

Ngā wāhi pai ke atu, tūturu
Better places, proven

The value of sustainability

The financial benefits of rating the
sustainability of buildings

Presenter:

Bobby Shen, Senior Manager
NZ Green Building Council





Carbon and energy professionals

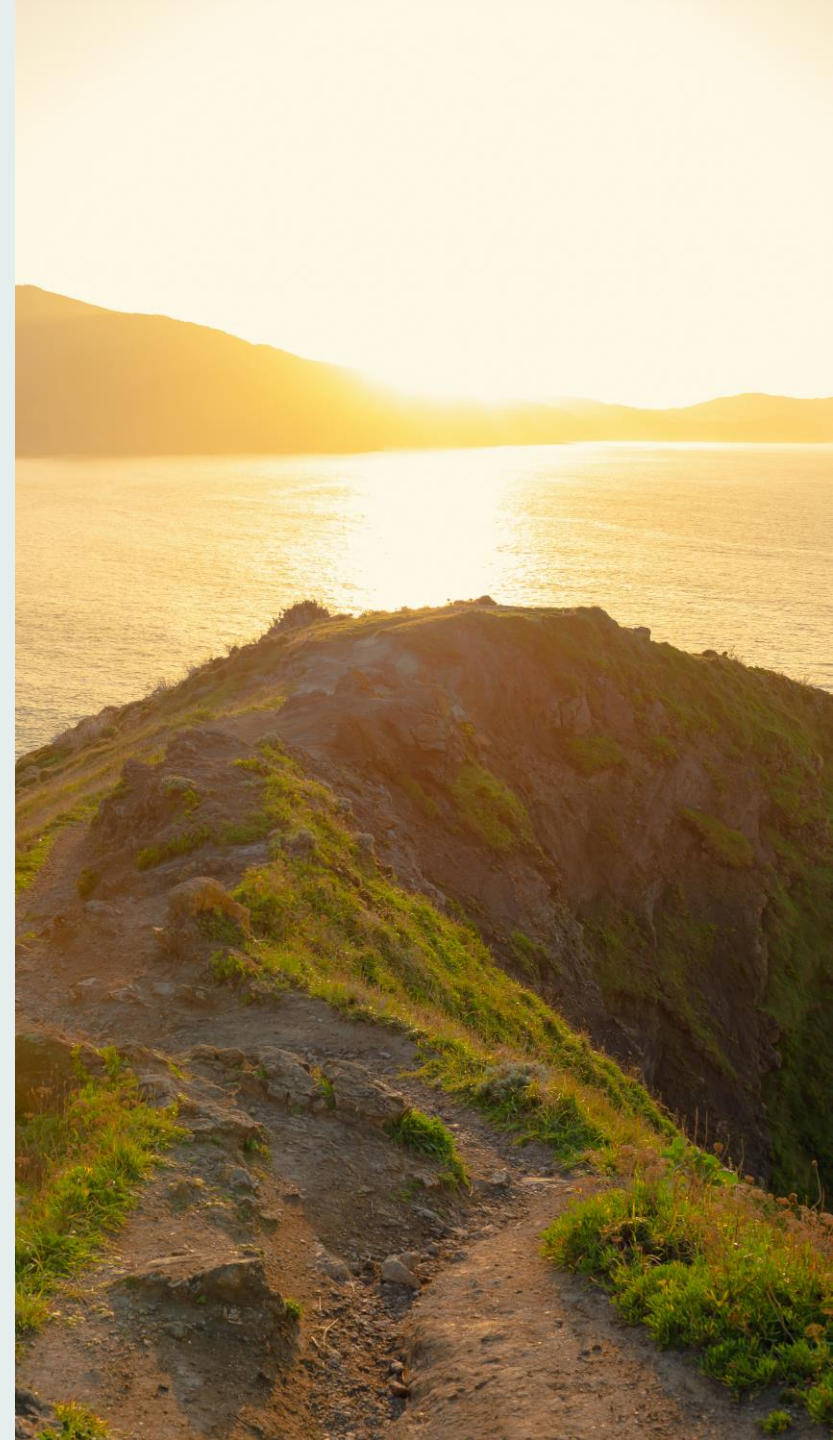


NZGBC

NEW ZEALAND GREEN BUILDING COUNCIL

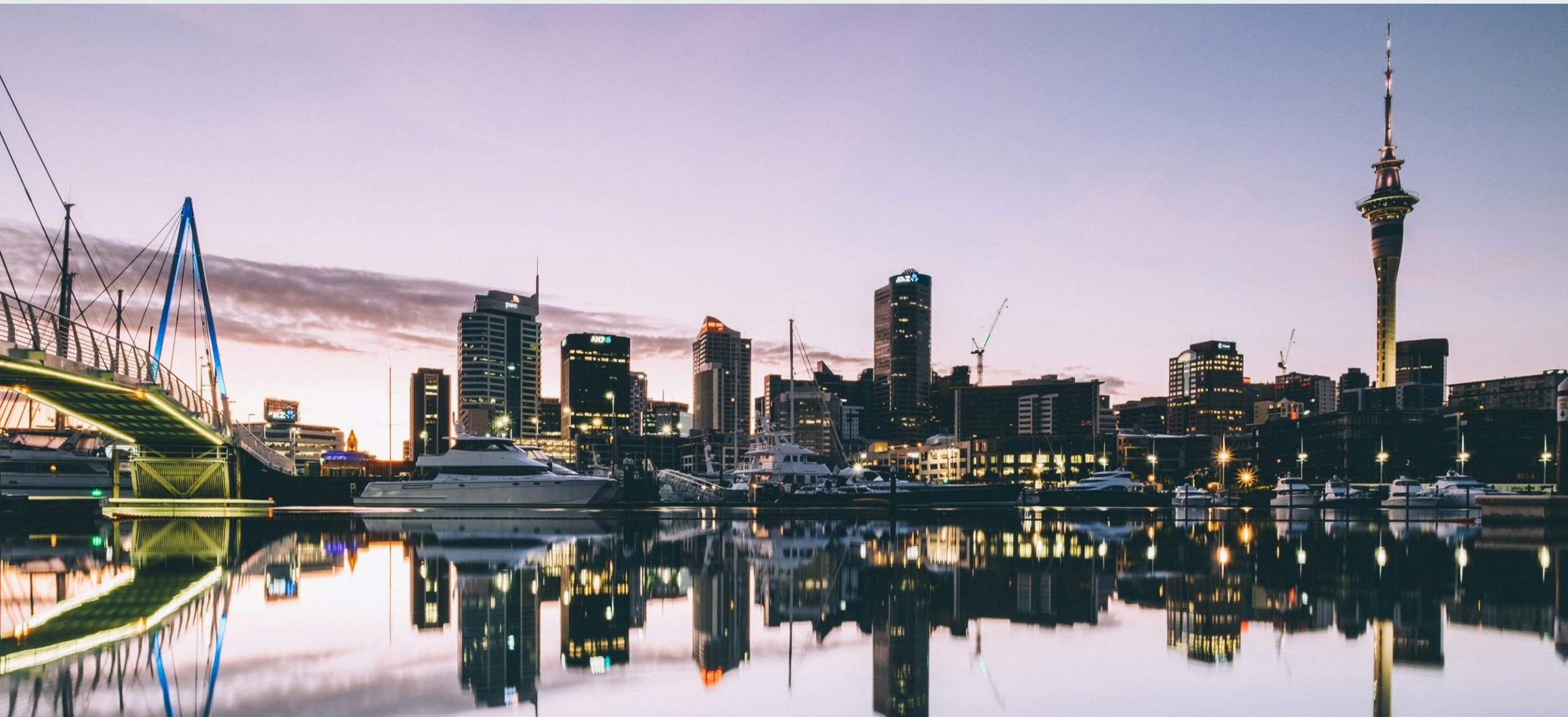
TE KAUNIHERA
HANGANGA
TAUTAIAO


Not-for-profit organisation working alongside the property sector to make more sustainable, future-proof buildings.





Air New Zealand Logistics Building
5 star Green Star Industrial design rating





The best way to accelerate
decarbonisation is to realise the
financial value of sustainability



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TAUTAIAO

Sustain The ability

ability to sustain

3 questions

1. Where does that value come from?
2. How can our actions translate into value?
3. What are the benefits?

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1. Where does that value come from?





There is massive demand for sustainability
They want to invest in 'green'

Frameworks driving change



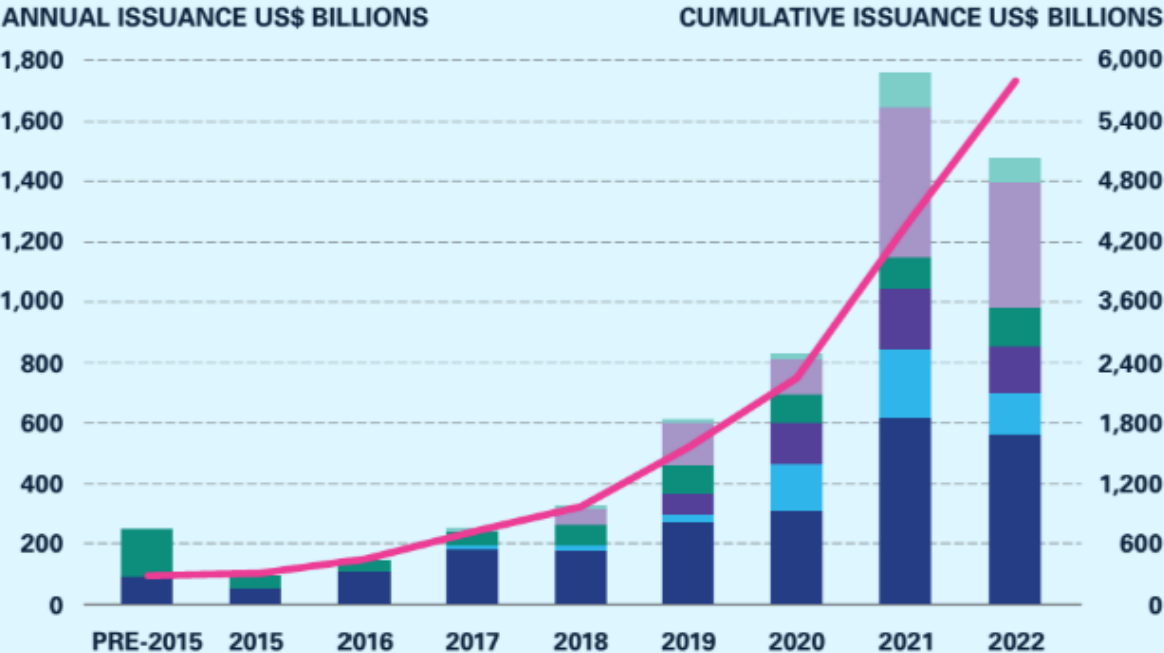
Sustainable finance is growing

Figure 1

GLOBAL SUSTAINABLE DEBT MARKET BY YEAR AND PRODUCT

- GREEN BONDS (LHS)
- SUSTAINABILITY BONDS (LHS)
- SOCIAL BONDS (LHS)
- GREEN LOANS (LHS)
- SUSTAINABILITY LINKED LOANS (LHS)
- SUSTAINABILITY LINKED BONDS (LHS)
- CUMULATIVE ACTIVITY (RHS)

SOURCE: BLOOMBERG, 31 DECEMBER 2022



Source: Is sustainable finance sustainable KPMG 2022

Sustainable finance is growing

TOP 5 CATEGORY OF GREEN LOAN IN 2024 YTD

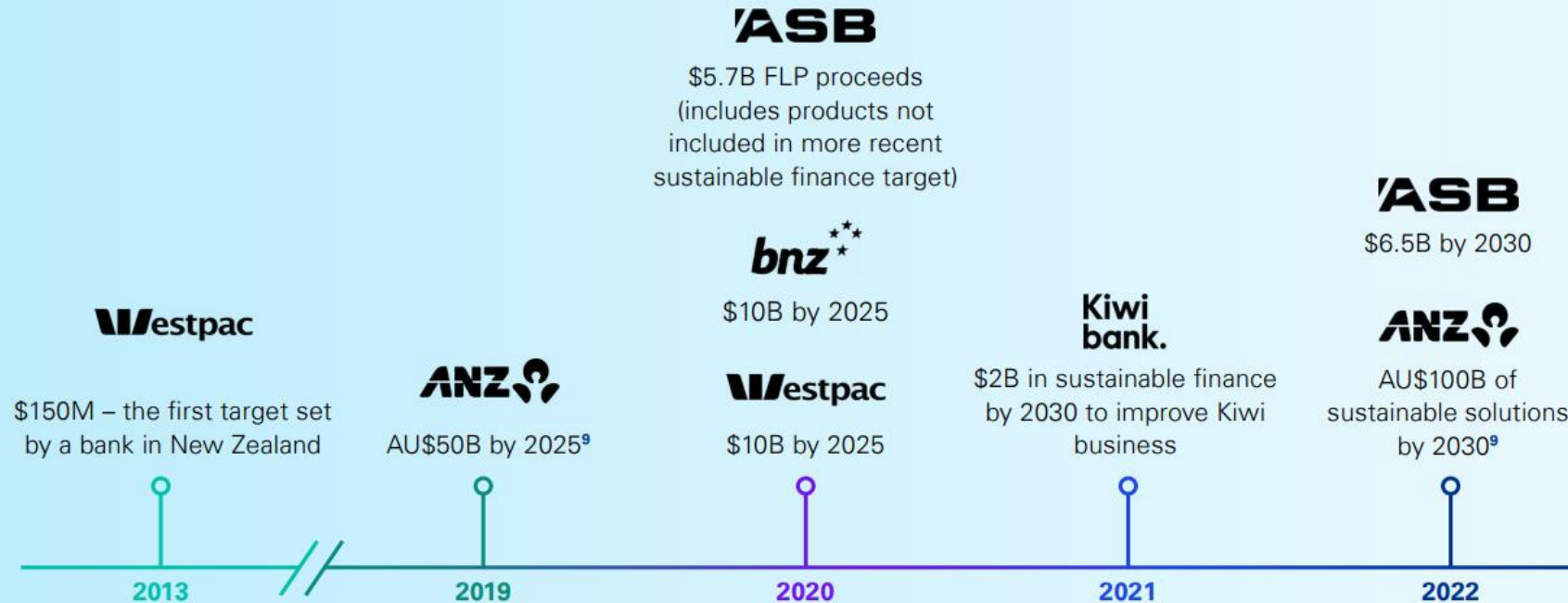
CATEGORY	VOLUME (USD BIL)	MARKET SHARE
Renewable energy	3.59	44%
Green buildings and infrastructure	2.30	28%
Clean transportation	1.10	13%
Pollution prevention and control	0.62	7%
Energy smart technologies and energy efficiency	0.33	4%

Source: Bloomberg re APAC

Sustainable finance targets

Figure 4

BANK'S ANNOUNCED SUSTAINABLE FINANCE TARGETS TIMELINE



Source: Is sustainable finance sustainable KPMG 2022



Defining 'green' is critical

Proving impact



GRESB announces revised criteria for building certification schemes

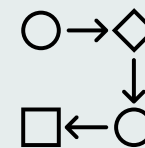
Published on 2 Dec 2024

The landscape is changing

Investment frameworks are raising the bar.



Governance



Process



Transparency



Scope



Stringency

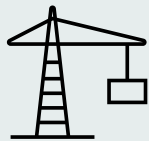
Ngā wāhi pai ke atu, tūturu
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2. How can our actions translate into value



The verification of sustainability

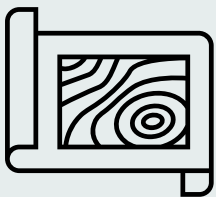
Connecting financial value with actions



Design and construction



Existing buildings



Demonstrating best practice principles



NABERSNZ

- Rates energy and water in office buildings
- Qualified Accredited Assessor rates the building
- Quality assurance audits
- Fair comparison to benchmarks based on NZ data



Green Star Performance

- A holistic rating tool – verifies many aspects of sustainability for buildings in operation
- Submission Guidelines (containing criteria of best practice) developed alongside industry
- Submissions undergo an assessment by third-party, independent assessors



**Guidance on green
building ratings for
sustainable finance**

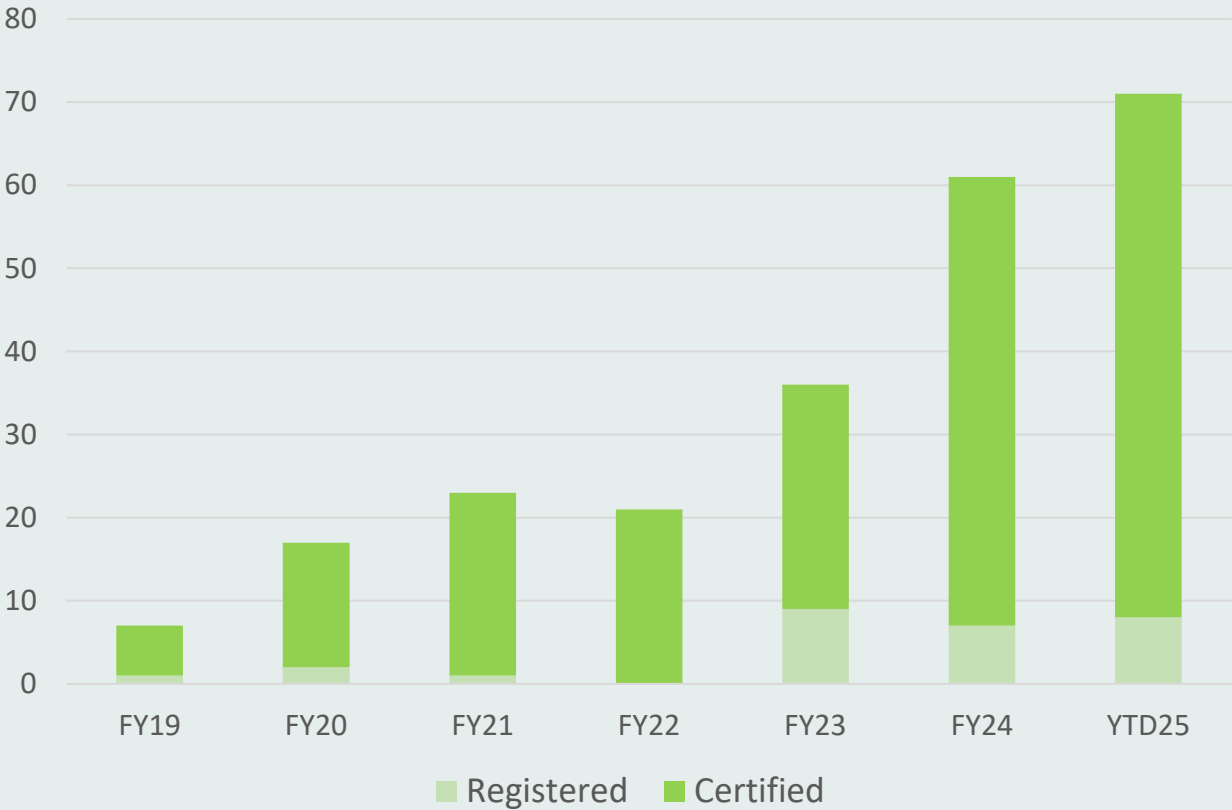
**Supporting a net zero
carbon future**

**August 2024
Version 1.0**

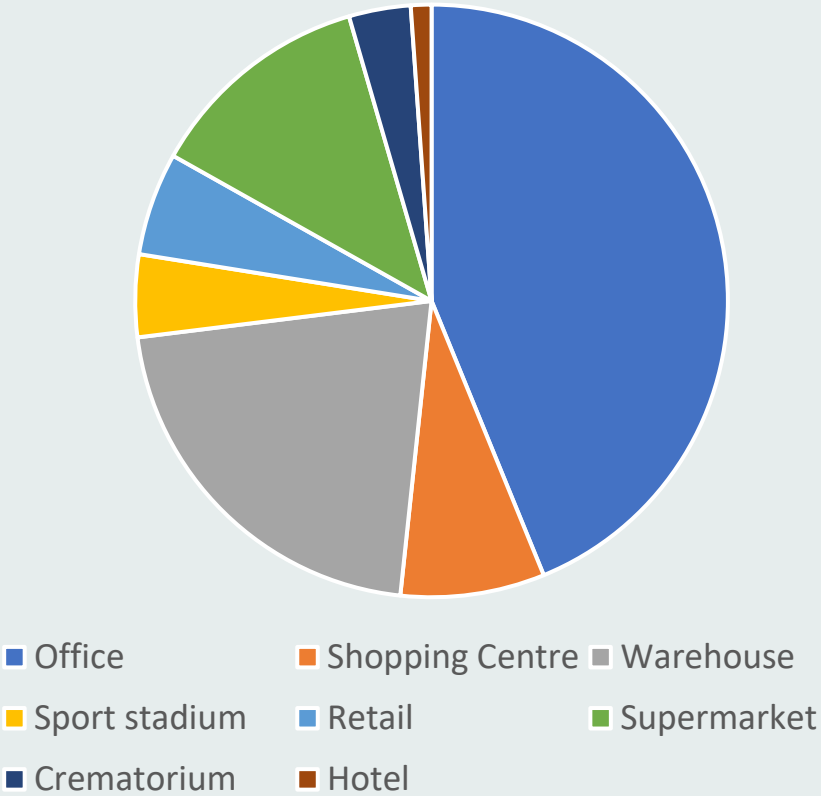
RIGHT:
22 Boulcott St, Wellington, Cheops Holdings Ltd.
5 star Green Star – Office Built (v3) rating



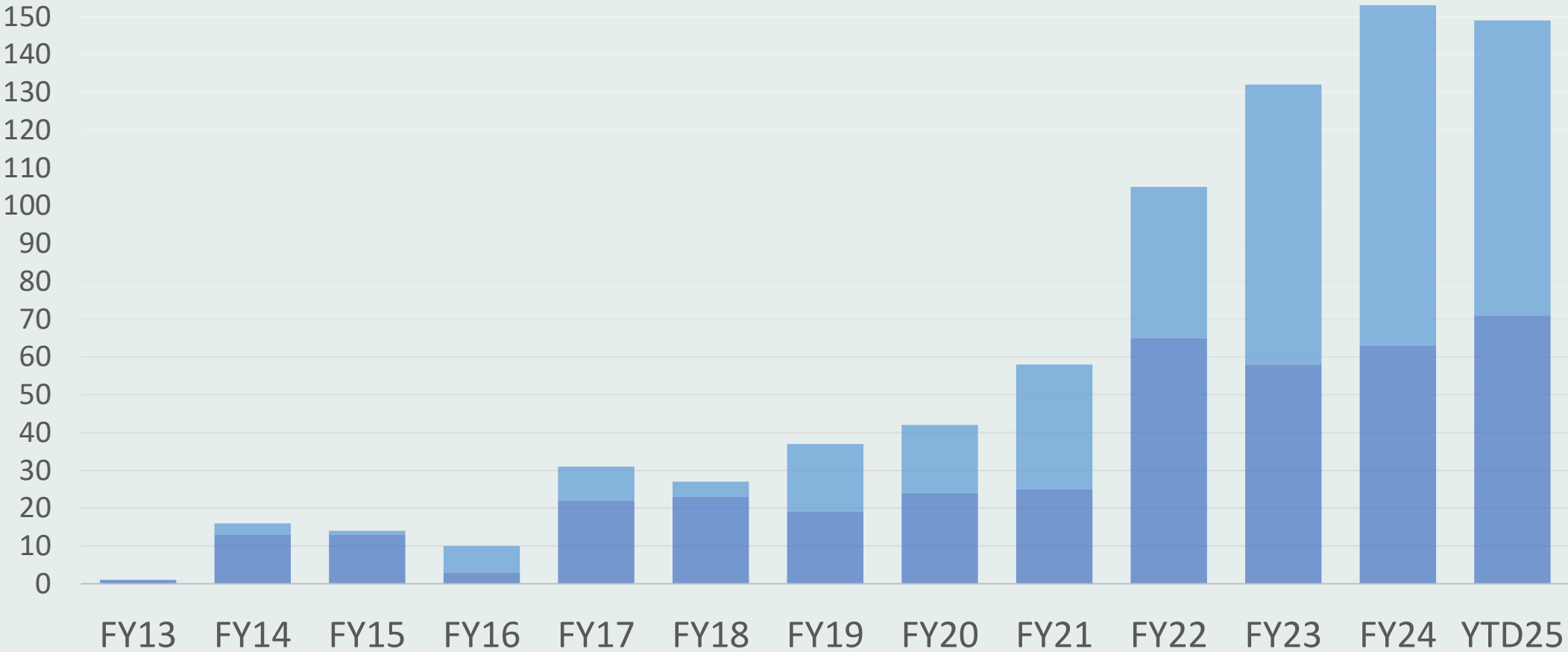
Buildings using Green Star Performance



Types of Green Star Performance ratings -
all time



NABERSNZ RATINGS



■ New ratings ■ Reratings



Sustainable finance

Incentivising action



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building ratings for
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RIGHT:
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Proposed debt issuance date ¹	Building type	Minimum certification for construction	Minimum certification verifying operational performance	References
From 1 November 2024 to 1 August 2025 Office, industrial, retail, health, community facilities, big box retailers & other non-residential buildings	New buildings or refurbishments providing new heating and ventilation systems ² (See note 2)	4 star Green Star Buildings NZ ³ 5 star Green Star - Design and As Built NZ v1.1 5 star Green Star - Design and As Built NZ v1.0 5 star Green Star v3	Existing office buildings Certify with a min 4 star NABERSNZ rating OR For existing buildings where a Green Star Performance Pathway B industry-wide benchmark⁴ is available in NZ Certify with a Green Star Performance rating achieving min 8/20 points (base building) or 9/23 points (whole building) in the greenhouse gas emissions credit. For existing buildings where a Green Star Performance Pathway B industry-wide benchmark isn't available in NZ⁵ Certification not required. To inform future benchmarking work, buildings must provide operational energy data using the Green Star Performance calculators and confirm with the NZGBC	The sustainable finance industry guide NZGBC – A Zero Carbon Roadmap for Aotearoa's Buildings (September 2019) Green Building Council of Australia 2020 annual report, Green Star: A year in focus 2019-2020 The Beehive Public Sector Carbon Neutral by 2025 (2 December 2020)
	Existing buildings (after 3 years of build completion)	N/A		The sustainable finance industry guide NZGBC – A Zero Carbon Roadmap for Aotearoa's Buildings (September 2019) The Beehive Public Sector Carbon Neutral by 2025 (2 December 2020)
Residential	New builds or major renovations	6 star Homestar v5 6 or 7 star Homestar v4 ⁶	N/A	MBIE Building for Climate Change Programme A summary of Homestar v5

¹ Noting that the version of the tool required is as locked in at the time of registration to the NZGBC for the asset.
² Newly constructed buildings are expected to achieve the "Certificate verifying operational performance" column three years after the new build certification.
³ Green Star Buildings is expected to be in the market from mid-2024.
⁴ "Industry-wide benchmark" is defined as a benchmark that is applicable and appropriate for the building type, and that has been tested and accepted by stakeholders.
⁵ Optional: Building types where a Pathway B industry-wide benchmark is not available are welcome to certify using the other Green Star Performance pathways to demonstrate the minimum performance thresholds set above - e.g. Pathway C peer benchmarking or Pathway D, benchmarking against historical performance for more unique buildings.

Currently for industry consultation

NZGBC Sustainable Finance Guide - Version 2



Building upgrades pathway

- NABERSNZ rating 'before' and 'after' building upgrade.
- Incentivising office building upgrades, like gas boiler replacements.
- NABERS Australia bases thresholds on a 30% reduction in carbon for energy.



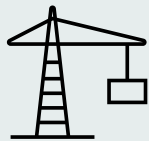
Example: Approximately a 70% reduction in carbon emissions from energy

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3. What are the benefits?



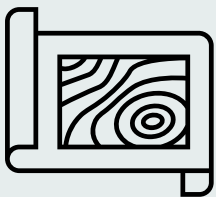
Sustainable finance benefits

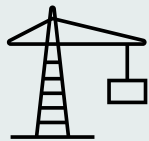


Design and construction



Existing buildings

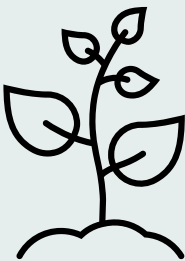




Design and construction



Existing buildings



Development loans



Investment loans



Sustaining long-term value

International Valuation Standard

Expanded requirements to consider Environmental, Social and Governance (ESG) factors embedded throughout IVS.

A10.03 Examples of environmental factors may include but are not limited to the following:

- (a) air and water pollution,
- (b) biodiversity,
- (c) climate change (current and future risks),
- (d) clean water and sanitation,
- (e) carbon and other gas emissions,
- (f) deforestation,
- (g) natural disaster,
- (h) resource scarcity or efficiency (eg, energy, water and raw materials),
- (i) waste management.

Value & Risk Advisory
New Zealand | August 2024

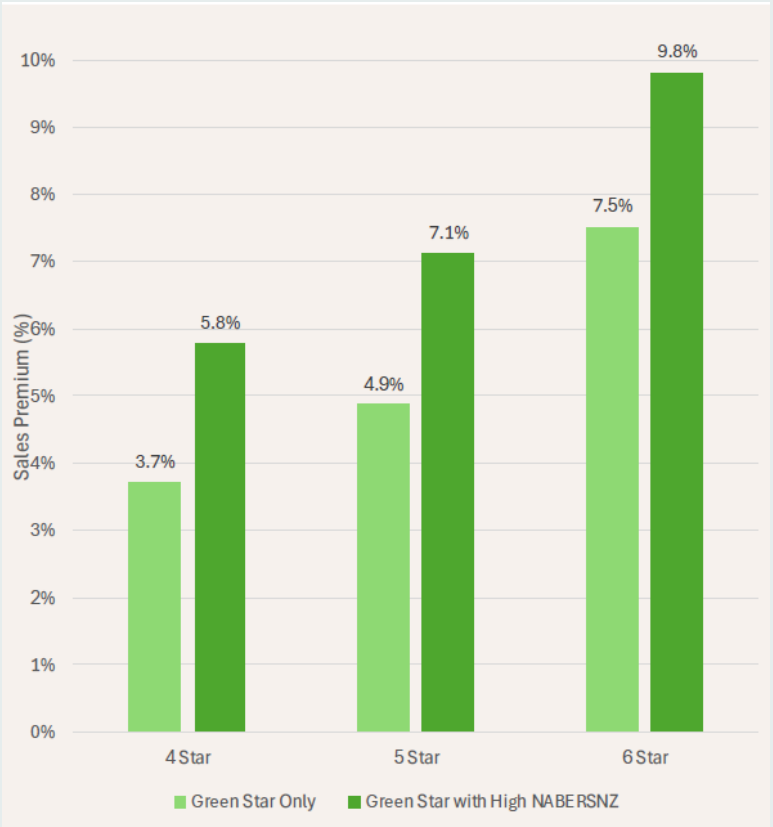
jll.com.au



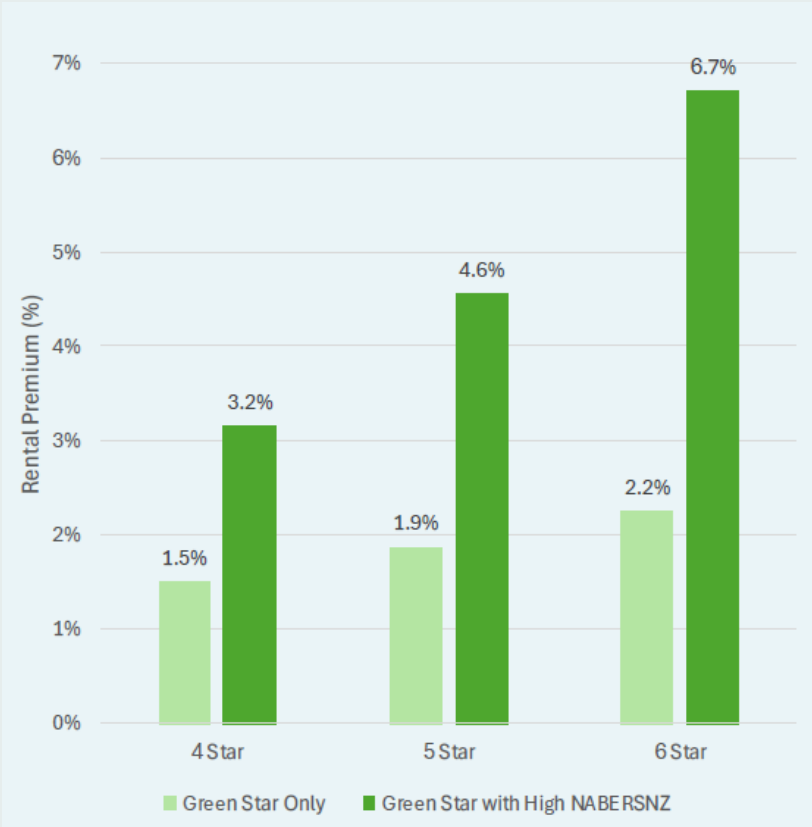
Turning Green to Gold:
The impact of green certifications on
rents, prices and values

 **JLL** SEE A BRIGHTER WAY

Sales premium



Rental premium



Turning Green to Gold: The impact of green certifications on rents, prices and values (report by JLL) August 2024

Operational cost savings

Operational savings from energy upgrades

Modelling assumptions

- 5,000m2 office building
- Whole building rating
- Typical office use and occupancy
- Electricity use only
- Excludes likely savings for line charges
- Electricity price based on NZ government data for commercial use as of March 2024



Electricity use
(kwh/year/m2)

220

110

Electricity costs*


\$235k

\$117k

Approx. annual saving of \$118k

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Ngā mihi maioha
Thank you for your attention!

Bobby Shen
Senior Manager
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