

Environmental Upgrade Agreements (EUAs) FREQUENTLY ASKED QUESTIONS*

GENERAL QUESTIONS

What is an Environmental Upgrade Agreement (EUA)?

An EUA is an innovative financing mechanism made under NSW legislation which allows building owners to repay a loan for upgrades through a local council charge on the land. This financing mechanism can be used for a range of upgrade works improving the environmental and sustainability performance of existing buildings. The loan which is entered between a building owner and a lender is secured, making it possible to access capital at a competitive rate, over a longer term and for larger projects.

Has the NSW EUA legislation commenced? Where can I find out more about it?

Yes, the NSW EUA legislation <http://www.environment.nsw.gov.au/sustainbus/eualegislation.htm> was implemented on 18 February 2011. The legislative provisions are found in Part 2A of Chapter 6 of the *Local Government Act 1993* (sections 54C-54Q) and the supporting regulation provisions are in Part 5A of the *Local Government Regulation 2005* (clauses 136A-136M). These provisions were enacted under the Local Government Amendment (Environmental Upgrade Agreements) Act 2010 no 100 <http://www.legislation.nsw.gov.au/sessionalview/sessional/act/2010-110.pdf> and Local Government Amendment (Environmental Upgrade Agreements) Regulation 2011 <http://www.legislation.nsw.gov.au/sessionalview/sessional/sr/2011-71.pdf>

The Guidelines for Environmental Upgrade Agreements http://www.nsw.gov.au/sites/default/files/No_16_of_2011.pdf were also released in February 2011 to provide guidance in preparing EUAs.

Is the NSW EUA legislation mandatory?

No, entering into an EUA is voluntary for all parties - building owners, councils and finance providers. Under the EUA legislation, building owners who want to carry out environmental upgrades in their building may choose to enter into an EUA to access EUA finance or finance the project through more traditional funding arrangements.

Offering EUAs is also voluntary for councils. If and once a council decides to offer EUAs in their Local Government Area, they have further discretion to set eligibility parameters around projects and enter into EUAs, or not.

Finance providers, such as banks and other financial institutions may also choose to offer EUA loans in addition to traditional commercial loans. The EUA legislation does not stipulate interest rates or loan terms; these remain commercial decisions to be agreed between the building owner and the finance provider.

Are EUAs available everywhere in Australia?

No. The EUA legislation is a NSW state legislation. Not all states in Australia will offer EUAs and the arrangements may vary from one state to the other. Under the NSW EUA legislation, local councils can offer EUAs on a voluntary basis. Visit www.environment.nsw.gov.au/sustainbus/eua.htm for a list of participating councils.

What are Environmental Upgrade Charges (EUCs)?

The agreed repayment arrangements for an EUA may require council to levy an Environmental Upgrade Charge (EUC) for the purpose of discharging the building owner's obligation to repay the advance made by the finance provider under the agreement. It includes any interest or other charges payable under the agreement.

What is the Template?

The template is the pre-formatted starting point for a legal Environmental Upgrade Agreement between the designated Council, building owner and finance provider. The EUA template is available through the EUA website.

How will EUAs benefit the environment and the community?

Nearly one fifth of the energy produced in Australia is consumed in buildings and accounts for around 13 per cent of Australia's total greenhouse gas emissions. These emissions are growing at 3-4 per cent each year, due to increased space (more offices, shopping centres) and more intensive energy use (longer hours of operation, more computers, air conditioning).

Improving energy efficiency in the building sector is the most cost-effective greenhouse gas emission reduction opportunity of any sector in the NSW economy. Better efficiency reduces the impact of growing power demand on our electricity network and on power prices. Improving a building's energy efficiency also makes good economic sense for the building owner. It is envisaged that introduction of mandatory disclosure laws for energy efficiency and increasing electricity prices will raise the market's awareness of building performance and increase the demand for building retrofits.

Is the NSW EUA legislation related to the Federal Commercial Building Disclosure legislation?

Both legislations aim at improving the environmental performance of commercial buildings. They differ however, by the fact that the Federal Commercial Building Disclosure sets mandatory disclosure requirements for commercial buildings of a certain size, whereas the NSW EUA legislation is a voluntary scheme to assist building owners finance upgrades.

How will EUAs benefit the economy?

Studies show that investment in cost effective energy efficient opportunities in existing commercial buildings will deliver a net benefit of up to \$568 million for the NSW economy by 2020.

EUAs will enable building owners to finance upgrades that will improve environmental outcomes, lower operational costs and improve the capital value of their buildings on a case-by-case basis.

By improving the cash flow and return on investment for the building owner, which is also attractive to finance providers, it will support longer term investment, and larger upgrades that will provide bigger savings.

Stimulating activities to improve energy, water, or environmental efficiency or sustainability of the building will improve the quality, attractiveness and value of NSW building stock. Building upgrades can also boost local jobs and business opportunities for efficiency products and services.

***DISCLAIMER:** The information contained in these Frequently Asked Questions (FAQs) is based on the Environmental Upgrade Agreement legislation/Template. Specific councils or finance providers may impose additional obligations consistent with the legal framework and with the Template.

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