Net Zero Commission

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PLF ACCELERATOR

Submission to the NSW Net Zero Commission Consultation

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About the PLF Accelerator

The PLF Accelerator is building the foundations for a national Property Linked Finance (PLF) market in Australia. We work with councils, lenders, governments, and industry to unlock private capital for better buildings to make our built environment more efficient, resilient, and affordable.

We provide the tools and expertise to scale PLF, from council administration to national policy. Our goal is to create a transparent, competitive, and investor-ready market, without relying on ongoing public subsidies.

The PLF Accelerator supports:

- Legislative and regulatory reform (drafting, harmonisation, and alignment)
- Pilot and financial product design to de-risk market entry
- Shared-service models for frictionless transactions

Through RACE for 2030, PLF Accelerator aims to unlock $500 million in catalytic capital and enable delivery of 100,000 high-performance homes in the lead-up to COP31. Aimed to position Australia as a global demonstration of a scalable PLF market, our partners include:

- Green Finance Institute (GFI)
- Climate Bonds Initiative (CBI)
- Green Building Council of Australia (GBCA)
- Property Council of Australia (PCA)

About the Global Property Linked Finance Initiative (GPLFI)

The Global Property Linked Finance Initiative (GPLFI) is a multi-phase, international program led by the Green Finance Institute (GFI) and Climate Bonds Initiative (CBI). It is designed to overcome global fragmentation in PLF markets and establish a consistent, scalable financial asset class that channels private capital into the built environment.

The initiative targets three core pillars:

1. **PLF Principles & Pathways** – Establishing globally applicable characteristics and replicable models for legislative, financial, and operational PLF design.
2. **PLF Country Coalition** – Building ministerial-level commitment across countries to adopt and align PLF legislation, showcased through commitments at COP31.
3. **PLF Accelerator & Capital Markets Vehicles** – Creating tailored national accelerators and financial infrastructure (e.g. warehousing, securitisation) to scale market deployment.

Through PLF Accelerator, Australia's global leading position in property linked finance will provide a template for action under the GPLFI and contribute to the Finance Ministers Coalition and COP31 ambitions to establish scalable retrofit finance pathways globally.

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Summary

PLF Accelerator welcomes the opportunity to respond to the NSW Net Zero Commission's call for input with a focused recommendation: modernise the legislative and regulatory framework to enable the scale-up of Property Linked Finance (PLF) as a critical tool for Built environment decarbonisation. We have limited our responses to the consultation questions to this sector.

Property Linked Finance (PLF) - known in Australia as Environmental Upgrade Agreements or EUAs - is a proven finance mechanism that removes structural barriers to building upgrades by attaching repayments to local government rates, rather than to individuals. This structure makes clean energy and resilience upgrades more accessible to homeowners and investors alike.

NSW legislated for EUAs via amendments to the *Local Government Act 1993* in 2011, limiting use to existing non-residential property. Uptake - like in other states - has been low. This is not due to a lack of consumer demand: 88% of homeowners value energy efficiency, and over 60% are open to PLF-style offerings. Instead, cumbersome laws impose undue burdens on councils and limit eligibility, stifling market growth.

Our submission recommends three key reforms:

1. Amend the *Local Government Act 1993* to streamline EUA processes and reduce council burden.
2. Update the *Residential Tenancies Act 2010* to enable landlords and tenants to jointly benefit from PLF.
3. Coordinate with the Commonwealth on a budget neutral tax treatment of PLF transactions to provide incentives for action and furthering the productivity agenda.

These reforms will unlock private capital for residential and rental properties, reduce emissions, and ease energy-related cost-of-living pressures across NSW.

This initiative directly supports the objectives of the National Housing Accord, aligns with the NSW Sustainable Buildings SEPP, and contributes to global climate finance goals.

Importantly, PLF is not a grant or subsidy program. It is a cost-neutral platform that enables investment in the built environment. It complements existing and future government incentives by lowering transaction costs, expanding eligibility, and unlocking new upgrade pathways. A successful rollout requires strategic planning to ensure scale, liquidity, and investor confidence from day one.

NSW is well positioned to lead nationally - and globally - by enacting targeted simple, low-cost legislative reforms that enable scalable retrofit finance. The lessons of the past can guide a more successful future.

We welcome further engagement with the Commission and the NSW Government to shape this framework and launch a demonstrator program that delivers for the people of NSW.

Background: NSW Experience with Environmental Upgrade Agreements

Australia is one of two markets globally with active Property Linked Finance (PLF) offerings, underpinned by 15 years of operational experience, legislative foundations, and active local programs. The United States Property Assessed Clean Energy (PACE) finance model is the largest and most liquid with over $USD20 billion in originations with growth primarily within the Commercial (C-PACE) segments through financing of new high-performance buildings. Canada recently passed enabling laws to establish this form of finance while the UK, EU and SE Asia are looking to establish these markets.

New South Wales became the second jurisdiction in Australia to introduce Environmental Upgrade Agreements (EUAs) in 2011, following Victoria's initial legislation in 2010 with South Australia in 2016 and most recently Western Australia passing laws in December 2024. Nationally, EUAs are primarily focused upon non-residential property, except in Victoria where laws were updated in 2020 to make EUAs applicable to residential property.

WHAT IS PROPERTY LINKED FINANCE?

Property Linked Finance (PLF) enables property owners to fund environmental improvements through long-term payments attached to the land rather than the owner and repaid via local council rates. This innovative financing mechanism offers 20+ year terms with 100% project funding, featuring non-recourse lending and the ability to pass charges through to tenants. As a growing global asset class, PLF has proven successful through the U.S. PACE program and was established in Australia in 2010, now legislated across 4 states, known locally as Environmental Upgrade Agreements (EUAs). PLF provides lenders with lower risk adjusted returns while helping property owners achieve environmental and resilience outcomes for their property.

Globally, the challenge is clear. Decarbonising and future-proofing the built environment in line with a 1.5C future, is vital for a net-zero and just transition. This transition will require an estimated $51 trillion by 2050. Yet, in 2023, annual investment in building energy efficiency fell to $244 billion, according to the IEA (a 4.43% decline from the previous year). Critically, this level of investment has been achieved without the widespread deployment of Property Linked Finance (PLF). PLF offers a structural solution to overcome barriers that have long constrained investment - namely split incentives, high transaction costs, and fragmented delivery. With enabling legislation and delivery models, PLF can substantially accelerate capital mobilisation toward this global investment task, where current financial offerings are failing.

While the legislative framework exists under the Local Government Act 1993, uptake in NSW has remained modest, mirroring global experience. US PACE programmes (launched state-by-state) take on average 7.3 years to exceed $100 million of capital deployed and such slow growth is misaligned with the urgent need for scalable climate action and investors needs for scalable markets to finance.

These scaling challenges is not due to a lack of consumer interest. Research from the Green Finance Institute in the UK shows that 88% of homeowners consider energy efficiency important, and over 60% are open or neutral to using PLF to finance upgrades. Support for PLF rises to over 80% among households already open to using finance for home upgrades[1].

The opportunity before NSW is amplified by national and international context:

- Buildings account for nearly one fifth of Australia's emissions. Most homes perform poorly, with houses built before 2003 averaging less than 2 NatHERS stars. New housing must meet 7 stars[2], but the existing stock must also be upgraded to meet climate, affordability, and economic productivity goals.
- International evidence confirms that investment in building efficiency delivers some of the highest returns of any climate-aligned capital, with every $1 million supporting around 9 direct jobs and delivering ~$4.75 in GDP return[3][4].
- **Productivity uplift**: Better housing reduces government health costs - $10 health saving per $1 energy saving - a 100,000-home project implies between $2.2 bn and $4.3 bn in healthcare benefits.[5] Improves resilience to climate risks, and enhances productivity
- **Increased disposable income**: Net households savings increase consumer spending ability which may be recycled into the local economy, supporting consumption and services. Household electrification on average is estimated to benefit households by $2,850 per year[6], up to $4,320 per year with solar and a battery.

But to do so, it must learn from global experience and take comfort that the globe is moving in the same direction of travel. Australia aspires to co-host COP31 in 2026 and with growing global momentum toward implementation, NSW is well positioned to demonstrate leadership through targeted microeconomic reform of its EUA laws. Doing so would unlock private capital, reduce emissions, and improve the lives of households across the state.

Importantly, PLF is not a government subsidy or grant program, rather a cost neutral opportunity to unlock investment in the built environment furthering the climate ambitions of the NSW government, supporting fiscal responsibility and is complimentary to current and future incentives targeting action in the built environment. A strategic roll out plan, recognising the need for immediate scale and liquidity by the investment community to create PLF products within a context of reduced transaction costs and wider applicability is important to success. The lessons of the past can inform the successes of the future.

[1] Property Linked Finance: Rising consumer demand for energy and the need for financial innovation. https://www.greenfinanceinstitute.com/products-solutions/property-linked-finance/

[2] https://www.climateworkscentre.org/project/renovation-pathways/

[3] https://www.iea.org/reports/sustainable-recovery/buildings

[4] Housing Australians: HIA Submission to the Fair Work Commission. https://www.fwc.gov.au/documents/awards/variations/2020/am202012-sub-hia-060420.pdf

[5] https://www.sustainability.vic.gov.au/research-data-and-insights/research/research-reports/the-victorian-healthy-homes-program-research-findings

[6] Stepping Up Report – CSIRO and Energy Consumers Australia - https://energyconsumersaustralia.com.au/our-work/research/stepping-up

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Q9: What new investment opportunities can support a transition to net zero in NSW?

Response:
The expansion of Environmental Upgrade Agreements (EUAs) to wider segments of the NSW economy including residential properties (new and existing), underpinned by statutory reform, represents a ready-to-implement opportunity to unlock over $5 billion in private finance for NSW housing upgrades.

Through RACE for 2030 a collaborative research centre, PLF Accelerator is partnering with The Green Building Council of Australia, Property Council of Australia, Green Finance Institute (UK) and the Climate Bonds Initiative (UK) to investigate and make recommendations to unlock the opportunities for reform of Australia's EUA markets leading to an initial pilot of 100,000 homes. These investments reduce emissions, lower energy bills, enhance asset value, and deliver public health co-benefits.

By enabling PLF to scale, NSW can create a new investable asset class attractive to institutional lenders seeking ESG-aligned, inflation-protected long-duration assets. This aligns with global momentum around green securitisation and building decarbonisation finance and it's a tangible action to crowd in private sector finance

Q19: Additional Measures to Accelerate Electrification and Energy Efficiency

Recommendation: Through simple changes to existing EUA laws, NSW should modernise its legal architecture to enable low-friction, scalable administration of PLF for a broader range of properties (including rental, social, commercial – new and existing, and new residential builds etc) while preserving the core credit and structural characteristics of Environmental Upgrade Agreements (EUAs). This requires simplifying origination, registration, collection and enforcement processes, and removing the need for council-by-council implementation wherever possible.

Although direct emissions from the built environment represent just 6% of NSW's total, electrification and energy efficiency upgrades deliver outsized social, economic, and climate co-benefits. PLF overcomes the upfront cost barriers to implementation and complements existing policy and financing tools by solving for entrenched split incentives between landlords and tenants, and current and future property owners. By attaching repayments to the property via local government charge mechanisms, PLF unlocks:

- Full electrification of heating, hot water and cooking systems;
- Significant network demand reductions when combined with distributed solar and storage;
- Enhanced readiness for climate adaptation and resilience retrofits;
- Access to private capital to meet Housing Accord and Sustainable Buildings SEPP ambitions.

A modernised EUA framework, informed by international best practice, would enable NSW to lead in deploying retrofit finance at scale and align with international momentum and national priorities.

Q20: Addressing Social Equity in Electrification

Recommendation: Ensure the Residential Tenancies Act 2010 works with any amendments to the EUA legislative architecture to permit fair tenant cost-sharing for EUAs, and work with the Commonwealth to unlock budget neutral tax incentives for action.

Electrification must work for renters as well as owners. PLF enables tenants to benefit from upgrades only where they receive net bill savings without the need for landlords to pass on rental increases. EUAs are backed by statutory safeguards such as:

- Voluntary participation with informed consent;
- Australia's responsible lending laws, and;
- The Australian Sustainable finance taxonomy.

This model solves the split incentive problem and extends cost-of-living and health benefits to households most vulnerable to energy stress.

Q23: What role should local government play in achieving net zero?

Local governments are well-positioned to support the net zero transition, particularly in their role as trusted, community-based delivery partners. However, they face growing pressures balancing service provision with financial sustainability.

Under current legislation, Environmental Upgrade Agreements (EUAs) place significant administrative burdens on councils. These include the need to individually opt in, manage approvals, and oversee rate-based repayments - requirements that drive up transaction costs and are ill-suited to the high volume, low-value nature of residential upgrades.

Modernising the EUA framework to streamline processes and reduce council involvement (without removing the use of statutory land-based charges) will enable councils to support PLF at scale without incurring new operational costs.

When delivered through a shared services model, councils can serve as enabling gateways for PLF- helping households access finance for upgrades that lower energy costs, reduce emissions, and improve resilience. Research also shows homes with energy efficiency improvements experience 32% lower mortgage default risks and greater financial resilience, with cost savings flowing directly to households and easing energy stress[7].

In this role, councils will not be burdened as administrators but empowered as champions for equitable, community-wide access to the opportunity for electrification, net zero homes and distributed energy resources.

[7] https://imt.org/wp-content/uploads/2018/02/IMT_UNC_HomeEEMortgageRisksfinal.pdf