

Media release

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Real estate and finance sectors must collaborate to meet Australia's climate goals

The Green Building Council of Australia and the Australian Sustainable Finance Institute have today released a practical guide to drive greater understanding of sustainable finance for the real estate and finance industries.

The first-of-its-kind guide looks in detail at the mechanisms available, with the aim of facilitating more efficient adoption of them in the Australian market and unlocking the enormous environmental and investment opportunities available.

CEO of the Green Building Council of Australia, Davina Rooney, said improved collaboration between the real estate and finance sectors will be essential to meet Australia's climate goals, with buildings accounting for almost a quarter of the country's emissions.

"While our leading property companies continue to top international sustainability benchmarks, sustainable finance will be the key to extending this progress across the sector more broadly," Ms Rooney said.

"Australia is on the cusp of a sustainable finance revolution, and when this opportunity is unlocked, the gains for global sustainability will be enormous," Ms Rooney said.

"This is an exciting, and much-needed, opportunity to deepen cross-sector understanding of what's possible as we move closer towards our decarbonisation goals."

CEO of the Australian Sustainable Finance Institute, Kristy Graham, said growing Australia's nascent market for sustainable finance in the building sector required a supportive ecosystem.

"This includes working together to establish common definitions and approaches for sustainable finance that are environmentally credible, understood and useable by industry, and inter-operable with global standards," Ms Graham said.

"This is the technical, collaborative work that will underpin greater ambition for the property and finance sectors, leveraging the capabilities of each to support a safer and more prosperous future for all."

Around the world, the real estate industry has increasingly embraced sustainable finance instruments such as green loans and green bonds, recognising their potential to drive decarbonisation efforts and support sustainable development projects.

- In 2022, the debt market raised more funds for climate-friendly projects than for fossil fuel companies, suggesting a global shift towards green debt issuance, a trend expected to continue in 2023.
- The property sector accounted for more than 8 per cent of the total sustainable finance market in 2022, with issuance to real estate projects reaching \$US127 billion. Australia contributed around 2% to this, at just over \$US2.5 billion.
- So far in 2023, 44% of loans issued to Australia's real estate sector have been labelled as sustainable financing, marking a significant increase from previous years.

"We are seeing significant year-on-year increases in investments in sustainable projects globally, and the built environment here in Australia is ripe for an explosion in opportunity," said Ms Rooney.

“The real estate sector offers multiple opportunities to address climate, resource, and biodiversity issues – but it can’t do it by itself. The finance sector has a key role to play.”

Green loan and bonds are already accelerating the building and retrofitting of more efficient, low carbon, resilient and comfortable buildings – with no shortage of projects to complete in the coming years and decades.

The investment opportunity in numbers:

- The commercial real estate sector boasts over 859 million square metres of floor space. This number is projected to double by 2050 to accommodate the growing demand for offices, retail spaces, and other facilities.
- The residential sector has approximately 10.9 million dwellings as of June 2022, with approximately 200,000 built every year. By 2040, that number is expected to increase by 43%.
- 80% of the buildings that will exist in 2050 have already been built. Improving energy efficiency and transitioning these buildings to renewable energy represents another major opportunity for sustainable financing.
- Of the existing dwellings, approximately 5.2 million are connected to the gas network, with another million using propane. These are expected to eliminate their use of fossil fuels between now and 2050 to meet our Paris Agreement commitments.

To achieve net-zero carbon targets by 2050, Australia must:

- Electrify more than 500 homes a day, including on weekends, and also improve the energy efficiency of 100 more each day (approximately 200,000 homes and apartments in total a year.)
- Retrofit nearly 3.5% of its current non-residential stock annually, a significant jump from the present rate of 1%. This would mean increasing the current rate of investment in retrofits from \$500m AUD to about \$1.5b to \$2b AUD.

“This all represents an investment opportunity of at least half a trillion Australian dollars for the finance industry, if they’re equipped with the right knowledge and tools,” said Ms Rooney. “But more importantly, it will mean the finance industry will be better placed to play its crucial role in the fight against climate change as outlined by the IPCC.”

Unlocking the value: A practical guide for sustainable finance in the Australian real estate sector was produced by GBCA and ASFI, with the support of NABERS, the Property Council of Australia, Australian Passivhaus Association, Living Futures Institute of Australia, International Well Building Institute, GRESB and Climate Bonds.

About the guide

- The Green Building Council of Australia has created this practical guide to help demystify sustainable finance and increase its application in our real estate sector.
- This guide explains the various sustainable finance instruments that are currently being used, and why our own property market is such an appropriate place for them to be applied.
- This guide also reviewed current green building certifications, benchmarks and rating tools and explains how they can be used to assess the green credentials of projects – and whether they are suitable candidates for sustainable financing.
- By building a deeper understanding of sustainable finance in the Australian real estate sector, we hope to drive greater and more efficient uptake of sustainable finance mechanisms.
- The guide demonstrates that the tools used by the Australian property sector are ready to be used to demonstrate compliance.

You can download the guide from the [GBCA website](#).

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About GBCA:

Green Building Council of Australia (GBCA) is the nation's authority on sustainable buildings and communities. Our mission is to accelerate the transformation of Australia's built environment into one that is healthy, liveable, productive, resilient and sustainable. We work with industry and government to encourage policies and programs that support our mission. We educate thousands of people each year on how to design and deliver sustainable outcomes for Australia's buildings and communities. And we operate Australia's only national, voluntary, holistic rating system for sustainable buildings and communities - Green Star. www.gbca.org.au

About the Australian Sustainable Finance Institute

The Australian Sustainable Finance Institute (ASFI) is an Australian not-for-profit committed to realigning the Australian financial system to be sustainable, resilient and inclusive consistent with the Australian Sustainable Finance Roadmap. Visit www.asfi.org.au for more.
