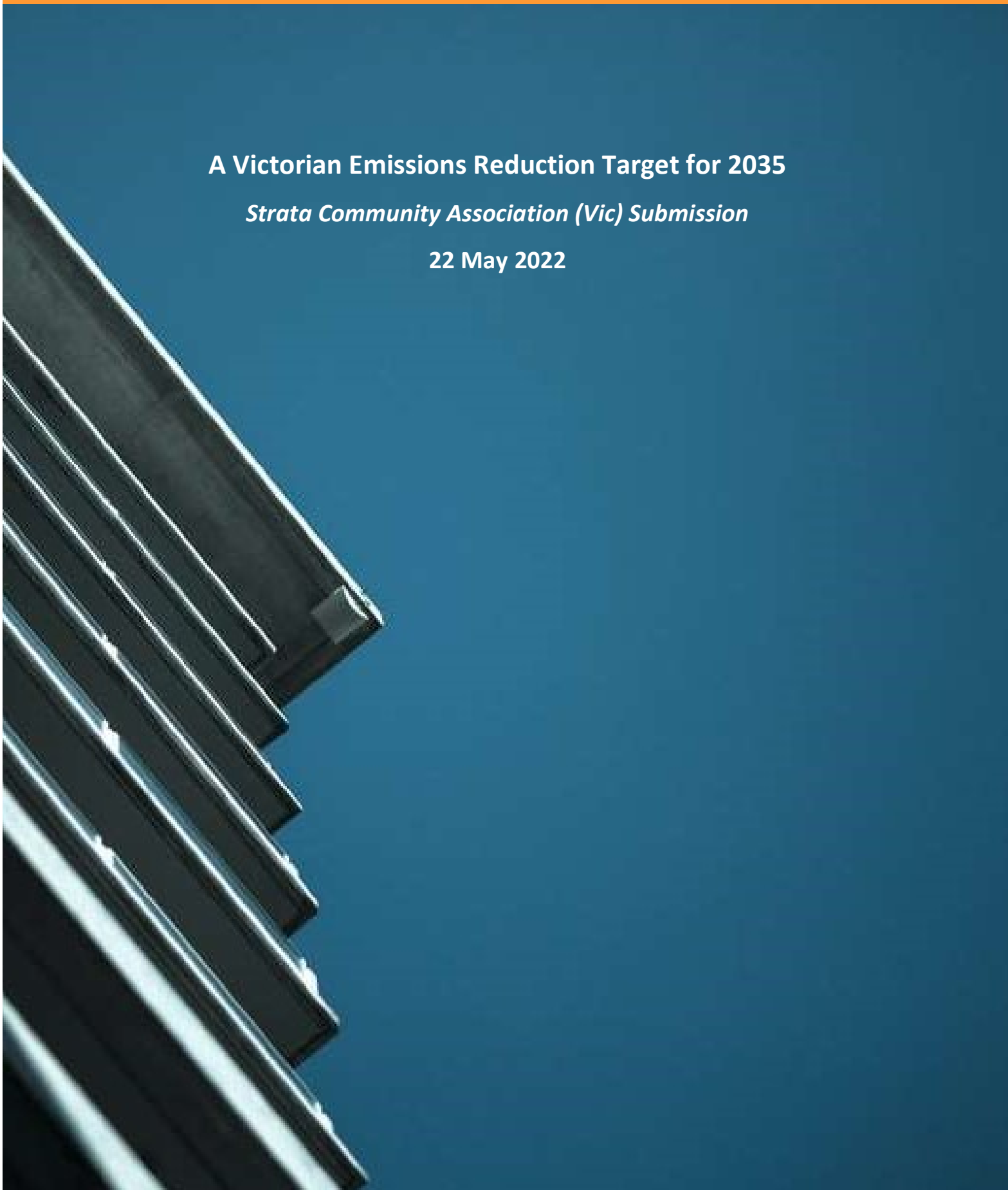
strata community association®



A Victorian Emissions Reduction Target for 2035

Strata Community Association (Vic) Submission

22 May 2022

Introduction

Strata Community Association (Vic) Ltd is the peak body for the Owners Corporations sector, which comprises commercial, industrial, and recreational properties ranging from two units in a suburban street to many hundreds of units in inner city apartment buildings. Owners Corporations represent property valued at over $300 billion dollars and encompass commercial, retail, lifestyle resorts, retirement villages, car parks, storage facilities, industrial and, increasingly, mixed developments. More than $1 billion per year is collected and spent. It is estimated that around 1.5 million Victorians — a quarter of the state's population — either live in, or own property in, an owners corporation.

Background – Strata Community Association (Vic)

SCA Victoria was established in 1990, it succeeds Owners Corporations Victoria (OCV) and Institute of Body Corporate Managers Victoria (IBCMV). With Continuing Professional Development (CPD), Best Practice Guidelines on regulatory and legislative amendments, updates on VCAT determinations and emerging issues, SCA members are best placed to manage OCs and empower Lot Owners and occupiers.

In Victoria, the *Owners Corporations Act 2006* defines an Owners Corporation as a 'body corporate which is incorporated by registration of a plan of subdivision or a plan of strata or cluster subdivision.' The individual Lot Owners form a collective known as an Owners Corporation (OC). This is a legal entity which must comply with its governing legislation and enabled regulations. Owners Corporations can choose to appoint a registered manager who will act on their direction, including engaging contractors for maintenance and repairs, on behalf of the OC. The responsibility to maintain common property and shared services is that of the owners corporation. The manager assists the OC to meet these and other obligations. As part of the Annual General Meeting, Lot Owners collectively agree on a budget to the fund ongoing maintenance and shared service costs. Items agreed can include the management fee, caretaking costs including gardening, utility charges, repairs to essential services, insurance premiums and waste management expenses. These are funded through fees/levies.

For further information about this submission, please contact Liam Straughan, Public Relations and Media Officer, SCA (Vic). Liam.straughan@strata.community.

A Victorian Emissions Reduction Target for 2035 - SCA (Vic) Submission

Summary

SCA (Vic) has responded to the issues paper made available to all respondents under the following themes for further consideration by the Expert Panel in the course of its delivery of recommendations to government:

- ***Theme 1: Options Available to Meet a Proposed 2035 Emissions Reduction Target***
- ***Theme 2: Environmental and Economic Benefits in Meeting the Target***
- ***Appendix 1: Cost Factors Affecting Existing Sustainability Targets Specific to Strata Communities***

Theme 1: Options Available to Meet a Proposed 2035 Emissions Reduction Target

Under the *Climate Change Act 2017*, the Victorian Government has formally set out interim and long-term emissions reduction targets and adaptation planning across multiple sectors of Victoria's economy and society, including the built environment.

In early 2022, the Department of Environment, Land, Water and Planning (DELWP) released its finalised report into climate change adaptability planning, outlining a whole-of-government approach to meeting future challenges arising from historic and 'locked-in' effects of climate change on the built environment in the short and long term.

Outcomes sought from the DELWP plan are as follows:

- **Plan and construct buildings with improved resilience to climate-related hazards expected during their design life.**
- **Existing residential and commercial buildings retrofitted to improve thermal performance and resilience to heatwaves, with capacity for further upgrades as conditions change.**
- **Some design solutions such as improving airtightness may also have other adaptation benefits, such as reduction of infiltration of bushfire smoke.**
- **Upgraded energy-efficient heating and cooling systems to reduce the cost of achieving thermal comfort as a result of climate change.**
- **Consideration of the value of embodied energy contained in existing and heritage buildings.**

Recommendations subsequently made in adaptability planning for 2022-26 include (but are not limited to):

- **Pursue opportunities for upgrades of existing building stock, with a focus on improvements to housing for low-income and vulnerable Victorians to enhance resilience to increasing heat and other climate-related hazards.**
- **Improve the skills and capacity of practitioners, industry, and community organisations to understand and implement climate change management responses.**

At the time of writing, approximately 25 per cent of Victorians live in strata-titled properties such as apartments and townhouses; a figure which will continue to grow into the near future as population growth continues.

Strata living in and of itself offers a more convenient and sustainable way for a growing proportion of Australian consumers, while also facilitating a multiplier effect upon consumer behaviours across multiple households when compared to a freestanding home.

The economies of scale contained within the built environment, and more specifically, in strata living, are unparalleled anywhere else within the Victorian, and broader Australian economies as it relates to the potential for future sustainability targets, particularly, net zero carbon emissions by the period 2030-2050, to be realised.

According to the National Australian Built Environment Rating System (NABERS), approximately 40 per cent of global carbon emissions originate from buildings, while concurrently using 40 per cent of global energy supplies, and 30 per cent of available drinking water[1].

Therefore, SCA (Vic) continues to recommend the **establishment of targeted financial support and assistance for the strata sector and for owners corporations, comprising of low/no-interest financing, grants and/or loans for relevant sustainability works in residential strata buildings**.

Theme 2: Environmental and Economic Benefits in Meeting the Target

Financially supporting large-scale adoption of sustainability measures in strata under the aforementioned proposals where practical, will also stand to ease cost of living pressures on consumers.

Under the current Zero Emissions Vehicle (ZEV) Subsidy of up to $3,000 for eligible vehicles under the value of $68,740 available in Victoria, an average of $500.00 per month on fuel costs has been saved by consumers under the scheme[2].

Therefore, **supporting the adaptation of strata buildings to accommodate EV charging is the next logical step to ensure that the remaining barriers to ownership of ZEVs are largely overcome, including costs of installation and 'range anxiety'** arising from a lacking access to public charging infrastructure.

Furthermore, the Victorian Government has also acknowledged the need for increased electrification of appliances, and the imperative to move away from the use of gas cooktops, central hot water, and heating systems in order to facilitate the meeting of lower emissions targets in residential homes.

Support for the adaptation of strata to incorporate upgrades to increase the electrification of appliances within individual lots stands to benefit consumers in the longer term in the form of lower energy costs.

The **increased use of renewable energy, microgrids and battery storage also stands to benefit consumers living in strata over the long-term where such adoption at scale is practical**, largely due to the limited space available on most strata-titled properties, such as apartment complexes, to host this infrastructure.

Consideration of the type and model of batteries for energy storage as part of any future strata-specific program is important, given the possibility of fire hazard, as well as **the capability for integrated storage to be able to run essential services within buildings beyond the 90-minute window expected in case of an emergency** affecting said building.

Ventilation in buildings, both new builds and support for retrofitting under any iteration of a support package, should **meet the standard of Variable Air Volume (VAV), to operate fresh air sustainably,**

[1] https://www.nabers.gov.au/about/what-nabers
[2] https://www.premier.vic.gov.au/victorians-cutting-costs-zero-emissions-vehicle-subsidy

and to best prepare multi-dwelling properties with enclosed common property spaces in particular, for future epidemic or pandemic scenarios.

Appendix 1: Cost Factors Affecting Existing Sustainability Targets Specific to Strata Communities (Embedded Networks)

In early 2021, the Victorian Department of Environment, Land, Water and Planning announced its review of Embedded Networks, to fulfil the stated election promise by the Victorian Government at the 2018 state election to ban embedded networks in all newly built multi-dwelling properties.

In January 2022, the final recommendation report was released by government, with moves to simplify the transfer process for consumers in strata arrangements from 'on-market' to 'off-market status' and vice-versa supported by SCA (Vic) and recognised as an improvement in the freedom of choice available to embedded network customers, and in the consumer protection landscape in Victoria more broadly.

However, a proposed 50 per cent on-site renewable energy generation quota applicable to approximately 1,500 legacy embedded networks from 2026-27, when the stated transition period concludes, **continues to raise concerns among industry, namely due to heightened costs involved for consumers to retrofit metering and other fixtures to facilitate this quota in older legacy networks**, as well as the likelihood of having to buy energy from the grid in this context.

SCA (Vic) advocated in 2021 for the **protection and/or grandfathering of legacy networks from the reforms promised by the state government, so that financial costs to owners corporations are minimised from attempting to comply with an arbitrary quota** reflective of the stated renewable electrical grid generation target applicable as of 2030[3].

Recommendations:

- **Establishment of strata-specific sustainability rebates, grants and/or low/no-interest loans to incentivise owners corporations to facilitate the increased uptake of:**
  - **Electric vehicle (EV) charging.**
  - **Renewable energy such as solar, including the use of microgrids and battery storage technology.**
  - **Variable Air Volume (VAV) ventilation.**
  - **Upgrades of power supplies to buildings to facilitate increased electrification**
  - **Transition away from gas cooktops and gas central hot water systems to more sustainable, electric appliances.**
- **Mandatory use of NABERS as a standard for all new multi-unit property builds in Victoria.**
- **Abolition of the proposed 50 per cent on-site renewable generation mandates applicable to legacy embedded networks from 2026-27, in favour of grandfathering these networks into future regulations.**

For further information about this submission, please contact Liam Straughan, Public Relations and Media Officer, SCA (Vic). Liam.straughan@strata.community.

[3] https://www.energy.vic.gov.au/renewable-energy/victorias-renewable-energy-targets