

ZERO CARBON LEASE FOR COMMERCIAL OFFICE SPACE

USER GUIDE



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CITY OF MELBOURNE

Acknowledgement of Traditional Owners

The City of Melbourne respectfully acknowledges the Traditional Owners of the land we govern, the Wurundjeri Woi-wurrung and Bunurong / Boon Wurrung peoples of the Kulin and pays respect to their Elders past and present. We acknowledge and honour the unbroken spiritual, cultural and political connection they have maintained to this unique place for more than 2000 generations.

We accept the invitation in the Uluru Statement from the Heart and are committed to walking together to build a better future.

Council Plan 2021-25

The Council Plan 2021-25 sets out our strategic direction and commitment to the community for the next four years. Based on six strategic objectives for our city, this is our detailed plan for our city's revitalisation and considers the needs of all people who access and experience the City of Melbourne municipality. For more information visit melbourne.vic.gov.au/council-plan



Climate and biodiversity emergency

Melbourne is a city setting the standard on climate action. Prioritising our environment and taking urgent action to reduce emissions and waste is key to protecting public health, strengthening the economy and creating a city that mitigates and adapts to climate change.

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OVERVIEW

City of Melbourne's Zero Carbon Lease user guide helps building owners and tenants to work together and create carbon neutral buildings. By including Zero Carbon Lease clauses in their commercial agreement, parties demonstrate a common understanding of what the environmental performance of a zero carbon building is and commit to share the responsibility of building decarbonisation.

City of Melbourne provides the Zero Carbon Lease clauses as a free resource to enable the buildings sector to achieve decarbonisation through commercial tenancy agreements. The clauses were prepared in collaboration with Pollination Law and Minter Ellison, and with extensive industry consultation throughout the development.

While a 'zero carbon' status is the goal of the Zero Carbon Lease, only a limited number of buildings can achieve that immediately, while others are in the early stages of their energy efficiency and sustainability journey. The integrated Decarbonisation Plan clause of the lease gives parties the opportunity to develop their shared decarbonisation plan, providing a framework for continuous building performance improvement.

For the Zero Carbon Lease, a 'zero carbon' office is a building that:

- has a decarbonisation plan for continuous performance improvement
- has a high level of energy efficiency
- uses no or very limited amount of fossil fuels in its operation
- is powered by renewable electricity and
- (optional - is offsetting its residual emissions)

Why a Zero Carbon Lease

City of Melbourne has set ambitious climate goals to be a city powered by 100 percent renewable energy by 2030, and to achieve net zero emissions for the entire municipality by 2040. As a signatory of the Net Zero Carbon Buildings Commitment¹, the City is committed to halve emissions of the building and construction sector by 2030 and achieve total decarbonisation of the sector by 2050. To achieve those targets, every building in the municipality must be ready for a low-carbon future. It has been estimated more than 80 office buildings will need to be retrofitted each year between 2022 and 2040, to reach a 'zero carbon ready'² status and contribute appropriately to City of Melbourne's zero carbon targets.

Building energy performance uplift and decarbonisation cannot be achieved without a landlord-tenant collaboration, as tenants are accountable for a large share of buildings' total emissions. Historically, commercial tenants have driven higher building performance in Australia and they increasingly seek out high environmental sustainability performance to satisfy their ESG reporting and zero carbon targets. While demand for zero carbon offices increases, the supply of all-electric and high-performing buildings is limited, with most buildings in Melbourne yet to transition off fossil fuels for space heating, domestic hot water and cooking. Thus, lease agreements can play a critical role in aligning tenants' and landlords' targets and decarbonisation activities.

¹ [WGBC, The Net Zero Carbon Buildings Commitment](#)

² Refer to the 'zero carbon ready' definition in [Retrofit Melbourne](#)

HOW TO USE THE ZERO CARBON LEASE

The following lease template clauses provide precedent lease provisions for building operational emissions. Building landlords and tenants can claim they are leasing and occupying a Zero Carbon building if they commit to and meet all the lease requirements, and if all the actions in the Decarbonisation Plan have been completed.

Instructions for use:

1. These clauses can be included as additional clauses in the commercial lease, or as a standalone schedule.
2. Pre-contract processes and documentation (e.g. the Heads of Agreement) should be updated to reflect the requirements of these clauses, such as required ratings, emissions reduction measures, renewable energy requirements, offsetting and reporting.
3. These clauses can be adapted to suit the capabilities of both the landlords and tenants. For example, clause 4.2 'Energy sources' can be tailored to suit situations in which (1) the Landlord is procuring energy for the Premises and (2) the Tenant is procuring energy for the Premises.
4. Where possible, technical terms have been defined in accordance with industry guidelines and standards, such as the NABERS Rules - Energy and Water for Offices and the Climate Active Carbon Neutral Standard for Buildings. Standard leasing terms (such as 'Premises' or 'Base Building' have not been defined in these clauses. The definitions in the base lease should apply.
5. The provisions do not cover liability for non-compliance and dispute resolution.

The guide includes drafting notes on the left of each clause, providing guidance relevant to the clause topic. The user can also find additional resources, relevant to the clause topic, on the top right side of each page.

At the bottom right corner of the page, there is reference to the relevant topic of the Better Buildings Partnership (BBP) - Heads of Agreement Template, that can be considered for inclusion. The [BBP Green Leasing Resource Pack](#) offers practical guidance and tools to support teams in implementing green leases across their businesses.

Lease Options

There are two Zero Carbon options to choose from: (1) Green Energy or (2) Carbon-Neutral Operations.

Option 1 covers the operational energy only. Option 2 also covers refrigerants, waste, water supply and wastewater treatment. Parties can choose the option that aligns with their objectives, however should be aiming to move towards the more ambitious options and ratings over the short-medium term. Figure 1 illustrates the emissions boundary of each option, the required actions, ratings and certifications.

Option 1 - Green Energy requires:

- 5-star+ NABERS Energy (with a 98%+ Renewable Energy Indicator score) rating for both the Base Building (or Whole Building) and Premises;
- transitioning away from gas to electricity (e.g., space heating, cooking, domestic hot water); and
- renewable electricity procurement.

Option 2 - Carbon Neutral Operations requires the above requirements for Option 1, plus:

- Climate Active Carbon Neutral certification for the Base Building or Whole Building; and
- offsetting of residual emissions.

For both options, if these objectives are not achievable immediately, the parties can agree to achieve them over time in accordance with the mutually developed Decarbonisation Plan and / or NABERS Improvement Plan. The Decarbonisation Plan aims to expand the emissions boundary of the available options to additional scope 3 emissions, namely the embodied carbon in the building, the building materials and fit outs.

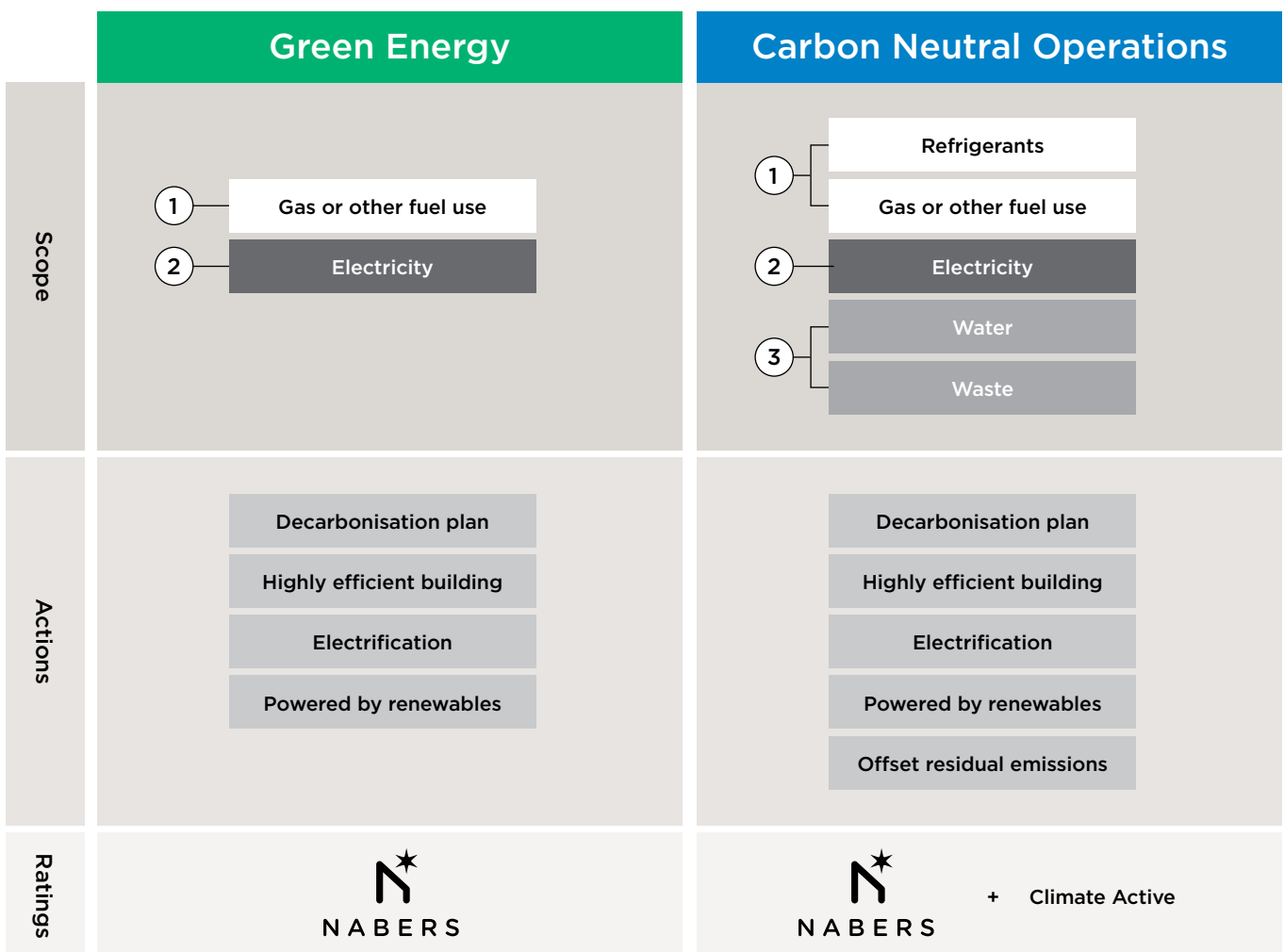
Green Star Performance - Climate Positive Pathway

Green Star Performance is the Green Building Council of Australia's sustainability rating tool designed to improve the operational performance of existing buildings. The tool provides benchmarks for energy efficiency, water use, and waste management, while also addressing broader environmental and social factors. It encourages a more collaborative relationship between building owners and tenants, while also making reporting for ESG ambitions easier for both parties.

The Green Star Performance Climate Positive Pathway offers a strategy to achieve net-zero carbon emissions in building operations. By fulfilling the Climate Positive Pathway rating expectations, building owners can ensure that their buildings are highly efficient, fossil fuel-free, powered by renewable energy and offset with nature. It also encourages tenancies to shift to renewable energy and transition to fossil fuel operations.

Following the Climate Positive Pathway enables parties to meet most requirements of the Zero Carbon Lease, with the exception of the tenancy NABERS rating. For those using or considering using Green Star Performance for their commercial office building assets, the user guide offers high-level guidance on the Green Star Performance Credit and the necessary Performance Levels to comply with Zero Carbon Lease requirements (see the bottom right corner of each section). The user is advised to consult a Green Star Accredited Professional to obtain expert guidance in establishing Green Star Performance targets that comply with the requirements of the Zero Carbon Lease.

Figure 1. Zero Carbon Lease - framework



Clauses and Requirements

The Zero Carbon Lease is developed across eight major topics, including decarbonisation plan, ratings and certifications, collaboration, emissions reduction, energy sources, offsetting, reporting and data sharing. Figure 2 outlines the high-level lease commitments under each topic.

Continuous Improvement

To provide feedback or suggestions to improve the Zero Carbon Lease clauses, contact City of Melbourne at: zerocarbonbuildings@melbourne.vic.gov.au

Figure 2. Zero Carbon Lease – themes and requirements

<p>Decarbonisation Plan</p> <ul style="list-style-type: none"> • Development of a decarbonisation plan for the whole building • Agreement on implementation timeline 	<p>Energy Sources</p> <ul style="list-style-type: none"> • Reduction of fossil fuel use and building electrification • Procurement of renewable electricity via LGCs or Green Power for the Base Building and Premises
<p>Ratings and Certifications</p> <ul style="list-style-type: none"> • Min 5-star NABERS for Base Building and Premises • Min 98% score on the NABERS REI • Climate Active Carbon Neutral certification 	<p>Offsetting</p> <ul style="list-style-type: none"> • Offset residual emissions by retiring eligible offset units for the Base Building (and Premises)
<p>Collaboration</p> <ul style="list-style-type: none"> • Representatives are appointed and meet regularly • Identify strategies to improve Environmental Performance and action the Decarbonisation Plan 	<p>Reporting</p> <ul style="list-style-type: none"> • The Landlord and Tenant must periodically report on Scope 1, 2 and 3 emissions (based on selected option) of the Base Building and Premises
<p>Emissions Reduction</p> <ul style="list-style-type: none"> • Landlord and Tenant must reduce Scope 1, 2 and 3 emissions (based on selected option) of the Base Building and Premises 	<p>Data-Sharing</p> <ul style="list-style-type: none"> • Landlord and Tenant must periodically report on the relevant Environmental Performance Data they hold • The Tenant shall provide access to utility meters data

DEFINITIONS

Carbon Neutral means a situation where the net emissions associated with an activity are equal to zero because emissions have been reduced and offset units cancelled to fully account for all emissions.

Climate Active Carbon Neutral Certification means a carbon neutral certification against the Climate Active Carbon Neutral Standard for Buildings administered by the Department of Climate Change, Energy, the Environment and Water.

Decarbonisation Plan means a plan which sets out how the parties will work to continuously improve the Environmental Performance and reduce Greenhouse Gas emissions in the Premises and Base Building pursuant to clause 1.1.

Embodied Carbon means the emissions that arise from producing, procuring and installing the materials and components that make up a structure. It may also include the lifetime emissions from maintenance, repair, replacement and ultimately demolition and disposal.

Environmental Performance means all or any of the following in relation to the Base Building and / or Premises:

- (a) generation and / or emission of Greenhouse Gases;
- (b) energy consumption;
- (c) energy generation;
- (d) water consumption and discharge;
- (e) waste generation and management;
- (f) high Global Warming Potential refrigerant use and / or leakage; and
- (g) other adverse environmental impacts.

Environmental Performance Data includes (but is not limited to) emissions, energy, water, waste and refrigerant information (which shows consumption data) for the Premises and the Base Building.

Global Warming Potential means the measure of how much heat a Greenhouse Gas traps in the atmosphere over a specific time period, typically 100 years, compared to carbon dioxide.

Greenhouse Gases means the atmospheric gases responsible for causing global warming and climate change. The Kyoto Protocol lists six Greenhouse Gases – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆) – with the addition of nitrogen trifluoride (NF₃) from the beginning of the protocol's second commitment period.

Landlord NABERS Ratings means:

- (a) at least a 5-star Base Building NABERS Energy rating and at least 98% Base Building NABERS Renewable Energy Indicator; [or]
- (b) [at least a 5-star Whole Building NABERS Energy rating and at least 98% Whole Building NABERS Renewable Energy Indicator].

Large-scale Generation Certificates (LGCs) means a certificate of renewable energy generated by a renewable energy generator registered with the Clean Energy Regulator.

National Australian Built Environment Rating System (NABERS) means a national rating system that measures the environmental performance of Australian buildings and tenancies. Put simply, NABERS measures the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment.

NABERS Co-Assess means the NABERS application process that enables businesses to obtain NABERS ratings, alongside the NABERS Base Building and/or Whole Building Energy rating.

NABERS Improvement Plan means a plan which sets out how a party will seek to obtain the relevant NABERS rating it has failed to achieve by the date required under this lease, which at a minimum includes:

- (a) an analysis of the factors contributing to the failure to achieve the relevant NABERS rating(s);
- (b) potential areas for improvement and corresponding actions to be taken by the party to achieve the relevant NABERS rating(s); and
- (c) a timeline for implementing the identified actions, with a target date for achieving the relevant NABERS rating(s), which is no later than [6 months] from the date of the relevant NABERS Improvement Plan.

Renewable Energy Indicator (REI) means the proportion of the Base Building or Premises' energy that comes from on-site Renewable Energy generated and off-site renewable energy procured and is included on the NABERS certificate with every NABERS Energy rating.

Residual Emissions means:

[Option 1 - Green Energy]

- (a) all Scope 1 Emissions from gas and other fuel consumption in relation to the use of the Base Building and the Premises; and
- (b) all Scope 2 Emissions from electricity consumption in relation to the use of the Base Building and the Premises,

that are emitted after all reasonable efforts have been made to reduce them.]

[Option 2 - Carbon Neutral Operations]

- (a) all Scope 1 Emissions from refrigerants, gas and other fuel consumption in relation to the use of the Base Building and the Premises;
- (b) all Scope 2 Emissions from electricity consumption in relation to the use of the Base Building and the Premises; and
- (c) all Scope 3 Emissions from electricity, gas and other fuel use consumption, waste, water supply and wastewater treatment in relation to the use of the Base Building and the Premises,

that are emitted after all reasonable efforts have been made to reduce them.]

Scope 1 Emissions means the release of Greenhouse Gases into the atmosphere as a direct result of activities occurring within a responsible entity's control (or geographic boundary).

Scope 2 Emissions means the release of Greenhouse Gases into the atmosphere from the consumption of electricity, heating, cooling or steam that is generated outside of a responsible entity's control (or geographic boundary).

Scope 3 Emissions means Greenhouse Gases emitted as a consequence of a responsible entity's activities but emitted outside the responsible entity's control (or geographic boundary).

Tenancy NABERS Ratings means:

- (a) at least a 5-star Tenancy NABERS Energy rating; and
- (b) at least a 98% Tenancy NABERS Renewable Energy Indicator.

RECITALS

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>Contract recitals are statements that provide background information about the intent of a contract.</p>	<p>(A.) The Landlord and the Tenant acknowledge their common intention to:</p> <ul style="list-style-type: none"> (i) work towards achieving their respective organisational net zero targets (if any); and (ii) reduce operational [and Embodied Carbon] emissions and improve the Environmental Performance of the Base Building and the Premises in accordance with their respective obligations set out in this lease. 	



AGREED TERMS

Decarbonisation Plan

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>Building decarbonisation is the process of reducing or eliminating the greenhouse gas emissions that contribute to climate change from the building's operation.</p> <p>While achieving a 'zero carbon' status is the goal of Zero Carbon Lease, only a limited number of buildings can achieve that right away, while others are in the early stages on their energy efficiency and sustainability journey. The Decarbonisation Plan clause gives parties the opportunity to develop their shared decarbonisation plan and provides a framework for continuous building performance improvement.</p> <p>Parties adopting Option 1 - Green Energy in the first instance are encouraged to move to Option 2 - Carbon Neutral Operations over the short-medium term.</p>	<p>1. Decarbonisation Plan</p> <p>1.1. Decarbonisation Plan</p> <p>(a) Within 60 days of the Commencement Date, the Landlord and the Tenant agree to prepare a Decarbonisation Plan covering their specific commitments to decarbonisation in the Base Building and Premises respectively.</p> <p>(b) The Decarbonisation Plan must, at a minimum include:</p> <p>(i) the date by which the Landlord must obtain:</p> <p>(A) the Landlord NABERS Ratings; and</p> <p>(B) the Climate Active Carbon Neutral Certification for the <u>[Base Building / Whole Building]</u>, if required,</p> <p>if these are not to be achieved by the Commencement Date;</p> <p>(ii) the date by which the Tenant must obtain the Tenant NABERS ratings, if these are not to be achieved by the Commencement Date;</p> <p>(iii) electrification opportunities and plans to switch fossil fuel sources to electric (e.g., space heating, gas cooking, domestic hot water, electric vehicle charging infrastructure);</p> <p>(iv) how the Landlord and Tenant will work to eliminate the use of gas in the Base Building and Premises, insofar as possible;</p> <p>(v) how the Landlord and Tenant will work to minimise the use of high Global Warming Potential refrigerants in the Base Building and Premises;</p> <p>(vi) how the Landlord and Tenant will work to pursue energy efficiency opportunities (which may include but are not limited to window double glazing, insulation and lighting upgrades);</p> <p>(vii) <u>[Optional]</u> how the Landlord and Tenant will work to reduce the Embodied Carbon in the Base Building and the Premises;</p> <p>(viii) a budget and timeline for any proposed activities set out in the Decarbonisation Plan; and</p> <p>(ix) the date by which the Landlord and Tenant will meet to review the Decarbonisation Plan pursuant to clause 1.1(d).</p> <p>(c) The Landlord and the Tenant agree to use reasonable endeavours to work towards, dedicate resources to, and achieve their respective obligations set out in the Decarbonisation Plan.</p> <p>(d) The Landlord and Tenant will meet no less frequently than once every <u>[12 months]</u> during the Term to:</p> <p>(i) review the progress and efficacy of the activities set out in the Decarbonisation Plan; and</p> <p>(ii) increase the scope and ambition of the activities set out in Decarbonisation Plan.</p>	<p>You can visit the Green Building Council Australia website to get more information about the Climate Positive Roadmap for the built environment - For buildings and fitouts.</p> <p>BBP Green Leasing Heads of Agreement Topic</p> <p>Decarbonisation</p> <p>Green Star Performance Credit</p> <p>Responsible Operations - High Performance</p> <p>Energy Source - High Performance</p> <p>Tenant Energy Source - Credit Achievement</p>

AGREED TERMS

Required Ratings and Certification

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>NABERS Rating is an established process for building performance benchmarking. The Energy rating is calculated by comparing the building's energy consumption over a 12-month period, against a set of benchmarks in the same location. NABERS Ratings are valid for twelve months.</p> <p>The cost of obtaining a NABERS Energy rating includes both the NABERS administration fee and the NABERS accredited assessor fee.</p> <p>The Landlord NABERS Rating Whole Building option may be most appropriate where there is not sufficient sub-metering to enable the Tenant to obtain their own NABERS rating for the Premises.</p> <p>Parties should ensure that they are aware of the requirements relating to NABERS Ratings before agreeing to achieve the minimum NABERS Rating requirements.</p>	<p>2. Required ratings and certification</p> <p>2.1. Landlord NABERS Ratings</p> <p>(a) The Landlord will <u>[use reasonable endeavours to]</u>:</p> <p>(i) achieve the Landlord NABERS Ratings, if not by the Commencement Date, by the date set out in the Decarbonisation Plan;</p> <p>(ii) maintain the Landlord NABERS Ratings for the Term; and</p> <p>(iii) deliver to the Tenant a copy of an accredited NABERS certificate and report for the Landlord NABERS Ratings no less than once per annum during the Term.</p> <p>(b) If the Landlord fails to comply with the obligations set out in clause 2.1(a), the Landlord must:</p> <p>(i) within <u>[30]</u> days of a notice from the Tenant, procure and deliver to the Tenant, a NABERS Improvement Plan for the Landlord NABERS Ratings; and</p> <p>(ii) <u>[use reasonable endeavours to]</u> comply with the NABERS Improvement Plan.</p> <p>2.2. Tenancy NABERS Rating</p> <p>(a) The Tenant will <u>[use reasonable endeavours to]</u>:</p> <p>(i) achieve the Tenancy NABERS Ratings by the date set out in the Decarbonisation Plan;</p> <p>(ii) maintain the Tenancy NABERS Ratings; and</p> <p>(iii) deliver to the Landlord a copy of an accredited NABERS certificate for the Tenancy NABERS Ratings no less than once per annum during the Term.</p> <p>(b) If the Tenant fails to comply with the obligations set out in clause 2.2(a), the Tenant must:</p> <p>(i) within <u>[30]</u> days of a notice from the Landlord procure and deliver to the Landlord, a NABERS Improvement Plan for the Tenancy NABERS Ratings; and</p> <p>(ii) <u>[use reasonable endeavours to]</u> comply with the NABERS Improvement Plan.</p>	<p>You can visit NABERS website to get more information about the NABERS Energy rating for offices and find an Accredited Assessor.</p> <p>CitySwitch program provides resources to help businesses decarbonise and may be able to assist parties with the costs of obtaining a NABERS Rating assessment.</p> <p>BBP Green Leasing Heads of Agreement Topic</p> <p>Building Performance Standards and Certifications</p> <p>Green Star Performance Credit</p> <p>Energy Use</p> <ul style="list-style-type: none"> - Pathway A NABERS energy rating - High Performance (3 points), for Landlord NABERS Rating Base Building option <p>Energy Use</p> <ul style="list-style-type: none"> - Pathway A NABERS energy rating - Exceptional Performance (4 points), for Landlord NABERS Rating Whole Building option <p>Energy Source</p> <ul style="list-style-type: none"> - Exceptional Performance <p>Tenant Energy Source</p> <ul style="list-style-type: none"> - Credit Achievement

Required Ratings and Certification

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>NABERS Co-Assess is a process that enables businesses to obtain NABERS tenancy energy ratings, alongside the Base Building and/or Whole building energy rating.</p> <p>By agreeing to rate the Building and the Premises through the NABERS Co-Assess process, both Landlords and Tenants can save money with lower NABERS administration and assessor fees.</p> <p>Through the NABERS Co-Assess process, tenant's data is only shared with the assessor and NABERS.</p>	<p>2.3. NABERS Co-Assess and costs</p> <ul style="list-style-type: none"> (a) Unless otherwise agreed between the parties in writing, the Landlord and the Tenant agree to utilise NABERS Co-Assess to obtain the Landlord NABERS Ratings and the Tenancy NABERS Ratings (the NABERS Ratings). (b) The Landlord must coordinate and manage the NABERS Co-Assess application process in an expediated manner which enables the achievement of the relevant NABERS Ratings by the relevant dates set out in the Decarbonisation Plan. (c) The Tenant must cooperate and provide all reasonable assistance (including access to the Premises and relevant documentation) to support the NABERS Co-Assess process. (d) The Tenant must reimburse the Landlord for the reasonable and proportionate costs incurred in carrying out the NABERS Co-Assess process applicable to the Premises in a manner as agreed by the Parties. Where NABERS Co-Assess has not been utilised, the parties agree to pay their own costs for obtaining their relevant NABERS Ratings under this clause 2. 	<p>You can visit NABERS website to get more information about the NABERS Co-Assess.</p> <p>BBP Green Leasing Heads of Agreement Topic</p> <p>Building Performance Standards and Certifications</p>

Required Ratings and Certification

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>Climate Active Certification for Buildings is an extension of NABERS Energy rating.</p> <p>Obtaining a Climate Active Certification for the Base or Whole building requires a building's core services or total emissions respectively to be measured and offset.</p> <p>A Whole Building Climate Active Certification is appropriate where all Tenants are seeking to include their premises in the certification and collaborate with the landlord to do so.</p>	<p>2.4. <u>Option 2 - Carbon Neutral Operations</u></p> <p>Climate Active Carbon Neutral Certification</p> <p>The Landlord will <u>[use reasonable endeavours to]</u>:</p> <p>(a) achieve a Climate Active Carbon Neutral Certification for the <u>[Base Building / Whole Building]</u>, if not by the Commencement Date, by <u>[insert date/ the date set out in the Decarbonisation Plan]</u>;</p> <p>(b) maintain the Climate Active Carbon Neutral Certification for the <u>[Base Building / Whole Building]</u> for the Term; and</p> <p>(c) deliver to the Tenant a copy of an accredited Climate Active Carbon Neutral Certification for the <u>[Base Building / Whole Building]</u> no less than once per annum during the Term.]</p>	<p>You can visit Climate Active website to get more information about the Climate Active certification for Buildings.</p> <p>You can visit NABERS website to get more information for the Climate Active Certification for Buildings and find an Accredited Assessor.</p> <p>BBP Green Leasing Heads of Agreement Topic</p> <p>Building Performance Standards and Certifications</p> <p>Green Star Performance Credit</p> <p>Other Carbon Emissions - High Performance</p>

Required Ratings and Certification

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>These are high-level co-operation commitments that can be placed in relation to building ratings and certifications.</p> <p>Parties might wish to list specific activities that constitute interference instead of those high-level commitments.</p>	<p>2.5 Co-operation</p> <p>The Landlord and Tenant must:</p> <ul style="list-style-type: none"> (a) comply with each other’s reasonable requirements in relation to attaining and maintaining the ratings and certifications referred to in clauses 2.1, 2.2, 2.3 and 2.4 throughout the Term; (b) not do anything to interfere with the ratings, certifications and processes referred to in clauses 2.1, 2.2, 2.3 and 2.4 <u>[except in the case of an emergency or unless such action is reasonably required to ensure:</u> <ul style="list-style-type: none"> (i) <u>safety, health and wellbeing of the occupants of the Base Building and/or the Premises; or</u> (ii) <u>structural integrity of the Base Building and/or the Premises]; and</u> (c) <u>[keep the other party informed of any matter which may impact on the ratings and certifications referred to in clauses 2.1, 2.2, 2.3 and 2.4]</u> 	<p>BBP Green Leasing Heads of Agreement Topic</p> <p>Building Performance Standards and Certifications</p>



AGREED TERMS

Collaboration

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>The clause aims to promote on-going collaboration between the Landlord and the Tenant in order to achieve their sustainability objectives and improve the overall environmental performance of the Base Building and the Premises.</p>	<p>3. Collaboration</p> <p>3.1. Environmental commitment and continuous improvement The Landlord and the Tenant are each committed to managing and operating the Base Building and the Premises to promote decarbonisation, energy efficiency and improve Environmental Performance. The Tenant must procure that its subtenants or licensees (if any) fully comply with the Tenant’s obligations under this lease.</p> <p>3.2. Co-operation As part of their commitment in clause 3.1, the Landlord and Tenant will:</p> <p>(a) appoint their representatives for the purposes of this clause who must have full power and authority to represent their appointers in all matters relating to Environmental Performance;</p> <p>(b) ensure their representatives meet [<u>quarterly</u> / <u>six-monthly</u> / <u>other</u>] or as otherwise agreed by the parties for the purposes of:</p> <p>(i) identifying and pursuing strategies to improve Environmental Performance of the Base Building and the Premises, and action the Decarbonisation Plan;</p> <p>(ii) determining the steps and endorsing any action plans, including allocation of costs, required to:</p> <p>(A) achieve the ratings and certifications set out in clause 2;</p> <p>(B) improve Environmental Performance;</p> <p>(C) action the Decarbonisation Plan; and</p> <p>(D) comply with any other provisions of the lease relating to carbon and sustainability.</p> <p>(c) collaborate with the other party to implement the action plans and objectives set out in clauses 3.2(b)(ii)(A) to 3.2(b)(ii)(D).</p>	<p>BBP Green Leasing Heads of Agreement Topic</p> <p>Sustainable Cooperation</p> <p>Green Star Performance Credit</p> <p>Responsible Operations - High Performance</p> <p>Tenant Energy Source - Credit Achievement</p>

AGREED TERMS

Emissions Reduction and Energy Sources

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>The clause aims to promote emissions reduction attributed to the use of energy (electricity, gas and other fossil fuel), while also providing parties the option to consider the reduction of additional operational emissions, including those attributed to high global warming potential refrigerant use, waste, water supply and wastewater treatment.</p> <p>Option 1 aligns with the emissions boundary of NABERS Energy for Offices, while Option 2 aligns with the emissions boundary of Climate Active Carbon Neutral Standard for Buildings.</p>	<p>4. Emissions reduction and energy sources</p> <p>4.1. Emissions reduction</p> <p>Throughout the Term, the Landlord and the Tenant must <u>[use their best endeavours to]</u> reduce:</p> <p><u>[Option 1 - Green Energy]</u></p> <ul style="list-style-type: none"> (a) all Scope 1 Emissions from gas and other fuel consumption in relation to their use of the Base Building and the Premises; and (b) all Scope 2 Emissions from electricity consumption in relation to the use of the Base Building and the Premises.] <p><u>[Option 2 - Carbon Neutral Operations]</u></p> <ul style="list-style-type: none"> (a) all Scope 1 Emissions from refrigerants, gas and other fuel consumption in relation to their use of the Base Building and the Premises; and (b) all Scope 2 Emissions from electricity consumption in relation to their use of the Base Building and the Premises; and (c) all Scope 3 Emissions from electricity, gas and other fuel use consumption, waste, water supply and wastewater treatment in relation to the use of the Base Building and the Premises.] 	



Crowlands Wind Farm, near Ararat, Victoria

Emissions Reduction and Energy Sources

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>The clause provides a description of the actions needed to achieve the minimum Renewable Energy Indicator score of 98% for the Base/ Whole Building and Tenancy NABERS ratings. It requires building electrification (no gas), procurement of 100% renewable electricity and the reduction of other fossil fuel use (up to 2% of the total energy use).</p> <p>In case the building hasn't been electrified at the time of signing the lease agreement, the requirements are limited to the procurement of 100% renewable electricity and the reduction of gas and other fossil fuel use, while also committing to building electrification in clause 1 Decarbonisation Plan.</p> <p>Clause 4.2.(b) will only be appropriate where the Tenant has control over the energy procurement for the Premises.</p>	<p>4.2. Energy sources</p> <p>(a) The landlord will:</p> <p>(i) where the Base Building [and Premises] is electrified (no gas), ensure the energy procured to supply the Base Building [and Premises] during the Term is at least 98% renewable energy using one or all of the procurement options in clause 4.3(a);</p> <p>(ii) where the Base Building [and Premises] energy sources are not electrified:</p> <p>(A) ensure the electricity procured to supply the Base Building [and Premises] is 100% renewable electricity using one or all of the procurement options in clause 4.3(a); and</p> <p>(B) use reasonable endeavours to reduce the use of gas, diesel and other fossil fuels in the Base Building [and Premises] overtime with a view to eliminate use as far as is possible, as soon as practicable, as set out in the Decarbonisation Plan.</p> <p>(b) [Optional] The Tenant will:</p> <p>(i) where the Premises is electrified (no gas), ensure the energy procured to supply the Premises during the Term is at least 98% renewable energy using one or all of the procurement options in clause 4.3(b).</p> <p>(ii) where the energy sources of the Premises are not electric:</p> <p>(A) ensure the electricity procured to supply the Premises is 100% renewable electricity using one or all of the procurement options in clause 4.3(b); and</p> <p>(B) use reasonable endeavours to reduce the use of gas, diesel and other fossil fuels overtime with a view to eliminate use as far as is possible, as soon as practicable, as set out in the Decarbonisation Plan.</p>	<p>You can visit NABERS website to get more information about the NABERS Renewable Energy Indicator.</p> <p>You can visit the Green Building Council Australia website to read the Practical Guide to Electrification - for existing buildings.</p> <p>BBP Green Leasing Heads of Agreement Topic</p> <p>Renewable Energy</p> <p>Green Star Performance Credit</p> <p>Energy Source - Exceptional Performance, where the Base Building is electrified.</p> <p>Energy Source - High Performance, where the Base Building energy sources are not electrified</p> <p>Tenant Energy Source - Credit Achievement</p>

Emissions Reduction and Energy Sources

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>The procurement of renewable electricity is an inextricable part of a zero carbon building, as most buildings located in urban environments are unable to meet all their electricity needs through on-site renewable electricity generation.</p> <p>The clause provides information about the off-site renewable electricity procurement that counts towards the NABERS Renewable Energy Indicator and Climate Active certification for Buildings.</p> <p>Clause 4.3.(b) will only be appropriate where the Tenant has control over electricity procurement for the Premises.</p>	<p>4.3. Renewable electricity procurement</p> <p>(a) The Landlord shall procure electricity supplied to the Base Building <u>[and Premises]</u> through the following procurement options:</p> <p>(i) purchasing and surrendering Large-scale Generation Certificates (LGCs) to the Clean Energy Regulator’s Renewable Energy Certificate (REC) Registry for the equivalent volume of electricity (expressed in MWh) consumed at the Base Building <u>[and Premises]</u> in any 12-month period; or</p> <p>(ii) purchasing accredited ‘GreenPower Products’ through an accredited ‘GreenPower Provider’ as set out in the National GreenPower Accreditation Program Rules, as amended from time to time, for the electricity (expressed in MWh) consumed at the Base Building <u>[and Premises]</u> in 12-month period.</p> <p>(b) <u>[Optional]</u> The Tenant shall procure electricity supplied to the Premises through the following procurement options:</p> <p>(i) purchasing and surrendering Large-scale Generation Certificates (LGCs) to the Clean Energy Regulator’s Renewable Energy Certificate (REC) Registry for the equivalent volume of electricity (expressed in MWh) consumed at the Premises in any 12-month period; or</p> <p>(ii) purchasing accredited ‘GreenPower Products’ through an accredited ‘GreenPower Provider’ as set out in the National GreenPower Accreditation Program Rules, as amended from time to time, for the electricity (expressed in MWh) consumed at the Premises in any 12-month period.</p>	<p>You can visit NABERS website to get more information about the NABERES Metering and Consumption Rules and the off-site renewable energy purchasing options that counts towards the Renewable Energy Indicator.</p> <p>BBP Green Leasing Heads of Agreement Topic</p> <p>Renewable Energy</p> <p>Green Star Performance Credit</p> <p>Energy Source - High Performance</p> <p>Tenant Energy Source - Credit Achievement</p>

AGREED TERMS

Offsetting

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>Landlords and Tenants can purchase eligible offset units, equivalent to the amount of their residual emissions, to help them reach carbon neutrality under Climate Active.</p> <p>Parties are required to engage a carbon offset service provider to buy eligible offset units on their behalf. Parties should seek independent advice on the process for how they will procure offsets.</p> <p>The last provision of clause 5.1 will only be appropriate for Whole Building Climate Active certifications where the Tenant is procuring offsets for the Premises.</p>	<p>5. Offsetting</p> <p>5.1. Residual emissions</p> <p>The Landlord must retire an equivalent number of offset units, which are eligible under the Climate Active Carbon Neutral Certification, by the end of each 12-month period, in an amount equal to the Residual Emissions of the [<u>Base Building / Whole Building</u>] in the preceding year.</p> <p>[Optional] The Tenant must reimburse the Landlord for the equivalent cost of number of offset units retired in an amount equal to the Residual Emissions of the Premises, under clause 5.1(a) [<u>in a manner as agreed by the parties</u>].</p> <p>[Optional] The Tenant must retire an equivalent number of offset units, which are eligible under the Climate Active Carbon Neutral Certification, by the end of each 12-month period, in an amount equal to the Residual Emissions of the Premises in the preceding year, and provide the Landlord with information relating to the retirement.</p>	<p>You can visit NABERS and Climate Active website to get more information about the Climate Active certification for Buildings and the Climate Active Technical Guidance Manual for eligible offset units and offset procurement guidance.</p> <p>You can visit the Green Building Council Australia website to read the Carbon offsets, Last but not later, a framework for the environmental integrity of offsets, tailored to real estate owners' needs.</p> <p>You can visit Carbon Market Institute website to find a carbon service provider and explore carbon projects across Australia and beyond.</p> <p>Green Star Performance Credit</p> <p>Other Carbon Emissions - High Performance</p>

AGREED TERMS

Reporting and Data Sharing

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>Reporting and data sharing information can help parties make informed decisions and track progress towards improving whole building environmental performance.</p> <p>Parties commit to report on their emissions in a transparent and timely manner. They also commit to share their environmental performance data, relevant to the Landlord and Tenant rating and certification commitments.</p> <p>Environmental Performance Data includes, but not limited to, energy, water, waste and refrigerant data, and the associated emissions, for the Base Building and the Premises.</p>	<p>6. Reporting and data sharing</p> <p>6.1. Reporting</p> <p>(a) The Landlord (in relation to the Base Building), and Tenant (in relation to the Premises) must periodically, but no less frequently than once every <u>[12 months]</u> during the Term provide a report to the other setting out:</p> <p>[Option 1 – Green Energy]</p> <p>(i) all Scope 1 Emissions from gas and other fuel consumption;</p> <p>(ii) all Scope 2 Emissions from electricity consumption;</p> <p>(iii) suggested strategies to improve the Environmental Performance in accordance with clause 3.2;</p> <p>(iv) their respective activities performed in the reporting period to reduce emissions in accordance with clause 4.1 and in the Decarbonisation Plan; and</p> <p>(v) the relevant Environmental Performance Data they hold.]</p> <p>[Option 2 – Carbon Neutral Operations]</p> <p>(i) all Scope 1 Emissions from refrigerants, gas and other fuel consumption;</p> <p>(ii) all Scope 2 Emissions from electricity consumption;</p> <p>(iii) all Scope 3 Emissions from electricity, gas and fuel use consumption, waste, water supply and wastewater treatment;</p> <p>(iv) any information required to prepare a submission for Carbon Active Carbon Neutral Standard certification;</p> <p>(v) suggested strategies to improve the Environmental Performance in accordance with clause 3.2;</p> <p>(vi) their respective activities performed in the reporting period to reduce emissions in accordance with clause 4.1 and in the Decarbonisation Plan; and</p> <p>(vii) the relevant Environmental Performance Data they hold.]</p>	<p>BBP Green Leasing Heads of Agreement Topic</p> <p>Data Sharing</p>

Reporting and Data Sharing

DRAFTING NOTES	CLAUSE	ADDITIONAL RESOURCES
<p>Confidentiality clause safeguards that the shared data will not be disclosed to a third party unless otherwise agreed.</p>	<p>6.2. Confidentiality</p> <p>The Landlord and the Tenant must keep all information provided under this clause confidential unless the disclosure to any third parties is agreed by the other party, or except to the extent necessary:</p> <ul style="list-style-type: none"> (a) to comply with law; and (b) to enable the Landlord and the Tenant to perform their roles and obligations under this lease. <p>6.3. Data sharing</p> <p>Within [X] months of the Commencement Date, the Tenant shall provide written authority to the relevant [utility provider] to share the Environmental Performance Data it holds relating to the Premises with the Landlord.</p> <p>6.4. [Optional] Premises Access</p> <p>The Landlord may access the Premises at any reasonable time after giving the Tenant reasonable prior written notice for the purposes of reading the [gas, water and electricity] meters in the Premises and obtaining Environmental Performance Data.</p>	<p>BBP Green Leasing Heads of Agreement Topic</p> <p>Data Sharing</p>



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ADP Consulting

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JLL

Allens

DEXUS

KPMG

Australian Legal Sector Alliance

FMA

MILLS OAKLEY

Better Buildings Partnership

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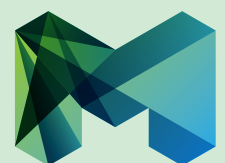
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