

EUA Finance for the Regions:

The economic benefits of retrofitting Victoria's building stock through Environmental Upgrade Agreements

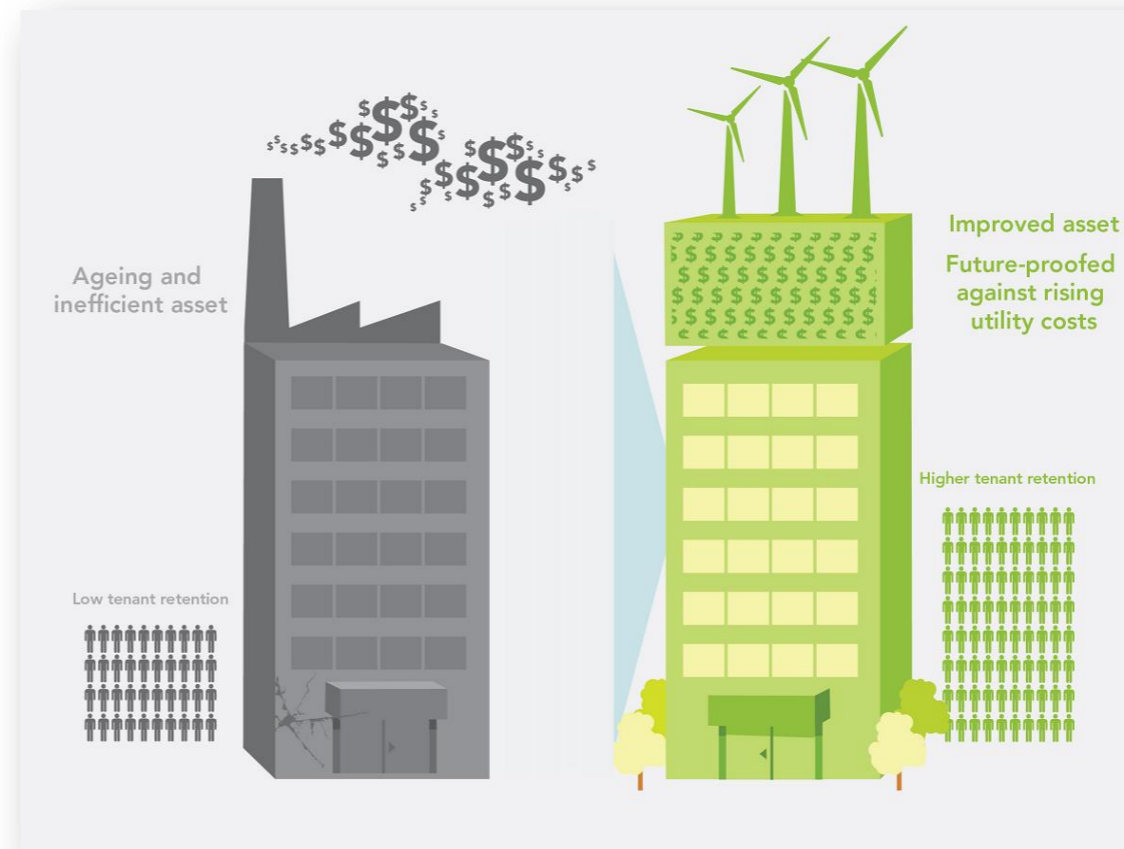
1st September 2014

An joint initiative of the Victorian Greenhouse Alliances



Objectives and Scope

- This study quantifies the potential direct economic benefits that may be unlocked through allowing access to EUAs for each region in Victoria.
- The study also includes an assessment of indirect economic benefits through ongoing energy savings and GHG savings.
- The report makes recommendations to local government about how to support the necessary changes to the *Local Government Act* and how scale can be captured in administering the scheme.



Source: Sustainable Melbourne Fund



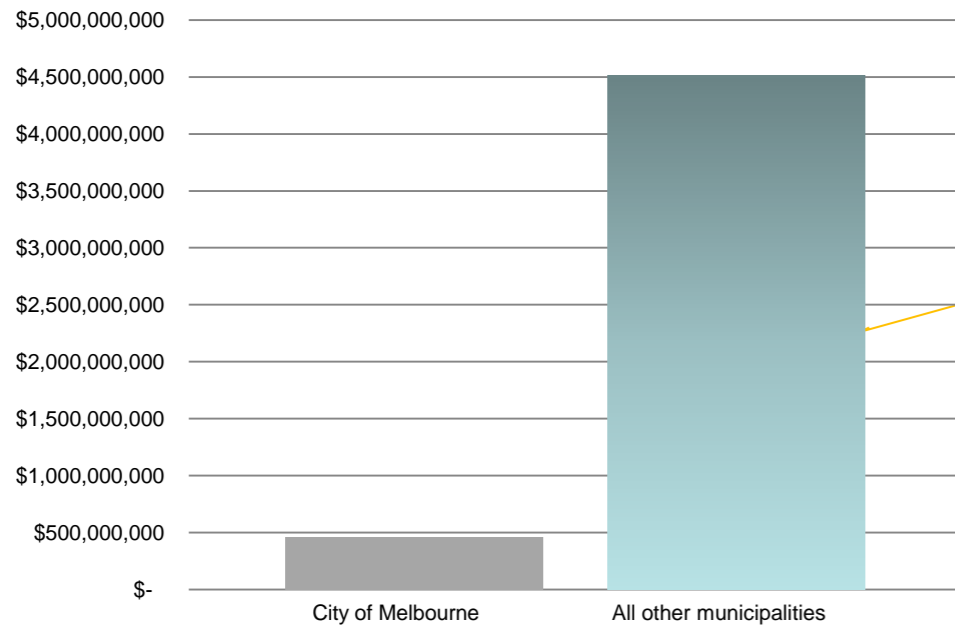
Methodology

- The work presented is secondary research that draws on key reputable studies (see *Assumptions, Limitations and References* section).
- The research included:
 - quantifying the floor space and number of properties within each municipality (<50m²) using data provided by the Valuer General Victoria
 - a segmentation model of all commercial building stock within each greenhouse alliance's region
 - applying a plausible upgrade scenario (15% additional to business as usual)
 - making conservative estimates of the direct capital investment and employment opportunities resulting from a range of energy and resource efficiency opportunities relevant to EUAs.
- The analysis and underlying assumptions have been peer-reviewed by the following technical experts: Sustainable Melbourne Fund, ARUP, AECOM.

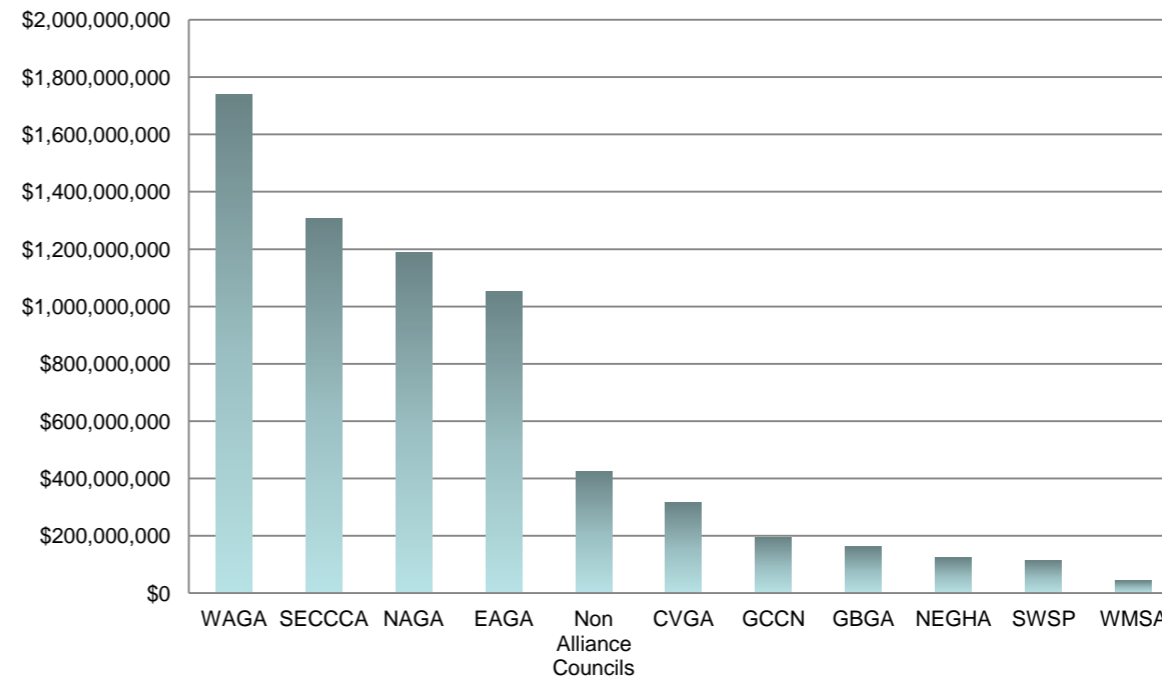


EUA finance can unlock +\$4.5B of investment and create +18,000 jobs across Victoria

A majority of additional investment opportunity lay beyond the City of Melbourne



Victoria's regions can capture significant economic benefits through retrofitting existing building stock

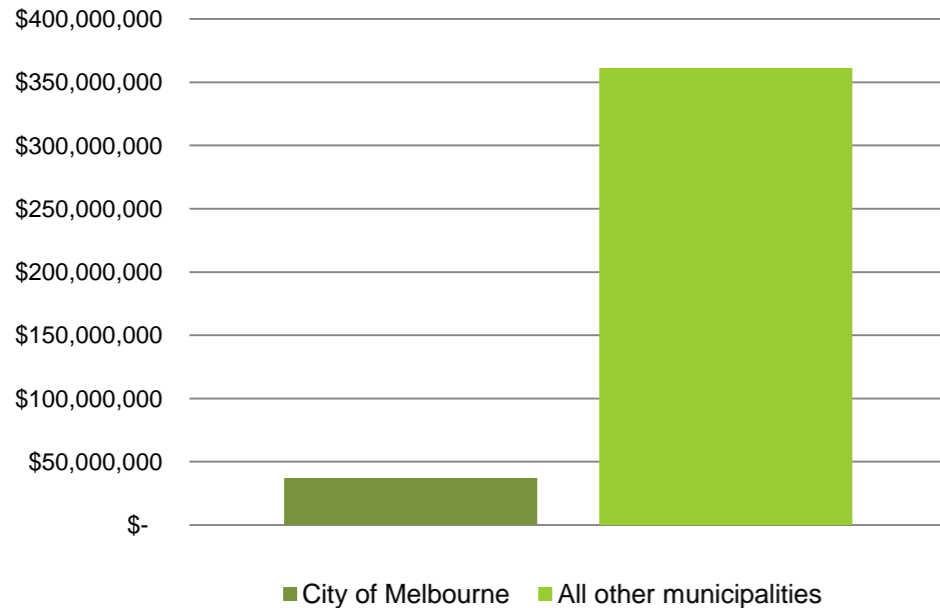


Establishing EUA finance beyond the City of Melbourne provides an opportunity to reduce the risks for building owners and tenants from increasing energy costs, deliver low cost abatement within the buildings sector, stimulate investment and grow the local building retrofit industry.

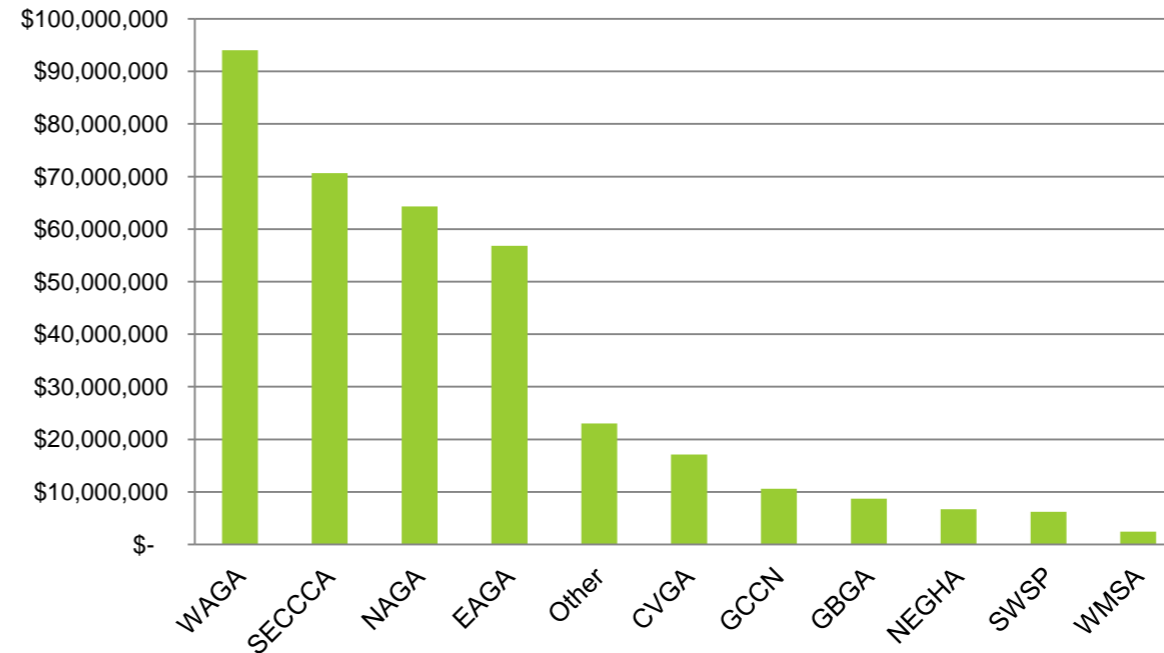


Retrofitting buildings can save Victorian businesses \$0.37B annually and reduce emissions by 1.7M tonnes

A majority of the ongoing cost savings are available beyond the City of Melbourne



Retrofitting existing building stock can deliver substantial ongoing financial benefits

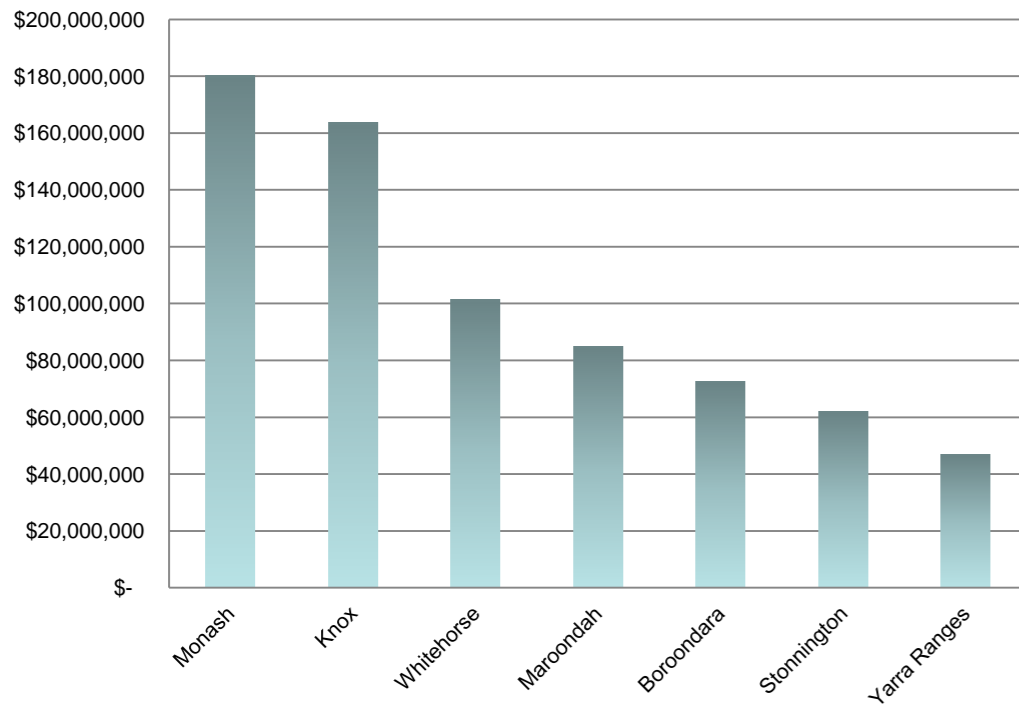


Increasing the energy efficiency of the building stock provides an opportunity to reduce the risks for building owners and tenants from increasing energy costs, deliver low cost abatement within the buildings sector, stimulate investment and grow the local building retrofit industry.

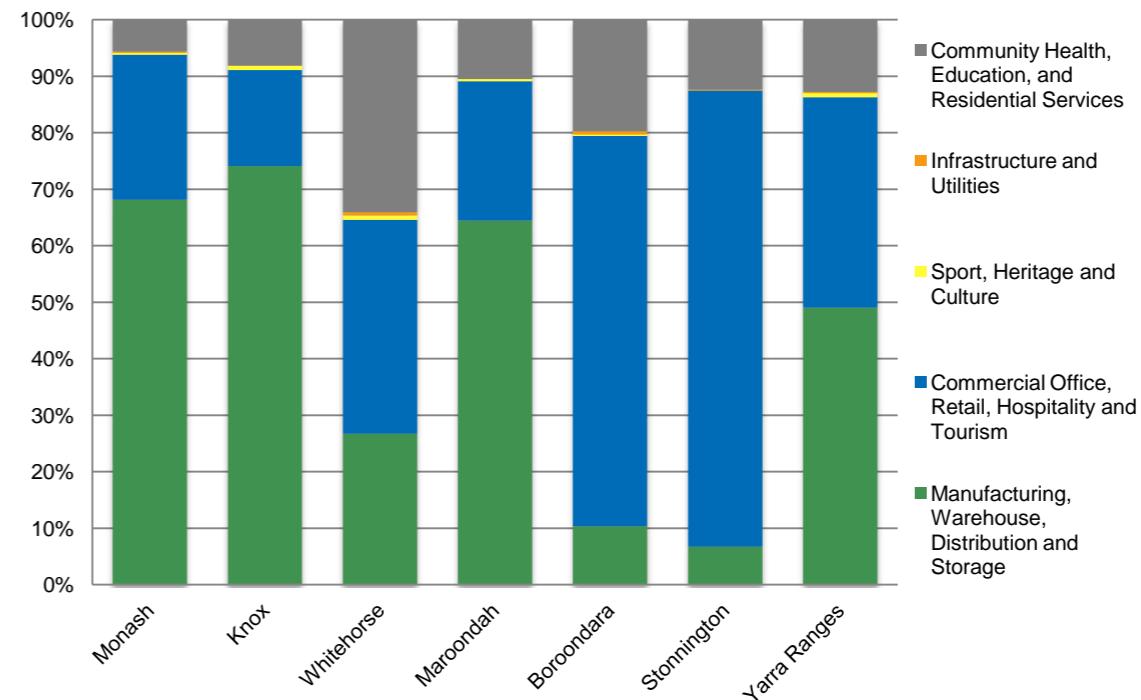


EUA finance can unlock over \$700M of investment and create +2,800 jobs across the EAGA Region

Investment opportunity within EAGA municipalities



Investment opportunity owners within EAGA municipalities

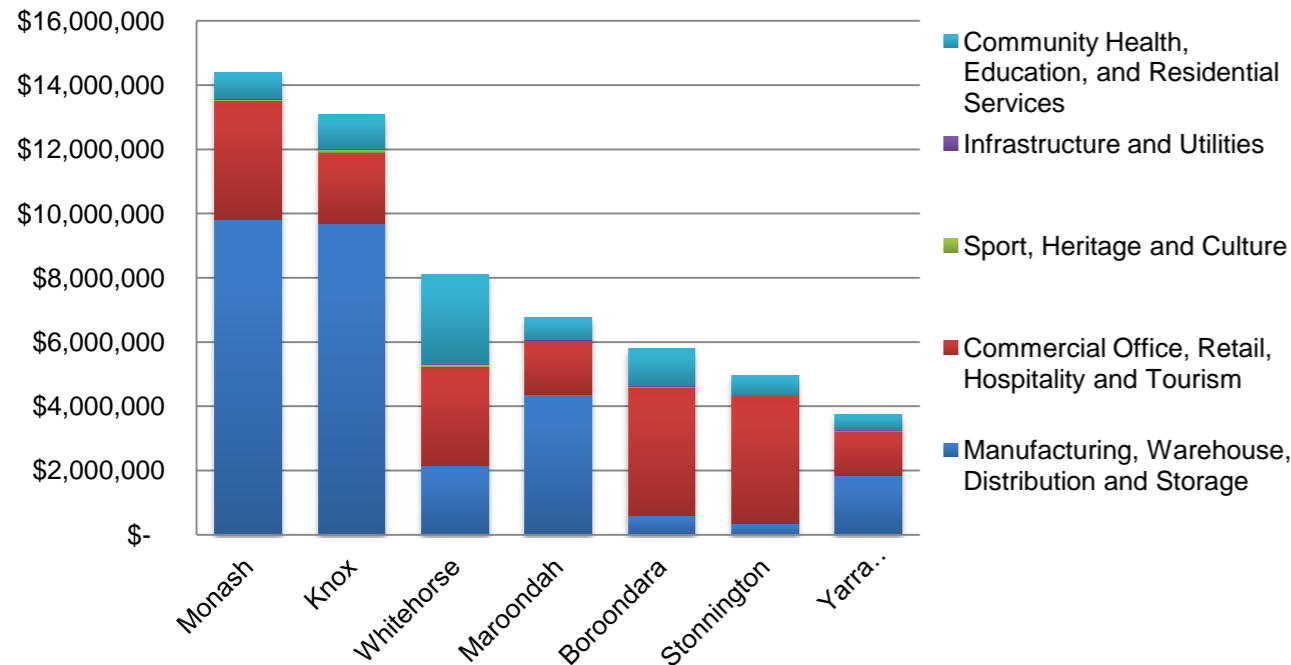


EAGA's region covers approximately 3,000km², extending from densely populated urban areas in the west to less populated rural areas in the east. The industrial areas in Knox, Maroondah and Monash are a major contributor to Victoria's manufacturing sector and could enjoy significant productivity outcomes through building upgrades.

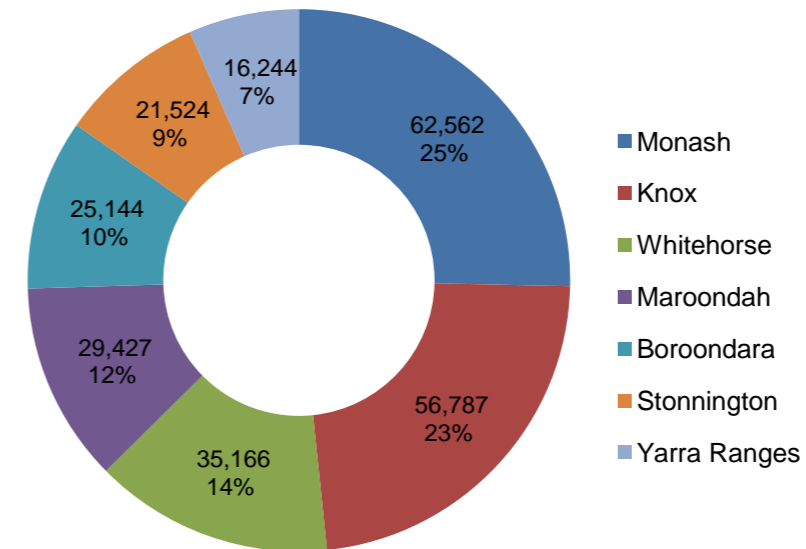


Businesses in the region EAGA can save \$56M annually and reduce emissions by 0.25M tonnes

Annual financial savings by municipality and sector



Emissions reduction potential (tCO2-e)

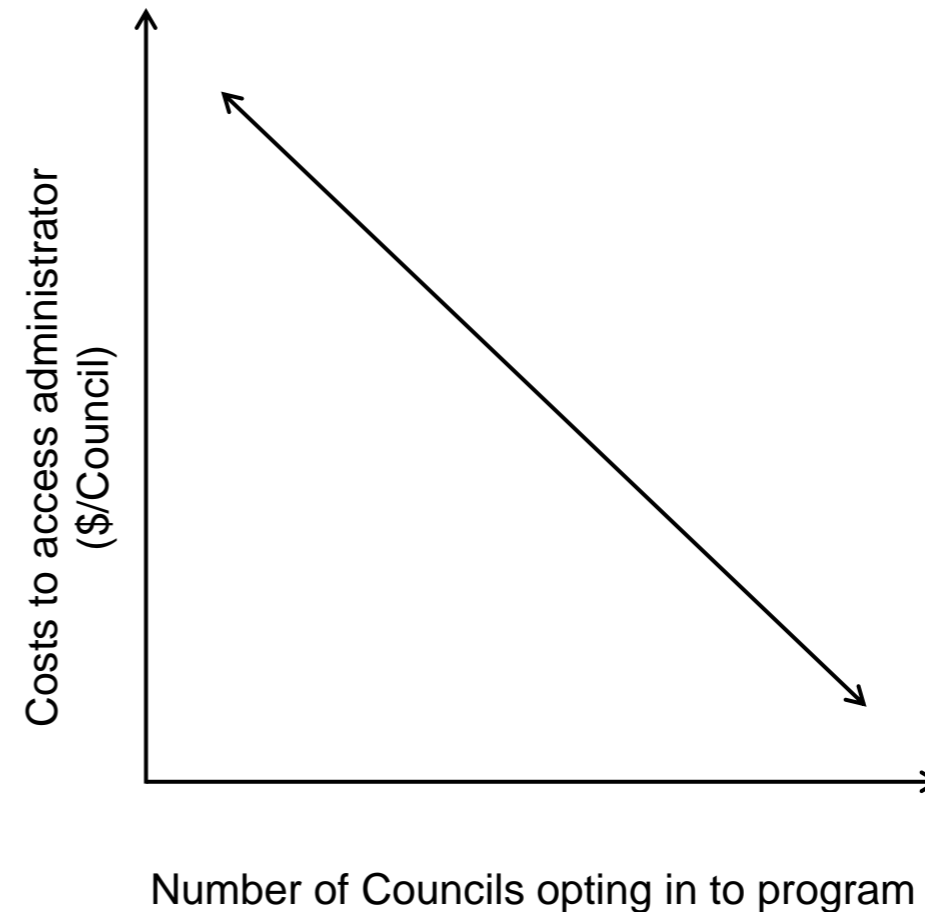


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Administering an EUA scheme

- The necessary legislative amendment to the *Local Government Act* is currently before Victorian Parliament
- Once this has passed, a cost effective administration scheme will need to be established
- [South Australia's Business Case Report](#) evaluates the preferred approach for administering an EUA scheme and recommends adoption of an independent third-party model
- This replicable approach can create economies of scale for Councils wanting to voluntarily opt in over time (and consistency for businesses operating over multiple jurisdictions)



The role of Councils in stimulating retrofit activity

- As trusted advisors to business, Council economic development staff will need to communicate the benefits of retrofitting and advise building owners on how they can access EUA finance.
- Council officers will need to work in partnership with independent third party administrators to facilitate EUA deals
- To process EUAs, minor administrative changes to Council information's systems (including Pathways and accounts payable) would be required
- At set up, Council may need to seek legal advice accounting advice on GST treatment

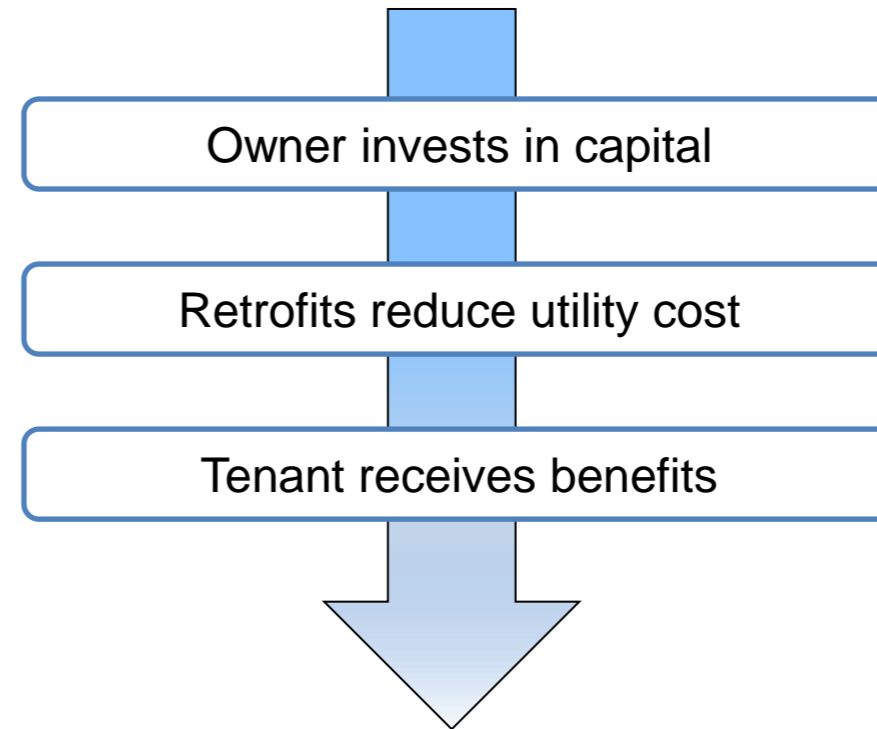


Figure 1: EUAs are a key tool for addressing 'the split incentive' barrier



Recommendations for Local Government

- **Advocate for the adoption of a third party administration model for Victoria** – establishing a consistent scheme across the State will require up front investment. Without State funding, the economic development opportunity could be lost
- **Develop the capability of economic development staff** – businesses and Councils are largely unaware of this funding opportunity. To effectively engage businesses, economic development staff will need to develop a working knowledge of energy efficiency and how businesses can capture the benefits through access to EUA finance



Further information: eaga.com.au

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