CEFC
CLEAN ENERGY FINANCE CORPORATION

FACT SHEET

# Finance for Environmental Upgrade Agreements

**Up to a total of $80 million boost for retrofitting commercial buildings**

## SUMMARY

Environmental Upgrade Agreement (EUA) finance of up to a total of $80 million (with up to $30 million from CEFC) is available through National Australia Bank (NAB), the Clean Energy Finance Corporation (CEFC) and Eureka Funds Management for retrofits to improve performance of commercial buildings.

The EUA finance is for improvement projects from $250,000 and above that reduce energy use, lower carbon emissions and save water. It is available for commercial properties in Sydney and Melbourne, and across many regional centres in NSW.

EUAs financed by NAB and the CEFC provide upfront capital for projects and are tailored to each project's requirements. They allow building owners to tie the finance to the property and loan repayments are made through a local council charge on the land.

The EUA financing is provided for eligible projects, approved individually on a case-by-case basis, through The Australian Environmental Upgrade Fund (TAEUF), a partnertship between CEFC, NAB and Eureka Funds Management. Eureka Funds Management acts as trustee and program manager for the fund.

Building owners who have already used EUA finance have reduced their base building energy costs by anywhere between 30 and 50 per cent, depending on the equipment installed.

## ABOUT EUAs

An Environmental Upgrade Agreement is secured and tied to the property rather than an owner. This allows capital to be accessed at a competitive rate and for a longer term, improving the attractiveness of undertaking energy efficiency upgrades.

Loan repayments are made as an agreed environmental upgrade charge which is paid to the local council along with the rates charges for the land, and the council passes the repayments on to the finance providers.

These building upgrades are designed to deliver cost savings such that the upfront cost of the upgrades is offset by lower operating

*...continued*

*continued...*

costs. Repayments may therefore be cost neutral or have only a small impact on cash flow.

Building owners and tenants may share the upgrade costs, where the additional upgrade costs are offset by a reduction in the tenants' energy and water bills resulting from the upgrade activities.

## KEY FEATURES

**For building owners:**

- A secured loan allows building owners access to capital at a competitive rate and longer term than traditional loans
- EUA loans are tied to the property and do not usually affect a building owner's borrowings or loan capacity
- The upgrades improve a building's environmental performance, capital value and long-term attractiveness to tenants
- A reduction in energy and water consumption reduces building operational costs and carbon emissions
- Implementing more efficient equipment reduces ongoing maintenance costs

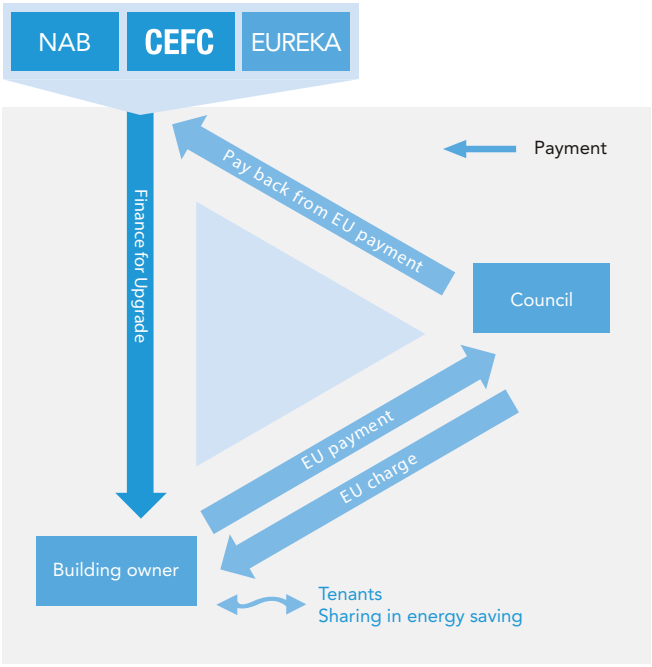
**For tenants:**

- EUA upgrades create improved amenity with more energy efficient, environmentally friendly workplaces
- Lower operating costs may be passed on to tenants through competitive leasing rates

**For councils:**

- EUAs can support a council's strategy to reduce the broader community environmental footprint in the council's local government area and more specifically, the community carbon emissions
- A program of building retrofits via EUAs will help rejuvenate business precincts, make them environmentally friendly and attractive to workers and employers alike, and help stimulate the local economy and create jobs
- Upgraded building stock helps attract and retain businesses and residents to an area, increase demand for more energy efficient buildings, and improve the overall attractiveness of the council area

## HOW EUAs WORK



## CASE STUDIES

EUA finance from NAB and CEFC/Low Carbon Australia was used to upgrade and improve the energy efficiency of commercial buildings in Sydney, Melbourne and Parramatta.

### Lift, chiller, solar film technology cut Swanston Street building's energy use

A $7 million upgrade to the former Ansett building at 501 Swanston Street, Melbourne is expected to more than halve its energy use and carbon emissions. The 19-level 1970s commercial building project includes new energy efficient regenerative braking elevators, a full upgrade of the plant room, chillers and boilers, and solar film for the windows to lessen the load on air conditioning. Carbon emissions are expected to drop by just over 600 tonnes a year, and the upgrade is expected to create additional savings of more than $80,000 a year in utility costs.

### Collins Street office block cuts energy costs by 30 per cent

A $720,000 upgrade to the landmark building known as the Christie Centre at 470 Collins Street, Melbourne has cut the building's energy costs by up to 30 per cent. The retrofit to the office block, which is located in one of Melbourne's most sought-after business locations, involved installing a new cooling

tower, two new efficient condensing systems, a new building management system, and energy efficient lighting.

> "This upgrade will help to better position the property in the marketplace by reducing energy costs and improving the building's environmental performance, and is great for tenants."
>
> **Sam Suleman**
> *Suleman Group Property Development*
> *Building owner, 470 Collins Street, Melbourne*

### CQ, the Citiclub Hotel in Melbourne, halves energy costs

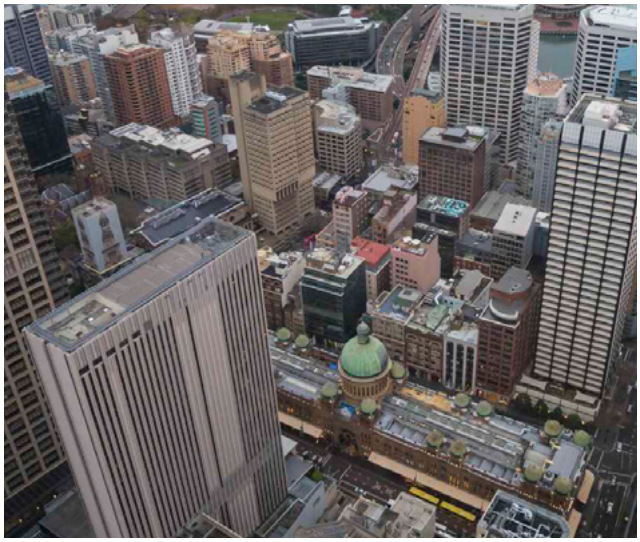
An energy efficiency upgrade to CQ, the Citiclub Hotel and conference facilities, has cut the building's energy costs by more than 50 per cent. The $1.3 million upgrade of a multi-storey 1960s building in Queen Street, Melbourne has reduced the building's carbon emissions by an estimated 27 per cent, which at current electricity prices is creating savings of about $180,000 a year. The improvements included the installation of a tri-generation system to generate electricity, heating and cooling, as well as occupancy sensors and double glazing.

### Parramatta office tenant and owner save on lighting bills

A lighting upgrade for the high-rise office building at 10 Valentine Avenue in Parramatta, NSW cut the building's lighting bills by 70 per cent. The total operating savings from reduced maintenance costs and reduced electricity use are shared between the building owner, Australian Unity Investments, and the tenant, Government Property NSW. The building owner is recovering 43 per cent of the upgrade cost through EUA contributions from the tenant, however, these contributions are less than the energy cost savings the tenants are enjoying. The upgrades have vastly improved the quality of the office spaces for the tenants and the building's value and competitiveness.


"By entering into an EUA at 10 Valentine Avenue, Australian Unity Investments has been able to improve the building's energy efficiency, engage collaboratively with the tenant, and diversify our funding arrangements. As an owner of commercial property, it is important to continue to improve building efficiency to protect asset value and attract and retain tenants."

**Grant Nichols**
*Property Portfolio Manager, Australian Unity Investments*



### Sydney CBD building upgrade halves energy use

A $2 million retrofit to an office and commercial retail building in Sydney is expected to cut the building's grid electricity use by over 50 per cent and natural gas use by four per cent. The building upgrade involves new lighting and building metering, improved heating and cooling, and an upgrade of elevators and hydraulic services.

## THE POTENTIAL

More than 80 per cent of Australia's commercial building stock is estimated to be over 10 years old and in need of refurbishment.

Even when there is a positive business case for retrofitting, sourcing the upfront capital can be too high a hurdle. Payback periods can be greater than typical corporate funding finance terms. Building upgrades can take years to plan and owners may be reluctant to include many new energy efficient technologies as part of an upgrade as they are often perceived as 'non-core' to business activities.

Building improvements that are made to improve energy performance and energy costs often boost

the value of properties and extend their useful life, while reducing the impact of rising energy prices and increasing the attractiveness of buildings to tenants.

Industrial buildings such as warehouses and assembly plants built before 2001 are most likely to benefit from EUAs as a way of transforming their business through technology and equipment upgrades.

The Property Council/IPD Australian Green Property Index shows that high-rated National Australian Built Environment Rating System (NABERS) and Green Star buildings consistently outperform low-rated buildings. In its December 2013 report, they found that investment returns for CBD office assets with a high NABERS rating were 310 basis points higher than for low-rated buildings.

CEFC experience has shown that EUA financed projects can cut base building electricity consumption by up to 50 per cent through the installation of equipment such as new efficient chillers, pumps and variable speed drives, mechanical switchboards, LED lighting, solar thermal heating, and ventilation and air conditioning units.

EUAs help building owners undertake upgrades by providing a financing mechanism that does not affect their personal debt and supports a payback mechanism that reduces the impact on cash flow.

## AVAILABILTY

State legislation enables councils to levy EUA charges. EUAs are available in participating councils across New South Wales in the City of Sydney, North Sydney, Parramatta, Lake Macquarie and Newcastle. Penrith and Wollongong are also currently developing their processes to provide EUAs.

Victoria has legislation enabling the City of Melbourne to participate in EUAs. South Australia is undertaking public consultation on draft legislation to allow an EUA financing scheme in that state.

The Clean Energy Finance Corporation (CEFC) invests using a commercial approach to overcome market barriers and mobilise investment in renewable energy and lower emissions technologies. These investments are improving energy productivity and lowering energy costs for businesses across Australia, and helping to develop local industries and new employment opportunities.

In 2013, the CEFC's investments of $536 million mobilised on average $2.90 of private sector investment for every $1 of CEFC investment and will achieve abatement of 3.88 million tonnes of CO2e per annum. These investments will deliver a positive return to the CEFC, with a cost of abatement in the order of negative $2.40 per tonne CO2e.

The CEFC operates under the CEFC Act 2012. More information is available on our website www.cleanenergyfinancecorp.com.au

**Clean Energy Finance Corporation**
Suite 1702, 1 Bligh Street
Sydney, NSW 2000 Australia
ABN: 43 669 904 352

e info@cleanenergyfinancecorp.com.au
t 1300 002 332
i +61 2 8039 0800
cleanenergyfinancecorp.com.au