

Property Council New Zealand

Submission on Te hau mārohi ki anamata: Transitioning to a low-emissions and climate-resilient future

Shaping the Emissions Reduction Plan

23 November 2021

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Shaping the Emissions Reduction Plan

1. Recommendation summary

- 1.1 Property Council New Zealand (Property Council) supports the overall objectives of emissions reduction and recognises that there is a lot of work required both from Government and the private sector to achieve this. The sector requires a clear plan and pathway on how we can achieve emissions reduction.
- 1.2 Property Council makes the following recommendations:
- Clear national direction is required for integrating emissions into urban planning and funding.
 - The property sector and its infrastructure and developments should be viewed in its entirety with necessary trade-offs considered.
 - Provide further clarity in relation to the Climate Commissions modelling for decarbonisation of energy and invest in LCA modellers due to the skill shortages New Zealand faces within this field.
 - Develop data collection prior to setting standards to ensure we have an accurate understanding of New Zealand buildings performance and how we can best build on this. This in turn will help drive behavioural change.
 - The Government take a leadership role in making the necessary changes and driving experiments alongside developing incentives for the property sector and business to viably follow suit.
 - Allow for tax deductions for retrofit strengthening, refits and service fits to encourage more owners to undertake work that will reduce overall emissions.
 - Introduce tax incentives for sustainable buildings in the short term, as they have less demand on infrastructure than non-green buildings.
 - Recognise and develop separate targets for the residential, commercial and industrial sectors.
 - Provide further incentives by investigating the opportunity to meet premiums for the difference between standard materials and green materials.
 - Understand the size of the residential, commercial and industrial sectors and encourage smaller and quicker moves within the residential sector.
 - Establish HomeStar ratings as a mandatory LIM report requirement.
 - Work with property sector experts to provide clarity on F-gases and ensure that there are not any unintended consequences for the property sector.
 - Encourage cross-partisan support for the Emission Reductions Plan.

2. Introduction

- 2.1 Property Council welcomes the opportunity to submit on the Government’s consultation document Te hau mārohi ki anamata: Transitioning to a low-emissions and climate-resilient future.
- 2.2 Property Council’s purpose is “Together, shaping cities where communities thrive”. We believe in the creation and retention of well-designed, functional and sustainable built environments which contribute to New Zealand’s overall prosperity. We support legislation that provides a framework to enhance economic growth, development, liveability and growing communities.
- 2.3 Property is currently New Zealand’s largest industry with a direct contribution to GDP of \$41.2 billion (15 per cent). The property sector is a foundation of New Zealand’s economy and caters for growth by developing, building and owning all types of property.
- 2.4 Property Council is the leading not-for-profit advocate for New Zealand’s largest industry- property. Connecting people from throughout the country and across all property disciplines is what makes our organisation unique. We connect over 10,000 property professionals, championing the interests of over 550 member companies have a collective \$50 billion investment in New Zealand property.

3. Overview

- 3.1 Property Council supports the Government’s intentions and targets for the emissions budget. However, we are surprised by the lack of detail, not only in providing the sector with the Climate Commissions economic modelling, but also in terms of suggested solutions that go beyond what we saw a year ago within the Building for Climate Change work programme.
- 3.2 We support a transformative shift required for businesses to meet our emission targets. However, it is extremely important for Government to understand that it has far greater capital capacity to make these changes. Increasing costs on landlords (particularly during COVID-19) will be the main barrier towards compliance.
- 3.3 On 31 October 2021, the Government announced to increase its contribution to the global climate target, known as the Nationally Determined Contribution (“NDC”), to reduce net emissions by 50 per cent below gross 2005 levels by 2030. This will require emissions to be reduced significantly further than what is outlined within this consultation and recommended by the Climate Change Commission. Continually changing the goal posts do not provide the certainty and clarity the business sector needs.
- 3.4 Leadership from central government is required. We have provided extensive recommendations in our previous submissions ([Building for Climate Change](#), 2020 and [He Pou a Rangi: Climate Change Commission’s Draft Advice](#), 2021) that could have significant short, medium and long-term emission reductions. It is a real shame, that these recommendations have remained stagnant and little to no development of these are evident within this consultation document. The sector requires a clear plan and pathway on how we can achieve emissions reduction, far beyond what we have seen in current and previous consultation documents.

4. Emission pricing

- 4.1 Property Council supports the proposal to encourage gross emission reductions through the New Zealand Emissions Trading Scheme. It is important to note that the consultation document rightly mentions that this is not the only mechanism to reduce emissions, and that pulling other levers such as regulation and policy alongside removing current barriers will help assist in reducing emissions through New Zealand.

5. Planning

- 5.1 The consultation document discusses integrating emissions into urban planning and funding. Property Council is concerned with the lack of detail within the proposal and limited to no guidance from Central Government. Like many regulatory changes of such significance, this will likely result in huge roadblocks to granting resource consents. Furthermore, without clear guidance it would likely result in huge delays to planning decisions. For local authorities and applicants to have certainty, we need to ensure that integration comes with clear and consistent national direction.
- 5.2 Currently, we have capacity and capability issues within local government, and the inclusion of emissions into urban planning and funding into local government planning regulations would likely result in inconsistencies across the board (i.e. emission pricing and calculations). We strongly recommend a more collaborative approach is undertaken between Central and Local Government and the property sector.

6. Transport

- 6.1 We support an equitable transition towards lower carbon transport options within New Zealand. In the short to medium-term, lower carbon transport options will have to be balanced with the need to deliver housing and infrastructure. If balances are not considered, New Zealand will add to its current housing and infrastructure shortages.
- 6.2 We support the move to more EV and hybrid private vehicles alongside implementing a mode-shift plans for our largest cities, improving public transport and enable congestion pricing.
- 6.3 We are concerned with the proposed supply chain strategy heavily focusing on trains and the reduction of aviation and maritime modes of transport. An over-reliance on one particular transport sector could cause issues in the long run. For example, the Coastal Pacific railway was closed for two years following the Kaikoura earthquake. Our members will still need roading connections and private access to transport goods and services and build development. This cannot be undertaken by other forms of transport easily or as effectively.
- 6.4 Whilst we want to play our part, it is important that the property sector and its infrastructure and developments are viewed in their entirety with necessary trade-offs being considered. Otherwise, a piecemeal approach would most likely result in increased costs both financially and environmentally. For example, the recycling of materials alongside new building materials would likely result in two different methods of transportation increasing initial emissions to get the total materials to the site required. Without considering the potential benefits of using the recycled material, the initial emissions may look worse-off than the long-term gain.

7. Energy and industry

- 7.1 We support the phase out of fossil gas in the energy system.
- 7.2 There may be circumstances, where new builds occur on existing sites (i.e. a campus). For example, our members require clarity on whether a new building on an existing campus site would be included in the sites' overall fossil fuels or would be separately analysed.
- 7.3 Our submission to the Climate Commission accepted the need for commercial and public buildings to decarbonise their energy use for heating, hot water and cooking. We note that this would require collaboration of all players in the building sector. For example, information and data, innovation and policy development working together to lower the use of embodied carbon. It is also important to note that there are not enough LCA modellers in New Zealand due to the skill and labour shortages in this area.

8. Building and construction

- 8.1 We support reducing fossil gas use in buildings. However, we are cautious that setting a date to end the expansion of fossil gas pipeline infrastructure may have adverse outcomes. For example, overseas countries relied on existing natural gas infrastructure to make the switch to biogas and hydrogen. Greater understanding of overseas jurisdictions and the New Zealand context is required as some building types could look to eliminate (or adapt) much faster than others. Furthermore, if central government increased the infrastructure capacity in terms of transformers, this would assist in heat pump hot water options being more cost effective and EV charging capacity.
- 8.2 Our previous submission on Building for Climate Change, recommended the Government investigate building types that could achieve a zero-fossil fuel target immediately, whilst ensuring manufacturing or industrial new builds have a more practicable transformative period. We agree with the proposal to phase out fossil-fuel for new builds by 2025 and eliminate in all buildings by 2050, noting that this is easier for new builds and residential than existing commercial and industrial buildings.
- 8.3 We support the Government investigating a mandatory energy performance certificate or programme for commercial and public buildings. However, it is important to note that data collection prior to setting standards is required to ensure we have an accurate understanding of New Zealand buildings performance and how we can best build on these. It is also important to ensure that policy is carefully crafted to make sure that it considers each building type. We are aware that current energy performance rating systems are not appropriate for some building types. For example, NabersNZ is not able to be applied for industrial property. Furthermore, industrial property is much more difficult because the landlord is often not in control, as the tenant controls and manages the site.
- 8.4 We are strong supporters of Government investment in the sector to investigate ways to lower building emissions across the entire process; (e.g., design, planning, construction, and deconstruction). It is important that a whole-system approach to reduction of emissions is considered, and trade-offs are made for better sustainability outcomes, rather than an over-focus on legislative changes with too much red tape.
- 8.5 We acknowledge that businesses will have to change behaviours and adapt to new practices, but they will also be expected to shoulder the brunt of extra costs, levies, and charges.

Furthermore, early adapters will be expected to take the commercial risks associated with meeting the proposed emission/s targets. The Government has far greater capital capacity to make these changes themselves, and leadership is required, alongside incentives for the property sector and business to viably follow suit.

- 8.6 Another incentive is to allow for tax deductions for retrofit strengthening to encourage more owners to undertake the work. Outside of retrofit strengthening, refits and frequent service fits and upgrades are more common for commercial buildings. There could be further incentives and other ways in which the emissions reduction plan could make gains in this area to assist commercial buildings to better comply. In addition, we recommend introducing tax incentives for sustainable buildings in the short term, as they have less demand on infrastructure than non-green buildings.
- 8.7 We have shared our concerns with the Commission's modelling which predicting a 30 per cent reduction by 2035 within the Building and Construction sector. However, this appears to be in contrary to a 2019 report by the Green Building Council which found that "if construction material improvements are made for both residential and non-residential building types a total carbon saving of 13 per cent from all embodied emissions could be made in the short term and 41per cent in the long term." We continue to have other questions with the Commission's modelling, and these were not answered within this consultation document.

Commercial and Industrial sectors

- 8.8 It is important that the Government recognise and provide separate targets for the residential, commercial and industrial sectors. Commercial and industrial markets are significantly different from residential and different levers can be pulled within each sector to help reduce overall emissions.
- 8.9 For example, it is hard to see a future commercial and industrial market without steel and concrete. Alternative products may not be best suited. For example, structural seismic requirements mean that timber buildings have large columns that interfere with racking and reduce the efficiency of the space. Alternative options such as low-carbon concrete may be required however, the private sector alone cannot create new markets overnight. We acknowledge that there is scope to improve in these areas. The main challenge the sector face is that there is currently a cost premium and delivery risk associated with adopting lower-emissions building materials. The market shift will not occur overnight and needs Government to incentivise companies with low concrete and steel alongside driving experiments with these materials. The Government could also show leadership in this space by using new low-emissions building technologies in Government projects (in addition to their 'timber first' approach).
- 8.10 The main problem that the property sector, and thus Government face, is the absence of data. An increase in the metrics and data will allow for a starting point, better comparison for proposed reductions and in turn will led to the funding of further research and implementation of new materials and ways to reduce emissions, which in turn leads to behavioural change.
- 8.11 Another way we can better understand market conditions and current data is the establishment of a mandatory system for rating the energy efficiency of office buildings. We recommend the Government undertake research into energy performance schemes used

internationally and work with the industry to determine what energy performance scheme/s would work best in New Zealand, taking into consideration the various building types. (For example, a scheme such as NABERS may be appropriate for office buildings and be able to be extended for retail, but would not be suitable for the industrial sector).

- 8.12 Whichever schemes are adopted, we recommend making ratings publicly available at the change of sale points. We recommend concentrating on a commercial office based scheme and once a successful implementation and understanding of the system for office buildings has occurred, closely working with the sector and equivalents in its extension to other building types such as; retail. Further research is required for the industrial sector.
- 8.13 The consultation document recommends the Government develop a contestable fund to help drive low-emissions innovation and encourage emission reductions within the building design and product innovation space. We strongly support this and recommend the Government provide further incentives by investigating the opportunity to meet premiums for the difference between standard materials and green materials. For example, meeting the difference between standard concrete and green concrete in the interim will help promote and make feasible alternative options. Similar to LED lighting, the market over time will develop and materials such as green concrete could become the standard. However, in the meantime we need a gap-meeting solution to promote and encourage new green markets to emerge.

Residential market

- 8.14 New Zealand's residential market is two to three times the size of the commercial market. We encourage the Government to look at where smaller moves within the new-build residential market could result in bigger impacts. For example, incentivising installation of solar panels and water retention for new builds.
- 8.15 One suggestion that could help contribute towards behavioural change is making HomeStar ratings mandatory on LIM reports.

9. Waste

- 9.1 We support the need to reduce waste from construction and demolition. A good example of reducing waste is Wellington's CentrePort demolition of the BNZ building which suffered by the November 2016 Kaikoura earthquake. CentrePort has reported that 95 per cent of the building by weight will be recycled, with about 30,000 tonnes of concrete in the BNZ building being crushed at CentrePort's recycling plant and will be used as gravel fill at the port.
- 9.2 We note that concrete crushing and recycling is however limited to where the machines are located within New Zealand. Once transmission gully is completed the machines may be relocated. We recommend central government look at setting up strategic locations to provide this type of machinery.
- 9.3 We are aware that BRANZ has a recycling directory of who takes recycled building materials. We recommend the Government look into whether building consents that involve any demolition have a requirement to recycle as much as possible.

10. F-gases

10.1 We are supportive of moving to lower-GWP refrigerants for property applications overtime. However, the F-gases proposals may cause difficulties for existing buildings. We recommend working with the property sector experts within this field to ensure there are no unidentified impacts on building owners having to reach compliance (e.g. air conditioning units). It is unclear what impacts the current proposal will have for the sector, and flexibility will be required to allow for better overall environmental impacts.

11. Cross partisan support and alignment across Government programmes

11.1 Cross partisan support is required to provide the sector with certainty. Furthermore, greater alignment is required across Government programmes and policies. For example, the recent Resource Management (Housing Supply and Others) Matter Bill will require emission reduction guidance for residential developers.

12. Conclusion

12.1 Property Council is grateful for the opportunity to provide feedback on the consultation document Te hau mārohi ki anamata: Transitioning to a low-emissions and climate-resilient future.

12.2 We support the Government's overall intentions to reduce emissions, however, we are surprised by the lack of detail within this consultation document. For emission reductions to occur, we need to know the base level of our residential, commercial and industrial buildings in order to set realistic and aspirational goals. We urge the Government take a leadership role within the building and construction space to work closely with the sector and develop and provide incentives to shift behavioural changes.

12.3 For any further queries contact Katherine Wilson via email: katherine@propertynz.co.nz or cell: 027 8708 150.



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