Net Zero Commission

Pathways Call for Evidence Submission

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Mr Nick Rowley
Chair
Net Zero Commission

30 July 2026

Via: Decarbonisation pathways Call for Evidence

Dear Mr Rowley,

Thank you for the opportunity to provide feedback to the Net Zero Commission's Call for Evidence on decarbonisation pathways for NSW.

As the leading peak body representing Australia's property industry, the Property Council's membership spans property developers, financiers, builders, asset managers and owners across all asset classes. Our members create landmark projects, environments and communities where people can live, work, shop and play. The property industry has a deep long-term interest in seeing NSW prosper as a productive, sustainable and liveable state.

A 2025 joint report by the Property Council of Australia, Green Building Council of Australia and Climateworks Centre titled 'Built Environment Ambition' demonstrates that the built environment is one of Australia's fastest and most cost-effective opportunities to reduce emissions, and sets out a policy roadmap to accelerate electrification, energy efficiency and zero-carbon-ready buildings while supporting productivity, lower energy costs and progress towards national net zero targets.

Buildings account for more than half of Australia's electricity use and almost a quarter of national emissions. The sector has the technology to decarbonise now, but the pace and scale of the transition will depend on clear, coordinated and practical policy settings that support investment across new and existing buildings.

The Property Council supports a NSW decarbonisation pathway that recognises the built environment as a practical, investable and immediate opportunity for emissions reduction. The sector has many of the tools required to decarbonise now, but government policy will be critical to accelerating uptake across existing and new buildings.

Accelerating emissions reductions in the built environment

NSW should adopt a built environment pathway that recognises both operational and embodied emissions. The greatest near-term opportunities are improving building energy performance, electrifying buildings, supporting on-site renewable energy and storage, and reducing upfront carbon in construction materials.

The pathway should be practical, staged and interoperable with existing frameworks used by asset owners, investors and tenants. Alignment with these frameworks will reduce duplication and provide clearer signals to institutional investors and building owners.

Recommendations:

- Develop a dedicated NSW built environment pathway that addresses operational emissions, embodied carbon, electrification, energy efficiency, demand response and circular economy outcomes.
- Ensure NSW decarbonisation pathways are interoperable with established rating, disclosure and transition planning frameworks.
- Prioritise policies that provide clear long-term signals to owners, investors and occupiers across asset lives of 10 to 30 years.

Building electrification and energy performance

The Property Council has long advocated for an industry-specific policy to transition the built environment to an increasingly renewable electricity grid, in line with NSW's target of achieving net zero emissions by 2050. Electrification is a critical part of this transition and can reduce emissions, improve indoor air quality and future-proof new development. However, the pathway must be practical, staged and supported by transitional arrangements, incentive mechanisms, grid readiness and ongoing industry consultation.

NSW should support electrification through a combination of clear standards, targeted incentives, practical guidance and grid readiness. This should include support for replacing gas-fired heating, ventilation, air conditioning and hot water systems, while ensuring new requirements are staged, economically viable and aligned with market maturity. Incentives, pilot programs and education materials should be used to support uptake before broader mandates are expanded to additional asset classes or existing buildings.

The pathway should also recognise that some building types and uses are more readily transitioned than others. Retail food and beverage, broader hospitality uses, industrial operations, tenant-controlled energy uses and buildings requiring power capacity upgrades may face greater technical or economic barriers. Temporary exemptions, staged compliance pathways and further consultation should be available where immediate electrification would create disproportionate cost, operational or delivery impacts.

Recommendations:

- Establish a clear NSW pathway for building electrification, including a staged approach to reducing reliance on gas in new development and a separate, carefully consulted pathway for existing buildings, refurbishments and additions.
- Provide targeted incentives, pilot programs and practical guidance to support replacement of gas-fired HVAC and hot water systems, particularly where upfront costs, supply chain maturity or technical constraints are barriers to early action.
- Support electricity network planning, connection processes and coordination with energy providers so building owners have confidence that sufficient power capacity will be available before electrification requirements are expanded.
- Streamline approvals for on-site renewable energy, batteries and related building upgrades.

Embodied carbon, materials and circular economy

NSW's decarbonisation pathway should give greater attention to embodied and upfront carbon. As operational emissions reduce through electrification and renewable electricity, the emissions

associated with materials, construction, fit-out, refurbishment and end-of-life treatment will become increasingly important.

NSW can accelerate market development for lower carbon construction materials by standardising embodied carbon measurement, supporting consistent reporting and using government procurement to create demand. This should include practical approaches to steel, concrete and other emissions-intensive materials, while recognising that availability, cost and supply chain maturity vary across project types and locations.

Circular economy principles should also be embedded in the pathway. Greater emphasis on adaptive reuse, retrofitting, designing for modularity and deconstruction, and material reuse can reduce waste and emissions while improving asset resilience and lifecycle value.

Recommendations:

- Introduce standardised embodied carbon reporting for major development and infrastructure projects, with a staged approach that allows industry capability and supply chains to mature.
- Use NSW Government procurement and public infrastructure projects to support demand for lower carbon construction materials.
- Explore practical benchmarks or thresholds for upfront carbon in new buildings, including through alignment with national codes and rating tools where appropriate.
- Support planning and approval pathways that encourage adaptive reuse, retrofitting and circular design where these approaches deliver emissions, waste and resilience benefits.

Private finance and investment certainty

The scale of the built environment transition will require substantial private investment. Institutional investors and asset owners need long-term policy certainty, clear market signals and practical pathways to deploy capital into energy efficiency, electrification, on-site renewables, storage and lower carbon materials.

NSW can stimulate private finance by reducing policy uncertainty and de-risking upgrades that are commercially challenging but important to the transition. This includes targeted incentives, co-investment opportunities and settings that support green bonds and sustainability-linked loans.

The transition pathway should also recognise split incentives in leased buildings, where owners may pay for capital upgrades while tenants receive the energy cost benefits. Green leases, shared data arrangements and tenant engagement will be important to ensuring building performance improves in practice.

Recommendations:

- Provide long-term, stable policy settings that give investors confidence to fund building upgrades over asset lives of 10 to 30 years.
- Consider targeted state-backed incentives or co-investment models for electrification, energy efficiency, mid-scale solar and battery storage in commercial and industrial buildings.
- Support uptake of green leases and energy data-sharing arrangements between building owners and tenants.

- Ensure finance mechanisms are accessible to a broad range of asset owners, including owners of existing buildings that may not otherwise have the capital to undertake major upgrades.

Demand reduction, technology and behaviour change

Technology deployment will be essential, but behaviour change should also be explicitly modelled in NSW's decarbonisation pathways. Smart building management, metering, tenant energy engagement and demand response can reduce emissions, lower energy costs and support the electricity system as more buildings electrify.

Mid-scale solar and battery storage, heat pumps and smart building technologies are ready for broader deployment. However, uptake can be constrained by grid integration issues, capital costs, tenant-controlled energy use and regulatory barriers that limit sharing renewable energy across property boundaries or feeding mid-scale generation back into the grid.

Recommendations:

- Model demand reduction and behaviour change alongside technology deployment in NSW decarbonisation pathways.
- Incentivise smart meters, building management systems and data tools that provide owners and tenants with clearer information on energy use and emissions.
- Support demand response participation by commercial and industrial buildings.
- Remove practical barriers to mid-scale solar, battery storage and sharing renewable energy across appropriate property settings.

Grid readiness, workforce and implementation

The decarbonisation of buildings depends on the electricity system being ready to support greater load, more distributed generation and new patterns of demand. A delayed electricity transition may undermine building-sector decarbonisation despite significant investment at the asset level.

Workforce capability will also be a key constraint. NSW will need more electricians, solar and battery installers, engineers, energy assessors and trades with the skills to deliver electrification retrofits, low-carbon design and building performance upgrades.

Implementation should be staged and supported by clear guidance, transitional arrangements and consultation with industry. Requirements that affect development feasibility, asset values or upgrade obligations should be introduced with sufficient lead time and should be aligned with national reforms where possible.

Recommendations:

- Coordinate built environment electrification pathways with electricity network planning and grid capacity upgrades.
- Invest in skills development through TAFE and vocational training for electrification, renewable energy, building performance and low-carbon construction.
- Provide clear guidance and appropriate transition periods before introducing new reporting, performance or upgrade requirements.
- Consult industry on the design and sequencing of any expanded electrification requirements, including potential application to additional asset classes, refurbishments,

additions and existing buildings, to ensure controls are practical, proportionate and aligned with feasibility, grid readiness and market maturity.

Outcomes beyond emissions reduction

The built environment pathway should measure success beyond emissions reduction alone. Better buildings can lower energy costs for households and businesses, improve asset quality and resilience, support investment attraction, strengthen regional economies and deliver health and wellbeing benefits for occupants.

The property sector increasingly views climate, nature and social outcomes as interconnected. NSW should therefore design its decarbonisation pathway to support broader public benefits, including energy affordability, regional development, workforce participation and long-term resilience.

Recommendations:

- Track outcomes including energy affordability, asset resilience, investment attraction, employment, health and wellbeing, and regional economic development.
- Recognise the role of better buildings in reducing operating costs for households, businesses and government tenants.
- Embed First Nations participation and long-term benefit sharing where decarbonisation projects intersect with land, infrastructure and regional development opportunities.

Conclusion

A successful decarbonisation pathway for the built environment should be clear, staged and aligned with existing market frameworks. It should support electrification, energy efficiency, embodied carbon reduction, private finance, demand response, skills development and circular economy outcomes while maintaining the feasibility of housing, commercial and industrial development.

We thank you for the opportunity to provide a submission to the Call for Evidence and welcome the opportunity to continue working with the Net Zero Commission as it develops NSW's decarbonisation pathways. If you require more information or would like to meet to discuss the detail of this submission, please contact [redacted].

Yours sincerely,

Katie Stevenson
NSW Executive Director
Property Council of Australia