

RESPONSE TO DRAFT REPORT: IMPLEMENTATION OF ECOLOGICALLY SUSTAINABLE DEVELOPMENT BY COMMONWEALTH DEPARTMENTS AND AGENCIES

Comments

Would you please consider the following comments in response to the above draft report:

- There is no direct reference to the existence of the Energy & Environmental Services Team (EEST) – now the Government Operations Team of the Australian Greenhouse Office, or the objectives, programs or policies that underpin its whole-of-government activities. This is disappointing, in light of:
 - extensive discussions we had with Neil Byron, Donald Gunasekera and Adam Phillips on 15 October 1998
 - 6 pages of written comments, outlining the role of EESU and the barriers, impediments and possible solutions to its implementation of ESD.

The EEST responses provided a good opportunity to appraise the Productivity Commission of current whole-of-government activities. I am therefore appending a copy of our written response in case this has been overlooked.

- The omission of any reference to EEST may arise from confusion about EEST's role. A distinction needs to be made between EEST's whole-of-government activities, the role of the Domestic Property Operations Group (DPOG) as the custodian of Commonwealth property, and the role of DOFA as the occupier of commercial office property.
- Since our initial written response, EESU has been relocated from DOFA to the Australian Greenhouse Office (AGO) and now finds itself in a better position to implement whole-of-government energy efficiency policy. While its programs remain undiluted, the potential end-users of its products and services have been extended to include industry, local government and the community as part of AGO's Greenhouse Challenge initiative.
- The Draft Report's failure to make any connection between the activities of EEST in the area of energy conservation and the flow-on of this to ESD is surprising, given COAG's definition (1992A) of ESD:

“development which meets the needs of Australians today, while conserving our ecosystems for the benefit of future generations.”

In this context, it is clear that the kind of energy efficiency measures being promoted by EESU play a key role in fostering ESD across Commonwealth government agencies initially and now into state and local government, industry and the community. Indeed, they form the most tangible and assessable types of environmental responses and have a direct bearing on the mitigation of greenhouse gases.

- Since its creation less than 2 years ago, EEST has been active in helping to develop a more effective framework for energy efficiency and environmental management programs. In particular, EEST is responsible for raising the profile of these issues through a series of well attended Commonwealth Energy and Environmental Management Forums – bringing together government and industry for the purpose of disseminating relevant information and fostering more efficient use of energy and ecologically sustainable development. EEST has been working actively with major agencies to help them develop energy and environmental programs and is also working to:
 - Develop a more effective approach to the construction of major public works by Commonwealth agencies. This approach reinforces the need for proponent agencies to focus on the life cycle aspects of new development projects and embraces two methodologies:
 1. A Public Works Committee Certification Process – leading to the development of an improved process for ensuring that the commitment made by agencies to energy efficiency at time of approval leads to energy efficient, ecologically sustainable development
 2. A combined energy audit/post occupancy evaluation methodology – enabling the energy evaluation of government buildings in the context of user satisfaction, amenity and operational efficiency. The results of POEE evaluation will be fed back to the PWC, to assist that body in refining its assessment approach, and to proponent agencies, to assist them in refining their development briefing and project management processes
 - Develop a comprehensive energy management guidelines and training package/resource kit – for use by agencies in establishing effective energy and environmental management programs and in raising the level of skill and awareness of staff in Commonwealth agencies
 - Undertake an evaluation of existing residential accommodation occupied by Commonwealth public servants and ensuring that it meets NatHERS energy star rating levels as required by Government

- Develop, in conjunction with major agencies, residential user requirements briefing material to ensure that future Commonwealth staff housing achieves at least a NatHERS 4-star rating
- Develop analytical tools to assist agencies to develop a more accurate picture of their energy consumption and to assist them in achieving value for money in the energy marketplace and more accurately target energy efficiency initiatives

Summary

As discussed, we are concerned that the Draft Report is highly critical of whole-of-government ESD initiatives without any mention being made of progress made by EEST, DISR and AGO in implementing whole-of-government initiatives.

We believe that the Report would be enhanced if the Productivity Commission acknowledged that key agencies are making progress on this important issue and referred to the information provided by EEST at briefings and through formal responses. Further progress would be accelerated by the adoption of certain policy options by Government.

EEST's original response made reference to the Cabinet policy paper on Energy Efficiency in Commonwealth Operations which outlines terms of reference for both EEST and DPIE (now the Department of Industry Science and Resources). I understand that ISR will be responding to the draft report by reference to the same Cabinet policy paper.

A recent ANAO Performance Audit Report on Energy Efficiency in Commonwealth Operations acknowledges that there is a high level of agency activity on energy efficiency initiatives and makes recommendation aimed at improving the implementation of Government policy in this area. This report might well be of interest to the Productivity Commission. The contact officer in ANAO is Mr. Peter Macartney on 02 6203 7433.

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DEPARTMENT OF
FINANCE AND
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**Dr. Neil Byron
Presiding Commissioner
Productivity Commission
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Dear Dr. Byron

**QUESTIONNAIRE ON THE IMPLEMENTATION OF ECOLOGICALLY
SUSTAINABLE DEVELOPMENT BY COMMONWEALTH DEPARTMENTS
AND AGENCIES**

You wrote to Dr. Peter Boxall on 21 September 1998 inviting DOFA to participate in the Productivity Commission's inquiry into how Commonwealth departments and agencies have incorporated ESD principles into their policies and programs.

The invitation was referred to the Energy & Environmental Services Unit (EESU), the group within DOFA responsible for issues such as energy sustainable development, of which I am Director.

We subsequently met with you, Don Gunasekera, Adam Phillips in late October to discuss EESU's experience and opinions in the area of ecologically sustainable development. In view of EESU's whole-of-government role, we agreed to provide 'overview' comments, rather than attempting to complete the questionnaire.

I am appending a short paper based on our observations and experience. My apologies for the lateness of this response, which is due in part to preparations for our upcoming move to the Department of Industry, Science and Resources.

Yours sincerely

**David Crook
Director
Energy & Environmental Services Unit**

15 December 1998

**RESPONSE TO ISSUES PAPER ON IMPLEMENTATION OF ECOLOGICALLY
SUSTAINABLE DEVELOPMENT BY COMMONWEALTH DEPARTMENTS
AND AGENCIES**

Introduction

The following comments relate to the experience of the Energy & Environmental Services Unit (EESU) in its role as a specialist advisory unit established by Cabinet to assist in improving Energy Efficiency in Commonwealth operations.

Role of Energy & Environmental Services Unit

EESU was created by Cabinet Decision shortly before the PM's Statement on "Safeguarding Our Future – Australia's Response to Climate Change" in November 1997. Its focus, and the comments contained in this document, is on the built environment and is intended to improve energy efficiency in Commonwealth operations as part of the National Greenhouse Strategy.

In addition to its role in assisting Commonwealth agencies in the more efficient procurement and use of energy, EESU works closely with industry in supporting energy efficiency initiatives and encouraging the adoption of ESD.

Among the industry groups with which EESU is associated are:

- *the newly formed Working Party on Ecologically Sustainable Development. This influential group comprises:*
 - Australian Co-Gen Association
 - Gas Users Group
 - Australian Chamber of Manufacturers
 - Energy Users Group
- Australian Building Energy Council, which comprises:
 - Australian Air Conditioning & Mechanical Contractors Association
 - Australian Gas Association
 - Australian Institute of Energy
 - Australian Window Council
 - Energy Supply Association of Australia
 - Master Builders Australia
 - Property Council of Australia
 - Royal Australian Institute of Architects

EESU's principal concerns pertain to the cost effective procurement and efficient use of energy in Commonwealth operations. These concerns overlap with Government's commitment to fostering the uptake of ESD.

The Benefits of ESD

The adoption of ESD and underpinning environmental programs by Commonwealth agencies stands to provide the following benefits:

- Reduced operating costs, through improvements in:
 - life cycle building operation/maintenance costs, resulting from energy efficient design and improved specification of equipment/material
 - procurement cost of energy through negotiating common-use purchasing arrangements
 - consumption of energy through staff awareness raising and the promulgation of energy management guidelines and training programs and energy performance contracting
 - greenhouse gas emissions, through investment decisions which subsequently deliver beneficial energy efficiency, other environmental outcomes

- Opportunities for industry, through the creation of:
 - demand for innovative, ecologically sustainable products for both local and international markets
 - increased market demand for ecologically sustainable design, planning, construction and maintenance outcomes
- Improved national environmental performance, through:
 - promotion of international science and technology collaboration and the resulting attraction of leading edge technologies to Australian industry
 - performance based building code, which will increase opportunities for innovation

Government Policy on Ecologically Sustainable Development

Ecologically Sustainable Development has been defined by COAG (1992A) as:

“development which aims to meet the needs of Australians today, while conserving our ecosystems for the benefit of future generations.”

Government policy on ESD flows out of:

- National Greenhouse Response Strategy, Commonwealth Department of the Environment 1992
- National Waste Minimisation and Recycling Strategy, Commonwealth Department of the Environment 1992
- National Ecologically Sustainable Development Strategy, Commonwealth Department of the Environment 1992
- Paul Keating’s Statement on the Environment, December 1992
- Prime Minister’s Statement of 20 November 1997 entitled ‘Safeguarding the Future: Australia’s Response to Climate Change’
- National Greenhouse Strategy, Australian Greenhouse Office, November 1998

Responsibility for implementing this policy has been devolved across several Commonwealth agencies, including DPIE (now the Department of Industry Science and Resources), Environment Australia, the Australian Greenhouse Office and DOFA (of which the EESU is to be absorbed into DISR).

Barriers to More Effective Implementation

Government recognises that ESD is an important tool in achieving a reduction in greenhouse gas emissions, more efficient use of energy, and efficiencies in industrial production. However, there are a number of impediments to translating the philosophy and principles of ESD into practical outcomes. EESU is particularly concerned with removing barriers to the acceptance and implementation of ESD within Commonwealth agencies.

As matters now stand, ESD sits outside of core Commonwealth operations and implementation is hampered by the lack of:

- Clear policy direction (both real and perceived) about ESD. What policy direction exists on ESD within Commonwealth agencies is fragmented. There is therefore a lack of accountability, and positive action is therefore avoidable
- Awareness of ESD, exacerbated by the lack of decision support tools or methodologies available to the Commonwealth agencies. This impacts particularly in the area of building operations where the focus is on short-term economies rather than on whole-of-life asset performance

- A change management culture within the APS, which militates against the adoption of any innovative new concept, including ESD. This resistance to change is mirrored within industry. It is not helped by the lack of demand for energy sustainable design, materials and equipment from the major customers, such as the Commonwealth
- An effective response from Australian industry to the global move towards ESD. This is also reflected in the lack of initiative in promoting ESD to the public sector as a cost effective solution to ongoing operational costs

A consolidated list of issues and suggested approaches to them is provided at Attachment A.

Communications and Change Management

The adoption of ESD by Government departments is, first and foremost, a communications and change management issue rather than an environmental management issue. Effective implementation of ESD requires a willingness to embrace change and depart from conventional practice. The benefits to agencies of embracing ESD are not immediately self evident to non-expert APS employees and, hence, there is little motivation to explore the issue. Moreover, the benefits tend to occur over the medium to long term and require strong commitment by agencies.

The way that energy and environmental management is handled within Commonwealth government agencies varies greatly between agencies. At one extreme, it has the support of senior management and its importance is reflected in departmental policy. At the other extreme, it is dealt with in an ad hoc manner and relegated to inexperienced, relatively junior staff.

If we wish to see ESD implemented effectively in the APS, we need to achieve cultural change. While recognising that new technology and concepts invariably take time to cascade down through Society, we also need to achieve some positive results in the short term.

The APS generally tends to focus on achieving Attitudinal Change – which is often evolutionary in nature. This tends to require a long time frame. With ESD and other underpinning or related environmental initiatives, we need to get some runs on the board quickly (revolutionary).

Short-term gains will generally only occur if we can achieve Behavioural Change. By modifying agency behaviour in the short term, we will create the basis for longer term Attitudinal Change – which is self-sustaining.

Successful Behavioural Change relies strongly on the need to comply with inescapable requirements (eg. legislation, mandatory government policy etc.) backed up by stringent accountability requirements:

- mandatory minimum performance standards (with strong encouragement to go beyond the minimum)
- mandatory reporting on achievement (including comparability of agency performance)
- direct, senior level, accountability (driven through Performance Agreements, to provide incentive for good performance)

The importance of developing a marketing/communications strategy that addresses the foregoing issues and target all relevant audiences is absolutely critical to the process of increasing agency participation.

Attachment A

Barriers, Impediments, Solutions

Issue 1: Lack of strong, consistent policy focus within APS, resulting in diffusion of effort and loss of leverage:

- allied/synergistic programs running across several agencies with little interaction and coordination (“stove-piping” and re-invention of the wheel)
- loss of Commonwealth market leverage due to devolution/decentralising of the Common Services function (property, asset management, procurement etc.)

Solution: Pull all ESD programs together (using the NSW SEDA model) or use AGO model to facilitate greater collaboration between agencies and alignment of programs and objectives.

Issue 2: Low level of awareness among Commonwealth agencies and their service providers of current ESD technology, principles, concepts and opportunities.

Solution: Implement a marketing based approach to awareness raising, training and education that stresses both short term and long term benefits of ESD.

Issue 3: ESD is seen as being outside the core processes of procurement and asset management, resulting in:

- low level of agency commitment and priority
- ESD being seen as a burden not a solution

Solution: Ensure that ESD is main-streamed through minimum mandatory Government policy requirements (that can be increased over time). Such requirements should be tied directly to CEO accountability and Performance Agreements, and stringent reporting, benchmarking and performance measurement – they will, as a consequence, be inescapable.

Issue 4: Lack of decision support tools that would assist agencies to factor ESD into their procurement and asset management decision making process.

Solution: Develop tools and methodologies that would be endorsed by Government as standard operating procedures:

- improved asset management methodology focused on defining full cost/benefit to the taxpayer over the life of the asset
 - whole-of-life evaluation tools
 - best practice guidelines and case studies
 - established practitioners' networks on web site etc., technical support and advice Help Desk
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Issue 5: Correct emphasis on short term economic factors (initial capital cost) rather than on Whole-of-Life asset performance.

Solution: Stronger government policy requirement, allied to Accrual Accounting and more stringent project approval processes (eg. Public Works Committee involvement).

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Issue 6: Demonstrable lack of initiative in proposals put forward by industry.

Solution: Stronger expression of Government requirements in the areas of accommodation leases, construction contracts, briefs etc. plus:

- more effective input into industry training/education (through the Property Services Industry Training Advisory Body P/L)
 - creation of incentives through Government fiscal policy (tax credits, lowered investment hurdle rates etc.)
 - heavier stakeholder involvement in design and construction delivery processes.
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Issue 7: Inherent resistance by Industry to change the way it provides services to Government:

- lack of long term involvement and accountability by building developers (emphasis on quick sale of developed properties)
- commercial leasing practices that do not provide incentive for landlords to address ESD issues

Solutions: Stronger approach by APS to policy implementation through more stringent expression of requirements.

Use Government buying power to drive change, through:

- moving away from normal speculative development approach towards Construct & Manage approach where the developer is also responsible for long term asset performance
- developing leases that encourage landlords and tenants to implement ESD (Gross Lease, Net Lease, Triple Net Lease etc.)

Accept the premise that higher rental for buildings embodying ESD is balanced by lower long term running costs.

Share savings/benefits between Owner and Tenant.

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OTHER COMMENTS

Some of the programs and **policies** of DIST could impact on the achievement of ESD although they may not have ESD as their primary focus (ie. BFG).

Is it sufficiently clear which comm departments and agencies have responsibility for different categories of environmental issues? (ie. lack of single focus on ESD)

How effective have the Commonwealth's policies been in changing community or corporate behaviours? Not very!

Commonwealth departments and agencies without a legislated responsibility for the environment still have a responsibility to incorporate ESD principles in their activities given that the NSESD outlines broad goals for incorporating ESD into government decision making – barriers, impediments and solutions.

Response to issues paper – range of key issues we think are important to the inquiry want more detailed info on a subset of these issues

How Commonwealth depts and agencies have incorporated ESD principles into their **policies and programs?**

Aim is to use lessons to **recommend processes** to improve implementation of ESD by all departments and agencies

Scope for improving the incorporation of ESD into **government policy formulation** and decision making process.

Sound environmental management and good economic performance are interdependent.

Compliance with the strategy is voluntary.

Decision making processes should effectively integrate both long term and short term economic, environmental, social and equity considerations

Need to develop a strong, growing and diversified economy

Cost-effective and flexible measures should be adopted

At present Commonwealth's sustainable development and environmental obligations are restricted tomanagement of Commonwealth land

Policy making issues include 'improved valuation, pricing and incentive mechanisms (COG 1992b)

Commission is interested in receiving info on the **role, adequacy and effectiveness of inter-governmental coordination on matters relating to ESD**, both between levels of government and between Commonwealth departments and agencies.

How to improve the incorporation of ESD into government **policy formulation** and decision making process?

Interdependence of sound environmental management and good economic performance.

Awareness and communication between each group is a major affirer to environmental developments. If the environmental requirements of the client are non-committal or poorly communicated, then it is unlikely that the development process will resolve environmental issues. Environmental design is not conventional practice and requires strong commitment from the client to avoid "business as usual"

Focus EESU submission on on:

- surveys/data EMG/PWC/POEE
- barriers
- incentive/rewards
- delivering a commercial outcome

What problems do inter governmental institutions face?

Energy Sustainable Development Strategies

EESU is in the process of developing a number of decision support tools and training and educational programs aimed at changing the internal operating environment. Each of these has the potential to further the cause of ESD in Commonwealth agencies:

- development of a combined post occupancy evaluation and energy audit methodology (POEE). This is the first step towards fulfilling Government's requirement for all Commonwealth non-residential building space to be energy audited within 1 year of occupancy and, thereafter, at intervals not exceeding 5 years.
- development of energy management guidelines and training/resource kit (EMG). This will fulfil Government's requirement to develop and promulgate effective energy management standards for property managers, energy managers and other staff responsible for the energy efficiency of Commonwealth buildings.
- Public Works Committee on energy efficiency certification process (PWCC). The aim of this project is to suggest modifications to the PWC approvals process which will ensure commitment made by proponent agencies to energy performance are carried through into the design and construction of energy efficient buildings.
- Joint Standing Committee on energy efficiency in Commonwealth operations. The Committee comprises representatives of stakeholder agencies committed to promoting energy efficiency. Among the issues being considered by the Committee that bear on ESD are:
 - Business Plan for DISR's Energy Division
 - JWP communications strategy
 - energy star rating
 - the joint EESU/DISR Energy Forum
 - energy consumption data management and reporting

- APS EcoOffice committee. This is an Environment Australia initiative aimed at fostering interest and spreading the message about energy conservation and the adoption of ecologically sound procedures, including waste management, recycling and green procurement

It is aware of several issues that the Productivity Commission might like to consider.

The cost of managing Australia's natural environment:

- \$1.67b
- *Sound environmental management and good economic performance are interdependent. Meeting environmental objectives cost effectively and using resources efficiently are good for both the economy and the environment.*

Needs to consider:

The means to achieve wider understanding of how environmentally responsible design, planning, buildings processes, building materials (including recyclable and recycled materials) and maintenance, and the resultant operating and energy efficiencies can reduce whole of life costs

How these considerations can be more effectively factored into the commercial decision making process by clients

- *this issues will have considered by the focus group of public and private sector purchasing practitioners which will examine new procurement models for the industry; the widespread diffusion of the latest innovations in design, engineering, planning building and maintenance throughout the industry:
Need to encourage the design, construction and operation of buildings which reduce the impact on the environment.*