



**C is for come on
board and join
the movement.**

Carbon pricing - Practitioner workshop

21 May 2024

Welcome and agenda for today

- Welcome and what to expect in this session (now) 5 mins
- Overview of ULI C Change and background to this initiative 10 mins
- What is carbon pricing and why it is important 10 mins
- Fireside chat: Why carbon pricing is important with **guest speaker** 15 mins
- Fireside chat: Building the case for carbon pricing, with **guest speaker** 15 mins
- Q&A with today's speakers 15 mins
- Summarising key takeaways, inputting into experts workstream 10 mins
- Final wrap up and next steps 5 mins

Overview ULI C Change

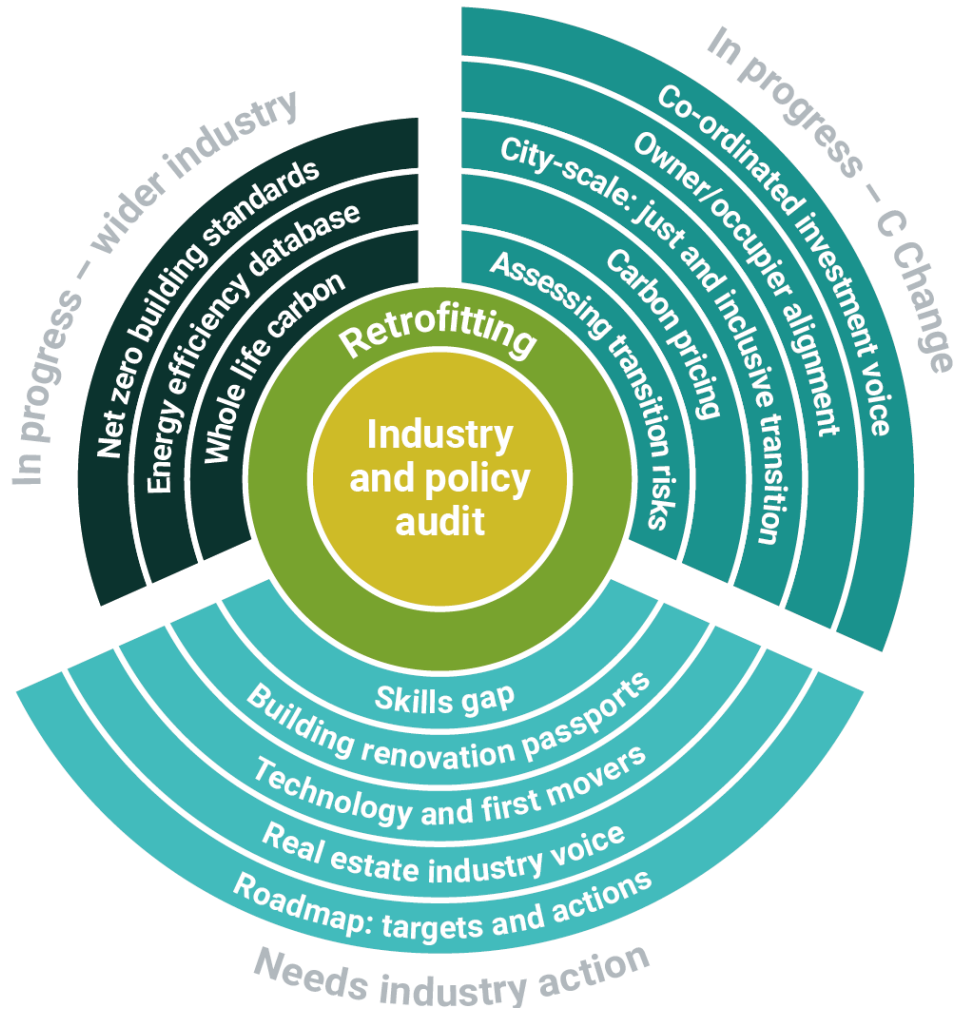
Real change with C Change

Practical solutions and collective action for industry transformation

- ULI-led, multi-year programme to mobilise the industry to speed up and scale up decarbonisation in Europe.
- Accelerating solutions that will transform our industry and protect our planet.
- Connecting the brightest minds from across the value chain, empowering everyone to work together.
- A focus on systems interventions to enable industry-level change.



Understanding systemic barriers



- Systemic barriers are barriers to decarbonisation within an industrial system, that are beyond the responsibility or control of any one company to solve.
- Examples of systemic barriers in the sector include
 - Lack of carbon pricing
 - Lack of quantified transition risks
 - Lack of a united investment voice
- ULI C Change focuses attention on co-creating solutions to these systemic with and on behalf of the industry.

C Change – An incubator for systemic barriers

Identifying, priming, incubating and scaling solutions to the biggest barriers to decarbonisation

Identify

Dedicated research team surveying the landscape and working with industry leaders to identify and prioritise biggest barriers to progress and scoping them into actionable intervention points.



Prime

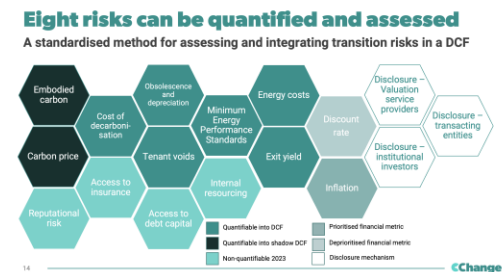
‘Prime’ senior industry leadership on next pertinent issues to address through ULI’s research and event programmes, in addition to dedicated interviews, surveys and roundtable discussions.



Incubate

Dedicated design team, co-creating and incubating solutions to systemic barriers with leaders and technical teams on the ground through:

- Addressing most significant barriers to scale.
- Prioritise plans for critical mass adoption, supported by practical tools, e.g. case studies, analysis tools etc.



Scale

To achieve critical mass adoption, connect mass-implementation- and investment-ready solutions with wider philanthropic and institutional funding networks to scale beyond corporate funding.



Laudes ———
Foundation

Building an industry-leading campaign

Galvanising support with a strong visibility drive

Property

Failure to cut building emissions risks writedowns, industry body cautions

GEORGE HAMMOND

Property groups across Europe risk significant writedowns unless they take urgent steps to reduce carbon emissions from buildings they own, according to an industry research group.

European property owners, investors and valuers have failed to account for the cost of transitioning to net zero, the Urban Land Institute said, resulting in a widespread overvaluation of offices, shops and residential property, which it describes as a "carbon bubble".

The ULI, which has a membership of 46,000 people working in real estate and urban development, said: "If transition risk costs are not factored in now by owners, then the industry could face a major crisis."

A change in regulation or an economic shock could quickly expose the mispricing of older, less green buildings and cause "values to fall quickly", it warned.

decarbonising real estate but these have largely been driven by deep-pocketed property owners improving the energy efficiency of their stock to attract tenants willing to pay a premium.

Large property investors and owners have set their own targets for hitting net zero over the next two decades but the vast majority of property has been relatively untouched.

Efforts to decarbonise will also be hit by rising interest rates and inflation, which have slowed office sales and eaten

into the amount European property owners are able or willing to invest in bringing buildings up to standard.

The ULI will this week publish a methodology for assessing the costs of decarbonisation and highlight the risks for property owners and investors.

It hopes this will help put a price on the transition to net zero and encourage property owners and public bodies to invest in retrofitting existing buildings to stave off a bigger hit to values later.

The institute said that the current flawed approach to decarbonisation in the real estate industry "could lead to

our investment market facing an increased risk of parts of our cities becoming uninvestable, not less".

Lisette van Doorn, ULI Europe, said: "Introducing the guidelines to prevent a real shock when regulations come in will be a shock because a large



Failure to account for net zero transition costs results in overvaluation a carbon bubble

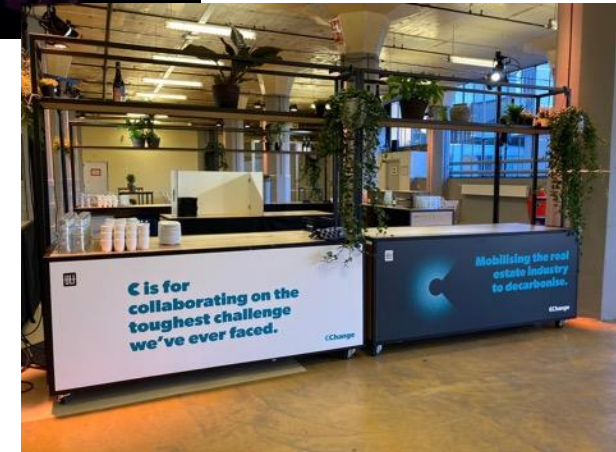
The Urban Land Institute Europe (ULI), a global network of cross real estate and land use experts, recently stated that "European owners, investors and valuers have failed to account for the cost of transitioning to net zero, resulting in a widespread overvaluation of offices and residential property... if transition risk costs are not factored in now by owners, then the industry could face a major crisis."

The ULI warns of a possible 'carbon bubble' where the continued pricing of this transition risk keeps asset values artificially high and perpetuates the chance that they ultimately become too costly to own, resulting in widespread stranding of assets.



C is for collaborating on the toughest challenge we've ever faced.

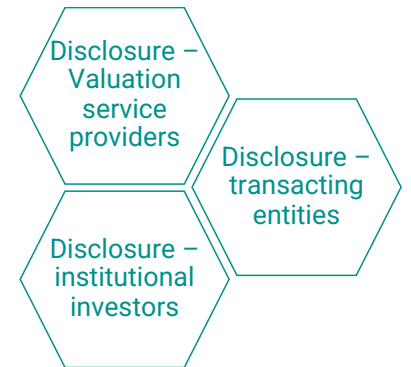
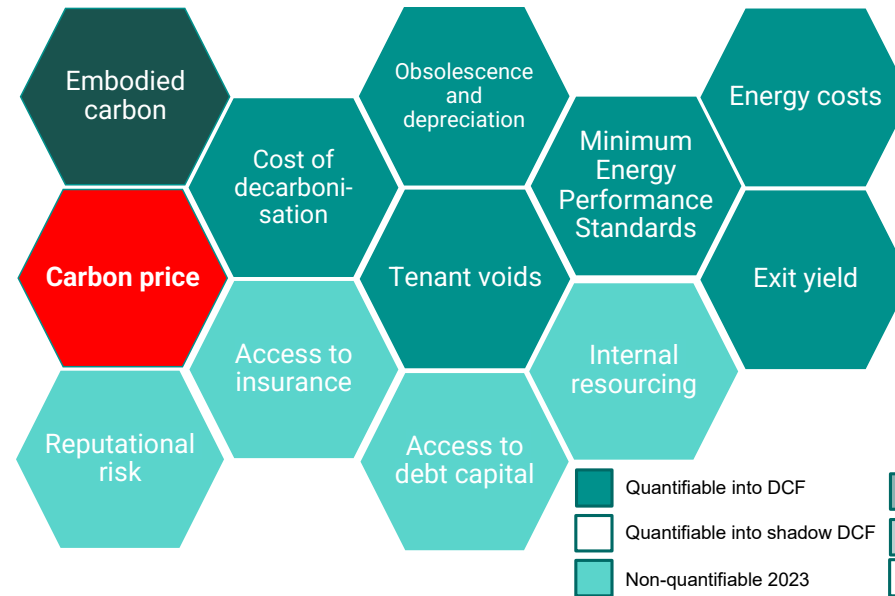
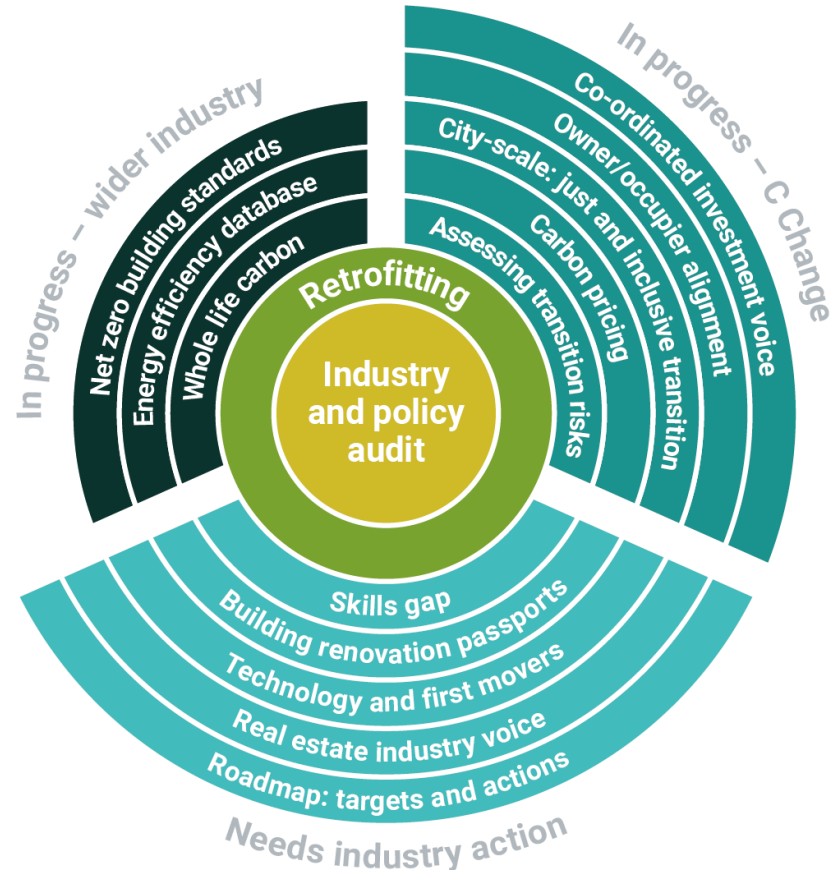
CChange



Initiative background

Why carbon pricing for C Change

Carbon pricing repeatedly emerged in C Change work as a priority systemic barrier

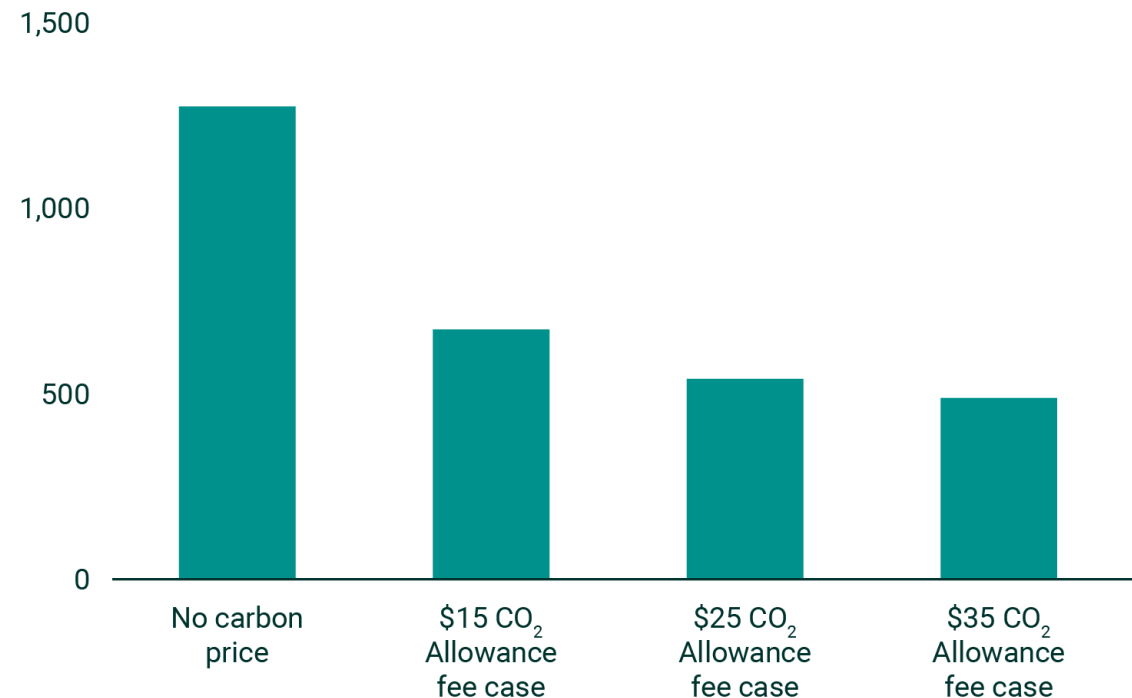


The impact of carbon pricing was clear

Carbon pricing lowers emissions and stimulates innovation in other industries

US power sector CO₂ emissions under different carbon prices

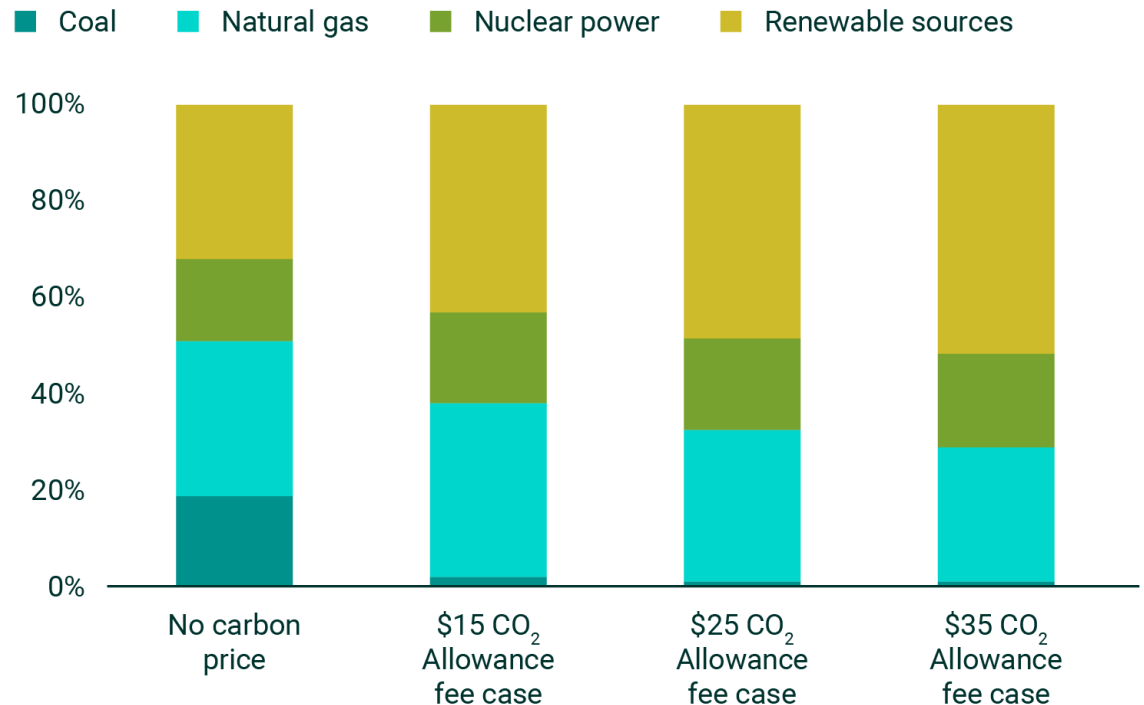
Millions of metric tons of CO₂ emitted by the power sector in 2030



Source: RFF

US electricity generation under different carbon prices*

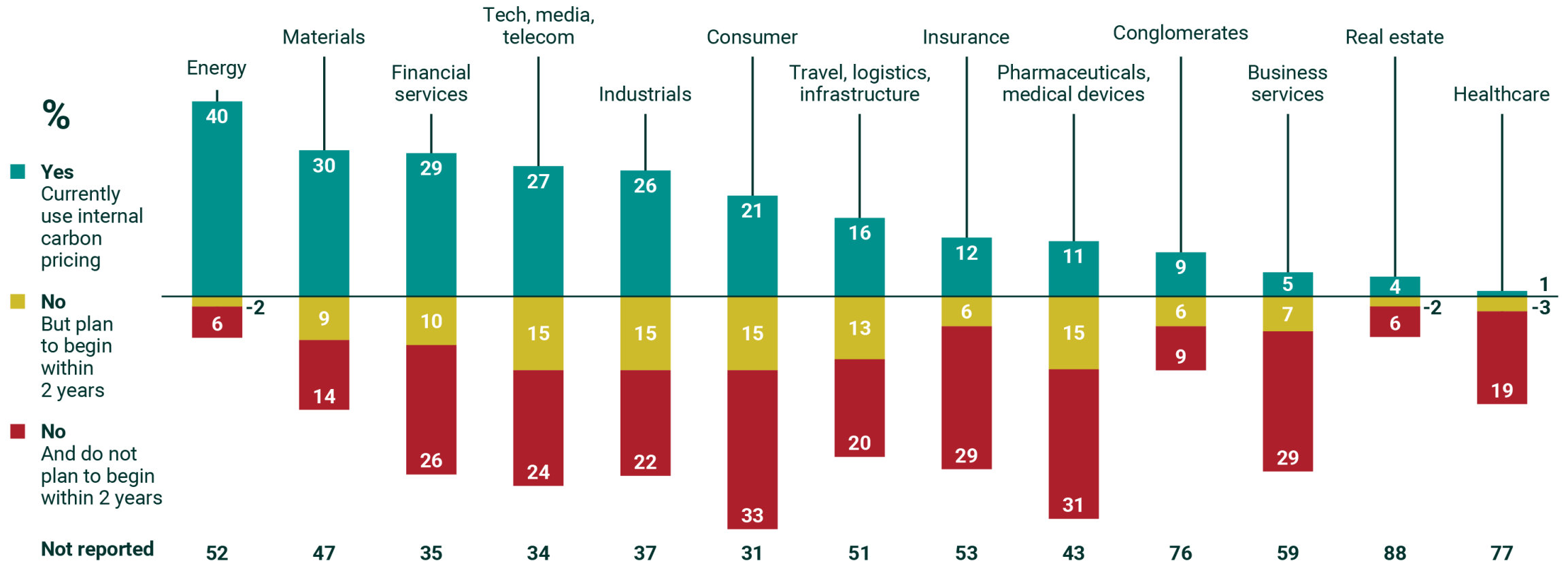
Percentage of generation mix in 2030



Source: RFF. *A negligible amount of generation comes from other sources.

Yet the real estate sector was not adopting

The real estate industry was clearly seen to be lagging behind on carbon pricing

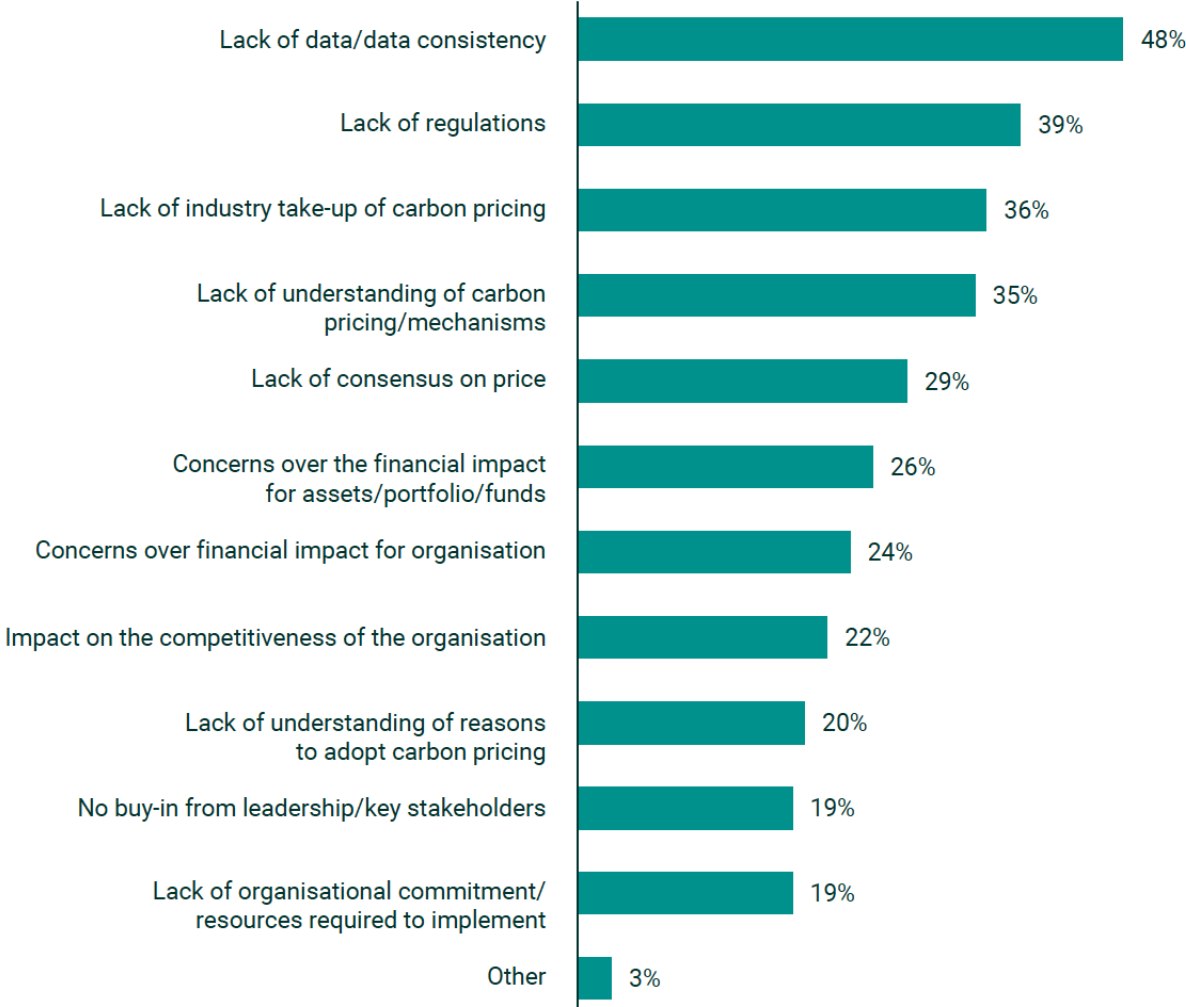


Determined by a sampling of the top 100 companies in each sector ranked by 2019 revenue.

Source: McKinsey/Carbon Disclosure Project

ULI Survey: Barriers to implement carbon pricing

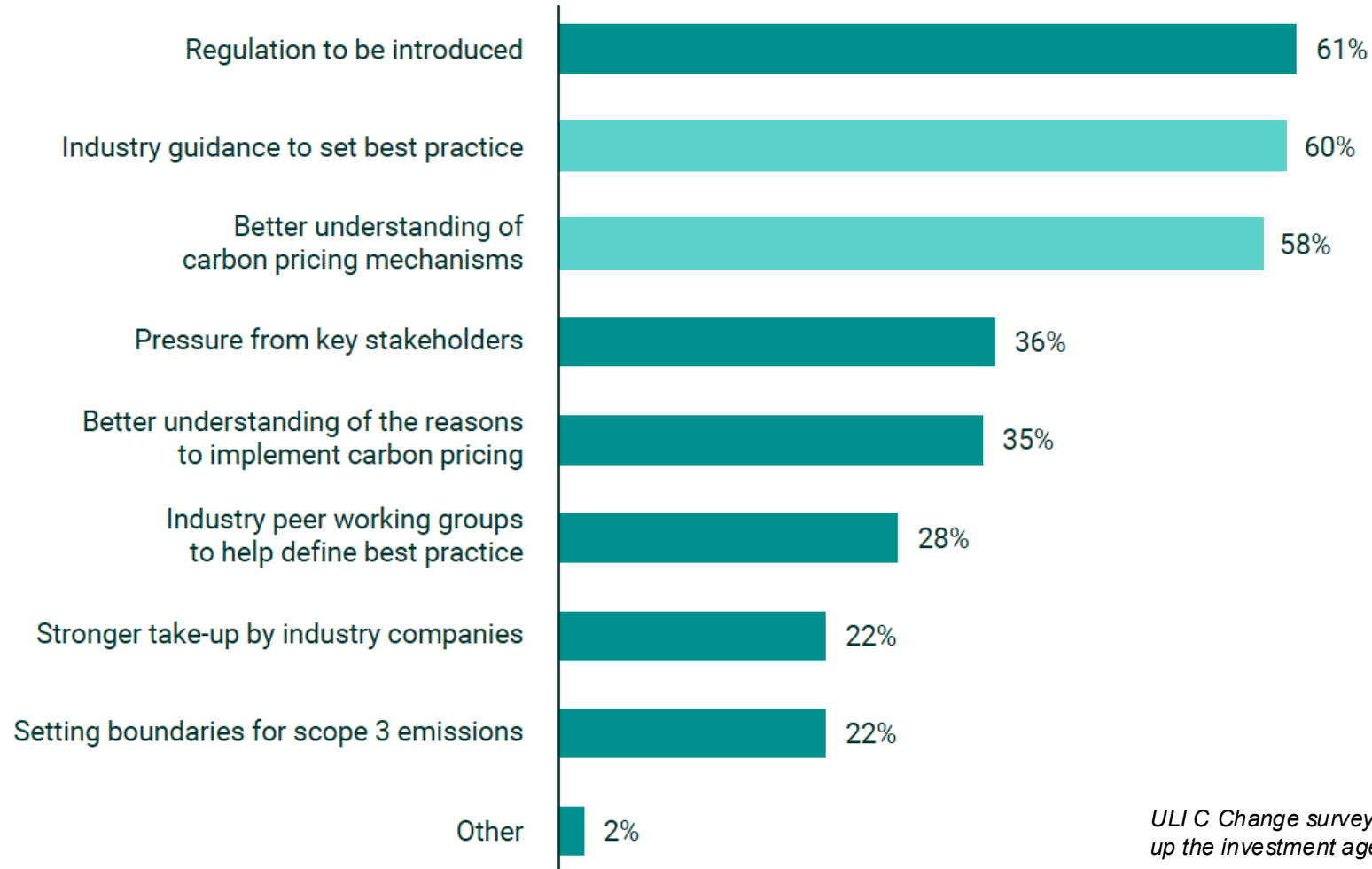
Lack of industry “take up, consensus and understanding” in the top 5 barriers



ULI C Change survey: Decarbonisation rises up the investment agenda

ULI: Best next steps to implement carbon pricing

“Industry guidance and a better understanding of carbon pricing” in the top 3 asks



ULI C Change survey: Decarbonisation rises up the investment agenda

Snapshot of 2023 research year

- Launched in 2023 as a research priority
- Desktop research and background research report created
- 4 x multi-stakeholder workshops
- 20+ full value-chain stakeholder interviews
- Extensive trends study, published in the ULI Global Trends Report

The industry initiative 2024+

Participating organisations collectively accelerating adoption of carbon pricing:



The industry initiative: 2024+

The industry initiative will work across 3 workstreams to accelerate carbon pricing adoption

The workstream
you are
participating in

Workstream 1 – Experts

Bringing together leading experts in the field, across the full value chain of the built environment to co-develop a recommended position on internal carbon pricing for the full value chain of the built environment.

Workstream 2 - Practitioners

Practitioners: Build the capacity of practitioners through a series of workshops on understanding and implementing internal carbon pricing, learning from best practice case studies and feeding into expert strategy development.

Workstream 3 – C-Suite

C-Suite: Engage the C suite in leading organisations to advance-brief them on the initiative, its importance, and its expected timeline for implementation.

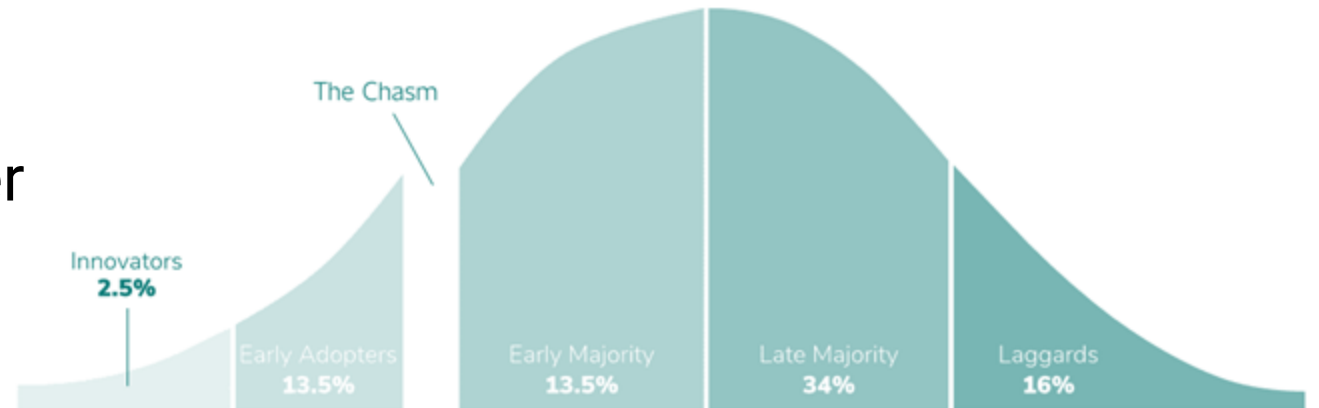
The practitioner workstream

Three capacity building workshops across the course of the year

Workshops overview:

- Workshop 1: Building the case
- Workshop 2: Shadow and lower complexity case studies
- Workshop 3: Fee paying and higher complexity case studies

Your important role in driving critical mass



Feeding into the expert workstream

Your opinions on the ground and at the starting gates matter

Workstream 1 – Experts

Bringing together leading experts in the field, across the full value chain of the built environment to co-develop a recommended position on internal carbon pricing for the full value chain of the built environment.

Key topics being covered in workshop 1:

- Purpose & behaviour change of carbon pricing
- Differentiation between embodied and operational carbon
- Differentiation between stakeholders in the value chain
- Relationship to wider policy
- Relationship to wider initiatives

Feeding into the expert workstream

Please comment in the chat function – we will remind you at the end

1. Imagine you were going to leave these sessions and commit to implementing a carbon price in your company in the next 12-18 months. What – *exactly* - would you need to make it happen? E.g..

- Information / guidance, peer benchmarking, a benchmarked price, etc.

2. Inside your organisation specifically, what is the primary purpose and specific behaviour change you are seeking to enact? E.g.

- Purpose: Raise money to decarbonise assets, raise money to invest in low carbon technologies, pay for offsets
- Behaviour change: Decarbonise instead of new builds, choose lower carbon products/ solutions etc

What is carbon pricing?

Carbon pricing : Definition & purpose

Internal and external mechanisms putting a price on carbon

- **Definition:**
 - A carbon price is a **financial mechanism** that places a **monetary value** on the carbon emissions produced by companies, industries, or individuals. It aims to **internalise the external costs of greenhouse gas emissions** by assigning a price to carbon, typically through taxes, emissions trading systems (such as cap-and-trade), or carbon offset programs.
- **Purpose:**
 - The purpose of a carbon price is to **incentivise emission reductions, promote the transition to low-carbon solutions and practices**, and mitigate climate change impacts by creating economic incentives for polluters to reduce their carbon footprint.

Carbon pricing : Explainer by types

Internal and external mechanisms putting a price on carbon

- **External:**
 - Emissions Trading Schemes (e.g. EU ETS)
 - Carbon Taxes (e.g. Germany)
- **Internal:**
 - Shadow
 - Fee-paying
 - *Carbon offsetting*

Where we
will be
focusing on



Quick overview into external mechanisms

External mechanisms are instruments deployed by local, national or regional governments

Carbon taxes are applied by a local authority or national government on the CO₂ emitted by a company.

- **Germany**
- **New York Local Law 97**

Emissions trading schemes (ETS) are imposed by a government or regional body. They allow a certain allocation of “free” carbon, which reduces over time. When a company hits their “cap” they can buy credits at a price. Other companies can trade. Scarcity and reducing allowances drive up prices.

- **EU ETS**

Quick overview into internal mechanisms

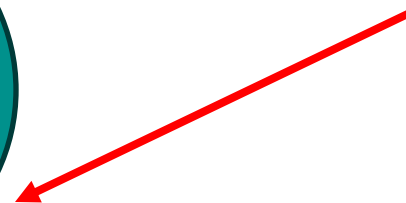
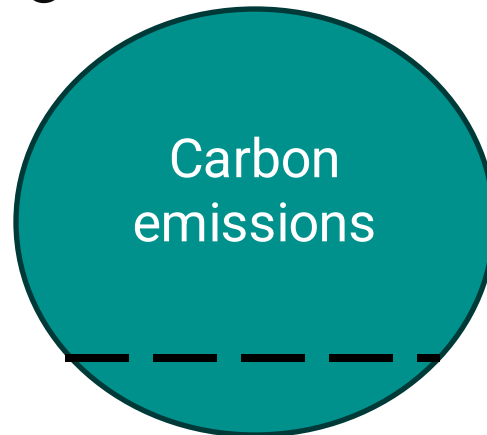
Internal mechanisms are implemented by companies to varying levels of specificity

- **A shadow carbon price** is when a company puts a price on each tonne of CO2 emitted to help with **sustainable decision making**. It is a theoretical price — the company **does not pay that money** to anyone or set it aside.
- **A full fee-paying internal carbon price**, when a company puts a price on the carbon emitted and **pays the money into an internal fund or ring fences** it in some way. The company can do what it wants with the money, but usually it is put towards capital expenditure needed to reduce portfolio emissions, or fund offsets.

A word on offsetting

If we stop at the door of pricing residual emissions we are missing the point

- A **carbon offset** is a measurable reduction, removal, or avoidance of greenhouse gas emissions (GHGs) made by one entity to compensate for emissions produced elsewhere. Offsets invest in projects that reduce GHGs through investing in e.g. renewable energy, afforestation, methane capture etc.
- Carbon offsets are often confused with carbon pricing. They are **not (always) the same thing**.



E.g. UK GBC NZ Standard

Offset residual emissions
UK Cost abatement curve
£245

Policy & regulation: should we care?

Multiple drivers are laying the foundations for a rise in carbon pricing adoption

Policy mechanisms (recap)

- 68 schemes globally
- Europe: EU ETS and EU ETS II
- National and regional/city taxes
- Reporting mechanisms

Climate policy

- Article 6 of the Paris Agreement

Reporting mechanisms

- CSRD, SFDR, CDP*, ISSB/IFRS, GRI, GRESB*

Why use an internal carbon price?

Asset manager perspective

- Welcome to Aleksandra Njagulj from DWS

Why use an internal carbon price?

Carbon pricing example

- Welcome to GPE / Redevco / Coima

Q&A

Do you have any questions?

If so, please raise your hand or write them in the chat function

Key takeaways

Key takeaways

- **Carbon pricing is not just something externally thrust upon us** as an ETS or national or local tax, not it is just a way to pay for your residual emissions.
- It is a mechanism to **support decision making, raise funds and incentivise sustainable solutions and practices**
- **It is proven to reduce emissions** in other sectors and the built environment can benefit from this too.
- Several policy and regulation trends are pointing toward a **higher, not lower, and wider reaching carbon pricing initiatives** in the future.
- Leaving space for your proposed key takeaways from prep case study interview

Feeding into the expert workstream

Feeding into the expert workstream

Please comment in the chat function – we will feed into the expert group

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Next steps

Remaining webinars & events

We would love to see you there!

For you:

- Workshop 2: 18th June
- Workshop 3: 17th September
- C Change Summit: XX

For your colleagues:

- ULI Conference: XXth June



Thank you