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EXECUTIVE SUMMARY

Thank you for the opportunity to provide a submission to the review of Queensland Energy Legislation.

The property industry has traditionally been a more passive participant in energy markets, however, rising wholesale prices and continued instability in policy and market settings have resulted in pressure being placed on property asset owners and managers.

Electricity is now counted as a major cost for building owners across all property asset classes. For example, it accounts for close to 9% of operational costs in an average B or C grade office building in Brisbane CBD.

These increasing costs combined with a strong sustainability mandate is driving investment decisions of our members, with many now having carbon neutral targets they are looking to achieve.

From a legislative perspective our members are seeking long term stability underpinned by reliable, affordable and sustainable objectives.

As many of our members operate in markets across the country it is important that the legislative structure is complementary to the approach being taken in the National Energy Guarantee, and that there is a move towards harmonisation across state jurisdictions.

Although the built environment represents some of the lowest cost emissions abatement opportunities, there are persistent barriers to the uptake of energy efficiency and distributed energy that require strong and targeted policy support to address.

Therefore, the legislation needs to facilitate demand side outcomes, such as improved energy efficiency in buildings, and the development of sustainable utility infrastructure.

One mechanism that would assist increasing the uptake of energy efficiency would be the introduction of Environmental Upgrade Agreements (EUAs) that have been successfully implemented in NSW, Victoria and South Australia. This initiative is explored further in our submission.

In addition to EUA’s there is an opportunity to establish a state-based energy efficiency trading scheme.

Another factor that needs to be taken into consideration through the review is the fact that Queensland has two distinct markets, being South East Queensland and Regional Queensland and there are differing drivers and solutions that need to be considered.

Our submission seeks to respond to the items contained in the issues paper that are of most relevance to our members. We look forward to further engagement with the Department as the options to respond to the issues are developed and released through the Consultation Regulatory Impact Statement (RIS).
THE PROPERTY INDUSTRY’S CONTRIBUTION TO THE QUEENSLAND ECONOMY

QLD’S BIGGEST INDUSTRY ACCOUNTING FOR 14.2% OF THE STATE’S ECONOMIC ACTIVITY

CREATING JOBS - PROPERTY IS QLD’S LARGEST EMPLOYER

331,400 JOBS PROPERTY INDUSTRY
156,200 JOBS MANUFACTURING
55,800 JOBS MINING

The property industry employs more people than mining and manufacturing combined

BUILDING PROSPERITY BY PAYING $19.9 BILLION IN WAGES & SALARIES

$11.2 BILLION IN TAXES

PROPERTY IS THE LARGEST SINGLE INDUSTRY CONTRIBUTOR PAYING 53.7% OF QUEENSLAND TAXES.

Source: AEC Group Economic Significance of the Property Industry to the Australian Economy report 2017
ASSESSING STATE-BASED ENERGY LEGISLATION

Objectives of the legislation:
The primary objective of the legislation should be to serve the long-term interests of the consumer.

This overall objective needs to be underpinned by a legislative framework that seeks to deliver improvements in reliability, affordability and sustainability.

Interaction with other laws:
Energy policy and legislation has been the subject of an ongoing national debate for some time, as the federal government seeks to finalise its National Energy Guarantee (NEG) reforms.

The success of the NEG will rely on complementary measures being enacted by the states and territories. It is therefore fundamentally important that this review encapsulates this national approach and, where possible, seeks to harmonise the legislative settings.

Areas of overlap or duplication:
There are currently instances of overlapping legislative provisions relating to energy supply for some property asset classes. This mainly occurs through requirements placed on embedded network owners.

As many of our members operate across various states, the Property Council supports the National Energy Customer Service Framework (NECF) as it provides certainty, consistency and efficiency in the operation of on-selling schemes.

There is however, existing Queensland Government legislation that overrides the effectiveness of the national framework. For example, manufactured home park owners who on-supply electricity must comply with section 99A of the Manufactured Home (Residential Parks) Act 2003, which precludes them from having the ability to charge any fees to cover their costs.

Therefore, the review needs to identify any existing overlaps and duplication and ensure where appropriate that they are reduced or corrected. Secondly, any proposed changes resulting from the review need to be consistent with national arrangements and not create any duplication or overlap with any existing state-based legislation.
EXISTING PROVISIONS IN LEGISLATION

Licensing of energy businesses

While the property industry has traditionally been a passive participant in energy markets, many of our members are becoming more active participants as they make the transition to net zero emissions through the introduction of sustainable utility infrastructure.

However, this increased participation should not result in more licensing requirements, instead it should encourage demand responsive measures that seek to improve energy efficiency in buildings.

By encouraging and empowering asset owners to invest in sustainable energy solutions it will ultimately provide more competition in the market.

Furthermore, the emergence of new technologies and likely need to accommodate electric vehicle charging stations in new and existing buildings requires the legislation to be responsive to emerging trends and customer needs.

Therefore, the scope of licence exemptions and the ability to introduce exemptions without having to amend the legislation should be further investigated in the review.

PRICE CONTROL

REGIONAL PRICE REGULATION

It is important to recognise that Queensland has two distinct energy markets that require different solutions to achieve reliable, affordable and sustainable energy.

Our members in regional Queensland have seen a significant rise in electricity prices at a time when regional economies are struggling.

It is therefore incumbent on Government to address this issue.

One of the options is to increase competition in the regional market, which needs to be explored and addressed through the Consultation Regulatory Impact Statement that will occur in stage 2 of this review.

Competition policies to be explored through this process could include moving the Community Service Obligation from Ergon Energy Retail to the Ergon Energy Network and the establishment of a Government owned renewable generator.
ENERGY EFFICIENCY AND DEMAND MANAGEMENT

According to the Australian Sustainable Built Environment Council, buildings could meet over half the National Energy Productivity Plan (NEPP) and a quarter of the existing national emissions target with the right policies and incentives in place.

Despite the built environment offering some of the lowest cost emissions abatement opportunities, there are persistent barriers to the uptake of energy efficiency and distributed energy that require strong and targeted policy support to address.

Opportunities exist to facilitate positive changes to the energy sector through the built environment. Demand side drivers, such as improved energy efficiency in buildings and the development of sustainable utility infrastructure will ultimately support reliability requirements, reduce demand peaks, build resilience, and increase competition in the market.

Therefore, the legislative review should seek to develop a framework that enables asset owners to embrace these opportunities.

While not directly related to legislation outlined in the issues paper, there is an opportunity for the Government to assist in delivering environmental outcomes through the facilitation of Environmental Upgrade Agreements (EUAs).

EUAs have been successfully introduced in NSW, Victoria and South Australia, however introducing them into Queensland requires legislative amendments to the Local Government Act 2009, and City of Brisbane Act 2010.

An explanation and further information on EUAs can be found in Appendix A.

Another opportunity to achieve emissions reductions and energy efficiency is through the establishment of a state-based energy efficiency trading scheme.

Schemes are currently in place in New South Wales, Victoria, South Australia, and the ACT. While each one is different and requires a bespoke application to access the incentives, there is an opportunity for Queensland to introduce a model that leverages well-established methodologies and streamlined administrative processes from other jurisdictions to promote harmonisation.
CONCLUSION

Thank you for the opportunity to provide a submission to the review of Queensland Energy Legislation. As evidenced in our submission the property industry and built environment has a significant role to play in resolving many of the items identified in the issues paper.

We look forward to further engagement with the Department as the options to respond to the issues are developed and released through the Consultation Regulatory Impact Statement (RIS) later this year.

If you require any further information or would like to discuss this submission further, please don’t hesitate to contact me on [redacted] or [redacted].

Kind regards

Chris Mountford
Queensland Executive Director
APPENDIX A

NSW, Victoria and South Australia are currently using Environmental Upgrade Agreement mechanisms to simultaneously unlock investment and deliver environmental outcomes. Under the right policy settings, Queensland could also benefit from these agreements.

Environmental Upgrade Agreements (EUAs) are a tried and tested arrangement for financing upgrades to commercial buildings to promote investment in sustainability initiatives, such as LED lighting and more efficient air-conditioning systems.

Through local governments providing a funding source, paid back via an increase in rates by the tenants who benefit from the upgrades, building owners are able to undertake efficiency upgrades without having significantly out of pocket.

Sydney, Melbourne and Adelaide have all adopted variations of the EUA model. However, in Queensland, there are legislative hurdles preventing councils from entering into such agreements with building owners.

Amendments to the Local Government Act 2009 and City of Brisbane Act 2010, would be required to enable councils and building owners to enter into Environmental Upgrade Agreements.

THE BENEFITS

- Unlocking new investment opportunities
- Improving environmental performance
- Reducing costs for tenants and building
CONTACTS

CHRIS MOUNTFORD
Queensland Executive Director
Property Council of Australia
Phone: 
Mobile: 
Email: 

JEN WILLIAMS
Queensland Deputy Executive Director
Property Council of Australia
Phone: 
Mobile: 
Email: 