



AUSTRALIAN
CONSTRUCTORS
ASSOCIATION

**AUSTRALIAN CONSTRUCTORS ASSOCIATION –
SUBMISSION ON EMISSIONS REDUCTION FUND GREEN
PAPER**

February 2014



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1. INTRODUCTION

1.1 The Australian Constructors Association (ACA) welcomes the opportunity to respond to the Emissions Reduction Fund Green Paper.

1.2 The ACA regards the sustainability of the construction industry as being critical to ensuring the ongoing prosperity and productivity of all Australian people.

1.3 The ACA and its members are committed to working with Australian governments and industry stakeholders to ensure that the sustainability of the industry is the subject of continuous improvement.

2. AUSTRALIAN CONSTRUCTORS ASSOCIATION

2.1 The ACA represents the nation's leading construction contracting organisations. A list of ACA members is attached (Annexure 1). The ACA is dedicated to making the construction industry safer, more efficient, more competitive and better able to contribute to the development of Australia.

2.2 ACA member companies operate in a number of market sectors including:

- Engineering construction incorporating public and private sector infrastructure
- Commercial and residential building
- Contract mining
- Oil and gas operations
- Process engineering
- Telecommunications services
- Environmental services
- Maintenance and related services

2.3 Association members operate globally, with member companies operating in Australasia, Europe, Asia, North and South America, Africa and the Middle East. Collectively ACA member companies have a combined annual revenue in excess of \$50 billion and employ over 100,000 people in their Australian and international operations.

2.4 The ACA has four (4) key objectives:-

1. To require the highest standards of skill, integrity and responsibility of member companies.
2. To represent the interests of major contractors to government and other decision makers.
3. To enhance and promote the status of construction contractors and the industry which they serve.
4. To facilitate the exchange of technical information and encourage further research.

3. APPROACH TO THE SUBMISSION

3.1 The purpose of this submission is to respond in broad terms to the Emissions Reduction Fund Green Paper with some specific comments on certain aspects of the paper.

3.2 The basis behind the ACA's approach in this submission is predicated on the fact that the ACA considers that the Government's preferred approach as outlined in the Green Paper does not contemplate the unique emissions profile of the construction industry and the difficulties that the industry will have in engaging with the scheme as proposed.

4. DIFFICULTIES FOR THE CONSTRUCTION INDUSTRY UNDER THE PROPOSED SCHEME

4.1 The Australian construction industry employs 1,244,000 members of the Australian workforce and is Australia's third largest employer after health services and retail trade.¹ The majority of those working in the industry operate in SMEs as trade subcontractors.

4.2 Under the Emissions Reduction Fund scheme proposed by the Government, principal contractors will be responsible for reporting energy and emissions from a large number of subcontractors working on sites at various times. This presents difficulties where boundary conditions restrict the operational control which principal contractors have over their subcontractor workforce.

4.3 Principal contractors under this proposed scheme will be required to report emissions data over which the subcontractors effectively hold operational control. The ACA submits that the process of collection, consolidation and verification of emissions data collected from subcontractors is administratively burdensome for principal contractors and requires review.

4.4 Additionally, principal contractors are limited in their influence on the design, materials selection and overall construction approach taken on a project as these specifications are dictated by clients or designers pre-contract. Thus principal contractors have limited influence over the factors responsible for many of the emissions they will incur under this proposed scheme.

4.5 A further difficulty for the construction industry involves the benchmarking of industry participants under this proposed scheme. The construction industry itself is cyclical in nature both in terms of the type of project undertaken and when these projects occur. This makes calculations for pay-back periods, base-lining and project-based improvements problematic. The ACA submits that these difficulties will restrict the industry's ability to engage with the proposed scheme.

4.6 The ACA considers it important to note that the bulk of emissions for the construction industry occur either upstream during the manufacture of materials (e.g. steel, cement) or downstream in asset operation, maintenance and management. Schemes such as EEO and the currently proposed framework based on NGER data fail to recognise these externalities to construction activity. In this manner, it is highly likely that actual emissions reductions will be the result of emissions being shifted into manufacturing or asset performance (e.g.

¹ Australian Bureau of Statistics, *Labour Force, Australia, Detailed, Quarterly- Table 04. Employed Persons by Industry- Trend, Seasonally Adjusted, Original*. 6291.0.55.003, November 2013.

building prefabrication). The ACA considers this a fault with the proposed scheme which needs to be carefully addressed.

5. LEARNINGS FROM PAST SCHEMES

5.1 The ACA believes that there is an opportunity for the proposed Emissions Reduction Fund to address the above concerns of the construction industry and correct the failings of the previous Governments' schemes.

5.2 The ACA considers that the construction industry has not been adequately taken into account during the consultation process of previous Federal Government schemes such as NGER and EEO, nor has it been duly served by these schemes during their implementation. This can be evidenced by:

- The 2003 report '*Industrial Energy Efficiency Data Analysis: Detailed Project Results- Other Manufacturing, Construction and Services*' (DRET) which showed that only 4.4% of the total energy efficiency opportunities identified in 'Other Manufacturing, Construction and Services' were in the construction sector.
- The amendments made to NGER and EEO in 2010 to exclude bitumen as a 'fuel' which was flagged by industry during initial consultation but went unheeded until well into the operation of the scheme.
- The use of ambiguous terminology and contradictory regulations with little consideration of the construction industry (e.g. 'operational control', 'transient vehicles').
- The temporary and transient nature of construction operations which moots EEO calculations based on pay-back period.
- The lack of consideration given to the needs of the construction industry under prior schemes as compared to consideration given to smaller sectors such as transport and farming.

5.3 The success of any new scheme such as the proposed Emissions Reduction Fund will depend upon identifying and correcting past mistakes through ongoing open consultation with the construction industry. The ACA invites the Government to consult further with the construction industry on the issues outlined above.

6. BENCHMARKING THE CONSTRUCTION INDUSTRY

6.1 The process of benchmarking/baselining construction projects is highly problematic. The ACA submits that a new, smarter approach to this issue is required.

6.2 Difficulties in benchmarking construction projects are a globally recognised challenge. International constructors have struggled to address this as far back as the first UNEP-FI (United Nations Environment Program- Finance Initiative), UNEP- SBCI (United Nations Environment Program- Sustainable Buildings and Climate Initiative) and GRI (Global Reporting Initiative) working parties. Many of the difficulties these working parties faced are discussed above, however other difficulties also include:

- The high degree of variability in construction emissions between building types (e.g. health, commercial, residential) and building scale and density (e.g. high rise vs. low rise).

- The high degree of variability in construction emissions between construction sub-sectors (e.g. road, rail, other civil and infrastructure, vertical construction, greenfield, brownfield).
- The high degree of variability in the emissions profile over the life of single projects (e.g. initial bulk earthworks vs. building fit out).
- The short timeframes of projects (most less than 2 years) making payback period calculations difficult.

6.3 The ACA submits that these difficulties warrant special attention and further consideration than they have currently received under the proposed Emissions Reduction Fund scheme.

7. CONCLUSION

7.1 The construction industry is a major employer of Australian workforce participants and contributes to the ongoing prosperity of all Australian people. The construction industry is also unique in many aspects of its operations and, as discussed above, the nature of the industry requires careful consideration when designing schemes in which it is to participate.

7.2 While supportive of Government led schemes aimed at improving the sustainability of Australian industries, the ACA submits that the current proposals for the Emissions Reduction Fund require review and further consultation with industry before and during implementation.

8. RECOMMENDATION

8.1 The ACA recommends that the Government work with the construction industry to adjust the proposed Emissions Reduction Fund scheme in a manner that will enable the industry to engage with the scheme and achieve real emissions reductions in a sustainable and productive manner.

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MEMBERS OF AUSTRALIAN CONSTRUCTORS ASSOCIATION

BGC Contracting Pty Ltd

Brookfield Multiplex Australasia Pty Ltd

CH2M Hill Australia Pty Ltd

Clough Limited

Downer EDI Limited

Fulton Hogan Construction Pty Ltd

Georgiou Group Pty Ltd

John Holland Group Pty Limited

Laing O'Rourke Australia Construction Pty Ltd

Leighton Holdings Limited

Leighton Contractors Pty Ltd

McConnell Dowell Corporation Limited

Lend Lease Building Pty Ltd

Lend Lease Construction and Infrastructure Pty Ltd

Lend Lease Engineering Pty Ltd

Thiess Pty Ltd

UGL Limited

Watpac Limited