SUSTAINABLE MELBOURNE FUND

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Dr Richard Grant
Acting Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Mr Grant,

RE: Inquiry into the Tax Laws Amendment (Clean Building Managed Investment Trust) Bill 2012

Sustainable Melbourne Fund (SMF) welcomes the opportunity to provide a submission to the Committee's inquiry into the *Tax Laws Amendment (Clean Building Managed Investment Trust) Bill 2012*. We request that the following letter be submitted and considered by the committee.

Sustainable Melbourne Fund has an ongoing interest in sustainable development within Melbourne. As a specialised fund with expertise in energy efficiency, renewable energy and project management and delivery, SMF operates two innovative programs:

- an investment program to stimulate projects that enhance the environment, contribute to sustainability and deliver economic benefits
- the administration of the environmental upgrade finance mechanism within the City of Melbourne's 1200 Buildings program.

While we generally support incentives for investment in green buildings, by restricting the incentives to buildings constructed after 1 July 2012 this Bill disincentives investment in existing buildings, favouring construction of new buildings. This also represents a huge lost opportunity to reduce carbon emissions through retrofitting of existing buildings, which make up a large percentage of building stock.

The City of Melbourne has set a goal to achieve zero net emissions in the municipality. As part of this goal, the City of Melbourne is seeking to catalyse the environmental retrofit of 1200 non-residential buildings, which represent 70% of the commercial building stock within the municipality. Environmental upgrade finance was introduced in 2011 as a means of enabling non-residential building owners to access capital to undertake environmental improvements and therefore unlocking the economic benefits of their buildings and stimulating the economy.

SMF acts as the third party administrator of the environmental upgrade finance mechanism for the City of Melbourne's 1200 Buildings program, with four EUAs for retrofit projects with a total value of $5.6 million already in place.

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Analysis by Deloitte has projected that the City of Melbourne's 1200 Buildings program will reduce Melbourne's commercial buildings energy costs by 25%, generate $2 billion in economic activity and create 8000 new jobs[1]. Arup estimates that the program will lead to the creation of 3000 new jobs in the Victorian manufacturing supply chain alone[2]. Further studies have identified that office buildings in the City of Melbourne represent only 46% of the total commercial office space within Victoria[3], indicating significantly greater opportunity in Victoria alone.

Similar opportunities exist in NSW with the Office of Environment and Heritage estimating that $2 billion of retrofit opportunity exists within the City of Sydney alone and a further $150 million in the municipality of Parramatta. The South Australian Government is currently undertaking a review of the opportunity for EUAs, with current estimates placing the state-wide opportunity there in the same order of magnitude of the 1200 Buildings program. The combined opportunity of retrofit activity in the City of Melbourne, NSW and South Australia is estimated to be in the order of $4–$8 billion, which would significantly stimulate local jobs within sectors that are currently under pressure, namely manufacturing, engineering and construction sectors, and hedge against energy price rises. Low Carbon Australia Limited has estimated the national market opportunity within the property and industry target sectors at $50 billion.

It is critical that existing buildings are not abandoned, and allowed to devalue, which may occur with a tax incentive regime which favours construction of new building stock. Using government funds to provide incentives for retrofitting of existing buildings could leverage, over a 10 year period, an estimated 100 times greater private sector investment.

We recommend consideration is given to amending section 12-430 Meaning of *clean building* to include a building constructed on or prior to 1 July 2012 which has achieved an increased NABERS energy rating of 2.5 stars from the previous year.

We thank you for your consideration of this submission. Should you have any questions, please do not hesitate to contact me on 03 9658 8666.

Yours sincerely

Scott Bocskay
Chief Executive Officer
Sustainable Melbourne Fund

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[1] Deloitte, *1200 Buildings - Analysis of Potential Economic Benefits*, 2009.
[2] Arup, *Future Job Opportunities for Victorian Manufacturers: 1200 Buildings Retrofit Stimulus*, 2010.
[3] Davis Langdon. *The Next Wave: Retrofitting Victoria's Office Buildings*, 2012.