

Guidance on green building ratings for sustainable finance

Supporting a net zero
carbon future

August 2024
Version 1.0

RIGHT:
22 Boulcott St, Wellington. Cheops Holdings Ltd.
5 star Green Star – Office Built (v3) rating



Foreword



Jo Kelly. Chief Executive, Centre for Sustainable Finance | Toitū Tahua

Finance is a critical enabler for delivering a resilient, productive and low emissions economy. Climate change, extreme weather and rising insurance costs are impacting asset values in the property and construction sectors. Targeted investments in resilience and sustainability can mitigate these risks while making home and work healthier and better for people in New Zealand.

The Centre for Sustainable Finance: Toitū Tahua welcomes this Guidance on Green Building Ratings by the New Zealand Green Building Council. NZGBC sets out the steps that construction firms, banks, investors and others can take to deliver a healthier, lower carbon-built environment. This clarity and consistency supports the creation of financial products that enable more sustainable homes and commercial buildings.

As New Zealand responds to the development of sustainable finance taxonomies and standards globally, this guidance also provides an important input from industry into the development of nationally recognised, internationally harmonised criteria for construction and property.

The Centre for Sustainable Finance congratulates NZGBC and all parties involved in launching this guide and providing this clarity for the sector.



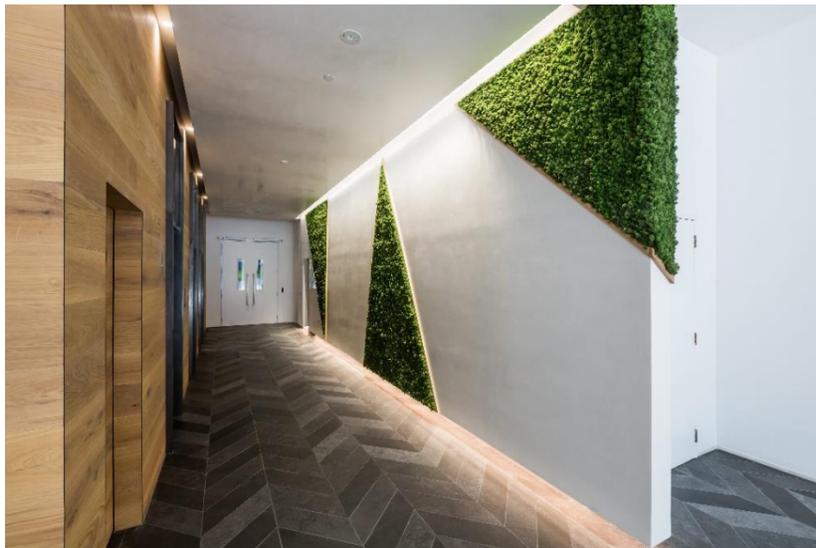
Andrew Eagles. Chief Executive, Te Kaunihera Hanganga Tautaiio | New Zealand Green Building Council.

The built environment, including infrastructure, is responsible for around 20% of Aotearoa New Zealand’s domestic emissions. Driving down these emissions is key to delivering on our targets for 2030 and 2050. The good news is that the building and construction sector stands ready and committed to doing its part.

Green finance has a significant role in supporting the sector to meet these targets, and in doing so decarbonising our homes and buildings. The Green Bond Principles and the Green Loan Principles are quite broad in terms of defining “Green Buildings”. Following requests from industry, Te Kaunihera Hanganga Tautaiio | the New Zealand Green Building Council (NZGBC) has set out our view on the following green building certifications that can drive down carbon emissions towards the targets set by the Paris Agreement, COP28 and beyond.

Green building certifications support the measurement, reporting and tracking of a building’s performance – setting baselines, designing roadmaps for improvements, and supporting disclosure of climate related risks and environmental impacts. They can also evidence the meeting of sustainable development goals, improve wellbeing and improve resilience to climate change.

Improved collaboration between the real estate and finance sectors is essential to meeting climate goals. This guide aims to facilitate rapid uptake of sustainable finance in our sector. Working together we can deliver a lower carbon healthier future for Aotearoa New Zealand.



ABOVE: 82 Wyndham Street, Auckland. Argosy Property Ltd
5 star Green Star Office Built (v3) rating, 6 star NABERSNZ, Net Zero
Buildings



ABOVE: Greenwich Gardens, Unsworth Heights, Auckland
Metlifecare. 142 dwellings certified 6 Homestar Built v4

The purpose of this guide

This guidance aims to assist lenders and borrowers with defining what is a green building for the purpose of sustainable finance. It is not binding and parties are free to depart from it in determining their own terms. It is not intended to be comprehensive and answer every issue that may arise in a sustainable finance transaction for green buildings. However, we consider that there is value in providing a common standard to grow the sustainable finance market.

The guidance anticipates that the requirements on green buildings will increase over time as the sector seeks to improve its sustainability outcomes and contribute to Aotearoa New Zealand's climate goals.

Disclaimer

This guidance is intended to assist participants in the sustainable finance market. This guidance is not legal or financial advice and the NZGBC does not provide any assurance that finance will be provided in accordance with this guidance. While all reasonable care is taken in preparing this guidance, NZGBC is not liable for loss arising from use of this guidance.

Development of the guide

Sustainable finance globally is a constantly evolving space. This guidance is based on today's expectations and will be subject to an annual review. The review will take place in consultation with the sector.

The consultation process will typically begin with a seminar outlining the rationale behind any proposed changes, then a one-month window in which stakeholders can submit their feedback. There will also be a 'close the loop' final draft and meeting before finalising changes.

Our homes and buildings have a significant role to play in bringing about a low carbon economy. They can also help deliver healthier places that are sustainable and more resilient to our changing climate.

Date of effectiveness of this guide

We also recognise the impact this guidance may have on live sustainable finance transactions. To allow for this transition, every new release of this guidance will come into effect three months after the issue date as captured in the change log.

Grandfathering: We are aware that grandfathering has a role to play in sustainable finance transactions however it is not within the scope of this guidance.

Certification you can trust

Certification is an independent way to verify the environmental and social outcomes of a project, building or property portfolio. Used across hundreds of projects each year, only projects that the NZGBC has certified can claim to have achieved a Homestar, Green Star or NABERSNZ rating. Projects that claim to meet the requirements of these rating schemes but are not certified are potentially in breach of trademark rules and may be accused of ‘greenwashing’.

This is a summary of NZGBC rating schemes that are commonly used in Aotearoa New Zealand. Other internationally accredited rating schemes such as LEED, BREEAM, Passive House or Living Building Challenge may be of interest where certification under those tools is achieved to a high enough level. You may wish to refer to the [GBCA Sustainable Finance Guide](#) recently released by our friends at Green Building Council of Australia to consider how other rating tools align with taxonomies from around the world.

Change log

Version	Date of issue	Effective date	Change notes
1.0	01/08/2024	01/11/2024	Initial issue

Proposed debt issuance date ¹	Building type	Minimum certification for construction	Minimum certification verifying operational performance	References
From 1 November 2024 to 1 August 2025 Office, industrial, retail, health, community facilities, big box retailers & other non-residential buildings	New buildings or refurbishments providing new heating and ventilation systems ² (See note 2)	4 star Green Star Buildings NZ ³ 5 star Green Star - Design and As Built NZ v1.1 5 star Green Star - Design and As Built NZ v1.0 5 star Green Star v3	Existing office buildings Certify with a min 4 star NABERSNZ rating OR For existing buildings where a Green Star Performance Pathway B industry-wide benchmark⁴ is available in NZ Certify with a Green Star Performance rating achieving min 8/20 points (base building) or 9/23 points (whole building) in the greenhouse gas emissions credit. For existing buildings where a Green Star Performance Pathway B industry-wide benchmark isn't available in NZ⁵ Certification not required. To inform future benchmarking work, buildings must provide operational energy data using the Green Star Performance calculators and confirm with the NZGBC	The sustainable finance industry guide NZGBC – A Zero Carbon Roadmap for Aotearoa’s Buildings (September 2019) Green Building Council of Australia 2020 annual report, Green Star: A year in focus 2019-2020 The Beehive Public Sector Carbon Neutral by 2025 (2 December 2020)
	Existing buildings (after 3 years of build completion)	N/A	Certification not required. To inform future benchmarking work, buildings must provide operational energy data using the Green Star Performance calculators and confirm with the NZGBC	The sustainable finance industry guide NZGBC – A Zero Carbon Roadmap for Aotearoa’s Buildings (September 2019) The Beehive Public Sector Carbon Neutral by 2025 (2 December 2020)
Residential	New builds or major renovations	6 star Homestar v5 6 or 7 star Homestar v4 ⁶	N/A	MBIE Building for Climate Change Programme A summary of Homestar v5

¹ Noting that the version of the tool required is as locked in at the time of registration to the NZGBC for the asset.

² Newly constructed buildings are expected to achieve the “Certificate verifying operational performance” column three years after the new build certification.

³ Green Star Buildings is expected to be in the market from mid-2024.

⁴ “Industry-wide benchmark” is defined as a benchmark that is applicable and appropriate for the building type, and that has been tested and accepted by stakeholders.

⁵ Optional: Building types where a Pathway B industry-wide benchmark is not available are welcome to certify using the other Green Star Performance pathways to demonstrate the minimum performance thresholds set above - e.g. Pathway C peer benchmarking or Pathway D, benchmarking against historical performance for more unique buildings.

<p>From 1 August 2025 to end 2026</p> <p>Office, industrial, retail, health, community facilities, big box retailers & other non-residential buildings</p>	<p>New buildings or refurbishments providing new heating and ventilation systems³</p>	<p>5 star Green Star Buildings NZ 5 star Green Star - Design and As Built NZ v1.1 5 star Green Star - Design and As Built NZ v1</p>	<p>Existing office buildings Certify with a min 4.5 star NABERSNZ rating</p> <p>OR</p> <p>For existing buildings where a Green Star Performance Pathway B industry-wide benchmark⁵ is available in NZ Certify with a Green Star Performance rating achieving min 10/20 points (base building) or 11/23 points (whole building) in the greenhouse gas emissions credit</p>	<p>NZGBC – A Zero Carbon Roadmap for Aotearoa’s Buildings (September 2019) Green Building Council of Australia 2020 annual report, Green Star: A year in focus 2019-2020 The Beehive Public Sector Carbon Neutral by 2025 (2 December 2020)</p>
	<p>Existing buildings (after 3 years of build completion)</p>	<p>N/A</p>	<p>For existing buildings where a Green Star Performance Pathway B industry-wide benchmark isn’t available in NZ Certification not required. To inform future benchmarking work, buildings must provide operational energy data using the Green Star Performance calculators and confirm with the NZGBC what operational variables might be required for this.</p>	<p>NZGBC – A Zero Carbon Roadmap for Aotearoa’s Buildings (September 2019) The Beehive Public Sector Carbon Neutral by 2025 (2 December 2020)</p>
<p>Residential</p>	<p>New builds or major renovations</p>	<p>7 or 8 star Homestar v5 7 or 8 star Homestar v4⁶</p>	<p>N/A</p>	<p>MBIE Building for Climate Change Programme A summary of Homestar v5</p>

⁶ Lower star ratings could be acceptable for public housing where there is evidence of progress on reducing or designing out waste or reducing embodied carbon. This can be evidenced through achieving these credit areas in Homestar

<p>From 2027 to 2030</p> <p>Office, industrial, retail, health, community facilities, big box retailers & other non-residential buildings</p>	<p>New buildings or refurbishments providing new heating and ventilation systems³</p>	<p>5 star Green Star Buildings NZ 5 star Green Star - Design and As Built NZ v1.1 5 star Green Star - Design and As Built NZ v1</p>	<p>Existing office buildings Certify with a min 5 star NABERSNZ</p> <p>OR</p> <p>For existing buildings where a Green Star Performance Pathway B industry-wide benchmark⁵ is available in NZ Certify with a Green Star Performance rating achieving min 12/20 points (base building) or 13/23 points (whole building) in the greenhouse gas emissions credit</p>	<p>NZGBC – A Zero Carbon Roadmap for Aotearoa’s Buildings (September 2019) Green Building Council of Australia 2020 annual report, Green Star: A year in focus 2019-2020 The Beehive Public Sector Carbon Neutral by 2025 (2 December 2020)</p>
	<p>Existing buildings (after 3 years of build completion)</p>	<p>N/A</p>	<p>For existing buildings where a Green Star Performance Pathway B industry-wide benchmark isn’t available in NZ Certification not required. To inform future benchmarking work, buildings must provide operational energy data using the Green Star Performance calculators and confirm with the NZGBC what operational variables might be required for this.</p>	<p>NZGBC – A Zero Carbon Roadmap for Aotearoa’s Buildings (September 2019) The Beehive Public Sector Carbon Neutral by 2025 (2 December 2020)</p>
<p>Residential</p>	<p>New builds or major renovations</p>	<p>8 star Homestar v5 8 to 10 star Homestar v4</p>	<p>N/A</p>	<p>MBIE Building for Climate Change Programme A summary of Homestar v5</p>