

The Second Plank: Green Depreciation

The quickest way to achieve **deep emissions cuts** is to **improve energy efficiency in existing buildings**.

There are 330 million square metres of existing non residential property stock in Australia.

Accelerated 'green' depreciation would **fast track efforts to rebuild existing stock** to higher environmental standards.

Green depreciation would cost \$2.3 billion over 10 years, starting with a \$90 million annual outlay.

Independent research indicates the investment would save 203 Mt of carbon over the first decade. That equates to **removing 6.4 million cars from our roads** every year.¹

What is Green Depreciation?

Green depreciation is accelerated depreciation for buildings that meet an environmental standard.

The standard, to be set by government, would be based on scientific and engineering advice.

Australian governments have traditionally used accelerated depreciation to stimulate the economy.

In the 1992 One Nation package, then Prime Minister Paul Keating introduced an accelerated depreciation scheme to stimulate the economy:

"The Government has decided to provide substantial acceleration of depreciation deductions for plant and equipment for tax purposes....The tax preference....will encourage [domestic plant and equipment] investment relative to alternatives, including foreign investment abroad...The acceleration of depreciation for plant and equipment will be focussed particularly on assets with long lives."

**Paul Keating, Prime Minister
One Nation, 26 February 1992, pp71-72**

In the current economic climate, an accelerated depreciation scheme for green building retrofits will help to stimulate the economy and deliver sustainability dividends.

¹ *Green Depreciation: A Preliminary Analysis*, Centre for International Economics, (November, 2007)

The Property Council proposes accelerated depreciation be used to stimulate a massive investment in improved environmental performance.

How Would Green Depreciation Work?

Green depreciation involves the provision of accelerated depreciation allowances for building investments that install specific energy efficient fittings, fixtures and fabric or raise the overall energy performance of the building to a predetermined standard.

It would play a key role in overcoming timing gap problems, allowing investors to defer tax payments in exchange for bringing forward energy efficiency and GHG reductions.

Accelerated depreciation would establish an important foundation for a Green New Deal program recently announced by a coalition including the ACF, the ACTU, ACOSS and the Property Council.

Green Depreciation – Recommendation:

Introduce accelerated depreciation for buildings that retrofit (retro-green) to meet higher environmental standards.

Sources:

Capitalising on the Building Sector's Potential to Lessen the Cost of a Broad Based GHG Emissions Cut, Centre for International Economics (September, 2007)

Green Depreciation: A Preliminary Analysis, Centre for International Economics (November, 2007)

The Second Plank – Building A Low Carbon Economy With Energy Efficient Buildings, Centre for International Economics for ASBEC (August, 2008)

Towards a Green New Deal: Economic stimulus and policy action for the double crunch, Australian Conservation Foundation, Australian Council of Social Services, The Climate Institute, Property Council of Australia, Australian Council of Trade Unions, Australian Green Infrastructure Council, Australian Institute of Superannuation Trustees (December, 2008)