Global Sustainable Buildings Guide - Australia

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*This chapter was last reviewed in May 2024.*

# Authors

# Green Certification

## Is there a nationally adopted and recognized form of certification for buildings? What is it and is it mandatory for all new buildings and refurbished buildings?

In Australia, there are two main green rating tools with respect to commercial buildings: (i) Green Star and (ii) the National Australian Built Environment Rating System (NABERS).

Green Star is a voluntary system, managed by the Green Building Council of Australia, whose main rating tool evaluates the environmental/ecological design and construction of new buildings and refurbishments. To obtain a "green star rating," projects must meet the eligibility criteria, 10 minimum expectations, the Climate Positive Pathway (essential for five- and six-star ratings and optional for four-star ratings until 2026) and obtain credits in nine categories. These categories are as follows: (i) management; (ii) indoor environment quality; (iii) water; (iv) transport; (v) materials; (vi) land use and ecology; (vii) innovation; (viii) emission; and (ix) energy.

NABERS provides performance ratings for existing buildings against industry benchmarks for similar buildings over a 12-month period, providing quantifiable and comparable data across the market. Ratings are available for carbon neutrality (NABERS Carbon Neutral), energy consumption (NABERS Energy), air quality (NABERS Indoor Environment), on-site renewable energy generation and off-site renewable energy generation (NABERS Renewable Energy Indicator), waste generation, recycling, recovery and supply chain management (NABERS Waste), and water consumption and recycling (NABERS Waste). Ratings are available across various asset classes, including office buildings, office tenancy, hotels, shopping centers, data centers, hospitals, schools, warehouses and cold stores, and residential aged care and retirement living.

Under the NABERS Energy rating system, whole buildings, base buildings and tenancies can receive a "NABERS Star Rating" ranging from one ("making a start") to five ("market-leading"). It is compulsory to obtain a NABERS Energy rating when selling or leasing an office building larger than 1,000 square meters and new buildings over 1,000 square meters.

# Energy Performance Certificates and Minimum Energy Standards

## Is there a mandatory form of energy performance certification? When does it apply and are there any prescribed minimum standards?

The Building Energy Efficiency Disclosure Act 2010 (Cth), together with the Building Energy Efficiency Disclosure Regulation 2010 and a number of ministerial determinations, established the Commercial Building Energy Efficiency Disclosure Scheme, which began on 1 November 2010. The scheme is designed to enable potential purchasers or tenants of large commercial buildings to consider energy efficiency as part of their decision-making processes. The scheme requires owners and landlords of "Disclosure Affected Buildings" or "Disclosure Affected Areas" of buildings to do the following:

Have a building energy efficiency certificate (BEEC) registered on the Building Energy Efficiency Register, which is maintained by the Australian government's Department of Climate Change, Energy, the Environment and Water, at the time that the building (or area) is offered for sale, lease or sublease

Include an energy efficiency rating on any sale, lease or sublease advertisement

A "Disclosure Affected Area" or "Disclosure Affected Building" includes a building or an area of a building that is used or capable of being used as an office if (i) 75% of the space by net lettable area is used for "administrative, clerical, professional or similar information-based activities, including support facilities for those areas" and (ii) that net lettable area is equal to or more than 1,000 square meters. A BEEC is composed of (i) a NABERS Energy star rating for the office building and (ii) information about the energy efficiency of the office lighting (called a "CBD Tenancy Lighting Assessment"). The act establishes the Building Energy Efficiency Register, which is available for inspection online.

The Building Energy Efficiency Disclosure Amendment Act 2015 (Cth) commenced on 1 July 2015. This amending act introduced new exemptions and provided simpler certification processes under the Commercial Building Disclosure Program ("**CBD Program**"). These amendments aimed to reduce the administrative burden of complying with the CBD Program and provide greater flexibility for businesses maintaining their current BEECs.

The national greenhouse gas and energy reporting scheme was first implemented in Australia in 2007 through the National Greenhouse and Energy Reporting Act 2007 (Cth). Mandatory annual reporting obligations have been imposed on certain corporations in control of facilities and/or corporate groups that emit greenhouse gases equal to or in excess of 50 kilotonnes of CO2 equivalent, or produce or consume energy equal to or in excess of 200 terajoules.

The Building Code of Australia (BCA) is Australia's primary national building standard. The BCA was produced and is maintained by the Australian Building Codes Board on behalf of the Australian government and state and territory governments. The BCA is a uniform set of technical provisions for the design and construction of buildings throughout Australia, containing provisions on matters such as structure, fire resistance, energy efficiency, and certain aspects of health and amenities. The BCA is given legal effect by legislation in each state and territory. However, any provision of the BCA may be overridden by state and territory legislation. Through regulations or appendixes to the BCA, some states and territories have introduced additional energy efficiency requirements in relation to building new homes. This is in conjunction with the Nationwide House Energy Rating Scheme that commenced 1 October 2023, which sets minimum energy standards for new homes across Australia. This is one of the ways of meeting the energy efficiency requirements established under the National Construction Code.

# Incentives for Green Retrofit

## Are there any government-funded or sponsored schemes for improving the energy efficiency of existing buildings and, broadly, how do they work?

The application of federal, state and local council schemes that encourage new development or the redevelopment of buildings is ordinarily determined on a case-by-case basis. While there are schemes that may provide benefits in certain circumstances, this depends on the location of the building and the controls that apply to the site. This means that the eligibility of energy efficiency improvements to commercial buildings depends on a wide range of factors.

# CO2 and Energy Targets

## Are there any national targets for CO2 reduction and/or energy use reduction from buildings? If there are, are there any exclusions?

Pursuant to its obligations under the 2015 Paris Agreement, Australia has enacted and is in the process of developing further legislation directed at limiting global warming to a total of 1.5 degrees Celsius above preindustrial levels. The Climate Change Act 2022 (Cth) became effective in September 2022. It mainly codifies Australia's greenhouse gas emissions reduction targets at 43% below 2005 levels by 2030 and at net zero by 2050. These legislated targets are consistent with Australia's new nationally determined contributions under the 2015 Paris Agreement and were made more ambitious than they were in 2022.

These targets are generally consistent with a separate legislative mechanism designed to put downward pressure on greenhouse gas emissions, which is known as the Safeguard Mechanism. However, there is currently no clear and codified target for the reduction of greenhouse gas emissions in connection with commercial buildings.

# Renewable Energy

## Are there any regulations requiring a percentage of energy consumption to come from renewable sources?

Australia has a target of 82% renewable electricity by 2030. This is underpinned by a range of policy initiatives that are directed at facilitating investment in new renewable energy projects and filling reliability gaps as aging coal power stations are expected to exit the electricity market.

# Regulation

## What other national regulatory measures are there, such as taxes on energy consumption and/or tax reliefs on energy-saving measures, that can encourage more efficient use of energy in buildings?

Please see our response under the topic "Energy Performance Certificates and Minimum Energy Standards."

# Financing

## Are there any public or private “green” financing initiatives for sustainable real estate projects?

Several green financing initiatives are available for sustainable real estate projects in Australia. The Green Building Council of Australia, in collaboration with the Australian Sustainable Finance Institute, has released [a practical guide](https://gbca-web.s3.amazonaws.com/media/documents/gbca-sustainable-finance-final.pdf) on sustainable finance, which includes green bonds and green loans.

# Planning

## Is the national or local/state government able to mandate green initiatives via the planning/zoning regime (e.g., district heating systems on large developments)?

In Australia, a state or local government can require that sustainability measures be put in place. In New South Wales (NSW), the Building Sustainability Index (BASIX) sets sustainability targets for water and energy, applicable to new or refurbished residential developments. BASIX imposed targets relating to the reduction in potable water consumption and greenhouse gas emissions, determined from the NSW average residential water, electricity and gas consumption data collected from energy utilities. While the BASIX requirements do not apply to nonresidential buildings, a state government could adopt these rules to apply to all buildings. Local councils also have the ability to require that proposed buildings comply with a number of green initiatives. They are constrained by the planning statutes in place as to what standards they can impose on developers. However, within their framework, they have broad discretion and can impose higher environmental standards to make buildings more sustainable.

# Green Leases

## Are green leases or green lease provisions mandatory or optional? If mandatory, to whom do they apply? If optional, is there significant take up?

In Australia, green lease provisions are not mandatory. The public sector is taking the lead by changing government behavior as owners and occupiers of commercial buildings, and the private sector complements this approach in accordance with its own ESG targets and aims.

Notwithstanding that there are no mandatory requirements to include green lease provisions, a substantial number of leases in the "A grade" market have green lease arrangements.

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