



Australian Government



Clean energy investment delivers greener hotels

Hotels are traditionally high energy consumers and high carbon emitters. Focusing on energy efficiency solutions is helping to cut those emissions, as well as delivering benefits to hotel owners and operators, while offering guests the opportunity to make more sustainable accommodation choices.



“A 25 per cent reduction in energy use pays both environmental and economic dividends. It certainly requires greater investment, but in the long term we are very confident that the measures will increase the overall value of the property.”

Ronald Barrott
Founder, CEO & Chair, Pro-invest Group

The Southbank project has helped Pro-invest Group further realise the value of integrating energy efficiency and sustainability initiatives in the early design of a new hotel development. The experience gained through the project has resulted in Pro-invest Group implementing higher sustainability standards more broadly across its hotel portfolio.

**Holiday Inn Express Melbourne
Southbank sustainability outcomes**

5.5 Star
NABERS Energy rating*

25%
Lower energy consumption

**~530
tonnes**
annual CO₂-e savings

*Achieved in 2022

The investment

Pro-invest Group developed and operates the Holiday Inn Express Melbourne Southbank. The CEFC committed \$39 million towards a construction and term debt facility for the \$125 million project, as part of a co-financing package with the Commonwealth Bank of Australia.

The hotel development was designed and built to achieve a 5 Star NABERS Energy rating, which equates to 25 per cent lower energy consumption when compared with a 4.5 Star rating. Sustainability consulting firm Cundall produced sustainable design roadmaps to help the project meet its targets. Hickory Constructions Group, which provides turnkey solutions, built the Southbank development using prefabrication methods to reduce waste and fast track construction.

Shining a spotlight on hotel emissions

The United Nations World Tourism Organisation estimates that the hotel industry accounts for around one per cent of global emissions.¹

Hotels tend to be high energy, high emissions operations, because of their building design, and their high demands for around-the-clock air conditioning, lighting and domestic hot water services.

The International Tourism Partnership has found that the hotel industry must reduce its carbon emissions levels by 66 per cent by 2030 or 90 per cent by 2050, when compared with 2010 levels, to stay within the two degrees warming threshold agreed at the Paris Climate Conference in 2015, known as COP21.²

In its 2020 hotels investment review, Colliers International estimated the value of the Australian hotel sector as exceeding \$60 billion, but it also remarked that the sector had “not tackled sustainability in any meaningful way”.³

The CEFC notes that in Australia, it is uncommon for the same entity to build, own and operate a major hotel. When the owner is not paying the operational bills and benefiting directly from reduced energy use, there is a reduced incentive to deploy energy efficiency measures.

However, the CEFC and Pro-invest Group are aiming to show that by designing and developing assets more sustainably, there is the potential for enhanced outcomes for owners and operators, as well as guests.

How global green lending rewards good NABERS ratings

As investors seek exposure to environmentally sustainable economic activities, there is growing demand for impact verification and disclosure. With assets under management of some \$2 billion at June 2021, Pro-invest Group holds a green loan with Aareal Bank for Holiday Inn Express Sydney Macquarie Park under a Green Finance framework which includes alignments with:

- NABERS, the National Australian Built Environment Rating System, which has reported an average energy saving by users of 30-40 per cent over 10 years
- the EU taxonomy for sustainable activities, which establishes six environmental objectives, including climate change mitigation and adaptation, and pollution prevention and control
- both the Green Bond and Green Loan Principles, global tools designed to facilitate and support environmentally sustainable economic activity

Pro-invest Group has achieved post construction NABERS ratings of more than 4.5 stars for both energy and water over four consecutive years of operations at its Holiday Inn Express property at Macquarie Park in Sydney. Most recently, the hotel has progressed to achieve a 5-star NABERS rating for both energy and water.

1 UN Climate Change media statement

2 International Tourism Partnership Global Decarbonisation Report, Nov 2017

3 Colliers International, ANZ Investment Review and Outlook March 2020





Lifecycle approach helps futureproof portfolio

Pro-invest Group has progressively incorporated Environmental Social Governance (ESG) throughout its business model, reporting annually on sustainability and aligning with the Global Reporting Initiative Standards framework.

It has also committed to reporting against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and participates in the annual GRESB Real Estate assessment.

Drawing on its experience with Holiday Inn Express Melbourne Southbank, Pro-invest Group launched its Australian Hospitality Opportunity Fund II in October 2019. Pro-invest Group, which holds a portfolio in excess of 15 assets, is targeting to develop, operate and manage its hotels to a 5 Star NABERS Energy rating standard. The CEFC is supporting Fund II with an equity investment of up to \$50 million.

Pro-invest Group has reported that by focusing on new purpose-built hotels, it is able to futureproof its portfolio and have control and oversight of the entire lifecycle of its hotels.

Green approach exceeds expectations

The integration of sustainability features in the Holiday Inn Express Melbourne Southbank development has delivered a broad range of benefits to Pro-invest Group, exceeding expectations:

1 Increased resilience and adaptability

in a COVID-19 environment when sudden reduced occupancy required minimising operational costs. Buildings equipped with active energy management systems were more adaptive in such a dynamic environment.

2 Risk mitigation

for exposure to energy price volatility, through assets that demand less energy.

3 Marketing opportunities

through the appeal of increased sustainability credentials to environmentally conscious guests.

4 Better adaptability to meet changing regulations

through proactive owner operators driving energy efficiency and sustainability outcomes.

5 Increased retention and engagement of staff

who valued being actively involved in sustainability initiatives.

Sustainability drives up hotel value

Holiday Inn Express Melbourne Southbank

\$860k

Additional expenditure to meet 5 Star NABERS standard

~\$80k

Annual energy savings

Energy initiatives supporting sustainability

Holiday Inn Express Melbourne Southbank is a 22-storey mixed use development with a 345-room hotel, retail space, commercial space and car parking.

The hotel has already achieved recognition for its sustainability initiatives. In March 2019, the Asia-Pacific Association for non-listed Real Estate Vehicles (ANREV), recognised the hotel's achievements in a sustainability case study. The hotel was named a 2021 finalist in The Urban Developer Excellence in Sustainability award and a 2021 finalist in the Property Council of Australia/Rider Levett Bucknall Innovation and Excellence Awards for Sustainable Development - Existing Buildings.

Pro-invest Group has invested more than \$860,000 to lift the sustainability profile of Holiday Inn Express Melbourne Southbank. Cundall estimated these initiatives would produce annual energy savings of an estimated \$80,000 at 2021 prices.

Based on data supplied by Cundall, the CEFC has estimated annual hotel emissions abatement at 530 tonnes CO₂-e, with emissions intensity 64 per cent lower than industry average.



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Through Pro-invest Group's unique structure, the Group can ensure full control over the entire value chain, allowing for effective sustainability management, risk mitigation and return optimisation.”

ANREV

Pro-invest Group
sustainability case study

Sustainability drives up hotel savings

Holiday Inn Express Melbourne Southbank

Technology	Investment	Annual operating savings	Payback in years
Energy fine tuning and building management system	\$228,000	\$17,700	12
Rooftop solar	\$81,100	\$9,000	8
High performance air-cooled chillers	\$275,000	\$30,700	9
Integrated heat recovery system	\$89,000	\$15,850	6
Demand controlled ventilation with occupancy sensors	\$6,000	\$3,050	2

Source: Pro-invest Group



Greener hotels unlock savings

Sensors and management systems

reduce power consumption when guests are not in their rooms. Guest room energy management uses reed switches and passive infra-red sensors to turn off air conditioning and turn off or dim LED lights when rooms are unoccupied. Time activated sensors also reduce power consumption in back-of-house storerooms, guest corridors and washrooms.

Eco-smart mini-bar fridges

are up to six times more efficient than standard fridges.

Carbon neutral modular carpet

made of recycled yarn generates up to 85 per cent less installation waste than broadloom carpet. Ongoing waste is reduced through the ability to replace single carpet tiles, rather than carpet across whole rooms, corridors or meeting spaces.

Prefabricated modular bathrooms

were installed, rather than built onsite, enabling a streamlined construction time and avoiding potential construction waste onsite.

Bulk dispensers of quality shampoo, conditioner and soaps

replace single use plastic bathroom miniatures in guest rooms, reducing waste.

45 kW rooftop solar system

helps reduce the hotel's reliance on grid electricity.

High performing air conditioning system

features air cooled chillers, a building management system and an integrated heat exchanger system that recovers heat energy from exhaust air streams and pre-conditions incoming fresh air.

Energy optimisation and monitoring

assesses the hotel's energy usage to ensure it performs in line with its NABERS target. The hotel leveraged the CIM building analytics platform.



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We congratulate Pro-invest Group on taking the initiative to incorporate energy saving initiatives right from the design phase for this prominent hotel. Together, we are delivering a new standard in hotel energy efficiency, which we encourage other developers to adopt”

Ian Learmonth
CEO, CEFC



Greening Australia's built environment

There are compelling reasons to improve the energy profile of Australia's built environment. Energy efficient buildings using proven clean energy technologies reduce stress on the electricity network, lower electricity consumption and cut our national emissions.

CEFC property-related investment commitments include "demonstration" projects with the ability to deliver best-in-class performance around energy efficiency, along with the effective integration of renewable energy into new and existing buildings.

We are financing projects that extend the benefits of clean energy across the commercial, industrial and residential property sectors. Each of these properties has its own energy demands, requiring an approach that identifies and harnesses the available opportunities.

About the CEFC

The CEFC has a unique mission to accelerate investment in Australia's transition to net zero emissions. We invest to lead the market, operating with commercial rigour to address some of Australia's toughest emissions challenges. We're working with our co-investors across renewable energy generation and energy storage, as well as agriculture, infrastructure, property, transport and waste. Through the Advancing Hydrogen Fund, we're supporting the growth of a clean, innovative, safe and competitive hydrogen industry. And as Australia's largest dedicated cleantech investor, we continue to back cleantech entrepreneurs through the Clean Energy Innovation Fund. With \$10 billion to invest on behalf of the Australian Government, we work to deliver a positive return for taxpayers across our portfolio.



Injecting energy efficiency into healthcare

\$80m

CEFC investment

Barwon Institutional Healthcare Property Fund is working to improve the energy efficiency and comfort of a range of healthcare and medical facilities across Australia to achieve CO₂-e reductions of about 40 per cent when compared with baseline energy consumption in commercial buildings.



Shopping centres boost savings

\$80m

CEFC investment

A series of major energy efficiency and clean energy initiatives is being rolled out across QIC Global Real Estate's shopping centre portfolio. QICGRE is targeting a 4 Star NABERS rating across its portfolio within 5 years, which will translate to energy savings of between 30 and 40 per cent.



Bringing clean energy benefits to rentals

\$63m

CEFC investment

The first institutional build-to-rent investment platform in Australia – Mirvac's Australian Build-to-Rent Club (ABTRC) – is bringing the benefits of clean energy and energy efficiency to families and tenants in the home rental market. LIV Indigo, a complex of 315 apartments at Sydney Olympic Park, is the seed asset in ABTRC and the first purpose-built build-to-rent asset for Mirvac in Australia.



A landmark in urban sustainability

\$100m

CEFC investment

Melbourne's distinctive Collins Arch building is set to be a landmark in urban sustainability, targeting industry leading energy efficiency standards in a mixed-use building development. It has been designed to achieve a 5.5 Star NABERS Energy rating for its premium commercial office space, to be obtained after covering a period of representative operational data, and a 7 Star average NatHERS rating across the residential apartments.