RP3031

INFORMATION, RISK AND RETROFIT:
ENERGY/CARBON DISCLOSURE AT THE BUILDING RETROFIT INVESTOR-USER INTERFACE

Research Questions

Which corporate real-estate supply chains are associated with the use of information mechanisms designed to signal energy efficiency across the low-carbon retrofit investor – user interface? What does this mean for the mandated use of such supply chains and information mechanisms which realign the risk and rewards of low-carbon retrofit to parties on those supply chains?

Need for the Research

"...despite evidence of the cost-effectiveness and robustness of the business case for such investments, the vast majority of profitable retrofit opportunities remain untapped."

The United Nations Environment Program Financial Initiative, Property Working Group, Commercial Real Estate (2014)

Relevance

Mandatory disclosure is an information mechanism which reduces information asymmetry between the retrofit investor and user by signaling energy efficiency across the sale or lease transaction. Other non-mandatory information mechanisms are also designed to reduce information asymmetry and so the risk low-carbon retrofit investment. We will test how the use of these non-mandatory information mechanisms varies with corporate real estate supply chains with one or more transactions at the investor-user interface.

The results are of relevance to policy which incentivizes or mandates the use of particular information mechanisms and supply chains.

Methodology

Working with our partner: Brookfield Global Integrated Solutions, we will sample their managed portfolio of corporate office space to identify six different sets of supply chains:

1.	Vertically integrated Retrofit-Investor/Owner/User
2.	Retrofit Investor who sells to Owner/User
3.	Retrofit Investor/Owner who sells to Users who manage the property through a body corporate
4.	Retrofit Investor who sells to Owner (landlord or series of landlords) who then leases to Users (tenants or a series of sub-tenants);
5.	Retrofit Investor who leases to Users
6.	Retrofit Investor/Owner who leases to a Workplace as a Service or serviced office company who in turn subleases on a weekly, daily or hourly basis to Users.

Case study analysis will be made of each supply-chain set as to their deployment of the following information mechanisms which signal to parties across one or more transactions:

a) Commissioning, retro-commissioning and tuning building systems expertise

b) Programs and services which modify behaviour associated with energy consumption

c) Dynamic disclosure through metering and monitoring

d) Pass through of unitized, retrofit, life-cycle costs

e) Sharing the benefits of green branding through rating systems

f) Green Leases

Results and Conclusions

… forthcoming

Anticipated Impacts

We anticipate that the research will reveal that supply chains with a single transaction between the low carbon retrofit-investor and low carbon retrofit- user will differ from those with multiple transactions in terms of the use of information mechanisms which signal energy efficiency and so reduce retrofit investment risk. This will reveal the extent that these mechanisms are either rejected or deployed in order to compensate for the further splitting of incentives across more than one transaction at the retrofit investor-user interface. This is of relevance to policy makers who may mandate the use of these information mechanisms and incentivize their use across one or more transactions in a real-estate supply-chain.

Which real-estate supply-chains are associated with the use of information mechanisms designed to signal energy efficiency across the low-carbon retrofit investor-user interface? What does this mean for policy mandating the use of such mechanisms?

Further information

http://www.lowcarbonlivingcrc.com.au/research/program-3-engaged-communities/rp3031-information-risk-and-retrofit-energycarbon-disclosure.

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