

OPINION PIECE

A more distributed power system will undo energy gridlock

Comment on the future of energy from Frasers Property CEO Rod Fehring

Sydney – 28 September 2017 – Frasers Property Australia, like many leading owners, managers and occupiers of property, has worked, and will continue to work, to mitigate the policy failure that is rising energy prices.

For at least 15 years, since the foundation of the Green Building Council of Australia in 2002, the industry has focused on sustainability. It has also been a focus of mine for all those years, as a senior executive at Delfin, Lendlease and now Frasers Property.

A number of Australian real estate groups are now recognised world leaders in sustainability and their buildings can demonstrate superior financial performance.

By improving the design of buildings, by increasing the energy efficiency of the materials used, and by streamlining the way the finished homes and commercial buildings are operated, we have reduced energy consumption and ameliorated some, but of course not all, of the recent price hikes.

Those price hikes are also partly responsible for the escalation of building costs with concrete, steel and bricks all high energy intensive materials and energy costs contributing 1% - 4% of the cost of those materials.

Today there is a flurry of new initiatives including large roof top solar projects and more proactive energy management. Frasers Property's latest initiative is to create its own energy company, Real Utilities, to provide the best energy solution for our projects and, by buying wholesale, to achieve savings for our residents.

We actually expect energy prices will settle within couple of years, as gas generation starts to take up the supply shortfall created from the substantial coal-fired plant closures.

But in the longer term, Australia needs a more distributed power system, rather than total reliance on the current centralised grid which has proved vulnerable.

Distributed energy, feeding into and out of the grid, is the opportunity for solar, wind and geothermal power both as part of a demand management strategy and as a genuine source of new generation capacity.

With the right pricing structure, a more distributed power system would create a huge market in new technology, and ultimately cheaper power.

The problem is not energy but politics.

The latest rises in wholesale electricity prices have been substantial, rising from around \$40-\$65 a MWh to \$120-\$165 a MWh in recent months.



At Frasers Property iconic Central Park development a thermal energy plant supplies heating and cooling as well as hot water across the development but even this cannot insulate residents from rising energy costs.

Today the building and development industry is at the threshold of many initiatives that can be embedded in our buildings to save power consumption.

In the immediate term, building technologies which allow consumers to watch energy consumption, like Google Home, or the Smart Meters which are compulsory in new homes in Victoria, will help.

But each of those technologies requires the consumer to do something. Ultimately, we need the building to anticipate the occupants' needs and do it for them.

Work on sustainable buildings is continuing apace. At Burwood Brickworks in Melbourne, Frasers Property will develop a shopping centre that meets the rigorous requirements of the global Living Building Challenge. One of the challenges is net positive energy, for the building to produce more energy than it consumes.

Our latest initiative, Real Utilities, will provide what are called 'embedded energy' solutions to 9 residential and 4 shopping centre developments. We are also looking at introducing the initiative to our industrial and suburban office developments.

The benefits are twofold. By taking responsibility for long term energy use, Real Utilities takes a long term, whole of life cycle approach to energy use, by integrating the network into the building design so as to deliver long term and tangible benefits. Not the usual developer solution which is often cheap in the short term but not beyond.

And with a combination of renewable energy and carbon credits, we can deliver certified carbon neutral power to our building residents more cheaply than they could do themselves. We know this because we benchmark the cost against the three major energy retailers servicing the project location twice a year. Eventually we hope to dispense with the use of carbon credits by incorporating more on-site distributed renewable energy as well as off-site renewable energy contracts to take their place.

Rod Fehring is the Chief Executive Officer of Frasers Property Australia.

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About Frasers Property Australia

Frasers Property Australia Pty Limited (FPA) is one of Australia's leading diversified property groups and is the Australian division of Frasers Centrepoint Limited. The group has over 90 years' heritage in Australia with current activities covering the development of residential land, housing and apartments, commercial, retail and industrial properties, investment property ownership and management, and property management.



Being part of a global group opens up a world of opportunities for FPA's customers. FPA appreciates its customers and rewards their loyalty through Prosperity, a national loyalty program providing residential customers with generous purchase and referral rewards, plus benefits at Frasers Hospitality's serviced hotel residences and boutique lifestyle hotels around the world.

Sustainability is at the heart of FPA's operations. The group creates places where resources are re-used, recycled and restored. It fosters new ideas to support people and the planet, and undertakes tangible initiatives to help people lead happier, healthier lives. Driven by a highly experienced team of people committed to delivering *real places for real people*, the core values of the group are *passionate, authentic, dynamic* and *respectful*.

For more information about FPA, visit www.frasersproperty.com.au

About Frasers Centrepoint Limited

Frasers Centrepoint Limited (FCL) is a full-fledged international real estate company and one of Singapore's top property companies with total assets of around S\$25 billion as at 30 June 2017. FCL has three strategic business units – Singapore, Australia and Hospitality, which focus on residential, commercial, retail and industrial properties in Singapore and Australia, and the hospitality business spanning more than 80 cities across Asia, Australia, Europe, and the MENA region. FCL also has an International Business unit that focuses on China, Europe, and Southeast Asia.

FCL is listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). FCL is also a sponsor and its subsidiaries are the managers of three REITs listed on the SGX-ST, Frasers Centrepoint Trust, Frasers Commercial Trust, and Frasers Logistics & Industrial Trust that are focused on retail properties, office and business space properties, logistics and industrial properties respectively, as well as on stapled trust listed on the SGX-ST, Frasers Hospitality Trust (comprising Frasers Hospitality Real Estate Investment Trust and Frasers Hospitality Business Trust) that is focused on hospitality properties.

As a testament to its excellent service standards, best practices, and support of the environment, FCL is the proud recipient of numerous awards and accolades both locally and abroad.

For more information on FCL, please visit www.fraserscentrepoint.com.