

## *Acknowledgement*

Thank you for the opportunity to submit feedback to the External Reporting Board (ERB) for Stakeholder Input on Aotearoa New Zealand Climate Standard 1 (NZ CS 1) - Climate Related Financial Disclosures for the Governance and Risk Management Consultation Document

## *New Zealand Green Building Council*

The New Zealand Green Building Council (NZGBC). NZGBC is a not-for-profit industry organisation dedicated to promoting a sustainable built environment. NZGBC achieves this by setting standards of best practice through green building rating tools; education and training for all areas of the building industry value chain; and providing access to networks, information and resources for our members to lead the market. Its vision is for all homes and buildings in Aotearoa to be green and sustainable, making healthier, happier New Zealanders.

We're a non-profit, that includes 600+ companies and organisations amongst our members, including banks, energy companies, insurers, government departments, publicly listed property companies, project managers, manufacturers, construction companies, architects, developers, designers, and tertiary education institutions. This includes many of the NZX50. These members have a combined market turnover of \$40bn. We also work with local government members, representing over 60% of Aotearoa New Zealand's population

## *Ensuring New Zealand Achieves the 1.5 Degree Pathway (2.0 Degree or Lower Scenario)*

Presently, we are in a global climate emergency that requires all sectors of society to understand their obligation and act to ensure New Zealand can achieve the 1.5 degree pathway, stipulated under the Paris Agreement. This has a practical impact for businesses across portfolios and is pertinent to Aotearoa's built environment.<sup>1</sup>

While risk analysis and mitigation are essential components for any balance sheet, there is now increased importance and obligatory compliance, firms are required to take following the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill's Royal Assent on 27 October 2021.

Additionally, we support the recommendations under the Climate Change Commission's Report, Ināia tonu nei, and agree with their assessment that New Zealand possesses the technology and tools needed to achieve our climate targets<sup>2</sup>. But there is more work to be done and this is why NZGBC supports climate financial disclosures as a tangible, collaborative data structure that supports this aim.

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<sup>1</sup> Reducing risk and improving returns towards 2030, Report to New Zealand Green Building Council, December 2020; [https://12253-console.memberconnex.com/Attachment?Action=Download&Attachment\\_id=44552](https://12253-console.memberconnex.com/Attachment?Action=Download&Attachment_id=44552)

<sup>2</sup> Ināia tonu nei: a low emissions future for Aotearoa » Climate Change Commission ([climatecommission.govt.nz](http://climatecommission.govt.nz))

### *Decarbonising the Economy*

The most cost effective, and most equitable way to reduce carbon pollution is a far-reaching energy efficiency programme across all New Zealand homes and buildings.

This energy equity programme would cut household bills, most notably amongst those struggling to adequately heat their homes in winter, business operating costs, and provide thousands of local jobs reaching every area of the country with homes and buildings. An inclusive and well-planned climate transition must have this energy equity plan at its heart.

Buildings account for approximately 20% of New Zealand's green house gas (GHG) emissions, when emissions resulting from building materials are counted.

Further, Green Building Council of Australia (GBCA) in collaboration with NZGBC published, Green Star in Focus: The Case for Sustainable Industrial Buildings. The findings highlighted industry's continued commitment to future proof the sector. If we are to achieve our collective national carbon reduction targets, then we must build to the cost effective progressive green standard. Statistically speaking, Green Star buildings use less energy, emit fewer GHGs and use less potable water (see graphic)<sup>3</sup>:

#### Green Star-certified buildings:

-  use **66%** less electricity than average Australian buildings.
-  produce **62%** fewer greenhouse gas emissions than average Australian buildings.
-  use **51%** less potable water than if they had been built to meet minimum industry requirements.<sup>10</sup>

#### New Green Star-certified industrial buildings:

-  produce **66%** fewer greenhouse gas emissions than standard buildings.<sup>11</sup>

Additionally, there are mature technologies available to reduce emissions from the operations of buildings and opportunities to reduce embodied carbon (counted as industrial heat emissions) through new low-carbon manufacture technologies, reducing waste of these materials, and by replacing high carbon materials with low carbon materials, like wood. Many opportunities for reducing emissions in the built environment can be

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<sup>3</sup> Green Star in Focus: The Case for Sustainable Industrial Buildings. GBCA and NZGBC joint report August 2020; [https://12253-console.memberconnex.com/Attachment?Action=Download&Attachment\\_id=3514](https://12253-console.memberconnex.com/Attachment?Action=Download&Attachment_id=3514)

implemented relatively quickly to help take the pressure off industries that will take a bit longer and/or cost more to implement.<sup>4</sup>

More energy efficient buildings can enable decarbonisation of transport. Buildings are major consumers of electricity. While electricity consumption itself is relatively low in emissions due to New Zealand's high level of renewable generation, reducing electricity waste in buildings will free up electricity to be used by the transport sector as the fleet electrifies. Improving energy efficiency in buildings, therefore, enables the reduction in transport emissions without the cost of new generation.

Finally, World Green Building Council's (WGBC), *Business Case for Green Building* confirms a minimal 2% upfront cost to support green design can result, on average, in life cycle savings of 20% of total construction costs.<sup>5 6</sup>

### *Energy Efficient Buildings to Secure Investor Confidence for Positive Climate Readiness*

Energy efficiency replaces the need for fossil fuel use in buildings, enables fossil fuel electricity generation to be retired, and is the lowest-cost path to freeing up electricity supply to power the electrification of transport, rather than going to the expense of creating new generation. EECA research shows that widespread investment in energy efficiency measures could deliver thousands more GWh of extra renewable electricity capacity at a lower price than investment in new renewable energy alone.

More efficient use of energy by buildings would reduce the electricity demand daily peaks. New research by Professor Michael Jack et al<sup>7</sup> shows "rapid uptake of currently achievable best-practice standards could reduce the winter electricity peak by 75 percent from business as usual by 2050." This would enable the transition to 100% renewable generation.

Large energy demand reductions would also free up electricity supply to meet increased electricity demand from transport and industrial processes as those sectors electrify.

Therefore, reduced building emissions are a key to enabling the decarbonisation of electricity generation, transport, and industrial processes.

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<sup>4</sup> Making the performance of buildings transparent - A low hanging policy option to save energy and carbon. Report to New Zealand Green Building Council 12 October 2021.

[https://www.nzgbc.org.nz/Attachment?Action=Download&Attachment\\_id=45058](https://www.nzgbc.org.nz/Attachment?Action=Download&Attachment_id=45058)

<sup>5</sup> The Business Case for Green Building: A Review of the Costs and Benefits for Developers, Investors and Occupants | World Green Building Council (worldgbc.org)

<sup>6</sup> [Business\\_Case\\_For\\_Green\\_Building\\_Report\\_WEB\\_2013-04-11-2.pdf](#) (worldgbc.org)

<sup>7</sup> <https://doi.org/10.1016/j.enpol.2021.112565>

<sup>8</sup> The Business Case for Green Building: A Review of the Costs and Benefits for Developers, Investors and Occupants | World Green Building Council (worldgbc.org)

<sup>9</sup> [Business\\_Case\\_For\\_Green\\_Building\\_Report\\_WEB\\_2013-04-11-2.pdf](#) (worldgbc.org)

Because the emissions reductions available involve reducing energy waste, they also lead to lower running costs for buildings, which means they create net savings over time, while also reducing emissions. The International Energy Agency's Sustainable Recovery report<sup>10</sup> found retrofitting existing buildings and building more energy efficient new builds is one of the best negative net cost options for reducing emissions.

Investors, in New Zealand and in financial markets globally, seek a higher degree of certainty to guard against negative climate impacts, both weather related and that, which can result in stranded assets. The robustness of a property's green credentials are essential, as we move toward increased transparency and should include carbon emissions - embodied/operational carbon-, energy and water efficiency, climate resilience, and whole-of-life impacts.

NZGBC also believes that buildings are major energy consumers and an opportunity to make negative cost energy savings that will enable the decarbonisation of other sectors. Energy efficiency of buildings can be directly measured, reported YoY, and utilised in climate financial disclosures to secure investor confidence and evidence climate positive readiness.

### *NZGBC Tools*

The NZGBC was created by the construction industry to develop and administer independent sustainability rating tools for use in infrastructure planning, delivery, and operation. These are:

**Green Star** - assesses the important elements of a project's sustainability across key categories. Each category includes benchmark for a lower-carbon, healthy project. Green Star ratings are available for every commercial building type; from schools and hospitals, to office buildings, shopping centres, and industrial warehouses.

**Green Star Communities** - This is of key importance to the future of infrastructure in New Zealand. Green Star Communities is a rating that benchmarks the sustainability of communities against international best practice on liveability, resilience to climate change, stakeholder engagement, and economic prosperity. Green Star Communities assesses the planning, design and construction of large-scale development projects including precincts, neighbourhoods and entire communities. It helps everyone from property developers through to policy makers to assess and promote the development of sustainable communities.

**Homestar** - a rating tool for assessing the health, efficiency, and sustainability of homes

**HomeFit** - straightforward way to check if a home is warm, safe and dry

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<sup>10</sup> Evaluation of possible recovery measures - Sustainable Recovery - Analysis - IEA

**Carbon Zero Building** - to receive full carbon zero building certification, buildings will have to meet minimum carbon performance standards through either NABERSNZ or the greenhouse gas emission credits in Green Star Performance.

*Relevant Questions for Feedback (Q1, Q4, Q5, Q8, Q9)*

**1) Primary users have been identified as existing and potential investors, lenders and insurance underwriters. Do you think that all of these users should be included in the primary user category?**

The NZGBC thinks this user group could be expanded to include more of the value chain as climate-related risks do not sit only on the investor / insurance sectors. Particularly in the property and construction parts of companies, supply chains, stakeholders and the general public are more vocal and involved in understanding the risks of organisations in relation to climate change.

NZGBC supports the proposed structure of NZ CS 1 to include as disclosure requirements - governance, risk management, strategy, metrics and targets. This also encompasses that the objectives assist entities when making materiality judgments, noted in point 7.1. We would also encourage that expansion to include an understanding of the Te Ao Māori, in related to climate financial disclosures as noted in design principles, point 5.3.

Within our sector, for example, some companies are insisting suppliers and contractors to sign up to a Supplier Code of Conduct that is aligned with their sustainability values. This is increasingly seen in the construction industry and goals are being set to achieve benchmarks.<sup>11</sup>

**4) The XRB has primarily drawn from the TCFD's definitions for its defined terms. Do you agree that we should align closely with the TCFD's definitions?**

Support - there should be consistency between the two to allow for comparable reporting.

**5) The XRB is particularly interested in feedback on the following defined terms as they are currently proposed: 'climate-related risk', 'climate-related opportunities', 'climate-related issues', 'physical risk', and 'transition risk'.**

**a) Do you consider that the XRB should align with the TCFD and use the terms 'climate-related opportunities' and 'climate-related issues', or should we only refer to 'climate-related risks'?**

The NZGBC believes reporting should include 'climate-related opportunities' and 'climate-related issues' to align with the TCFD and more aptly capture the ongoing nature of climate-related risks.

Celebrating the continued efforts of a company toward being more climate-ready acknowledges how risk is mitigated through taking action. Therefore, it is not only about

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<sup>11</sup> Do also see Good practice in construction | Construction Accord

identifying risks. Mitigating climate change and taking steps to improve the company sustainability and resilience are a key part of a company's risk profile.

**b) Do you consider that the proposed definitions for these terms are accurate, sufficiently clear and well-explained? Do they need further detail or explanation? If so, should that detail be included in the defined terms or in guidance?**

The NZGBC believe buildings should be included in standard reporting, with definitions and guidance to create consistency of reporting between companies. To consider a company's property portfolio in terms of risk, there are some key considerations:

- carbon emissions
- energy/water efficiency
- climate resilience
- whole-of-life impacts

This must be reported during ongoing operations, property development projects, acquisitions and disposals to reflect actual and material risk to a company.

**8) The XRB currently intends NZ CS 1 to be concise and sector neutral, with sector specific requirements to be contained in guidance. Do you agree with this approach?**

The NZGBC suggests buildings and property assets should be included explicitly in climate-related reporting requirements since these assets apply across all companies.

The emissions and sustainability of a company's property assets and strategy should be contained in NZ CS 1, with sufficient supporting information to assist companies to report against industry benchmarks, such as NABERNZ or Green Star.

**9) Do you have any other comments?**

The NZGBC believe it is possible to report on the sustainability / climate-related impacts of property assets in a comparable manner because there are already third-party benchmarked tools for reporting on buildings. NZGBC have a suite of tools that are already being used across Aotearoa:

- Green Star for new buildings - most of the publicly listed property companies (Argosy<sup>12</sup>, Goodman<sup>13</sup> and Kiwi Property<sup>14</sup>) build to 5 Green Star each time they build new buildings. This evidences that these buildings are lower carbon, have lower environmental impact (less waste to landfill). And, are healthier and more resilient to our changing climate.
- Existing buildings, holistically: Green Star Performance rating tool uses trended data over time to consider more than just energy and water efficiency. Climate resilience and environmental impacts are also considered in the rating tool.

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<sup>12</sup> Green Building: Green bonds ideal funding diversification - NZ Herald

<sup>13</sup> Goodman makes the green commitment across the board (ftdmag.co.nz)

<sup>14</sup> A-detailed-approach-of-ESG-at-Kiwi-Property-FY21.pdf (amazonaws.com)

Office energy efficiency: NABERSNZ is a rating tool produced by the NSW government, licensed by EECA and administered by the NZGBC. In New Zealand, it captures energy efficiency of offices and is compatible with the holistic Green Star Performance tool.

- Assessing the carbon footprint: CarboNZero is a partnership between NZGBC and Toitu to assess and verify a building's carbon footprint to internationally recognised ISO standards.

By using a third-party certification via an industry-benchmarked rating tool, such as those administered by NZGBC, companies will be able to collate consistent and clear data that can be compared over time, while helping them to meet their reporting obligations.

### *Final Comments*

If we don't measure it, we can't know the size of the problem and how to go about reducing it. Sustainability rating tools, like those designed and administered by NZGBC on behalf of the construction sector, measure outcomes and give designers, builders, and operators the knowledge they need to make their infrastructure more sustainable.

Additionally and as we have demonstrated throughout this submission, the NZGBC administers the tools - Green Star , Green Star Communities, Homestar, Homefit, NABERSNZ, and Carbon Zero Building, which can provide the sustainability and climate financial related data needed to secure investor confidence to mitigate associated risk.

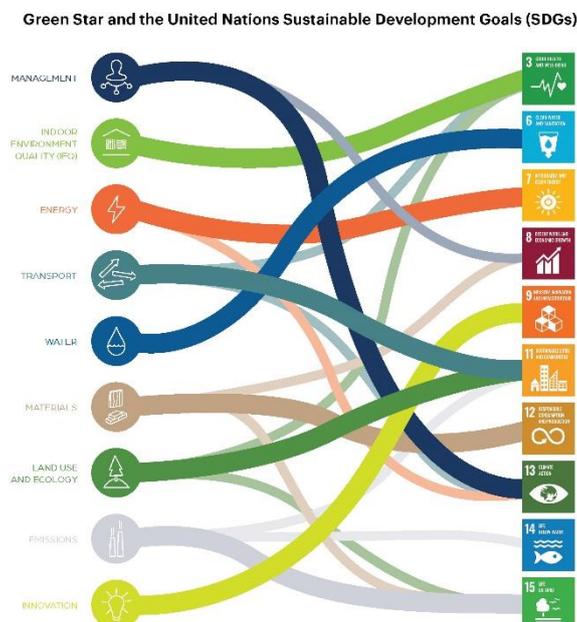
## Appendix 1

### Green Star and the United Nations Sustainable Development Goals (SDGs)<sup>15</sup>

The United Nations Sustainable Development Goals<sup>16</sup> set out a blueprint for a better, more sustainable future with 17 goals to achieve by 2030. That's not far away and will require swift action if our sector is going to shift and play its part in meeting them. Buildings in the pipeline present an immediate and urgent opportunity to meet some these goals.

Green Star encourages more sustainable design and ways of constructing our spaces. Whether it be embedding efficient renewable energy, reducing waste and emissions, or creating jobs and helping boost the economy - green building through our tools contributes to ten SDGs

<b>SDG 3</b> - Good Health and Well Being	<b>SDG 11</b> - Sustainable Cities and Communities
<b>SDG 6</b> - Clean Water and Sanitation	<b>SDG 12</b> - Responsible Consumption and Production
<b>SDG 7</b> - Affordable and Clean Energy	<b>SDG 13</b> - Climate Action
<b>SDG 8</b> - Decent Work and Economic Growth	<b>SDG 14</b> - Life Below Water
<b>SDG 9</b> - Industry, Innovation and Infrastructure	<b>SDG 15</b> - Life on Land



<sup>15</sup> New Zealand Green Building Council ([nzgbc.org.nz](http://nzgbc.org.nz))

<sup>16</sup> Home | Sustainable Development ([un.org](http://un.org))