Waterwise
344-354 Gray's Inn Road
London
WC1X 8BP
27th May 2021

Dear Sir/Madam

BEIS Consultation - Introducing a performance-based policy framework in large commercial and industrial buildings (link)

Please find below the Waterwise submission in response to the above consultation. A summary of our response is immediately below followed by responses to the specific questions most relevant to Waterwise.

Summary of our Response
Whilst we support the proposed scheme **we strongly believe that water use should be included at the outset**. This is because: ● We face an increasing challenge to the resilience of our water supplies. This has been set out by the NIC (Preparing for a Drier Future), Water UK (see link), Ofwat (see link), the Environment Agency (see link) and the UK government (December 2018 Water Conservation Report to Parliament). Water used by businesses makes up nearly 30% of consumption of public water supplies with 1% of businesses using more than 50% of this. The inclusion of water in this scheme would support delivery of the statutory target for reducing water demand expected to be included in the Environment Bill. ● Water supply and use contributes around 6% of UK greenhouse gas emissions. More efficient water use in commercial buildings will reduce both the emissions arising from water supply, treatment and wastewater removal but also the emissions arising from water use in the building. The inclusion of water in this scheme would support delivery of our statutory Net Zero target. We believe that water use could be quickly incorporated into the scheme given it is already part of the NABERS scheme in Australia on which much of the proposed scheme is based. Furthermore, in England we already have an independent centralised source of water consumption data classified by business type held by MOSL. Waterwise would be very pleased to work with BEIS and our water sector networks to help ensure water is included in the new performance system as soon as practical.

Responses to Specific Consultation Questions

1. Do you have any evidence which supports, disputes, or could add to, the evidence presented by the Government in this chapter? In terms of the evidence presented in this chapter, do you support the Government's analysis?

YES - We support the Government's analysis. We believe there is a need for an "in-use" performance rating system for energy but would also like to see water use included at the outset drawing on the experience of the NABERs scheme (see Q8).

2. Do you support the rationale set out in this chapter? If so, are there any changes you would make or considerations you would add to the rationale the Government has set out? If not, could you please explain why, providing evidence where possible.

YES - We support the rationale of targeting the largest buildings first given that there are 7% of buildings above 1,000m² using 53% of all energy consumed by commercial and industrial buildings.

However, we would also like to highlight that 1% of commercial and industrial buildings use over 50% of public water supplies consumed outside the home. This suggests that the same group of large buildings could be targeted and deliver significant benefits for water as well as energy.

3. Do you support the Government's proposal to underpin a performance-based policy framework with a rating that looks to modernise the DEC, in the ways set out above? If so, are there any changes you would make or considerations you would add to the proposal? If not, could you please explain why, providing evidence where possible.

YES - we support the Government's proposal for a new updated rating system. As highlighted in our response to Q8 the main change that we would want is that the initial scheme includes a water rating alongside energy.

In terms of additional evidence; we have previously submitted evidence to Defra on the costs and benefits of a mandatory efficiency rating scheme for water using products to sit alongside existing energy efficiency product labelling. We expect an announcement from the Government shortly on whether they will pursue such a scheme as part of Defra's wider policy response to their 2019 consultation on measures to reduce water demand..

4. The Government proposes that, as a first step, building owners and single tenants should be required to obtain an annual performance-based rating, and disclose that rating online. Do you support this proposition? If so, are there any changes or amendments you would make to the proposal? If not, could you please explain why, providing evidence where possible.

YES - we agree that this is a sensible first step however it is unclear how the system will work when there are multiple tenants as is increasingly the case in office buildings for example. In such cases we believe the system should default to the landlord or building owner to gather the required information from all the tenants so that such buildings are covered by the scheme immediately.

5. What is the best way to support Small and Medium Enterprises in obtaining annual performance based ratings, where the owner of the building or the single tenant is an SME?

It would be useful to know how many of the 7% of large buildings are owned or single tenanted by SMEs. We suspect very few. If support is needed it could be through a register of organisations that SMEs can commission to provide technical help with their applications.

6. Should the Government:

- **Allow owners of buildings above 1,000m² to use their annual performance-based rating to satisfy their existing regulatory obligation to present a valid EPC before a building is sold or let. As set out above, under this option the Government would continue to collect data about fabric and service improvements. Where prospective buyers or tenants want information about the building fabric and services, EPCs can be obtained on a voluntary basis.**
- **Continue to require owners of buildings above 1,000m² to present a valid EPC where the building is sold or let, recognising that the EPC and a performance-based rating assess different things, and can collectively provide a better level of information about the building than either rating would in isolation.**

Please outline your preferred option and your reasoning, providing evidence where possible. Please set out any changes or amendments you would make to the options, or if you would favour a different option. An appraisal of the benefits and risks of both options, providing evidence where possible, would help inform the Government's decision making.

Our preference is for the second option. As set out in the consultation document the EPC and the proposed "in use" performance rating provide different insights and motivations for owners.

7. Recognising that the Government has committed to review the threshold for each sector, do you consider 1,000m² to be a sensible starting position for determining which buildings should be required to obtain annual performance-based ratings?

YES

8. Should the Government consider expanding the performance-based rating to cover factors such as water, waste and indoor air quality? What do you consider would be the benefits of this approach? Would there be any drawbacks?

Whilst we support the proposed scheme **we strongly believe that water use should be included at the outset**. This is because:

- We face an increasing challenge to the resilience of our water supplies. This has been set out by the NIC (Preparing for a Drier Future), Water UK (see link), Ofwat (see link), the Environment Agency (see link) and the UK government (December 2018 Water Conservation Report to Parliament). Water used by businesses makes up nearly 30% of consumption of public water supplies with 1% of businesses using more than 50% of this. The inclusion of water in this scheme would support delivery of the statutory target for reducing water demand expected to be included in the Environment Bill.

- Water supply and use contributes around 6% of UK greenhouse gas emissions. More efficient water use in commercial buildings will reduce both the emissions arising from water supply, treatment and wastewater removal but also the emissions arising from water use in the building. The inclusion of water in this scheme would support delivery of our statutory Net Zero target.

We believe that water use could be quickly incorporated into the scheme given it is already part of the NABERS scheme in Australia on which much of the proposed scheme is based. Water use is also already part of a mandatory scheme in Singapore for hotels, office buildings, retail operations, wafer fabrication & semiconductor plants, commercial laundry, data centres and biomedical manufacturing facilities. In Australia over 800 office premises have water efficiency ratings covering 13 million m^2 of floorspace with total water saved over 10 years calculated at 1240 Ml. There is evidence that the office scheme has driven pull with average office ratings increasing from 3.4 to 3.7 over the 10 years. In addition to offices the water rating is used by 16 hotels, 47 apartment buildings and 157 shopping centres.

We have been in contact with the NABERS team in the Australian Government and they have fed back the following:

- They support our call for the UK scheme to include water. They have discussed it in their team and think it is definitely feasible.
- They suggest that water use to be presented as a separate, discrete score alongside energy efficiency
- They believe that the required benchmarking would be relatively straightforward to achieve. Once that was in place, it would be quite easy to incorporate water into the scheme.
- There would be very little additional cost to include water. In Australia almost every NABERS Water rating is conducted and submitted alongside a NABERS Energy rating, by the same Assessor, at a very small additional cost. That is because the

water rating uses the same information and they audit it at the same time as the energy rating. Because the additional cost is so low, water efficiency can “piggy back” on energy ratings.

We believe the inclusion of water would help fill an important gap in helping incentivise building owners and users to reduce water use. There isn’t anything like this out there at the moment in England. The Environment Agency and Ofwat (with Defra support) requested in March 2020 that water wholesalers and retailers develop an Action Plan setting out how greater water efficiency could be delivered to the business sector. The plan was developed by the Retailer Wholesaler Group with our input and was published and agreed with the regulators in February 2021. It includes Action 2.5 “*Scope out an approach for creation of indicative user benchmarking*”. We strongly believe that the proposed scheme could be used to help deliver that action starting with large offices and extending to include other building types over time. As highlighted earlier there is likely to be a mutually synergistic overlap given that 7% of buildings use 56% of energy and 1% of businesses (around 14,000) use over 50% of non household water supplies.

The inclusion of water would also support delivery of the UK Water Efficiency Strategy. This strategy was developed by Waterwise and is being delivered in partnership through a Steering Group which includes the water sector, regulators, governments and wider stakeholders

Waterwise would be very pleased to work with BEIS and our water sector networks to fast track efforts to ensure water is included in the new performance system as soon as practical.

9. Has the Government identified what you consider to be the right objectives for a successful delivery model?

YES - we also believe that the delivery model would work well for water as it would encourage the existing water retail market (and others) to offer solutions that enable building owners and tenants secure higher ratings.

10. Do you support the Government’s proposal that the annual rating should not be accompanied by recommendations for improving the rating? If so, are there any changes you would make or considerations you would add to the proposal? If not, could you please explain why, providing evidence where possible.

YES - adding in recommendations would require a far greater level of detail and sophistication in the approach. However, the scheme could signpost to the sort of places a building owner or tenant can go to get support in improving their rating.

11. Do you support the Government’s proposal that exemptions should be limited to a relatively few buildings? Are there any grounds for an exemption that you feel are

appropriate, which the Government has not considered? Ahead of the findings from the Government's research project we also welcome views on how the requirement to obtain and disclose an annual rating could be enforced most effectively.

YES - we support the Government's approach that exemptions are very limited. In terms of enforcement the key thing for us is that is is adequately resourced and has the powers necessary to take effective action.

12. Are there any considerations you would like to add to the Government's analysis of the factors that are likely to drive improvements in ratings? Do you support the Government's proposals to improve ratings from day one?

YES - we support the Government's proposals to improve ratings. We would add that if water is included in the rating this would introduce an additional motivating factor to Figure 91 linked to securing water supplies for the local community and helping ensure that the local environment from which water is sources is protected and enhanced. These could be strong motivators given the link that many businesses and their staff will have with their local community and environment.

13. Do you consider that linking a clear financial incentive, or disincentive, to annual performance based ratings would be an effective way to drive improvements in those ratings?

YES - If reputational incentives are insufficient then we believe that introducing a fiscal penalty or incentive would be an effective way to drive improvement providing the level of the incentive is pitched at a point where the trade off with the costs of taking action is significantly shifted.

14. What do you consider would be the impact of the incentives and interventions that have been suggested? Are there ways you think those incentives or interventions could be made more effective? Are there other incentives or interventions that the Government has not considered here, which you believe would be more effective at ensuring ratings improve over time?

We would support the use of added reputational levers such as league tables and awards for high performing or most improved buildings. The NABERS scheme in Australia published a Sustainable Portfolios Index showcasing the most efficient property portfolios. Waterwise runs a Checkmark for Offices Award which recognises where organisations are committed to improving the water efficiency of their office buildings.

In terms of other regulatory incentives as highlighted in our response to Q8 the Government is considering introducing a statutory water demand target linked to the Environment Bill that

would include an element for water use by businesses. This scheme would help deliver that statutory target.

In addition, Defra is considering introducing a mandatory water efficiency label for water using products which could fit well with this proposed scheme. Organisations looking to improve their building water rating could replace existing products with more efficient ones.

15. Do you agree with the Government's assessment and preferred approach? Please provide evidence or case studies, where possible, in your response.

YES - we support the proposed approach for energy/carbon which reduces the risk of rating improving due to the grid decarbonising rather than measures being taken in the building.

In terms of water the reporting metric could be in litres which is commonly used and understood. Benchmarking within a building type could be through floorspace (litres per m2) or staff density (litres per FTE) or a combination of the two.

16. Do you agree that flexible energy use should be a core component of the rating? What is the best way, technically, to reflect flexible energy use in the rating structure?

YES - we would support consideration of flexible energy ratings if they are shown to encourage efficient usage outside peak times. A similar approach could be beneficially used for water use linked to known periods of peak demand. In both 2018 and 2020 a number of water companies struggled to meet peak water demands and this issue is likely to increase with climate change. Even though they had sufficient water available they just couldn't get it through their networks fast enough to meet demand.

17. Do you agree with the Government's preferred option to use a star rating format? Are there any formats which the Government has not considered that you believe could be more effective?

YES - we would support an "in-use" performance star rating to one decimal place so that it is distinct from both product labels and EPC ratings.

18. The Government welcomes feedback on the considerations outlined above. What are the key factors that the Government should consider in determining fair and effective rating benchmarks and a fair and effective rating scale? Where possible, please provide evidence, or case studies, to support your feedback.

We agree with the Government that benchmarks will need to be established for different building types/uses and that the benchmarks themselves should be visible to all so that building owners and tenants can see what they have to achieve to improve their rating.

As highlighted earlier, developing benchmarks for water use in commercial and industrial buildings is an existing action in the water sector Action Plan to improve water efficiency recently approved by regulators. This proposed scheme could neatly link across to that and also make use of existing benchmarking systems already in place for water use. Both Thames Water and Business Stream (Water Benchmark Calculator) have benchmarking systems already in place for a range of building types.

19. Subject to the outcome of this consultation, the government will work with the ratings administrator, and with industry experts, to tailor the framework appropriately to each sector. At this stage, the Government welcomes any additional feedback on the high-level technical considerations outlined in this chapter, especially where there may be key considerations that we may have not addressed, or not been able to cover. Where possible, it would be helpful if you could provide evidence and case studies to support your response

As highlighted earlier we strongly support this initiative and are very keen to engage further with BEIS on extending it to include water use. Through our role convening the UK Water Efficiency Strategy Steering Group and involvement in the Retailer Wholesaler Group we can also help draw in a range of other relevant players from the water sector.

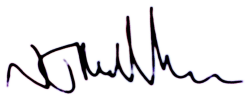
20.The Government's approach for implementing annual performance-based ratings in commercial offices over 1,000m² follows the approach outlined in the strategy paper. Are there any considerations specific to the office sector, that are not covered elsewhere in this paper, that the Government should be taking into account? Please provide evidence where possible.

We generally support the proposals in the Strategy paper (see responses 1-19 above) and support the proposal to roll it out for offices over 1,000m^2.

Our main comment would be to reiterate that we want to see the scheme include water use alongside energy use as in the NABERS scheme in Australia. We do not think there is a strong reason why this can't happen. The benefits outlined in our response to Q8 are significant. We would be happy to work with BEIS and our contacts in the water sector to enable it.

For information; Waterwise runs a Checkmark for Offices Award which recognises where organisations are committed to improving the water efficiency of their office buildings.

Regards



Dr Nathan Richardson
Head of Policy and Strategy
Nathan.richardson@waterwise.org.uk

Who is Waterwise

Waterwise was founded in 2005 and is the leading authority on water efficiency in the UK. We are an independent, not-for-profit organisation, receiving funding from supporters across and beyond the water sector and wider sponsorship and research projects. We like to be at the front, leading and supporting innovative efforts to realise our mission; that water will be used wisely, every day, everywhere.