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New Zealand Green Building Council submission on the Residential building supplies market study

Thank you for the opportunity to make a submission on the Commission's draft report on residential building supplies.

We are heartened that the Commission's terms of reference include looking into impediments to the entry or expansion of new or innovative building supplies, such as green building supplies or novel prefabricated products. It is vitally important that the drive for a more competitive, flexible building supplies market, which reduces the cost of construction, does not sacrifice advances in sustainability. Tackling climate change is an overriding priority that cannot be put on hold for a short-term approach focused on lowest cost above all.

The New Zealand Green Building Council (NZGBC) is a not-for-profit industry organisation dedicated to promoting a sustainable built environment. We're a team of people who are passionate advocates for better homes and buildings, because we know that better homes and buildings mean healthier, happier Kiwis. We do this by working alongside politicians, industry and other businesses to bring change.

We also run trusted, robust authentication schemes, such as Homestar and Green Star, that highlight the many buildings that have proven their healthy, safe credentials. And, we provide education for hundreds of New Zealanders every year that are keen to learn about the technical aspects behind better buildings. The NZGBC, on behalf of central Government, administers NABERSNZ, the energy efficiency rating scheme for buildings.

Above everything else, we're collaborators. We believe that lasting change for the better, for a sustainable Aotearoa, can only happen working together alongside others. Our vision is for all homes and buildings in Aotearoa to be green and sustainable, making healthier, happier New Zealanders.

We have more than 700 companies and organisations amongst our members, including banks, energy companies, insurers, government departments, publicly listed property companies, project managers, manufacturers, construction companies, architects, developers, designers, and tertiary education institutions. This includes many of the NZX50. These members have a combined market turnover of \$40bn. We also work with local government members, representing over 60% of Aotearoa's population.

Comments on the draft report

1) **Make carbon reduction the central focus of the report** - Climate change is the most important issue facing Aotearoa, New Zealanders, and the world. And it is happening right now.

Extreme weather events driven by climate change are burning people's homes down, and flooding the homes of others, forcing families to evacuate, some never to return to what was supposed to be a forever sanctuary, where they built lifelong memories.

The science is clear: the global authority on climate change science has warned that we must do everything we can do, as soon as we can to reduce carbon emissions. The NZ government has declared a climate emergency - and emergencies demand relevant actions.

The residential housing market is right in the middle of this emergency. Our homes are facing some of the brunt of climate change right now. And they are causing climate change too. A typical new New Zealand home produces five times too much carbon emissions for us to stay within less dangerous levels of warming.

For the Commerce Commission's findings to be relevant, and to align with the science and what is needed, the report on the residential building supplies market must prioritise materials that are consistent with building homes to be as low carbon as possible. That means materials with low embodied carbon, and which deliver zero operational carbon emissions should be the primary focus – and not 'othered' in a separate section.

Further, the report will be incoherent with the science, and the government's declaration of a climate emergency, if it includes any recommendations which would allow or increase the ease of acquisition of residential building supplies which allow the sector to continue to build homes five times over the carbon budget.

The systems around housing construction including the housing act, the consenting process, development contributions need amending to provide tangible incentives for lower carbon healthier homes and buildings. This will drive up demand for lower carbon materials, lower costs for kiwi families to run their homes, improve grid resilience, help provide a just transition and improve health.

2) The Commerce Commission need to amend joint and several liability system for Building Consent Authorities'. It is stifling innovation

The draft report states: "we are not making a draft recommendation regarding potential changes to the liability regime faced by BCAs or the introduction of a building warranty insurance scheme." We think this is a missed opportunity.

The current stance on joint and several liability means BCAs are very risk averse on innovative products, which are often lower carbon ones. While this conservativeness is understandable in the wake of the leaky homes issues, we need a more sophisticated approach.

In particular what is concerning is the proposal to not cap or limit Building Inspectors' liability as is the case in other countries (the UK for example). Retaining the status quo is a serious moral hazard: given that Councils usually have the biggest pockets they will always be the last person standing and take the greatest share of liability when really the bulk of responsibility should rest with the developer, the developer's design/construction team and the developer's insurer.

New Zealand should look to shift liability from councils to enable them to be more positive towards innovative products. For example, Australia's proportionate liability could be a model for use here. Coupled with this, we need to see the development of decent builder's warranties to protect people having houses built. This would reduce the risk for BCAs without making builders more risk-averse in turn.

The Commerce Commission report needs to be amended to

-support a cap or limit Building Inspectors' liability as is the case in other countries (the UK for example).

- *recommend adoption of the Australia's proportionate liability system and development of decent builder's warranties*

3) Ensure Government leads with the homes it is building.

The Government can also use its role as a market participant to drive behavioural change in advance of regulatory change.

Kainga Ora is the largest housing developer/contractor in the country, accounting for about 10% of homes built. Through adopting above regulation standards for its homes – both new and retrofits – it can give the sector experience at building to higher levels and help change the mindset away from reliance on the 'tried and true' to embracing a principle of sustainability first. Kainga Ora has adopted Homestar but needs additional funding to move to the new version five.

This will help the sector prepare for the Building for Climate Change programme. Engineers and architects will learn about incorporate green and innovative products into homes as they are required to build to the higher Homestar v5.

Similarly, Green Star is driving change in the commercial space, aided by the Government's decision that public sector agencies should only use Green Star-rated buildings whenever possible.

The Commerce Commission report needs to recommend that Kainga Ora step up and build to Homestar v5 as soon as possible and in any case by February 2023.

4) Create a clear pathway to near zero energy homes in the building code

The quality of New Zealand's building stock is poor and we are already far behind other countries when it comes to building standards. The EU, for example, already requires new builds to be constructed to a Nearly Zero-Energy standard, and is undertaking massive retrofits of its existing building stock.

New Zealand, in contrast is not even intending to require new builds to attain an equivalent of a Nearly Zero-Energy standard and no serious policy work has begun on the deep retrofit work that will be needed. This leads to European products not being accepted for New Zealand construction and, reportedly, even reengineered to low quality levels to comply with New Zealand standards.

The New Zealand construction industry tends to build to the standard – the minimum is treated as the norm. So, good standards are essential. New Zealand should be learning from and imitating the work done to upgrade building standards overseas. Unfortunately, Building for Climate Change is

proceeding exceedingly slowly, with no significant announcement since the 2020 consultation. There is also concern that the standards will lack ambition.

The Commerce Commission needs to call for the Building for Climate Change programme to achieve a 40% reduction in embodied carbon and near zero operational energy in new build homes by 2032.

5) The Commerce Commission recommendations need more urgency and specific tangible incentives to drive uptake of green buildings and materials

Draft recommendation 1 states “the building regulatory system has, at its heart, the provision of safe, healthy, and durable homes for New Zealanders. “ The report needs to face squarely the fact that we are nowhere near achieving those outcomes and it has to be questioned, therefore, whether those really are the goals of the building regulatory system as currently instituted. They *should* be goals but, as IEA and OECD have noted, our building regulatory system is not delivering safe, healthy homes.

Too many of our homes remain cold and unhealthy, and that is perfectly permissible under the building regulations we have. Programmes like Warmer Kiwi Homes are making a limited impact but homes are still being built to a standard that is long outmoded in other developed countries, our healthy homes standards are only basic and have no effective enforcement mechanisms, and there are no standards at all on existing, owner-occupied homes, which make up the bulk of the housing stock.

The policy tools and industry certification standards already exist to achieve to create a building regulatory system genuinely has, at its heart, the provision of safe, healthy, and durable homes for New Zealanders, and the government has begun tentative steps on them including – Building for Climate Change, Healthy Homes Standards, and Energy Performance Certificates – but what is needed is a firm plan to bring all classes of housing to the nearly zero-energy standard over time as quickly as possible.

This would have a major impact on reducing New Zealand’s greenhouse emissions, while saving energy and having net negative lifetime costs. A bold pathway would be the best tool to encourage the uptake of innovative, green building materials and practices.

The Healthy Homes Standards are a step in the right direction but their effectiveness is hampered because there’s no register or Warrant of Fitness, there’s no tying of the standards to emission targets, and they apply only to rentals.

The Healthy Homes Standards would more effectively drive change in building sector practice and uptake of green building supplies if they were effectively enforced via a register and/or Warrant of Fitness. This would give information to people considering living in houses, which would increase market demand for more energy efficient, sustainable homes.

There are numerous benefits to getting our homes warmer and healthier. Recent Otago University [analysis](#) shows the winter peak in demand is almost completely determined by residential space heating. If New Zealand makes a concerted effort to build and retrofitting homes to energy-efficiency standards this could reduce the winter peak by 75 per cent from business-as-usual by 2050. This enables us to turn off Huntly power station for good.

Currently, reducing emissions are not an explicit goal of the Healthy Homes Standards, yet it is the major tool for improving energy efficiency that the government has, and improving energy efficiency is the principal way to reduce the operational emissions from the built environment. More work should be done on the emissions reduction potential of the Standards, which would show the climate benefits of accelerating the uptake of green building supplies.

Existing owner-occupied homes are a major blind spot for sustainable housing in New Zealand, with no standards applying to them, despite making up the majority of dwellings in the country. Healthy Homes Standards and/or Energy Performance Certificates can be used to drive demand for use of green building supplies in upgrading these homes to more energy efficient, sustainable levels.

The paper correctly notes that “Homestar can facilitate demand from homeowners that have a preference for environmentally friendly housing and demand can in turn stimulate competition. We have identified examples where Homestar ratings have been included in a Land Information Memorandum (LIM) report by a Local Council. The added validity of including the rating in a LIM may enable banks to provide more offers to those (or potentially EPC) ratings.”

The Emissions Reduction Plan’s commitment to mandatory energy efficiency rating for buildings is another positive step. This needs to be realised by making Green Star mandatory for office buildings (as it is in Australia) and rolling out Energy Performance Certificates for residential homes.

The report also fails to equate health with more sustainable housing. A large reason for the interest in Homestar is the certainty of a healthier home, with improved ventilation, and thermal comfort.

Mainstreaming lower carbon and energy efficiency ratings across the sector will drive consumer demand. It is possible to learn from what is already happening in the market. Wellington City Council has a \$20m [Environmental and Accessibility Fund](#) to support homes built to Homestar (and Lifemark standards). Such an initiative could be offered nationally. This will drive up

The Commerce Commission report lacks urgency and timeframes. It needs the following recommendations

- *For a \$500m national fund to be put in place in 2023 for buildings and homes built to green certified standards and delivering lower embodied carbon homes and buildings. This would follow the methodology of the WCC environmental fund, be available until 2030 and will help incentivise greener products and prepare the sector for the coming Building for Climate Change programme.*
- *For Councils to incorporate green ratings of homes and buildings into LIM reports throughout Aotearoa.*

6) Make the performance of homes transparent for home buyers and renters

We agree with the Commission that “regulatory and behavioural barriers ... incentivise sticking to ‘tried and tested’ building products and inhibit the entry or expansion of new or innovative key building supplies” and that “if not addressed, these barriers could well inhibit the entry or expansion of the hoped-for innovation in green building supplies”. Construction sector and BCA inertia has slowed the uptake of green building supplies, and seen opposition to improving standards.

The recent delay to the modernisation of the H1 insulation standards exemplifies the challenges that Building for Climate Change will face in establishing a stepped timeline to bring our building standards up to world-class. The problem is not supply, it is conservatism within organisations and lack of education of builders. There is a perception that improving standards will entail complex, time-consuming alterations to their established practices, when, actually, the changes needed are straightforward and simple to implement.

Alongside standards, information is an important tool to drive building sustainability. When homebuyers, renters, and commercial tenants are given information on the energy efficiency and insulation of buildings, they prefer ones that are more sustainable. Certification can be used to nudge the market towards sustainability.

The Commerce Commission report needs to be amended to call for government to work with the sector to create an energy and health certificate for new and existing homes. This is to be made available at time of sale or renting as is required in most OECD countries.

7) Emphasising green building supplies in the draft recommendations

The draft report's recommendations does not place enough emphasis on using carbon reduction as a goal of building standards. Doing so would help to accelerate the uptake of green building supplies. For example: Draft recommendation 5 (Investigate whether the barriers to certification and appraisal can be reduced) sets out two possible approaches that could be considered to reduce barriers to securing certification and appraisal.

→ Reviewing the cost structures of the CodeMark scheme, or introducing streamlined certification processes for low-risk products.

→ Government could also consider contributing directly to the cost of certification and/or BRANZ appraisal.

There is an opportunity here to prioritise green building supplies. Products that are lower embodied carbon or that contribute to more energy efficient housing should be prioritised in a streamlined certification process and given first priority for any government contribution to the cost of certification and approval.

It is the same issue with draft recommendation 6: "Identify and develop methods to centralise information sharing about key building supplies." This sets out to

"→ Establish a national key building products register as a centralised repository for information about building products and consenting.

→ Establish a BCA centre of excellence to facilitate a better co-ordinated and enhanced approach by BCAs to consenting and product approval processes."

These ideas are opportunities to centre sustainability in the choice of building materials. A national products register would act as the primary reference source for information about building products. If it places the sustainability of building products front and centre, it would help familiarise designers, builders and BCAs on green building supplies.

8) The Commerce Commission could be more forceful in recommending New Zealand learn from overseas experiences such as the EU Energy Performance in Buildings Directive

The EU Energy Performance in Buildings Directive provides a clear illustration of how to successfully improve the carbon performance and sustainability of buildings and homes. It is

a) Creating a one-stop shops accessible to all building ecosystem's stakeholders to ensure barriers to building renovation are addressed and that appropriate training is scaled up.

b) Ensure the establishment of a national databases for energy performance certificates of buildings. Public databases will gather all data related to building performance and "smart readiness" features.

c) Public financial support will be focused on the alleviation of energy poverty, supporting social housing, and protecting tenants from disproportionate rent levels following renovation.

d) EU-level minimum energy standards. This requires the worst-performing 15% of building stock to be upgraded from the Grade G to at least Grade F by 2027 for non-residential buildings, and by 2030 for residential buildings.

These are great ideas New Zealand can learn from. NZ needs to create a measuring system and create similar dated targets for the 2030s instead.

9) Minor amendments

The report infers that Homestar is in it's infancy and Kainga Ora are the main user. In fact many others use Homestar include Bupa, Metlifecare, Fletcher Living, Otautahi Community Housing Trust, Simplicity Living, Kiwi Property, Willis Bond, Oceania Healthcare, Arvida, and others. Registrations for the year ending June 2022 year were 7,800 homes.

We hope this report has been useful. We would be happy to clarify our comments at the consultation conference during the week of 26 September.

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Chief Executive, NZ Green Building Council

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