved.

The Tax Breaks program was announced as part of the 2010 Government election commitment (Attachment A).

1.2 – Advantages for business

The program will allow interested and eligible businesses to claim a bonus tax deduction of 50 per cent of the cost of eligible assets or capital works invested to improve the energy efficiency of an existing building.

The advantages of improving the energy efficiency of a building for businesses include savings on electricity bills, future-proofing the building's value, increasing the attractiveness of the building to prospective tenants and smoothing the transition to a low carbon future.

The existing Green Building Fund has also been expanded, to support eligible businesses that improve the energy efficiency of commercial office buildings prior to the implementation of the Tax Breaks program in July 2011. The expanded Green Building Fund will also be available for hotels and shopping centres that are currently covered by the NABERS scheme. For further information please refer to: http://www.ausindustry.gov.au/InnovationandRandD/GreenBuildingFund.

1.3 – Legislation

The Government is seeking to introduce legislation establishing the Tax Breaks program in the first half of 2011 to address eligibility, assessment and verification arrangements for the program. The *Income Tax Assessment Act 1997* will also be amended to establish the bonus tax deduction claimable under the program.

1.4 – Consultation opportunity

This consultation paper is designed to inform stakeholders about, and garner feedback on, the legislative and policy design of the Tax Breaks program.

Organisations and individuals are invited to submit their views on the proposed program design, including the eligibility criteria, assessment process, and reporting and compliance regime, outlined in the consultation paper. Questions are raised for a number of issues to serve as a starting point for consultation feedback. These questions are listed again in a submission template, which is at Attachment B to the paper and also available at:

http://www.climatechange.gov.au/government/initiatives/tax-breaks-for-green-buildings.aspx.

This paper is intended to elicit comment from stakeholders, and does not represent Australian Government policy. Any regulation design features included in this discussion paper are proposals for discussion only.

1.5 – Guidelines for submissions

Submissions should be made by 18 February 2011 to the Department of Climate Change and Energy Efficiency (DCCEE). DCCEE reserves the right not to consider late submissions.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word and using the template provided, via the email address below.

Email: taxbreaksforgreenbuildings@climatechange.gov.au

Submissions may alternatively be sent to the postal address below.

Tax Breaks for Green Buildings
Department of Climate Change and Energy Efficiency
GPO Box 854 Canberra, ACT 2601

It is intended that all submissions, including the names of the submitters, will be made publicly available online after the close of submissions, and may be used by DCCEE in subsequent publications, unless the submitter requests that the submission, or part of it, be treated as confidential.

Where only part of a submission is confidential, it would assist DCCEE if the submitting party could provide a separate version of the submission, with confidential material deleted, to be published online.

It is requested that submitters provide contact details with their submission. These personal details (apart from the submitter's name) will be treated confidentially and be required on the first page of the template. This page will be removed from the submission before it is published online. If submitters required that their name remain confidential as well, they must make a specific request, at the time of lodging their submission, that their name not be made public.

Submissions will be acknowledged with a receipt via email (or post if email is not available). Please contact DCCEE as above with any queries.

1.6 – Consultation information sessions

Consultation information sessions will be held in the following cities. A separate webinar (web-based-seminar) will also be available for interested parties that cannot attend the sessions in person.

City / webinar	Venue	Date and time
Melbourne	Melbourne Convention & Exhibition Centre South Wharf	Monday 31 January 2011 10:00 am to 12:00 noon
Brisbane	The Sebel & Citigate King George Square	Tuesday 1 February 2011 10:00 am to 12:00 noon
Sydney	Sydney Powerhouse Museum Ultimo	Wednesday 2 February 2011 10:00 am to 12:00 noon
Webinar	On-line	Thursday 3 February 2011 2:00pm to 4:00pm (Australian Eastern Daylight Saving Time)

A presentation on the proposed program design will be given in each session. Subject to the availability of time, participants are welcome to ask questions and express their concerns about the program design.

Seats for each session are limited and RSVP's are essential. Interested parties are required to send their RSVP's by 2:00pm, Friday 28 January 2011, via email to TaxBreaksConsultationRSVP@climatechange.gov.au, including the following details:

- Name of participant/s
- Organisation (if applicable)
- Session (i.e. Melbourne, Brisbane, Sydney or Webinar)
- Telephone number
- Email address

A confirmation email with further details about the nominated information session/ webinar will be sent to the participants in due course.

Chapter 2 – Eligibility Criteria

This chapter examines the eligibility criteria for assessing applications, energy savings and retrofit expenditures.

2.1 – Who can apply

An eligible applicant must be:

- The same entity that is entitled to the regular tax deduction associated with the expenditures of the proposed retrofit under the current tax law
- The owner or part owner of an eligible building that is the subject of an eligible retrofit
- Able to demonstrate an ability to fund the cost of the project not met by the expected tax deduction incentives.

2.2 – What buildings

An eligible building must be:

- An existing office, hotel or shopping centre building within Australia
  - For offices, of a net lettable area that is greater than 2,000 m^2, measured in accordance with the corresponding NABERS Energy rating protocols
  - For shopping centres, of a gross lettable area retail that is greater than 15,000 m^2, measured in accordance with the corresponding NABERS Energy rating protocols
  - For hotels, having more than five hotel rooms and operated as a business hotel with the following characteristics:
    - At least 50 per cent of rooms have little or no in-room cooking facility
    - At least 50 per cent of rooms are sold on the basis of a single guest per night typically with short stays
    - Heated pool facilities typically limited to less than $200m^2$ surface area
    - No dedicated on-site overnight accommodation for staff
- Able to be rated by using the corresponding NABERS Energy rating tool as discussed in Section 2.3.

2.3 – What energy savings

2.3.1 – Energy efficiency improvement requirement

To ensure that the program achieves substantial energy and emissions savings and is managed on a sustainable and fiscally responsible basis, improved energy performance and demonstration of an on-going capability to maintain improved energy efficiency will be key criteria in qualifying projects for the Tax Breaks program. Therefore, a key condition of eligibility would be demonstrating the required improvement in energy efficiency, as measured by the NABERS energy rating tools.

To become eligible for the tax deduction, an applicant must have their building rated using NABERS before and after the proposed retrofit. The initial rating must be 2 stars or lower, and the final rating be 4 stars or higher. GreenPower used in the building will not be counted for meeting the final rating.

Ratings must be conducted by an appropriately accredited NABERS assessor, who does not have a conflict of interest (e.g. the applicant's in-house assessor), in accordance with the relevant rating tool set out in the following table:

Building type	***NABERS rating tool used***
Office	NABERS Base Building Energy Rating for Offices
Hotel	NABERS Energy Rating for Hotels
Shopping Centre	NABERS Energy Rating for Shopping Centres

As vacant buildings are not able to be rated accurately by NABERS due to lack of energy data, consideration needs to be given to whether these buildings should be eligible under this program, and if so, how. One option may be to deem vacant buildings to have a certain NABERS rating (only for the purpose of this program), for example if a building was built before 1995 and has not undergone any major refurbishment since then, the building will be deemed to be having a NABERS rating of 2 stars for the purpose of this program. Another alternative may be to require the applicant to provide a NABERS rating based on energy use data from the last time the building was occupied.

An exemption regime may also need to be developed to deal with other special circumstances under which buildings are not able to be rated under the NABERS.

Question 1

What is a fair way of dealing with existing office buildings that cannot be rated using NABERS Base Building rating tool because of insufficient sub-metering? Is it appropriate to use NABERS Whole Building rating tool for the initial rating for this group of buildings?

Question 2

What is a fair way to dealing with vacant buildings that cannot be rated accurately by NABERS? Is it appropriate that if a building was built before 1995 and has not undergone any major refurbishment since then, the building is deemed to be having a NABERS rating of 2 stars for the purpose of this program?

Question 3

What are the factors that should be considered in designing an exemption regime?

2.3.2 – Why use NABERS

NABERS is a performance-based rating system for existing buildings. The NABERS rating tools currently cover office, hotel and large shopping centre buildings. Buildings are rated on the basis of their measured operational impacts on the environment. The assessment requires at least 12 months of actual data related to the performance of the rated building. The NABERS uses a nationally consistent methodology to compare buildings within their market. The rating scale is tailored to local performance, with the average rating based on market benchmarks. To make the performance data comparable with other buildings in the same category and location, certain adjustments are made to take into account the specific factors of a building, such as operating hours, number of staff, climate, local benchmarks, size of the swimming pool in a hotel, etc. This provides a fair and accurate comparison between buildings with their direct peers.

Example

Two office buildings have very similar energy efficiency features and business settings, except that one operates from 8am to 6pm from Monday to Friday, the other operates 24 hours per day and seven days per week. The second building will have much higher energy consumption per unit area than the first one. A direct comparison of these two buildings based on their energy consumption, without appropriate normalisation of operating hours, will draw a conclusion that does not accurately reflect the energy efficiency of the buildings. NABERS ratings tools have incorporated a normalisation methodology to take into consideration non-energy-efficiency-related factors that will have a direct impact on energy consumption of the buildings. The normalised data is then assessed against the benchmark data and provides a simple indication of how well the building is performing compared with other buildings in the same category.

NABERS ratings provide investors, designers, builders, owners and tenants with a common language for measuring, comparing and managing different elements of building sustainability. This characteristic is essential for the Tax Breaks program as it serves the function of a simple, credible and standard benchmarking tool.

However, NABERS ratings are designed to benchmark buildings in the same category and with similar characteristics. For example, a 4 star NABERS rated shopping centre should not be interpreted as having the same level of energy efficiency or emissions intensity as a 4 star office building. Direct comparison between buildings will only be meaningful if they are in the same category under the NABERS rating protocols. In addition, under NABERS, hotels are benchmarked within each Hotel AAA star rating, and direct comparison based on NABERS ratings between hotels should only be made if the hotels have the same Hotel AAA star rating.

The requirement to have a NABERS assessment conducted before and after the proposed retrofit provides a simple and evidence-based mechanism for verification of energy and emissions savings. The performance-based approach and the 12 month's worth of data required under NABERS will also ensure that not only energy efficient retrofits are deployed in existing buildings, but the commissioning and post-retrofit operation of the buildings are conducted correctly in order to meet the target rating.

NABERS is administered by the New South Wales Department of Environment, Climate Change and Water, on behalf of the Australian, state and territory governments. After 10 years in operation, NABERS is now an industry standard and a world leading rating system for building operational performance. NABERS ratings are used throughout the property sector and government policies and programs to drive measurable cuts in environmental impacts. The scheme is endorsed by the

Property Council of Australia and supported by other major industry associations and property owners. It is used in government programs such as the National Green Lease Policy, the Commercial Building Disclosure Scheme, the Energy Efficiency in Government Operations Policy for the Australian Government, and similar government buildings energy efficiency policies in states and territories. Using NABERS in the Tax Breaks program is consistent with other government policy and hence minimises the associated compliance and administrative burdens on businesses.

Question 4

Are NABERS ratings appropriate to be used to measure and verify energy efficiency performance of the buildings for the purpose of the Tax Breaks program?

Question 5

Are there any other measuring methodologies that should be considered? If yes, how can the credibility of these methodologies and the assessors be guaranteed?

2.3.3 – Improvement from 2 stars or lower to 4 stars or higher

NABERS uses a scale of 1 to 5 stars, with 2.5 stars representing the approximate average performance of buildings in the relevant sector. A 2-star rating therefore indicates a less than average energy efficiency for a building. Buildings that perform below average are key targets to increase the efficiency of Australia’s building stock. Cost effective energy performance improvements and emissions reductions are readily available for this group of buildings. It should be noted that for hotels and shopping centres (and for office buildings prior to the introduction of the Commercial Building Disclosure Scheme in November 2010) NABERS ratings have been a voluntary measure. This means the NABERS ratings conducted and published are at the discretion of the building owners. Buildings with good energy performance are more likely to be rated and above-average ratings are more likely to be published because of the associated marketing value. Therefore the published ratings do not necessarily represent an accurate profile of the building performance in the market. The 2 stars or below requirement is to target under-performing buildings, most of which are likely not rated currently.

The Tax Breaks program also sets a 4-star rating as the minimum level required for the post-installation rating. This is to ensure that projects funded are targeting significant energy savings rather than minor or business-as-usual upgrades. As a result, owners of buildings due for upgrades may consider a higher energy efficiency level to take advantage of the Tax Breaks.

2.4 – What expenditure

This section discusses what may constitute eligible expenditure for the purpose of the Tax Breaks program and examines issues that need to be considered in developing appropriate criteria. These issues and the proposed criteria have significant interaction with the assessment process discussed in the next chapter. Therefore, readers are encouraged to examine the issues raised in this section in conjunction with issues discussed in Chapter 3.

2.4.1 – Total cap of the program

As part of the election commitment announced in July 2010, the total cost of the Tax Breaks program will be capped at $1.0 billion. It is expected that over the life of the program, the Government will inject, through tax deductions, approximately a total of $950 million into the office, hotel and shopping centre sectors to upgrade their buildings.

To ensure that the program is managed in a sustainable and fiscally responsible manner, an annual cap may need to be developed on the total value of the applications registered for each of the financial years between 2011/12 and 2014/15. These caps would assist the management of the program so that the total cap on the program is not exceeded.

The rest of this section discusses options for setting different eligible expenditure requirements and caps to maximise the overall energy and emissions savings achievable within the available funding.

2.4.2 – Global retrofit costing approach

To improve an existing building from 2 stars NABERS or lower to 4 stars or above, the retrofit is likely to require a combination of upgrade items. Typical examples include common area lighting, heating, ventilation and air-conditioning (HVAC) systems, the building fabric (e.g. glazing and shading), and monitoring and control systems. It is proposed that for the purpose of the Tax Breaks program, applications will be assessed on a global costing approach – that is the total cost of the entire retrofit project, as opposed to costs of individual upgrade items in the project..

This approach will provide incentives for businesses to develop a combination of upgrade items to improve their buildings in the most cost effective manner. It also allows greater flexibility in project management – for example, making necessary modifications to the original retrofit plan if one or more components do not work out as planned.

A global retrofit costing approach has the advantage of being technology neutral.

Question 6

Is it appropriate to use a global retrofit costing approach for the Tax Breaks program?

2.4.3 – Eligible expenditure

To constitute eligible expenditure, the following criteria would need to be met:

- The expenditure must be paid by, or on behalf of, the applicant. Expenditure made available by virtue of other government programs, such as grants, financial incentives and rebate schemes will not be considered eligible expenditure. For the purpose of this requirement a loan (e.g. provided under the Carbon Trust program) is not considered as a grant
- The expenditure must be used on capital upgrades that contribute to the improvement to the target final NABERS rating. Some non-capital items could be allowed (discussed in the following section).)
- The expenditure must be incurred between 1 July 2011 and 30 June 2015 (inclusive), and the contracts for the associated works must be executed after the applicant has been notified about its successful application for the pre-installation registration (Section 2.5.6 of the paper includes further discussion on this requirement).

As part of the pre-installation application and registration process, eligible expenditure would be approved for each successful application. This agreed eligible expenditure would not be increased even if the actual expenditure incurred during the installation was higher.

2.4.4 – Non capital expenditure

Some non capital improvements and activities are essential for the success of a retrofit and an effective verification of the results. Examples include:

- Post installation NABERS assessment
- Development and installation of software such as a building automation system that assists in managing the energy usage of the buildings
- Commissioning of the building.

If expenditures associated with these improvements or activities are included as eligible expenditure for this program, it would be prudent to set a cap on them to ensure the expenditure claimed is reasonable.

Question 7

Should non capital expenditures be allowed for this program? If so, what non capital expenditures should be allowed?

Question 8

What is a reasonable range for the cap on non capital expenditure (e.g. 5 per cent to 10 per cent of the total project cost)?

2.4.5 – Caps on eligible expenditure

To ensure that the costs of the retrofits approved by the Tax Breaks program are within a reasonable range, a cap on the eligible expenditure could be imposed on the level of global project costing for each application.

One approach would be to set a maximum \$/m^2 (or \$/room for hotels) value would be set for each of the office, hotel and shopping centre sectors. Under this approach, the eligible expenditure cap for an application is determined by multiplying the corresponding maximum value in \$/m^2 (or \$/room for hotels) by the area of the building (or number of rooms for hotels). If the value of the proposed retrofit is greater than this cap, the cap would be used in the application assessment process and the calculation of the bonus tax deduction entitlement (discussed in Chapter 3).

Example

If the maximum value for the office building sector is set at \$40/m^2, and an application proposes to spend \$5 million on a building of an area of 100,000m^2, the eligible expenditure will be capped at \$4 million (\$40/m^2 * 100,000m^2 = \$4 million). That means the assessment of this application and the calculation of the bonus tax deduction entitlement will be based on the capped value of \$4 million.

Question 9

Should the same maximum value in $/m^2 be used for all three sectors?

Question 10

What factors should be considered in determining the maximum values in $/m^2 (or $/room for hotels) for the sectors?

Question 11

Should a maximum value in $/m2 or $/room be used for hotels? (Note: further discussion of using building area or number of rooms as a parameter for the hotel sector is included in Chapter 3.)

2.4.6 – When expenditure is incurred

To be eligible for the Tax Breaks program, the expenditure would need to be incurred between 1 July 2011 and 30 June 2015 (inclusive), and the contracts for the associated works must be executed after the notification of successful applications for the pre-installation registration. Expenditure covered by a contract that is signed before the notification would not be eligible for the Tax Breaks, even if they are incurred after the notification and before the end of the four year period. This is to ensure that the program funding, in terms of tax deductions, is directed to retrofits that are not business-as-usual.

For projects that cannot be completed on or before 30 June 2015, subject to complying with other eligibility criteria and meeting the agreed timeline of submitting the final completion report (including proof of meeting the target final NABERS rating), expenditure incurred on or before 30 June 2015 would be considered as eligible expenditure.

Subject to approval by DCCEE, a grace period of a maximum of six months could be granted in cases where an applicant can demonstrate that delays to the completion of the retrofit were caused by factors that are beyond their control. Expenditure incurred after the original proposed completion date and within the approved grace period, subject to meeting other criteria, would be treated as eligible expenditure, even if the grace period extends beyond 30 June 2015.

Chapter 3 – Assessment process

3.1 – Overview of the application and assessment process

The application and assessment process of the program can be divided into 4 stages, which are further supported by an audit regime.

Stage one – pre-installation registration

This stage includes preparation and submission of an application by businesses based on the guidelines that would be issued by DCCEE. The application would comprise the following items:

- Information about the applicant and the building involved
- A NABERS rating certificate issued by the NSW DECCW within 6 months of the application
- A retrofit proposal, including costing information and project timelines.

Applications would be assessed by DCCEE based on the assessment and selection mechanism outlined in Section 3.2 of this paper. Successful applications would be placed on the Tax Breaks program register (discussed in Chapter 4). Only registered projects would be considered in the post-installation certification process (discussed later in this section).

Stage two – implementation of retrofit

Stage two would commence with the execution of the contracts included in the retrofit proposal. Contracts executed before the registration would be excluded and the costs of the works covered would not be considered as eligible expenditures even if the actual works and payments occur after the registration. Registered applicants would be required to prepare and submit biannual progress reports before project completion. The applicant would need to notify DCCEE and seek endorsement of changes within a reasonable timeframe. Stage two also includes commissioning of the building.

Stage three – post-installation certification

At stage three, the applicant would need to prepare and submit a retrofit completion report, which would include the following information:

- Evidence of expenses (through an audited statement)
- A NABERS rating certificate (issued by the NSW DECCW) within the second year after the completion of the retrofit. If the trend of the building's energy performance indicates that there is a likelihood of not being able to meet the target rating within the second year after the completion, the applicant could apply for an extension at any time within this period. The application would need to identify the reason for not being able to meet the target rating and a strategy to rectify the situation. Subject to DCCEE's approval, an extension of a maximum of 12 month (up to 31 March 2019) may be allowed. However extra expenditure incurred during the extended period would not be eligible for the purpose of this program
- Explanation of major discrepancies from original retrofit plan.

The report would be assessed by DCCEE against the original retrofit plan. A certificate would be issued if DCCEE is satisfied that the retrofit has been completed in accordance with the original plan and all major discrepancies are justified. In particular, the total cost, final NABERS rating and completion time would be the key considerations. The certificate would include information of the applicant(s), the building, the retrofit project and the bonus tax deduction entitlement.

This post-installation certification process would provide an important mechanism to ensure that the funds provided through the program are producing genuine and verifiable energy savings in the commercial building sector. Participating businesses would also be required to provide data of their retrofits and major upgrades conducted, and feedback on the deployment and post-installation operation and maintenance issues. This information would provide valuable insights to inform future policy development.

Stage four – tax deduction claim

Applicants that have received certification would be able to claim the bonus tax deduction as part of the normal tax return process.

Audit regime

At each of the above four stages and within a reasonable time after the issuance of the certificate, auditing can be undertaken to ensure that information provided by the applicant is accurate.

Further discussion on the requirements of the documents and communications involved in these four stages and the audit regime will be included in Chapter 4.

Timelines

The table at Attachment C summarises the application and assessment activities and the timeframes within which the activities need to be completed. The timelines are developed based on the 4 year period (1 July 2011 to 30 June 2015) for deployment of retrofits and the expectation of finalisation of all the associated tax deductions by the end of year 2018/19. These timelines are only for reference and may need to be revised, subject to the final design of the program.

As discussed in Section 2.4.6, subject to approval by DCCEE, a grace period of a maximum of six months could be granted in cases where delays of the completion of the retrofit are caused by factors that are beyond their control.

Question 12

Are there any opportunities to improve the transparency and integrity of the program through the application and assessment process?

3.2 – Pre-installation registration assessment

Two different pre-installation registration options are proposed in this paper for comment. Both options are designed to meet the following principles:

- To minimise, as far as practicable, the application and compliance burden

- To ensure certainty and objectivity of the assessment process
- To encourage greater and earlier energy and emissions savings within the funding available
- To assist the management and budget control of the program.

3.2.1 –*Option 1:* Competitive approach

The first option would be to review applications in rounds with successful applications being selected from each round on a competitive basis. This would include the following major steps:

1. Competitive rounds announced at the beginning of the program. An indicative maximum amount of total value of retrofits (i.e. sum of the value of retrofits that will be registered in each round) would be set and announced before the commencement of each round.
2. Applicants would be required to provide, among other required information, a building retrofit proposal, which clearly states the following:
    a. Total project cost in dollars (**X**)
    b. Total building area in m^2 (**Y**)
    c. NABERS rating improvement in number of stars (**Z**), i.e. the different between the initial rating and the target final rating.
3. At the end of each round, DCCEE would rank all the applications using a Project Cost Index (PCI), which is calculated using the following formula:

    $$\text{PCI} = \mathbf{X} / (\mathbf{Y} * \mathbf{Z})$$

    For example if an application proposes spending $3 million on a building of an area of 100,000m^2 to improve the NABERS rating from 1.5 stars to 4 stars, the PCI will be:

    $$\text{PCI} = 3{,}000{,}000 / (100{,}000 * 2.5) = 12$$

4. A maximum $/$m^2$ or $/room for hotels (**Cap1**) will be set to ensure that the selected applications are within a reasonable price range. For the purpose of the assessment process, a maximum project cost would be calculated (as discussed in section 2.4.5.) as the product of **Cap1** and **Y** (i.e. **Cap1***Y**). If **X** is greater than **Cap1*Y, t**he project cost will be capped at **Cap1***Y**, which will replace **X** in the calculation of the PCI.

    Example

    If **Cap1** is set at $40/$m^2$, and an application proposes to spend $5 million on a building of an area of 100,000m^2 to improve the rating from 2 stars to 4 stars, the project cost will be capped $4 million ($40/m^2 * 100,000m^2 = $4 million and is lower than $5 million). Accordingly, the PCI would be 4,000,000/(100,000 * 2), which is equal to 20.

5. Subject to meeting other eligibility criteria, applications with a lower PCI would have a higher priority in being selected. If the total value of the applications in a round is more than the maximum amount set for that round, applications would be selected based on this

priority. If necessary, in situation where applications have the same PCI, an application with an earlier completion date would be given a higher priority.

Example

The following table contains four application samples that are used to illustrate how the proposed assessment and selection regime will work.

Application	***Sample 1***	***Sample 2***	***Sample 3***	***Sample 4***
Total project cost in dollars (**X**)	3,000,000	5,000,000	2,200,000	3,000,000
Total building area in m^2 (**Y**)	100,000	100,000	50,000	100,000
NABERS rating improvement in number of stars (**Z**)	2.5	2	2	3
Applicable project cap in dollars (assuming **Cap1** is set at \$40/m^2)	4,000,000	4,000,000	2,000,000	4,000,000
Does the cap apply? (i.e. Is the cost higher than the cap?)	no	yes	yes	no
Project completion date	Dec 2013	Mar 2014	Sep 2014	May 2015
Project Cost Index (**PCI**)	12 = 3,000,000 / (100,000*2.5)	20 = 4,000,000 / (100,000*2)	20 = 2,000,000 / (50,000*2)	10 = 3,000,000 / (100,000*3)
Priority	2nd	3rd	4th	1st
Maximum dollar amount bonus tax deduction (i.e. 50 per cent of the approved retrofit expenditure)	1,500,000	2,000,000	1,000,000	1,500,000

The proposed model would give preference to applications based on the following criteria:

- Cost effectiveness, as measured by the PCI (primary)
- Earlier energy and emission reduction (secondary).

This approach could be modified to take into consideration special needs in each sector, e.g. by:

- Adjusting the **Cap1**
- Substituting the building area with number of rooms (for hotels)
- Discounting the PCI with a sectoral concession factor if the retrofit cost for buildings in a sector is generally more expensive when compared with other sectors.

3.2.2 –*Option 2:* Entitlement approach

The second option is an entitlement approach, is based on a first-come-first-served principle, supported with appropriate cost caps. Approval for the pre-installation registration would be determined by whether applications meet all the eligibility criteria set out for the program.

Under this approach, indicative caps on the total value of retrofits approved in each financial year of the four year program life may still be necessary for effective fiscal management of the program.. Subject to meeting the eligibility criteria, applications would be approved and registered until the allocated cap for a financial year is met – if the cumulative value of applications approach reaches the allocated cap, no more applications would be accepted until the beginning of the following financial year. Information about the cumulative value of applications approved would be made available to the public when it meets the level of, for instance, 25 per cent, 50 per cent and 75 per cent of the cap. This information would assist businesses in organising the timing of their applications. If the cap is not met at the end of a financial year, the balance value could be rolled over to the next financial year.

The **Cap1** (maximum $\$/m^2$ or $/room) discussed under the competitive approach would apply to this approach in a similar manner. That is, for the purpose of the tax deductions, the maximum project cost is capped at the level, which is determined by multiplying **Cap1** to the total building area or number of rooms. Different values of **Cap1** may be used in different sectors and/ or different star rating improvement ranges to best reflect the general retrofit cost that is required in each case.

Question 13

Is it appropriate to use the proposed competitive approach, including the proposed sectoral concession factor, to assess applications from three different sectors together (i.e. applications are competing with applications from all of the three sectors in the same round)?

Question 14

Under the proposed competitive approach, should a different Cap1 be set for each sector? What factors should be considered in setting the Cap1s?

Question 15

Should number of rooms, instead of building area, be used in calculating the PCI for hotels? If building area is used for hotels as well, what would be an appropriate definition and verification method for the hotel sector?

Question 16

Is it appropriate to use the proposed entitlement approach, including the use of different values of Cap1 for different sectors and star rating improvement ranges, to process applications from all of the three different sectors together (i.e. applications from all of the three sectors are competing together and with each other on a first come first served basis)?

Question 17

Under the proposed entitlement approach, should different Cap1 be set for each sector and star rating improvement range? What factors should be considered in setting the Cap1s?

3.3 – Post-installation assessment

The post-installation assessment would be the same for both of the proposed competitive and entitlement approaches.. The retrofit completion report submitted by an applicant would be assessed against the details provided in the original retrofit plan and subsequent changes endorsed by DCCEE.

At completion of the retrofit, if the actual total cost of a retrofit is less than the registered cost, the actual cost would be used for the purpose of calculating tax deduction entitlement in the certificate. If the actual total cost is higher than the registered cost, the registered cost would be used.

3.4 – Consistency across sectors

The Tax Breaks will cover office buildings, hotels and shopping centres. The operational and financial practices used in these three sectors are very different, and their maturity and capacity in relation to major energy efficiency upgrades is likely to vary. The NABERS rating tools are also developed to benchmark and compare buildings with similar functionalities.

To some extent differences in the sectors can be compensated by using different **Cap1** values or discounting factors for the **PCI**. Another possible measure to address these differences is to quarantine the amount of the total value of the projects approved for each sector. If a quarantine approach is used, it is not necessary to use PCI discounting factors, and it may also allow a greater flexibility in setting **Cap1** to better reflect the retrofitting costs in a sector. This approach requires careful and thorough consideration to ensure an equitable and optimal outcome in each sector and for the program as a whole.

Question 18

Should funds (in terms of total value of the projects approved) be quarantined for each sector? What are the factors that need to be considered in quarantining the funds?

Chapter 4 – Reporting and Compliance

4.1 – Provision of information

As outlined in the previous chapters, information is required at different stages of the process. The following table summarises the requirements for the provision of this information. These requirements are developed to ensure credibility and simplicity of the process.

Stage	***Information required***	***Requirements***
Pre-installation registration process	Details of the applicant(s) and the building	Completion of the application form(s) issued by DCCEE and in accordance with relevant guidelines.
	Initial NABERS rating (2 stars or lower)	Certificate issued by the NSW DECCW within six months before submission of application.
	Retrofit proposal, including costing, target improved rating and project timelines	Technical component - prepared by an appropriately qualified engineering or construction company. Financial management component – prepared by the applicant.
	Evidence to support the applicant's ability to fund the project (taking into consideration the expected tax incentives)	A written statement of opinion by an appropriately qualified/ accredited accountant.
	Building area (and number of rooms for hotels)	Same requirement as used in the relevant NABERS assessment protocols.
Retrofit	Biannual progress report	Report should be submitted before the end of each 6 six months until the final retrofit completion report is submitted. Technical component - prepared by an appropriately qualified engineering or construction company. Financial management component – prepared by the applicant.
	Notification of major changes	Notification must be provided DCCEE within a reasonable timeframe. Delays of the execution of contracts for and commencement of major retrofit items from the proposed timelines for more than 60 days are considered as major changes. These delays are required to be reported to DCCEE before the end of the 60 day period. Technical component - prepared by an appropriately qualified engineering or construction company.

		Financial management component – prepared by the applicant.
Post-installation certification process	Final NABERS rating (as committed to in the application and without counting any purchased GreenPower)	Certificate issued by the NSW DECCW within the second year after the completion of the retrofit.
	Evidence of expenses, and information of grants received from the Australian Government through other incentive programs	As a statement prepared and certified by an auditor.
	Explanation of major discrepancies from original plan	Prepared by an appropriately qualified engineering or construction company.
Tax deduction claim	Certificate – tax breaks entitlement	Issued by DCCEE.
	Other information	As required under the relevant tax legislation.
Auditing	The provision of the information is required to be done in accordance to the instructions given be the appointed auditor.	

The purpose of the biannual progress report and notification of major changes in the retrofitting stage is to ensure accountability and compliance with the terms and conditions based on which applications were approved in the pre-installation stage. By collecting and considering the information provided in these documents on an on-going basis, the final verification would be relatively simple and could be processed within a shorter timeframe. The requirement would also provide useful understanding of the progress of the retrofit, in particular in situations where a grace period for retrofit completion or an extension of submission of final completion report may be required. It is expected that the information required in these reports and notifications would be relatively simple and would not go further than that should be readily available under good project management practices.

Question 19

Is the information required sufficient to ensure the integrity of the application and assessment processes? Are the proposed requirements for the provision of information appropriate or overly onerous?

4.2 – Online register

To improve the transparency and accountability of the program, an online register would be established to record and publish information about the retrofit projects that are approved in the pre-installation registration process and their subsequent progress. The information would include:

- Name of the registered applicant
- Address of the building
- Initial NABERS rating and target final rating
- Brief description of the proposed retrofit, including proposed completion time
- Registered value of retrofit based on pre-installation application (i.e. the proposed project cost or capped project cost, whichever is lower)
- Progress of the retrofit (i.e. on-track, slightly delayed, significantly delayed, redrawn, completed)
- Actual final rating
- Actual value of retrofit certified, based on post-installation assessment.

The information released through this proposed register may also be of assistance to unsuccessful or new applicants in formulating their applications for submission in later rounds.

Question 20

Is there any other information that should be made publicly available on the proposed register to improve the transparency and accountability of the program? Is there any information of an application that should not be made publicly available (e.g. due to commercial sensitivity or privacy issues)?

4.3 – Compliance regime

To ensure the program is managed in an effective and fiscally responsible manner, it is important that an appropriate compliance regime is established at the outset of the program and enforced throughout the program period. The proposed compliance regime is designed to promote a fair and accurate assessment and certification process and to prevent inappropriate and fraudulent behaviours. The proposed regime includes the following key components:

- Requirements for the provision of information by applicants (as discussed in Section 4.1)
- Auditing power over individual applications
- Sanctions on non-compliance.

4.3.1 – Auditing Power

At anytime between the submission of an application and a reasonable time after the issuance of the tax breaks certificate, auditing can be performed to ensure that information provided by the applicant at any stage of the process is accurate. The applicant being audited would be required to provide the information requested by the auditor to substantiate the claim made or information provided in the application or subsequent reports. The auditor could also request the applicant to provide evidence of execution of contracts or commencement of works that are committed to the retrofit proposal.

4.3.2 – Appointment of an independent assessor

DCCEE may appoint an independent NABERS accredited assessor to conduct a separate assessment of a building in relation to its initial or final rating. If the rating resulted from the independent assessment is different from the rating resulted from the assessment by the original assessor appointed by the applicant, the ratings would be referred to NSW DECCW for an investigation into the discrepancy. The rating certified by the NSW DECCW after this investigation would be used as the rating for the purpose of this program.

4.3.3 – Non-compliance

If non-compliance is identified in an auditing process or an independent NABERS assessment, the applicant and/ or the assessor involved would be subject to the sanctions, which would be discussed in the following section. Examples of non-compliance could include:

- Provision of incorrect information in the application or subsequent reports
- Provision of incorrect or insufficient information in an NABERS assessment process
- Failure to submit the reports in accordance with the requirements and the retrofit proposal
- Failure to notify DCCEE , within the required timeframes, on major changes to the plan, including delays in execution of contracts and commencement of works covered in the proposal
- Causing a third party, e.g. a NABERS assessor, an auditor, an engineering or construction company, to provide inaccurate information that forms part of the application or subsequent reports
- Failure to complete the retrofit within the agreed timeframe
- Failure to meet the target NABERS target within the agreed timeframe
- Failure to provide information requested by an auditor.

4.3.4 – Sanctions

Proposed sanctions include:

- Reduction of the registered retrofit cost or the certified retrofit cost in the final certificate
- Disqualification, which may involve:

    - removal of a registered application from registration
    - withdrawal of certificate issued
    - forbidding any future application by the same applicant
    - release of relevant information on the register
- Criminal penalties and/or fines for serious fraudulent activities
- Banning a NABERS assessor from being involved in future applications under the program.

The imposition of these proposed sanctions may be triggered by non-compliance activities discussed above or provision of incorrect information that is identified in an audit. The banning of a NABERS assessor may be triggered by inappropriate or unprofessional conduct on the assessor's part, identified in an investigation conducted by NSW DECCW. Sanctions may apply to either individual or company, depending on the offence.

The DCCEE also has the right to refuse NABERS assessment conducted by an assessor if he or she is being audited by NSW DECCW for a NABERS related matter.

The detailed design of the compliance regime will depend on the eligibility criteria and the assessment approach used. For example, if competitive rounds are used in processing and assessing applications, the gravity of non-compliance with the standards committed to in the application be greater than if an entitlement approach is used. This is because these standards, especially when they are higher than the minimum thresholds required in the program, may have contributed to an application being selected over other applications that committed to slightly lower standards. Accordingly, heavier sanctions would be imposed on non-compliance for a competitive approach to ensure fairness of the program.

Question 21

What are the factors that need to be considered in designing the compliance regime? Are there any other measures that could be included to increase the robustness and effectiveness of the compliance regime?

Question 22

What level and/or type of sanctions would be appropriate for each type of non-compliance outlined in Section 4.3.3? Are there any other activities that should be considered as non-compliance?

4.4 – Use of green leasing principle to maintain improved performance

Green Lease Schedules have been used for a number of years by the Australian Government in its own office building leases to achieve energy performance targets.

Green Lease Schedules provide a formal commitment through which building owners and their tenants agree to achieve and maintain particular NABERS energy performance levels.

The Schedules can be used in leases for office buildings, in retail premises and some other building types where there is a building owner and tenant. For commercial situations where this does not apply, the principles of the Green Lease Schedule can be adopted, for example in the form of an agreement between the building owner and the operator or manager of a hotel.

To help building owners maintain the enhanced energy performance of buildings, applicants of the program could adopt the principles of the Green Lease Schedule. The Green Lease Schedule and Guidance documentation is available at
http://www.climatechange.gov.au/en/government/initiatives/eego.aspx.

Chapter 5 – Conclusion and next steps

5.1 – Conclusion

The Tax Breaks for Green Buildings program is an integral part of the Government's strategy to improve the energy efficiency of existing commercial buildings, and hence to contribute to the effort of reducing Australia's carbon emissions.

The program will complement the Commercial Building Disclosure and Energy Efficiency Opportunities programs, which have served to heighten awareness of the importance of building energy efficiency and to identify cost effective energy savings.

The Tax Breaks program will also build on the current Green Building Funds and continue to provide incentives for businesses to act on these identified energy savings opportunities.

This paper explains key features of the program design, in particular the eligibility criteria and assessment and certification processes. It also outlines some proposed approaches to the design of the program. Stakeholder input and comment is essential in helping the Government to understand the needs and constraints in the targeted building sectors, and will be important in evaluating the merits of proposed options. The information collected through this consultation process will be duly considered in finalising the program design, and to ensure that the program will leverage the optimal environmental outcomes.

5.2 – Next steps

The closing date for submissions to this consultation paper is 18 February 2011. Submissions received and a summary of the consultation process will be published on the program's website at http://www.climatechange.gov.au/government/initiatives/tax-breaks-for-green-buildings.aspx.

Based on the feedback received, legislation and program guidelines will be prepared. The program is expected to commence on 1 July 2011.

On-going information about the implementation phase of the program, including applications registration and certification outcomes, will be available on the proposed online register.

The program will be reviewed within the first years of its commencement and opportunities for public input into the process will be provided.

5.3 – Further information

Inquires about the consultation process and the Tax Breaks program can be forwarded to the Tax Breaks for Green Buildings Team in DCCEE at the following email and postal address:

Email: taxbreaksforgreenbuildings@climatechange.gov.au

Postal: GPO Box 854 Canberra, ACT 2601

Information and update of the consultation process and the Tax Breaks program can also be viewed at the program website at http://www.climatechange.gov.au/government/initiatives/tax-breaks-for-green-buildings.aspx.

Attachment A

Election Commitment Announcement - Tax Breaks for Green Buildings

Tax Breaks for Green Buildings

Julia Gillard and Labor

Let's move Australia forward

Labor

TAX BREAKS FOR GREEN BUILDINGS

From 1 July 2011, businesses that invest in eligible assets or capital works to improve the energy efficiency of their existing buildings – from 2 stars or lower to 4 stars or higher – will be able to apply for a one-off bonus tax deduction.

The incentive will enable businesses to claim a bonus tax deduction of 50 per cent of the cost of the eligible assets or capital works.

This initiative is expected to provide a boost of around $1 billion over the life of the scheme to help 'green up' existing buildings right across the country. It will help unlock significant energy efficiency by giving businesses a clear incentive to save energy in their buildings.

This initiative is part of the Gillard Labor Government's plan to make positive changes to how we live, work and travel.

What is this policy seeking to achieve?

Tax Breaks for Green Buildings will give Australia a head start on meeting its emissions reduction targets.

Currently, commercial buildings account for approximately 10 per cent of Australia's greenhouse gas emissions. The large majority of these emissions are related to electricity consumption. Since buildings typically last for decades, action to improve the energy performance of Australia's building stock is an important step to achieving Australia's emissions reduction objectives.

The incentive will also encourage the creation of thousands of new green jobs across Australia and encourage the development, production and adoption of green building products in Australia. At the same time, the initiative will boost the competitiveness of Australian businesses, by reducing their energy costs.

Julia Gillard and Labor Let's move Australia Forward

How will the scheme work?

The Tax Breaks for Green Buildings initiative will be available for retrofits of existing commercial buildings. It will also be available for retrofits of office buildings, hotels and shopping centres that are currently covered by the National Australian Built Environment Rating System (NABERS) scheme.

The Tax Break will be available for eligible capital expenditure which is incurred as part of a qualifying retrofit of an existing commercial building. The scope of what can constitute eligible capital expenditure will be determined in consultation with environmental, industry and government stakeholders.

Example

The owner of a large office building obtains a NABERS Energy rating of two stars or less for the building.

After 1 July 2011, in consultation with a NABERS assessor, the building owner proposes a major retrofit of the building designed to bring its energy efficiency to at least a four star level. This proposal, which includes a NABERS commitment agreement, is submitted to the Government for official consideration and subsequently receives approval.

The owner incurs $1 million of eligible capital expenditure as part of the retrofit project, including on new highly energy efficient lighting systems, a cogeneration system and efficient air conditioners.

After completion, the building owner obtains a post-project NABERS Energy rating (based on the required 12 months of post-project energy use data) confirming that the building's energy efficiency is at least four stars.

The retrofit is then officially confirmed as a qualifying project.

The building owner receives a bonus tax deduction of $500,000 (50 per cent of the amount of eligible project capital expenditure). From 2013-14, the company tax rate will be 29 per cent under the Gillard Labor Government and this bonus deduction would equate to a reduction of $145,000 (29 per cent of $500,000) in the building owner's tax liability (assuming the owner is a company).

The building owner continues to claim the normal capital allowance deductions in relation to its expenditure, over the effective life of the acquired assets. This means that over the effective life of the eligible assets, the building owner is able to claim total deductions equal to 150 per cent of their cost.

To be eligible for the Tax Break, the retrofit will need to be assessed by an accredited NABERS assessor both before and after the project, to ensure the improvement in energy efficiency is achieved.

While the final design of the scheme will be subject to consultation, we envisage that rounds of applications would be conducted to assess the best projects against statutory criteria and within a global budget for eligible expenditure. This will ensure that projects that deliver the best environmental outcomes are prioritised, and that the scheme is managed on a sustainable and fiscally responsible basis.

What is a NABERS rating?

A key condition of eligibility for the Tax Break would be demonstrating the required improvement in energy efficiency, as measured by the NABERS energy rating tool. This tool is available for certain types of buildings, such as commercial office buildings and some hotels and shopping centres.

NABERS is a performance-based rating system for existing buildings. The NABERS energy tool benchmarks a building's greenhouse impact on a scale of one to five stars. The assessment is evidence-based and requires at least 12 months of actual energy use data.

Tax Breaks for Green Buildings builds on the Commercial Building Disclosure Act, which the Gillard Labor Government legislated this year. The Act requires that information regarding the energy efficiency of commercial buildings be provided to those who may be considering purchasing or leasing a building. In this way, it helps businesses to make informed choices about the environmental performance of the buildings they operate from.

When will the Tax Break be available?

A Gillard Labor Government would seek to introduce legislation establishing the Green Building Tax Break in the first half of 2011.

Prior to drafting the legislation, the Government will consult extensively in the second half of 2010 on the detailed design of the incentive.

Qualifying retrofit projects undertaken between 1 July 2011 and 30 June 2015 would be eligible for the Tax Break.

The Tax Break would be able to be claimed as a bonus tax deduction in the income year in which the taxpayer receives certification that the project has achieved the required energy efficiency improvement.

The $30 million expansion of the Green Building Fund ensures this program will continue to support businesses that improve the energy efficiency of commercial office buildings prior to the implementation of the Green Building Tax Break. The expanded Green Building Fund will also be available for hotels and shopping centres currently covered by the NABERS scheme.

To date, the Green Building Fund has already provided more than $70 million in assistance to building owners wanting to improve the energy efficiency of their buildings.

What is the cost of this initiative?

This initiative is estimated to cost $180 million over the forward estimates, including both administration costs and $30 million for the expansion of the Green Building Fund.

Funding for this package has already been provided for in the Budget, through the Renewable Energy Future Fund.

A significant proportion of the costs of the scheme will be incurred outside the forward estimates, given the long lead times required to upgrade a building and then confirm the planned energy efficiency improvements have been realised.

The total cost of the scheme is estimated at around $1.0 billion out to 2018-19.

Will the scheme provide value for money?

The Tax Break has been designed to minimise the risk to Budget and maximise the environmental benefits.

First, the Tax Break is only available for major projects that deliver a substantial improvement in energy efficiency (from 2 stars or lower to 4 stars or higher).

Second, proposals need to receive official approval before they are started.

Third, after the project is completed the building owner needs to demonstrate that it actually delivered the planned improvements in energy efficiency, through a new NABERS energy rating assessment.

Fourth, the Government will implement an audit and compliance program from the outset of the program.

What about new buildings?

To improve the energy efficiency of new buildings, a Gillard Labor Government will continue developing a National Buildings Framework, which will set increasingly strong minimum performance standards over time for new buildings and major renovations.

THE LIBERALS' RECORD

Tony Abbott broke the bipartisan consensus for action on climate change the night he became Liberal Party Leader, and reneged on the Liberal Party's deal to support emissions trading.

- ✗ **Instead Tony Abbott is advocating a 'direct action' policy, under which emissions will actually increase.** Estimates from the Department of Climate Change and Energy Efficiency show that under Mr Abbott's policy, emissions would increase by 13 per cent from 2000 levels.
- ✗ **Under the former Coalition Government, Australia was part of the problem on climate change, not part of the solution.**
- ✗ **If elected Prime Minister, Mr Abbott has already made clear he would cut funding for renewable energy and energy efficiency.**

Attachment B

Submission Template

Information about using the submission template

Submissions should be made by close of business Friday 18 February 2011 to the Department of Climate Change and Energy Efficiency (DCCEE). DCCEE reserves the right not to consider late submissions.

Stakeholders are encouraged to use the following template to provide feedback on the consultation paper. The template consists of two parts. Part A requests the provision of details of the submitter. Part B lists all the questions raised in the consultation paper and also includes an invitation to provide general comment on the issues raised in the paper. Stakeholder may choose to respond to part or all of the questions in Part B.

A Microsoft Word version of the template is available from the Tax Breaks program website at http://www.climatechange.gov.au/government/initiatives/tax-breaks-for-green-buildings.aspx. This version is editable and will allow submitters to fill their information and comment. Where possible, submissions should be lodged electronically, preferably in Microsoft Word and using the template provided, via the email address: taxbreaksforgreenbuildings@climatechange.gov.au.

Submissions may alternatively be sent to the postal address:

Tax Breaks for Green Buildings
Department of Climate Change and Energy Efficiency
GPO Box 854 Canberra, ACT 2601

Submitter should refer to the consultation paper, in particular sections 1.4 and 1.5, for further information about making a submission.

Submission Template

Part A

Please fill in the following details of the submitter.

Name of organisation/ individual:				
Contact person:				
Tel (office):				
Tel (mobile):				
Postal address:				
Email address:				
Please indicate the stakeholder group/s that you or your organisation belong to	Office buildings		Hotels	
	Shopping centres		Energy efficiency firms	
	Construction companies		Taxation	
	Other (Please specify):			

Note: Part A of a completed submission template will be removed before the rest of the submission is published online. However, names of submitters will be published with the submission. Please refer to Section 1.5 of the Consultation Paper for further details.

Part B

NOTE: It is intended that all submissions, including the names of the submitters, will be made publicly available online after the close of submissions, and may be used by DCCEE in subsequent publications, unless the submitter requests that the submission, or part of it, be treated as confidential. Please refer to Section 1.5 of the Consultation paper for further details.

Question 1

What is a fair way of dealing with existing office buildings that cannot be rated using NABERS Base Building rating tool because of insufficient sub-metering? Is it appropriate to use NABERS Whole Building rating tool for the initial rating for this group of buildings?

Comment:

Question 2

What is a fair way to dealing with vacant buildings that cannot be rated accurately by NABERS? Is it appropriate that if a building was built before 1995 and has not undergone any major refurbishment since then, the building is deemed to be having a NABERS rating of 2 stars for the purpose of this program?

Comment:

Question 3

What are the factors that should be considered in designing an exemption regime?

Comment:

Question 4

Are NABERS ratings appropriate to be used to measure and verify energy efficiency performance of the buildings for the purpose of the Tax Breaks program?

Comment:

Question 5

Are there any other measuring methodologies should be considered? If yes, how can the credibility of these methodologies and the assessors be guaranteed?

Comment:

Question 6

Is it appropriate to use a global retrofit costing approach for the Tax Breaks program?

Comment:

Question 7

Should non capital expenditures be allowed for this program? If so, what non capital expenditures should be allowed?

Comment:

Question 8

What is a reasonable range for the cap on non capital expenditure (e.g. 5 per cent to 10 per cent of the total project cost)?

Comment:

Question 9

Should the same maximum value in $/m2 be used for all of the three sector?

Comment:

Question 10

What factors should be considered in determining the maximum values in $/m2 (or $/room for hotels) for the sectors?

Comment:

Question 11

Should a maximum value in $/m2 or $/room be used for hotels? (note: further discussion of using building area or number of rooms as a parameter for the hotel sector is included in Chapter 3.)

Comment:

Question 12

Are there any opportunities to improve the transparency and integrity of the program through the application and assessment process?

Comment:

Question 13

Is it appropriate to use the proposed competitive approach, including the proposed sectoral concession factor, to assess applications from three different sectors together (i.e. applications are competing with applications from all of the three sectors in the same round)?

Comment:

Question 14

Under the proposed competitive approach, should different Cap1 be set for each sector? What factors should be considered in setting the Cap1s?

Comment:

Question 15

Should number of rooms, instead of building area, be used in calculating the PCI for hotels? If building area is used for hotels as well, what would be an appropriate definition and verification method for the hotel sector?

Comment:

Question 16

Is it appropriate to use the proposed entitlement approach, including the use of different values of Cap1 for different sectors and star rating improvement ranges, to process applications from all of the three different sectors together (i.e. applications from all of the three sectors are competing together and with each other on a first come first served basis)?

Comment:

Question 17

Under the proposed entitlement approach, should different Cap1 be set for each sector and star rating improvement range? What factors should be considered in setting the Cap1s?

Comment:

Question 18

Should funds (in terms of total value of the projects approved) be quarantined for each sector? What are the factors that need to be considered in quarantining the funds?

Comment:

Question 19

Is the information required sufficient to ensure the integrity of the application and assessment processes? Are the proposed requirements for the provision of information appropriate or overly onerous?

Comment:

Question 20

Is there any other information that should be made publicly available on the proposed register to improve the transparency and accountability of the program? Is there any information of an application that should not be made publicly available (e.g. due to commercial sensitivity or privacy issues)?

Comment:

Question 21

What are the factors that need to be considered in designing the compliance regime? Are there any other measures that could be included to increase the robustness and effectiveness of the compliance regime?

Comment:

Question 22

What level and/or type of sanctions would be appropriate for each type of non-compliance outlined in Section 4.3.3? Are there any other activities that should be considered as non-compliance?

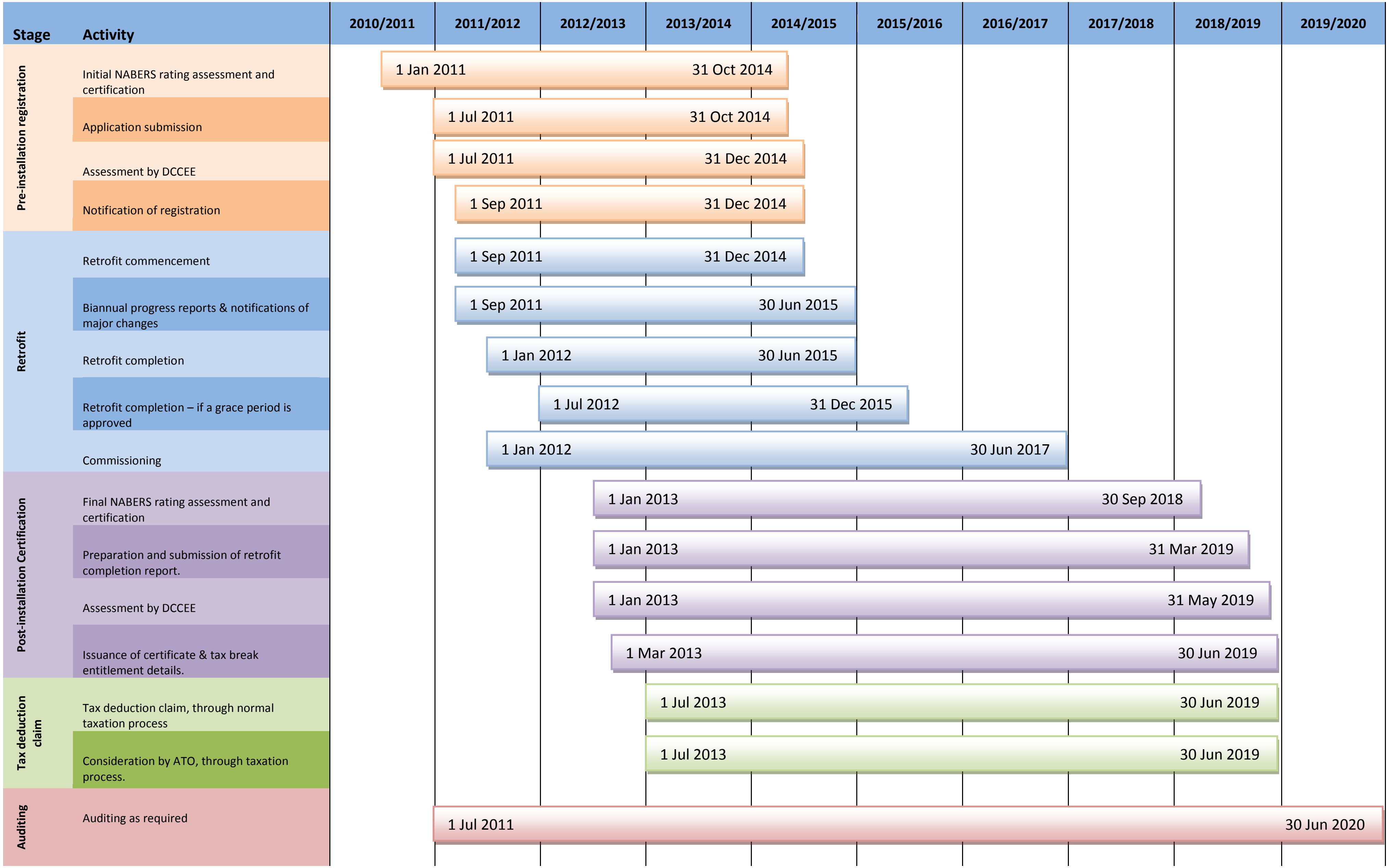
Comment:

General comment

Please include any other comments or information you believe might help improve the design of the Tax Breaks program.

Comment:

Attachment C – Timeframes for completion of application and assessment activities



Stage	Activity		
Pre-installation registration	Initial NABERS rating assessment and certification	1 Jan 2011	31 Oct 2014
	Application submission	1 Jul 2011	31 Oct 2014
	Assessment by DCCEE	1 Jul 2011	31 Dec 2014
	Notification of registration	1 Sep 2011	31 Dec 2014
Retrofit	Retrofit commencement	1 Sep 2011	31 Dec 2014
	Biannual progress reports & notifications of major changes	1 Sep 2011	30 Jun 2015
	Retrofit completion	1 Jan 2012	30 Jun 2015
	Retrofit completion – if a grace period is approved	1 Jul 2012	31 Dec 2015
	Commissioning	1 Jan 2012	30 Jun 2017
Post-installation Certification	Final NABERS rating assessment and certification	1 Jan 2013	30 Sep 2018
	Preparation and submission of retrofit completion report.	1 Jan 2013	31 Mar 2019
	Assessment by DCCEE	1 Jan 2013	31 May 2019
	Issuance of certificate & tax break entitlement details.	1 Mar 2013	30 Jun 2019
Tax deduction claim	Tax deduction claim, through normal taxation process	1 Jul 2013	30 Jun 2019
	Consideration by ATO, through taxation process.	1 Jul 2013	30 Jun 2019
Auditing	Auditing as required	1 Jul 2011	30 Jun 2020