

ITEM 2. SECTOR SUSTAINABILITY PLANS – PUBLIC EXHIBITION**FILE NO: S123730****SUMMARY**

This report recommends two draft Sector Sustainability Plans (the Plans), *Making Sydney a Sustainable Destination* and *Sydney's Sustainable Office Building Plan*, be endorsed by Council for public exhibition.

These plans have been developed following the City of Sydney's adoption of the first Sector Sustainability Plan, the *Residential Apartments Sustainability Plan* in August 2015, which addresses the challenges of environmental performance in apartment buildings.

The Plans take a customer perspective, with the aim to increase uptake of environmental action by key players in the sectors – businesses, residents, and government departments and agencies. They outline actions for industry and government to take, and also identify a range of actions that the City will take to support the sector. The Plans are a platform for collaboration with industry sectors and other levels of government to catalyse action to achieve the environmental targets set for the local government area in *Sustainable Sydney 2030* and *Environmental Action 2016 - 2021*.

Making Sydney a Sustainable Destination targets energy use, carbon emissions, water use and waste generation within accommodation and entertainment buildings. This includes hotels, backpacker accommodation, serviced apartments, major entertainment venues, theatres, pubs and clubs.

The accommodation and entertainment sector has substantial environmental impacts and is currently responsible for 21 per cent of the city's total greenhouse gas emissions, 14 per cent of potable water consumption and 47 per cent of the city's commercial waste, only 50 per cent of which is recycled.

Sydney's Sustainable Office Building Plan outlines the challenges in creating change in the office sector which lies in the 'mid-tier' - the large number of low-grade buildings owned by private or foreign investors, who have less drivers to implement sustainability initiatives.

The commercial office sector was prioritised due to its significant contribution to local government area emissions (45 per cent), the large opportunity for reductions, and the City's existing relationships with institutional office owners (Better Buildings Partnership).

The office sector is responsible for 45 per cent of city emissions, 20 per cent of the City's commercial waste and 27 per cent of water consumption. Members of the Better Buildings Partnership have led on sustainability in office buildings and are committed to the City's environmental targets. However, other ownership groups in the sector are unengaged, lack capacity and are missing out on multiple benefits.

Actions for the City across both plans include: driving demand for buildings with environmental performance ratings; advocating for policy reform; environmental grants; fostering collaboration to accelerate action; leading by example in its own buildings; and investigating updates to the City's planning instruments.

Comprehensive industry stakeholder engagement was undertaken during the development of both plans. Over 40 organisations from the accommodation and entertainment (and events) industry were directly engaged, 83 responded to the phone survey and 16 to the online survey, making the total sample size analysed 139. Over 40 office stakeholders attended tailored briefings for owners, managers and tenants.

In addition, an external stakeholder Reference Group, consisting of key government agencies with a specific interest in environment and planning of the built environment, organisations representing key stakeholders and special interest groups, and energy and water distribution networks provided advice during the development of the plans. The group included representatives from: NSW Office of Environment and Heritage; NSW Department of Planning and Environment; Urban Growth NSW; NSW Department of Trade and Investment; Transport for NSW; Green Building Council Australia; Property Council Australia; Better Buildings Partnership; Energy Efficiency Council; Facilities Management Australia; Engineering Association Australia; Sydney Water; and Jemena.

RECOMMENDATION

It is resolved that Council approve the draft *Making Sydney a Sustainable Destination* and *Sydney's Sustainable Office Building Plan* Sector Plans, as shown at Attachments A and C, respectively, to the subject report, for public exhibition for a period of eight weeks.

ATTACHMENTS

Attachment A: Making Sydney a Sustainable Destination

Attachment B: A&E Phase 1 Stakeholder Engagement Report

Attachment C: Sydney's Sustainable Office Buildings Plan

Attachment D: Office SSP Phase 1 Engagement Report

BACKGROUND

1. City of Sydney's Sustainable Sydney 2030 vision sets bold environmental targets, including a 70 per cent emissions reduction for the local government area (from a 2006 baseline) and a goal for net zero emissions by 2050.
2. *Environmental Action 2016 - 2021* renewed the City's Sustainable Sydney 2030 environmental targets in line with the Paris agreement, increasing the City's renewable energy target to 50 per cent by 2030 and setting revised water and waste targets.
3. The Sector Sustainability Plans (Plans) identify the most effective way for specific sectors of the City's built environment to reduce their environmental impact and contribute towards the ambitious local government area targets.
4. The Plans explore opportunities for reduction, barriers to action in business and community sectors, and stakeholder roles to foster collaboration to achieve cost effective outcomes. The *Residential Apartments Sustainability Plan*, adopted in 2015, piloted the model and is now being successfully implemented.
5. Sectors of the built environment were targeted because, similar to many cities, buildings are responsible for 80 per cent of the city's emissions. More specifically, the Plans seek to understand and engage those stakeholders who have decision-making control or capacity to effect change in these buildings.
6. To date, the City has delivered successful programs targeted on the engaged leaders of each sector. The City now needs to build on this to activate broad change across all parts of these sectors – not just the leaders.
7. The office and accommodation and entertainment sectors were selected after a thorough prioritisation process, which considered:
 - (a) Impact: Scale of sector carbon, water and waste impact.
 - (b) Opportunity: Potential for reduction in carbon, water and waste impact.
 - (c) Engagement: Stakeholder networks and influencer channels, existing programs, partnerships and engagement with the sector.
 - (d) Governance: Concentration of ownership and management, decision-making structures.
 - (e) Capacity: (skills/experience) and capability (time/resources).
8. City business units were consulted to understand their current and potential role, opportunities and limitations, existing knowledge and information, and to identify teams already delivering or well-placed to deliver services.
9. External agencies with policy responsibilities and technical experts were consulted to test assumptions and help diagnose problems and identify solutions. The most effective policy levers and programs opportunities are often outside the City's control, so it was important to engage early and encourage agencies with responsibility to act.

10. Targeted engagement with sector specific stakeholders was conducted to understand what drives each sector to act on environmental opportunities and to create a sense of collective ownership of the City's vision and the Plans. The aim was to motivate stakeholders to act to expedite progress and deliver reductions more quickly and efficiently than would otherwise be possible by the City alone.
11. Technical input was provided by consultants with relevant expertise, who modelled the carbon reduction potential of a suite of cost-effective and practical measures.
12. Both plans identify significant opportunities to achieve environmental outcomes in buildings through changes to State and Federal Government policy. For example, increasing minimum environmental performance standards in new buildings and major refurbishments and mandating the periodic disclosure of NABERS performance ratings.
13. The City's Environmental Sustainability Platform (ESP) enables the collection of environmental data, together with ongoing monitoring and evaluation of key programs. The ESP will collect, manage and report on local government area, sector and building specific environmental data, including electricity, gas, water, transport, and waste. The City will use ESP reports to review and adapt the plans over time, to ensure activity is focused where it is needed.
14. In early 2015, the City received grant funding from C40 to part-fund the two-year position of C40 City Advisor to Sydney. The C40 funding was based on the City's proposal for the Plans project. The C40 City Advisor role was filled from March 2015 to March 2017 and led the development of these Plans.

MAKING SYDNEY A SUSTAINABLE DESTINATION

15. The accommodation and entertainment sector was prioritised for its engagement, opportunity and current rapid development. Sydney is Australia's largest accommodation market, made up of 20,000 hotel rooms, 5,000 serviced apartment rooms, 6,000 backpacker hostel beds and over 6,000 short term letting listings in the City of Sydney area. Hotels account for 70 per cent of the floor space dedicated to visitor accommodation. The City's 2015 Visitor Accommodation Action Plan encouraged new and diverse hotel developments to accommodate a growing number of visitors. The sector contributed \$5 billion to our local economy in 2012.
16. The accommodation and entertainment sector has substantial environmental impacts and is currently responsible for 21 per cent of the city's total greenhouse gas emissions, 14 per cent of potable water consumption and 47 per cent of the city's commercial waste, only 50 per cent of which is recycled.
17. Right now, less than 30 per cent of hotels in the City measure their performance through recognised environmental ratings. And only 20 per cent of new accommodation developments use environmental ratings to build beyond minimum requirements. Rating environmental performance is proven to be effective in activating upgrades and generating business benefits.
18. Between 2005/06 and 2015/16, emissions from the accommodation and entertainment sector fell by 37 per cent. The plan identifies potential emissions reduction for the sector for 2021/22 and 2029/30. These reductions are to be achieved during a period of growth – the floor area occupied by the sector is expected to grow by 27 per cent between 2015 and 2030.

19. Through delivery of the industry and City actions in this plan, sector emissions could:
 - (a) reduce by 47 per cent by 2021/22 (from 2006 levels); and
 - (b) reduce by 61 per cent by 2029/30 (from 2006 levels).
20. However, there is still a significant gap before the sector's emissions reach the level that the City is aiming for across the local government area - 70 per cent reduction by 2030 from 2006 levels, and an even greater gap exists to the net zero by 2050 target. This gap must be filled by a large increase in renewable energy in the grid, and, potentially, other energy efficiency measures not yet identified.
21. The actions in this plan can also enable the sector to deliver:
 - (a) Zero increase in potable water use from 2006 baseline by 2021/22, and a ninety per cent reduction by 2029/30, achieved through water efficiency and recycled water.
 - (b) An increase in resource recovery to divert 70 per cent of waste from landfill by 2021/22, and up to 90 per cent by 2029/30.
22. The plan outlines opportunities and areas of action for industry that encourage collaboration and maximise cost effective outcomes and benefits. Suggested actions are clearly articulated for the major industry stakeholder groups, such as accommodation operators, entertainment providers, event organisers and their clients, building developers and owners, government organisations and visitors and delegates.
23. Actions for the City include: drive demand for sustainable accommodation and events; deliver targeted programs – hotels leaders group, tune-up program, net zero buildings challenge; advocate for increased minimum standards; facilitate George Street recycled water scheme; assist in building the capacity of the sector, including grants; collect and report sector data and promote high performers.

SYDNEY'S SUSTAINABLE OFFICE PLAN

24. The commercial office sector was prioritised due to its significant contribution to local government area emissions (45 per cent), the large opportunity for reductions, and the City's existing relationships with institutional office owners. The challenge to creating change in the office sector lies in the 'mid-tier' - the large number of low-grade buildings owned by private or foreign investors, who have less drivers to implement sustainability initiatives.
25. The office sector is responsible for 45 per cent of city emissions, 20 per cent of the City's commercial waste and 27 per cent of water consumption. Members of the Better Buildings Partnership have led on sustainability in office buildings and are committed to the City's environmental targets. However, other ownership groups in the sector are unengaged, lack capacity and are missing out on multiple benefits.
26. The plan details different ownership types, showing the impact of the many and diverse buildings that are privately owned. Private owners have the greatest emission impact, but the least capacity and engagement to act, whereas institutional owners in the Better Buildings Partnership have already achieved 52 per cent in emissions reductions and are now focussed on securing renewable energy and innovating to reach net-zero emission. Property groups and owner occupiers have varying levels of opportunity and capacity.

27. Through delivery of the industry and City actions in this plan, sector emissions could:
 - (a) reduce by 26 per cent by 2021/22 (from 2006 levels); and
 - (b) reduce by 46 per cent by 2029/30 (from 2006 levels).
28. However, there is still a significant gap before the sector's emissions reach the level that the City is aiming for across the local government area - 70 per cent reduction by 2030 from 2006 levels, and an even greater gap exists to the net zero by 2050 target. This gap must be filled by a large increase in renewable energy in the grid, and, potentially, other energy efficiency measures not yet identified.
29. The actions in this plan can also enable the sector to deliver:
 - (a) Zero increase in potable water use from 2006 baseline by 2021/22, and a ninety per cent reduction by 2029/30, achieved through water efficiency and recycled water.
 - (b) An increase in resource recovery to divert 70 per cent of waste from landfill by 2021/22, and up to 90% by 2029/30.
30. The plan suggests actions for industry that aim to drive demand for net zero office space, engage owners and tenants who are not yet engaged in sustainability efforts, maximise the efficiency and productivity of buildings, secure renewable energy to power these efficient buildings, and build net-zero new buildings.
31. Improving the environmental performance of office buildings benefits owners and occupiers by reducing costs through lower energy use, increasing asset value, supporting employee wellbeing and productivity and helping organisations manage reputational risk.
32. Actions for the City include: advocate for increased minimum development standards and a net zero planning controls pathway; advocate for extended mandatory disclosure; deliver targeted programs – continue CitySwitch and Better Buildings Partnership; offer grants for ratings and innovation; support for improved commercial waste management; deliver George Street recycled water scheme; and collect and report sector data.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030 Vision

33. Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. The Plans are aligned with the following Sustainable Sydney 2030 strategic directions and objectives:
 - (a) Direction 1 - A Globally Competitive and Innovative City – Making Sydney a Sustainable Destination will expand the City's profile as a sustainable destination showcasing the great environmental aspects of Sydney: clear air water and the great outdoors, as well as our environmental strategies and achievements. With the International Convention Centre and an increasing amount of accommodation with high environmental performance benchmarks, the City stands to gain a greater share of the growing sustainable business events market.

- (b) Direction 2 – provides a road map for the City to become A Leading Environmental Performer - The Plans address key barriers to action in each sector and provide targeted actions to make significant contributions to the local government area emissions targets.
- (c) Direction 4 - A City for Walking and Cycling – Both plans have specific actions to encourage active and public transport.
- (d) Direction 9 - Sustainable Development, Renewal and Design - New developments and major refurbishments are afforded the largest and most cost-effective opportunity to secure long term sustainability in building operations in the design and construction. Both plans put forward the need to strengthen environmental performance standards in the City's planning controls in the absence of effective action at the State and Federal level.

Organisational Impact

- 34. Internal stakeholders from relevant business units were engaged on the Project Control Group throughout the development of the plans and have agreed to resource implementation of the plans. Nine business units are contributing to the delivery of the *Making Sydney a Sustainable Destination* plan and five business units will assist with the delivery of the *Sydney's Sustainable Office Building Plan*.
- 35. Implementing the Plans relies on resources granted by Council in the financial year 2017/18 budget under the heading 'environmental acceleration actions'. These resources will be used for:
 - (a) expanding sustainability programs with more targeted offerings for the two sectors;
 - (b) review of the City's planning controls;
 - (c) improved measurement and reporting of sector data; and
 - (d) enhanced environmental performance of the City's own properties.

Risks

- 36. At the strategy development stage, the major risk relates to whether the actions proposed in the draft plans are the most effective ones and will resonate with industry stakeholders. This risk has been mitigated by undertaking a significant amount of stakeholder engagement in the development phase of the Plans. There is a high level of engagement by sector stakeholders and strong support for the City taking a lead to foster and support industry action.
- 37. During implementation there is a risk that that the actions proposed may not deliver the expected environmental benefits (energy, water and waste reductions). This risk will be mitigated through the development of a monitoring and evaluation plan for each sector sustainability plan, and the use of the Environmental Sustainability Platform to track environmental performance. If required, actions in the plan will be adjusted annually.

Social / Cultural / Community

38. Benefits from implementation will include energy savings, financial savings and jobs generation, as well as benefits such as productivity, health and wellbeing, market share and reputational gains.

Environmental

39. As detailed above, implementation of the actions in these plans will result in significant environmental performance improvement in the local government area.

Economic

40. Achieving the emissions reductions targets identified in the Plans will have a positive economic impact: *Making Sydney a Sustainable Destination* will generate over \$32 million in net economic benefits, and *Sydney's Sustainable Office Plan* over \$200 million over the life of measures.

BUDGET IMPLICATIONS

41. Costs associated with implementation of the City's actions in the Plans have been included in the financial year 2017/18 operational budget and forward estimates. As implementation progresses, future financial implications necessary to maintain sector engagement and fully implement the plans may be identified. Approval from Council would be sought, where required, in accordance with existing financial delegation and budget approval processes.

CRITICAL DATES / TIME FRAMES

42. Critical dates or time frames are:

Commencement of public exhibition period of 8 weeks	20 February 2018, subject to Council approval
Conclusion of public exhibition	17 April 2018
Final Plans submitted to Council for endorsement	Mid 2018 – dependent upon feedback received in the public exhibition period

OPTIONS

43. The City considered developing a larger number of sector plans to also address other sectors that have a far smaller share of the local government area's carbon emissions, for example, retail or healthcare. However, it was determined that focusing resources on the office and accommodation and entertainment sectors (in addition to ongoing work with the residential apartment sector) was the most efficient and effective use of the City staff time and operational budget in the next five years. The City may still take actions to support other sectors should an appropriate opportunity arise.

PUBLIC CONSULTATION

44. External stakeholders were consulted throughout the development of the Plans – full details are available in Attachments B and D.
45. An external stakeholder Reference Group consisted of key government agencies with a specific interest in environment and planning of the built environment, organisations representing key stakeholders and special interest groups, and energy and water distribution networks. The role of these key technical and policy experts was to: provide advice; build a common understanding of the issues, barriers and opportunities; advocate for the solutions and resources required; and support the delivery of action/s determined by the Plans.
46. The Reference Group consisted of representatives from a number of key government and private organisations, which included: NSW Office of Environment and Heritage; NSW Department of Planning and Environment; Urban Growth NSW; NSW Department of Trade and Investment; Transport for NSW; Green Building Council Australia; Property Council Australia; Better Buildings Partnership; Energy Efficiency Council; Facilities Management Australia; Engineering Association Australia; Sydney Water; and Jemena.
47. Targeted engagement activities were conducted to gain ideas and insights from sector stakeholders within the City and test the City's assumptions on the barriers and motivators to environmental sustainability.
48. Engagement with the accommodation and entertainment sector included face-to-face meetings, phone meetings and a phone survey. In addition, a sector expert was contracted to engage with the sector to seek specific information about the ownership structures within the sector, as well as the access to capital for environmental improvements. Over 40 organisations from the accommodation and entertainment (and events) industry were directly engaged: 83 responded to the phone survey and 16 to the online survey, making the total sample size analysed 139.
49. The City's engagement with accommodation and entertainment providers showed the sector is willing to adopt environmental practices and sustainability ratings, particularly where financial advantage and a point of difference can be gained. Awareness and knowledge may be inhibiting further up-take of environmental practices. There may be a need to promote ways in which the sector can improve its environmental performance and the business benefits of investing in environmental sustainability, and the incentives and support available.
50. To better understand the differing ownership groups of the office sector, the C40 City Advisor first met with the Better Building Partnership to understand how the City can further support their leadership. Across the board, there was support and interest for the development of the plan and an overall consensus on the next focus areas for the sector: renewable energy, tenant engagement and privately owned offices. Over 40 stakeholders attended tailored briefings for owners, managers and tenants. A further follow-up session was held to report back to stakeholders how their feedback had been incorporated into modelling and would inform the Plan.

51. Engagement with the stakeholders of office buildings showed the sector is in agreement about the barriers to and drivers for environmental improvement. There is a willingness and desire to improve environmental performance within some parts of the sector, while other parts are highly disengaged and will be a challenge to motivate to act. There was strong support for mandating disclosure of tenancy NABERS ratings, incentives for net zero buildings, government policy as market demand driver, whole building - whole of building life cycle approaches, and access to affordable off-site renewables.
52. Effective opportunities identified through stakeholder consultation have been included in the draft Plans suite of actions. Feedback during the consultation also reinforced the need and desire for continued engagement with industry stakeholders.
53. Following endorsement by Council, the draft Sector Plans will be placed on public exhibition for eight weeks.
54. Public exhibition consultation activities have been designed to target industry stakeholders, and will include:
 - (a) launching the plans at targeted stakeholder events, eg, Better Building Partnerships meetings, and workshops for the emerging hotel sector leaders group;
 - (b) communication with all sector stakeholders who were involved in consultation activities during the development of the plans;
 - (c) SydneyYourSay page and opportunity for email submissions; and
 - (d) advertising in local papers.

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