Environmental Upgrade Finance
Gaining market acceptance of a new finance mechanism

Melbourne Forum
12 November 2014
There are some great new technologies…
...but most of these are implemented in new buildings, whereas much of the opportunity is in existing stock

<table>
<thead>
<tr>
<th>NEW COMMERCIAL BUILDINGS</th>
<th>EXISTING COMMERCIAL BUILDINGS</th>
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<tbody>
<tr>
<td>Strong improvement in new office base buildings, and likely improvements in remaining building types due to increased standards</td>
<td>Energy intensity per m² has decreased by an average 0.3% p.a.</td>
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<tr>
<td><strong>Improvements in standards and emergence of market leaders</strong></td>
<td><strong>Improvements are still limited to a small subset of buildings</strong></td>
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<td>How much activity is happening?</td>
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<td>What are some key achievements?</td>
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<td>New office base buildings are about 32% more efficient than the average 10 year old building</td>
<td>Subsequent NABERS rating in 2011-12 showed average emissions reductions of 9% for over 620 buildings</td>
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<td>Green Star offices represent over 31% of new office space built since 2003, emitting 46% less than offices built to meet ‘minimum standards’</td>
<td>In 2011, 39% of offices reporting through the mandatory disclosure program had better ratings than standard new builds</td>
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<td>What factors influenced the activity?</td>
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<td>Competition in high end office market</td>
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<td>Strengthening of building standards</td>
<td>Commercial Building Disclosure</td>
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<tr>
<td>Improvements in skills and technologies</td>
<td>Grants &amp; white certificate schemes</td>
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<tr>
<td>Split incentives</td>
<td>Lack of data for many building types</td>
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<td>Lack of actual data for non-office buildings</td>
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Retrofitting existing buildings can be more difficult than designing efficient & sustainable buildings in the first place

Split incentive

Access to finance
There’s an innovative finance mechanism that has been developed to help overcome these issues:

- **Traditional finance**
- **Environmental Upgrade Finance**
- **...with tenant contribution**
But it has been slow to take off, in part because it is new and unfamiliar – traditional finance is well understood...
Whereas financing a retrofit project using EUF may still appear complex
There are plenty of great technologies that could deliver big improvements in existing buildings
The opportunity is huge, so whoever cracks it will be doing well!
We have developed a website to try to make the business case for this finance mechanism very clear.
There are other options

• Self funded
• Commercial loan
• Energy efficiency loan
• Operating lease
• Capital lease
• On-bill financing
• Energy Services Agreement
• Power Purchase Agreement
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