

# Webinar

## Integrating Transition Risks into Investment Decision-Making: The Preserve Tool

Date: July 08, 2025

00:00:00 --> 00:00:05: So today we will be talking about the preserved tool.

00:00:05 --> 00:00:08: Some of you might have heard about the tool before,

00:00:08 --> 00:00:12: but this is to help the industry integrate transition risks

00:00:12 --> 00:00:14: into into real estate investment models.

00:00:15 --> 00:00:18: My name is Alex Smith Kozlovskaya, I'm a Research Director

00:00:18 --> 00:00:19: at ULI.

00:00:19 --> 00:00:22: And today I will be giving you a bit of

00:00:22 --> 00:00:27: background and explaining why we've focused on on this tool

00:00:27 --> 00:00:31: and transition risk assessment so much.

00:00:31 --> 00:00:34: And then I'll hand it over to Derek Wilson, the

00:00:34 --> 00:00:37: CEO of Synergetic, who is very much leading the

00:00:37 --> 00:00:38: development

00:00:38 --> 00:00:41: of the tool.

00:00:42 --> 00:00:45: And he'll be able to give you the preview of

00:00:45 --> 00:00:48: the tool and he'll be asking of he'll be asking

00:00:49 --> 00:00:53: for some input to make sure that the the tool

00:00:53 --> 00:00:54: is created, Co created with the industry and it's and

00:00:55 --> 00:00:55: it works for you.

00:00:56 --> 00:00:58: Oh.

00:00:58 --> 00:01:00: Sorry, Derek, you can't see my slides.

00:01:01 --> 00:01:05: Yeah, they don't see you popping up.

00:01:05 --> 00:01:06: OK, let me stop sharing.

00:01:15 --> 00:01:16: How about now?

00:01:16 --> 00:01:17: There we go.

00:01:17 --> 00:01:18: Yeah, perfect.

00:01:18 --> 00:01:21: OK, right.

00:01:22 --> 00:01:24: Thank you for that.

00:01:26 --> 00:01:29: Before I dive into the detail of of the transition

00:01:29 --> 00:01:32: risk work stream and and preserved tool, I just wanted

00:01:32 --> 00:01:34: to give you a little bit of background to our  
00:01:34 --> 00:01:35: Sea Change programme.  
00:01:35 --> 00:01:38: I know that some of you are really familiar with  
00:01:38 --> 00:01:40: it, but some of you might be new to  
00:01:40 --> 00:01:43: it and this will give you the bigger picture and  
00:01:43 --> 00:01:47: hopefully help you understand how this very specific work  
stream  
00:01:47 --> 00:01:49: is fitting into the the wider agenda.  
00:01:50 --> 00:01:52: So we are in the fourth year of the Sea  
00:01:52 --> 00:01:53: Change programme.  
00:01:54 --> 00:01:58: It started in 2021 and that was around the time  
00:01:58 --> 00:02:03: when a lot of organisations started committing to achieving  
net  
00:02:03 --> 00:02:03: zero.  
00:02:03 --> 00:02:06: But we as an industry still were quite new to,  
00:02:06 --> 00:02:08: to the idea and didn't quite know how to get  
00:02:08 --> 00:02:08: there.  
00:02:10 --> 00:02:12: So we've looked at, at the, at the industry and  
00:02:13 --> 00:02:15: we thought, you know, we, we know we need to  
00:02:15 --> 00:02:18: get there, but the progress is a little bit too  
00:02:18 --> 00:02:18: slow.  
00:02:18 --> 00:02:20: We don't know how to do it.  
00:02:20 --> 00:02:23: And the idea of sea Change was to really mobilize  
00:02:23 --> 00:02:27: the industry to speed up and scale up decarbonization  
efforts.  
00:02:27 --> 00:02:30: And we based the programme on three principles.  
00:02:30 --> 00:02:34: So first of all, we wanted to focus on solutions  
00:02:34 --> 00:02:38: and make sure that the outputs of the programme are  
00:02:38 --> 00:02:44: implementable, actionable, scalable solutions for the industry  
that organisations can  
00:02:44 --> 00:02:46: can just take and and use.  
00:02:47 --> 00:02:50: We wanted the program to be really collaborative.  
00:02:50 --> 00:02:52: So we wanted to make sure that all of those  
00:02:52 --> 00:02:55: solutions that we provide are Co created with the industry.  
00:02:55 --> 00:02:57: This is why we're having this workshop today.  
00:02:58 --> 00:03:01: And we wanted to make sure that that's the industry  
00:03:01 --> 00:03:05: has a say shapes those outputs because this is the  
00:03:05 --> 00:03:08: only way to ensure that the solutions that we want  
00:03:08 --> 00:03:10: to develop actually work.  
00:03:11 --> 00:03:15: And the third principle was to base the program on  
00:03:15 --> 00:03:18: systems change and systemic interventions.  
00:03:18 --> 00:03:22: So we thought there are a lot of organisations that  
00:03:22 --> 00:03:25: are doing amazing things on their portfolios, but is there

00:03:25 --> 00:03:30: anything systemic that is stopping us from making progress?

00:03:31 --> 00:03:33: I just wanted to say here as well that this

00:03:33 --> 00:03:37: program has been made possible by our partners and supporters

00:03:37 --> 00:03:40: and all of the outputs of the of the program

00:03:40 --> 00:03:43: are looking, as I mentioned, at the whole system and

00:03:43 --> 00:03:45: we want to drive systems change.

00:03:45 --> 00:03:48: All the outputs are open source, but all of this

00:03:48 --> 00:03:51: has been made possible by our partners and supporters.

00:03:51 --> 00:03:53: So thank you very much for for that.

00:03:56 --> 00:03:59: So I mentioned that we, we started the programme of

00:03:59 --> 00:04:03: this big idea thinking, OK, we really need to look

00:04:03 --> 00:04:08: at the system and, and do something to accelerate decarbonisation.

00:04:08 --> 00:04:12: So then we started with a landscape review to really

00:04:12 --> 00:04:15: understand what are these specific things that we need to

00:04:15 --> 00:04:18: do to achieve that and we came up with 13,

00:04:18 --> 00:04:20: what we call intervention points.

00:04:20 --> 00:04:24: So really, really specific barriers in the system that need

00:04:24 --> 00:04:27: to be addressed and kind of be be turned into

00:04:27 --> 00:04:30: action points to really accelerate our efforts.

00:04:31 --> 00:04:33: And I'll start from the bottom here.

00:04:33 --> 00:04:36: So at the bottom, there are three intervention points that

00:04:36 --> 00:04:40: we thought are already being addressed elsewhere in the industry.

00:04:40 --> 00:04:42: We do not want to duplicate the efforts, we just

00:04:42 --> 00:04:43: want to amplify that.

00:04:43 --> 00:04:44: So, so that's great.

00:04:45 --> 00:04:49: The middle row where the intervention points where we thought

00:04:49 --> 00:04:52: still work needed to be done, but maybe they should

00:04:52 --> 00:04:56: have, they should be tackled by organisations that are are

00:04:56 --> 00:04:57: better placed to do that.

00:04:58 --> 00:05:01: And the top row is the five intervention points that

00:05:01 --> 00:05:04: we thought we as you and I can really have

00:05:04 --> 00:05:06: major impact here.

00:05:06 --> 00:05:07: This is what we should be focused on.

00:05:08 --> 00:05:12: And then these five intervention points formed the the basis

00:05:12 --> 00:05:13: of our seating programme.

00:05:13 --> 00:05:14: So this is what we've been working on.

00:05:14 --> 00:05:18: And you'll see that one of the first intervention points

00:05:18 --> 00:05:21: that we've really been working on in a lot of

00:05:21 --> 00:05:24: detail is assessing transition risk in valuations.

00:05:24 --> 00:05:27: And then now I just wanted to give you a

00:05:27 --> 00:05:30: little bit of background on why we thought that this

00:05:30 --> 00:05:35: intervention point was was crucial to really catalysing and unlocking

00:05:35 --> 00:05:38: that that decarbonisation action in the industry.

00:05:39 --> 00:05:42: So I wanted to share with you results of a

00:05:42 --> 00:05:45: couple of surveys that we run quite recently.

00:05:45 --> 00:05:48: So, so just last year, so one survey was for

00:05:48 --> 00:05:51: our emerging trends in real Estate reports.

00:05:52 --> 00:05:56: And we, we asked the participants of the survey whether

00:05:56 --> 00:06:01: they thought that ESG credentials would have a material impact

00:06:01 --> 00:06:03: on asset value in the short term.

00:06:04 --> 00:06:07: And 77% of the respondents said, yes, we do think

00:06:07 --> 00:06:10: that ESD credentials will materially impact asset value.

00:06:10 --> 00:06:14: But nearly the same number of respondents said that the

00:06:14 --> 00:06:20: current processes don't really accurately reflect those challenges and opportunities

00:06:20 --> 00:06:25: that are presented with, with decarbonisation and sustainability in, in,

00:06:25 --> 00:06:26: in general.

00:06:27 --> 00:06:29: So this shows us that there's a disconnect there.

00:06:30 --> 00:06:34: The industry knows that sustainability and and decarbonisation will impact

00:06:34 --> 00:06:37: asset values, but the current processes really don't make it

00:06:37 --> 00:06:40: easy to articulate how that's going to to manifest.

00:06:42 --> 00:06:43: Then I wanted to show you a different survey.

00:06:43 --> 00:06:46: So this was a little bit smaller, a smaller sample

00:06:46 --> 00:06:49: and it only related to to transition risk, but I

00:06:49 --> 00:06:53: thought that those results were also quite interesting.

00:06:54 --> 00:06:58: So 93% of organisations that we surveyed said that they

00:06:58 --> 00:07:03: already factor in transition risk in today investment decision making.

00:07:04 --> 00:07:08: So already recognising what I've just spoken about, that transition

00:07:08 --> 00:07:11: risk will impact asset value, 93% of our respondents said

00:07:11 --> 00:07:13: that they already are doing it.

00:07:14 --> 00:07:18: And 94% of respondents said that this transition risk assessment

00:07:18 --> 00:07:22: that they do already impacts their portfolio strategy.

00:07:22 --> 00:07:24: So not only are they doing it, but also it's

00:07:24 --> 00:07:28: already impacting the way in which they make investment decisions.

00:07:28 --> 00:07:30: So this is pretty significant.

00:07:31 --> 00:07:35: And then in terms of how transition risk assessment impacts

00:07:35 --> 00:07:39: investment decisions, well, it depends on, on, on the organization

00:07:39 --> 00:07:40: and, and the strategy.

00:07:41 --> 00:07:45: But 51% of respondents said that higher transition risk made

00:07:45 --> 00:07:49: them allocate more capital to those assets that that that

00:07:49 --> 00:07:51: were deemed riskier.

00:07:52 --> 00:07:54: But 30% of respondents said that they just decide to

00:07:54 --> 00:07:57: divest from those assets that have greater transition risks.

00:07:57 --> 00:08:00: So we can see that there are different ways of

00:08:01 --> 00:08:03: kind of de risking portfolios.

00:08:04 --> 00:08:07: So it seems to us that the there is some

00:08:07 --> 00:08:12: disconnect, but the industry is well aware that transition risk

00:08:12 --> 00:08:14: can materially impact asset value.

00:08:14 --> 00:08:17: And it's really important to understand that it looks like

00:08:17 --> 00:08:20: a lot of organisations within the industry are already doing

00:08:20 --> 00:08:24: it and it's already having an impact on investment decisions

00:08:24 --> 00:08:24: decisions.

00:08:24 --> 00:08:27: So now the question is, why is it still so

00:08:27 --> 00:08:31: hard to articulate the business, the business case and why

00:08:31 --> 00:08:33: is it still so hard to really put a number

00:08:33 --> 00:08:36: on it and, and measure it on an industry level?

00:08:36 --> 00:08:39: Because I think that we will all agree that's, you

00:08:39 --> 00:08:42: know, we, we are still looking for those particular numbers

00:08:42 --> 00:08:45: and, and ways of assessing transition risk.

00:08:47 --> 00:08:50: So we thought that a part of the issue was

00:08:50 --> 00:08:55: the lack of common, standardised and transparent methodology to do

00:08:55 --> 00:08:57: that, to assess those transition risks.

00:08:58 --> 00:09:01: So in June 2023, so two years ago, we published

00:09:01 --> 00:09:04: our transition risk assessment guidelines.

00:09:04 --> 00:09:07: Again, they were very much Co created with the industry

00:09:07 --> 00:09:07: we have.

00:09:08 --> 00:09:13: We've run a long consultation exercise and the idea was

00:09:13 --> 00:09:19: to provide common, transparent and standardised methodology to assess transition

00:09:20 --> 00:09:21: risks for the industry.

00:09:22 --> 00:09:27: So those guidelines mainly aimed to do three things.

00:09:27 --> 00:09:30: So first of all, they wanted to shift the mindset

00:09:30 --> 00:09:34: from treating decarbonisation measures as as just CapEx in investment

00:09:34 --> 00:09:38: models and really show that there is cost of doing

00:09:38 --> 00:09:39: nothing as well.

00:09:39 --> 00:09:42: And that needs to be weighed up against the CapEx

00:09:42 --> 00:09:45: also, where we wanted to make sure that transition risks

00:09:45 --> 00:09:48: are consistently factored into investment models.

00:09:48 --> 00:09:51: So that actually the results are comparable.

00:09:52 --> 00:09:54: Because we felt that was one of the the big

00:09:54 --> 00:09:58: barriers and really made it quite difficult to then speak

00:09:58 --> 00:10:01: to stakeholders and, and show them numbers and make them

00:10:01 --> 00:10:04: seem credible If the if the results of of each

00:10:04 --> 00:10:07: kind of in house model are not comparable.

00:10:07 --> 00:10:09: What we also wanted to do was to level the

00:10:09 --> 00:10:13: playing field between investors, because of course we've seen that

00:10:13 --> 00:10:15: we've got a lot of organisations that have a lot

00:10:15 --> 00:10:18: of resources dedicated to, to assessing transition risks and they've

00:10:18 --> 00:10:20: got a lot of knowledge around that.

00:10:20 --> 00:10:24: But there will be some other organisations that just haven't

00:10:24 --> 00:10:25: really caught up.

00:10:25 --> 00:10:28: And there is a risk of what we call the

00:10:28 --> 00:10:32: carbon mispricing bubble where some of the investors, let's say

00:10:32 --> 00:10:36: with with bigger resources and maybe more in depth understanding

00:10:36 --> 00:10:40: of transition risk will divest from the risky assets and

00:10:40 --> 00:10:42: that will be risky portfolio.

00:10:42 --> 00:10:44: But overall on an industry level that risk will be

00:10:44 --> 00:10:47: just passed on further down the the line.

00:10:47 --> 00:10:51: And once the market and regulation catches up with, you

00:10:51 --> 00:10:55: know, decarbonisation, that will leave us with a lot of

00:10:55 --> 00:10:56: stranded assets.

00:10:56 --> 00:10:58: And we wanted to to avoid that.

00:10:58 --> 00:11:01: And we wanted to level the the playing field between

00:11:01 --> 00:11:05: different investors and give give the industry an open source

00:11:06 --> 00:11:09: resource to make it easier to assess transition risks.

00:11:11 --> 00:11:17: So in our transition risk assessment guidelines, we identified 12

00:11:17 --> 00:11:21: risks, eight of which could be quantified.

00:11:21 --> 00:11:25: Currently it is possible to quantify them and then to

00:11:25 --> 00:11:29: make it really easy for the industry to to assess

00:11:29 --> 00:11:30: them.

00:11:30 --> 00:11:33: We wanted to make sure that you can either add

00:11:33 --> 00:11:37: them into a standard discounted cash flow model that you're

00:11:37 --> 00:11:40: running or you can include them in the shadow discounted

00:11:40 --> 00:11:42: cash flow model as well.

00:11:42 --> 00:11:46: So very much the guidelines talk about discounted cash flow

00:11:46 --> 00:11:49: models and how to integrate transition risks into those.

00:11:49 --> 00:11:52: So not creating kind of a completely new model, but

00:11:52 --> 00:11:54: making sure that you can just kind of add those

00:11:54 --> 00:11:57: into your to your existing discounted cash flow models.

00:11:58 --> 00:12:01: And yes, so, so, so the guidelines ended up being

00:12:01 --> 00:12:05: quite a long and detailed documents because you know, it

00:12:05 --> 00:12:08: is, it is a really big topic transition risk.

00:12:09 --> 00:12:11: And we started thinking, OK, how do we make sure

00:12:11 --> 00:12:14: that the industry takes a step at scale and how

00:12:14 --> 00:12:16: do we make it easier for the industry to use

00:12:16 --> 00:12:17: these guidelines?

00:12:17 --> 00:12:21: Because ultimately, as I mentioned, those systemic solutions

00:12:21 --> 00:12:24: that we

00:12:24 --> 00:12:27: are developing as a part of the CGS program, they

00:12:27 --> 00:12:31: will work best if they are taken up at scale.

00:12:31 --> 00:12:35: So when we thought we could turn the transition risk

00:12:35 --> 00:12:39: assessment guidelines into an easy tool, which we wanted to

00:12:39 --> 00:12:43: call preserve because ultimately we are hoping that this tool

00:12:43 --> 00:12:44: will help the industry to preserve the value of the

00:12:44 --> 00:12:48: assets.

00:12:48 --> 00:12:51: And then I will now pass on to Derek Wilson,

00:12:51 --> 00:12:55: who who is developing the preserved tool with us.

00:12:55 --> 00:12:56: And then, yeah, he'll introduce the tool and give you

00:12:56 --> 00:12:57: a short demonstration.

00:12:57 --> 00:13:01: So Derek, over to you and stop sharing my screen.

00:13:01 --> 00:13:02: Yeah, perfect.

00:13:02 --> 00:13:05: Thanks very much, Alex, and thanks everybody for joining

00:13:05 --> 00:13:08: today.

00:13:08 --> 00:13:09: I really looking forward to this workshop.

00:13:09 --> 00:13:11: So I'm going to show my screen here.

00:13:11 --> 00:13:14: Hope that that came up OK.

00:13:14 --> 00:13:16: Yes, yes, we can see that.

00:13:16 --> 00:13:20: Excellent.

00:13:20 --> 00:13:22: That's great.

00:13:22 --> 00:13:23: So yeah, very, very happy to be here.

00:13:23 --> 00:13:26: As as Alex mentioned, I'm Derek Wilson, CEO of Synergetic.

00:13:26 --> 00:13:30: So we're a sustainability analytics company based in

00:13:30 --> 00:13:33: Rotterdam, have

00:13:33 --> 00:13:36: been collaborating with Mount MacDonald and CBRE to

develop Preserve on behalf of ULI and its members.

00:13:36 --> 00:13:38: Just in terms of the agenda today, we really do

00:13:39 --> 00:13:42: want to kind of keep this interactive rather than us

00:13:42 --> 00:13:44: just talking you.

00:13:44 --> 00:13:45: So we're going to spend about 5 minutes just talking

00:13:45 --> 00:13:48: a little bit about the background and preserving the principles

00:13:48 --> 00:13:50: that underpin it.

00:13:50 --> 00:13:51: We'll then go through an actual demo of the prototype

00:13:52 --> 00:13:55: and this is the hot off the presses version.

00:13:55 --> 00:13:58: So that's been updated even in the last couple of

00:13:58 --> 00:14:00: days.

00:14:00 --> 00:14:00: So you get a fully current view of where we're

00:14:01 --> 00:14:03: at and then we'll get into an interactive workshop in

00:14:03 --> 00:14:06: a bit of a discussion around the tool and and

00:14:06 --> 00:14:08: we're going to be using mentimeter for that.

00:14:08 --> 00:14:10: We'll then cap it off with a bit of a

00:14:11 --> 00:14:13: road map of what's going to happen going forward.

00:14:13 --> 00:14:17: What does the future look like for preserve?

00:14:17 --> 00:14:18: And we'll we'll kind of wrap up with AQ and

00:14:19 --> 00:14:21: A and a brief close.

00:14:21 --> 00:14:22: So, yeah, very much looking to engage with pretty on

00:14:22 --> 00:14:25: this.

00:14:25 --> 00:14:25: So as Alex touched on, the transition risk assessment

00:14:27 --> 00:14:32: guidelines

00:14:32 --> 00:14:34: were produced in June 2023.

00:14:34 --> 00:14:36: And really what we we've been trying to do with

00:14:36 --> 00:14:40: Preserve is bring a bit more kind of technical rigor

00:14:40 --> 00:14:43: and and implementation of these guidelines in an in a

00:14:43 --> 00:14:44: workable tool.

00:14:45 --> 00:14:49: And really the problem that we identified very early on

00:14:49 --> 00:14:51: in this process is kind of fourfold.

00:14:51 --> 00:14:54: There are four key barriers to these guidelines being taken

00:14:54 --> 00:14:56: up by property investment professionals.

00:14:57 --> 00:14:59: First of all is understanding.

00:14:59 --> 00:15:03: You know, property investment professionals aren't usually

00:15:03 --> 00:15:06: decarbonization experts.

00:15:06 --> 00:15:07: They don't necessarily know what net 0 means for their

00:15:07 --> 00:15:07: investment models.

00:15:08 --> 00:15:11: So trying to address that understanding gap in an easy

00:15:11 --> 00:15:15: and, and kind of streamline ways is quite important.

00:15:16 --> 00:15:18: The second issue was consistency.



00:15:18 --> 00:15:20: So when we spoke with a lot of asset managers,

00:15:20 --> 00:15:22: they noted that they were trying to reflect the climate

00:15:22 --> 00:15:25: transition in their financial models, but the way they were

00:15:25 --> 00:15:26: doing it was very inconsistent.

00:15:27 --> 00:15:30: So trying to benchmark and evaluate investment

opportunities becomes very

00:15:30 --> 00:15:33: difficult because there is really that lack of comparability.

00:15:35 --> 00:15:38: The third issue is complexity in the sense that there

00:15:38 --> 00:15:40: are a lot of tools and policies and systems out

00:15:40 --> 00:15:43: there and trying to get to grips with all those

00:15:43 --> 00:15:45: and bring them all together is not easy.

00:15:46 --> 00:15:48: So what we really wanted to do is try and

00:15:48 --> 00:15:52: minimize the learning curve and, and fit in within existing

00:15:52 --> 00:15:55: systems rather than try to reinvent the wheel.

00:15:56 --> 00:15:58: And then the fourth piece is transparency.

00:15:58 --> 00:16:01: So we're really trying to standardize risk and opportunity

assessments.

00:16:01 --> 00:16:05: We can enable benchmark and comparability between

between models.

00:16:07 --> 00:16:10: And ultimately the the solution is designed to create that

00:16:10 --> 00:16:14: level playing field that that, that Alex mentioned where, where

00:16:14 --> 00:16:17: Nets are becomes a deliverable commercial opportunity.

00:16:17 --> 00:16:20: And that's that's kind of pinned by or underpinned by

00:16:20 --> 00:16:23: three core principles, which is it Net 0 isn't just

00:16:23 --> 00:16:26: a risk, it's also a commercial opportunity to drive both

00:16:26 --> 00:16:28: climate action and value creation.

00:16:29 --> 00:16:32: We also want to make factoring transition risks easy and

00:16:32 --> 00:16:37: consistent and ensure that scalability and widespread uptake

of the

00:16:37 --> 00:16:38: guidelines.

00:16:39 --> 00:16:42: So ultimately, the solution of Preserve, it's meant to be

00:16:42 --> 00:16:45: an accessible, consistent and easy to use tool for property

00:16:45 --> 00:16:49: investment professionals that helps them strengthen the risk

and return

00:16:49 --> 00:16:51: profile of property assets.

00:16:51 --> 00:16:52: How do we do that?

00:16:52 --> 00:16:55: By managing the upside opportunities and downside risks of

the

00:16:55 --> 00:16:56: climate transition.

00:16:58 --> 00:17:01: So just to provide you an overview of the program,

00:17:01 --> 00:17:03: we started out with a specification sketch solution.

00:17:03 --> 00:17:07: So really trying to understand the issues and opportunities

that

00:17:07 --> 00:17:10: were surrounding us, what the existing ecosystem of tools are

00:17:10 --> 00:17:12: so we can integrate with them and really try to

00:17:12 --> 00:17:15: understand how the industry is currently addressing this issue so

00:17:15 --> 00:17:18: we can build upon that rather than trying to go

00:17:18 --> 00:17:19: back to square 1.

00:17:19 --> 00:17:22: So we really wanted to understand the barriers, the challenges

00:17:22 --> 00:17:25: and the opportunities so that when we built the tool,

00:17:25 --> 00:17:27: it would be very much plug and play.

00:17:28 --> 00:17:31: And following that exercise, which took about 20 weeks, we

00:17:31 --> 00:17:34: then went into a process of development and initial testing.

00:17:34 --> 00:17:37: And we're actually just wrapping up that phase right now

00:17:37 --> 00:17:39: and just about to kick off on the piloting and

00:17:39 --> 00:17:40: case studies.

00:17:40 --> 00:17:42: I'll talk a little bit about that a bit later.

00:17:42 --> 00:17:45: But we've been developing and testing this tool and, and

00:17:45 --> 00:17:48: the phase two process kind of looks like this.

00:17:48 --> 00:17:52: We've undertaken a series of workshops, done some research, gathered

00:17:52 --> 00:17:57: user feedback, undertaken A prototyping process, undertaken internal testing, and

00:17:58 --> 00:18:01: we're now actually in the process of deploying the tool

00:18:01 --> 00:18:03: in the real world with Pioneer users.

00:18:03 --> 00:18:06: So a couple of the Sea Change partner organizations and

00:18:06 --> 00:18:10: other organizations who are supporting Preserve have participated in testing

00:18:10 --> 00:18:14: out the very earliest prototypes and Preserve and deploying them

00:18:14 --> 00:18:14: on assets.

00:18:14 --> 00:18:17: And we're already starting to get feedback and make iterative

00:18:17 --> 00:18:17: improvements.

00:18:18 --> 00:18:21: So we're hoping to lock down the A2 version based

00:18:21 --> 00:18:25: on the Pioneer feedback in August, so in about six

00:18:25 --> 00:18:26: weeks time.

00:18:27 --> 00:18:29: So a couple of key principles that underpin preserve.

00:18:29 --> 00:18:32: First is that we want to balance consistency with flexibility.

00:18:33 --> 00:18:36: I think we need to recognize that we're talking about

00:18:36 --> 00:18:40: future risks and it's very difficult to determine with certainty

00:18:40 --> 00:18:41: what those are.

00:18:41 --> 00:18:44: So what we're really trying to do rather than giving

00:18:44 --> 00:18:47: a specific answer is actually provide a range of values

00:18:47 --> 00:18:49: under different scenarios.

00:18:49 --> 00:18:51: So you get a bit of a view as to

00:18:51 --> 00:18:55: what is the envelope of potential impact under different circumstances

00:18:55 --> 00:18:58: and then where within that does your assets sit.

00:18:58 --> 00:19:01: And that gives the user the flexibility to test out

00:19:01 --> 00:19:05: their own scenarios while also having those kind of standardized

00:19:05 --> 00:19:06: scenarios as guideposts.

00:19:08 --> 00:19:10: The second point is that we're really trying to shift

00:19:10 --> 00:19:12: investment models and not valuation methods.

00:19:12 --> 00:19:16: So the transition risk assessment guidelines talked a lot about

00:19:16 --> 00:19:19: valuations and how they don't necessarily reflect transition risk, but

00:19:19 --> 00:19:22: that's because they fundamentally reflect market transactions.

00:19:22 --> 00:19:25: So if we want to shift how assets value, we

00:19:25 --> 00:19:28: need to shift the investment models that are generating those

00:19:28 --> 00:19:30: market transactions.

00:19:30 --> 00:19:33: So what we're really trying to do with preserve is

00:19:33 --> 00:19:36: influence investment decision making such that that manifests in market

00:19:37 --> 00:19:40: transactions and cascades through to valuations almost as a second

00:19:40 --> 00:19:41: derivative.

00:19:42 --> 00:19:46: And then in terms of assumptions, another key point is

00:19:46 --> 00:19:49: that the assumptions around how transition risks impact on discounted

00:19:50 --> 00:19:51: cash flows are very complicated.

00:19:51 --> 00:19:55: And we're talking about trying to forecast these assumptions are

00:19:55 --> 00:19:56: by 25 years.

00:19:56 --> 00:19:59: And the way that we've done that is combining both

00:19:59 --> 00:20:03: a comprehensive literature review of industry research and academic papers.

00:20:03 --> 00:20:06: And in that we reviewed more than 180 different reports

00:20:06 --> 00:20:09: ranging from the CBRE sustainability index all the way to

00:20:09 --> 00:20:12: academic papers published by universities.

00:20:13 --> 00:20:16: And we've also combined that with over 2500 data points.

00:20:17 --> 00:20:21: From workshops and surveys that we've gathered from property investment

00:20:21 --> 00:20:25: professionals about what the risk profile looks like going forward.

00:20:25 --> 00:20:29: And basically taking those two based both on existing

evidence,

00:20:29 --> 00:20:33: but also for projections by property investment professionals, we've been

00:20:33 --> 00:20:36: able to synthesize what we believe is a reasonably credible

00:20:37 --> 00:20:37: assumption set.

00:20:38 --> 00:20:39: We, we need to be clear that we are to

00:20:40 --> 00:20:42: some degree crystal ball gazing here, but it is probably

00:20:42 --> 00:20:46: the most robust assumption set that's been assembled and

00:20:46 --> 00:20:49: and

00:20:49 --> 00:20:49: the one that incorporates the available evidence and also

00:20:49 --> 00:20:52: forward

00:20:49 --> 00:20:52: thinking projections by the industry in so far as possible.

00:20:54 --> 00:20:57: So with that and all that contact set out, I'm

00:20:57 --> 00:21:00: very delighted to to show you the preserved prototypes.

00:21:00 --> 00:21:05: I'm going to stop sharing my screen here and I

00:21:05 --> 00:21:08: will re share the prototypes.

00:21:08 --> 00:21:09: So hopefully we can see this now.

00:21:13 --> 00:21:13: Yeah.

00:21:13 --> 00:21:14: And we can see OK.

00:21:15 --> 00:21:15: That's great.

00:21:16 --> 00:21:16: Thank you.

00:21:16 --> 00:21:20: OK, so this is Preserve version 1.58.

00:21:20 --> 00:21:25: So we're about, yeah, 58 versions in lots of iterations.

00:21:25 --> 00:21:27: But yeah, we're happy with where it's getting to.

00:21:27 --> 00:21:30: And indeed, throughout the pilot process it'll improve even

00:21:30 --> 00:21:31: from

00:21:30 --> 00:21:31: here.

00:21:31 --> 00:21:34: So I'll just go through module by module and kind

00:21:34 --> 00:21:36: of explain how the tool works and what makes it

00:21:36 --> 00:21:36: up.

00:21:36 --> 00:21:39: So we've got module 1A and, and I hadn't mentioned

00:21:39 --> 00:21:42: this previously, but we've built this tool out in Excel

00:21:42 --> 00:21:44: and that's for a number of reasons.

00:21:45 --> 00:21:48: First of all, there's a concern around data security.

00:21:48 --> 00:21:51: So a centralized kind of online platform is something that

00:21:51 --> 00:21:54: a lot of property investment professionals don't want to be

00:21:54 --> 00:21:56: uploading their financially sensitive data to.

00:21:56 --> 00:21:58: So that's a big concern.

00:21:58 --> 00:22:02: The second component is that the existing tools that are

00:22:02 --> 00:22:06: being used by industry, namely discounted cash flow models

00:22:06 --> 00:22:09: and

00:22:06 --> 00:22:09: tools like Argos and Excel and Cram, which is also

00:22:09 --> 00:22:13: in Excel, they're all Excel based or at least Excel

00:22:13 --> 00:22:13: interoperable.

00:22:14 --> 00:22:17: So if we want to integrate and function with those

00:22:17 --> 00:22:20: existing tools that are already within the ecosystem, we kind

00:22:20 --> 00:22:22: of naturally need to build this in Excel.

00:22:22 --> 00:22:24: So we built this out as an Excel workbook that

00:22:24 --> 00:22:27: kind of has plug and play functionality with both discounted

00:22:27 --> 00:22:29: cash flows and the Cram tool.

00:22:29 --> 00:22:30: And I'll talk a little bit about how we do

00:22:30 --> 00:22:31: that in a minute.

00:22:31 --> 00:22:34: But in the meantime, I just want to talk a

00:22:34 --> 00:22:36: little bit about Module 1A.

00:22:36 --> 00:22:40: So Module 1A is the introduction and really this is

00:22:40 --> 00:22:43: trying to provide a high level overview of key elements

00:22:44 --> 00:22:46: that are relevant to preserve.

00:22:46 --> 00:22:49: So what are transition risks and what can be quantified

00:22:49 --> 00:22:50: at this point?

00:22:51 --> 00:22:53: What is preserved and what is it trying to achieve?

00:22:53 --> 00:22:56: And also what are cram and decarbonization pathways?

00:22:56 --> 00:22:57: How do they work?

00:22:58 --> 00:23:00: We've tried to keep this very, very simple.

00:23:00 --> 00:23:03: So even if a property investment professional has very

00:23:03 --> 00:23:06: limited

00:23:07 --> 00:23:10: pre-existing knowledge of these areas, they can get kind of

00:23:10 --> 00:23:10: a high level overview sufficient that they can actually use

00:23:11 --> 00:23:13: the tool.

00:23:13 --> 00:23:15: And of course, if they want to know more, they

00:23:15 --> 00:23:16: can click through and and link through to the more

00:23:19 --> 00:23:21: detailed information.

00:23:21 --> 00:23:24: Module 1B is the user guide.

00:23:25 --> 00:23:28: So this is meant to be a very, very high

00:23:28 --> 00:23:29: level summary of how to use the tool.

00:23:29 --> 00:23:32: This is not meant to be detailed guide.

00:23:32 --> 00:23:36: It's sort of a hyper detailed step by step by

00:23:36 --> 00:23:39: step approach, but it's basically meant to just set out

00:23:39 --> 00:23:42: at a very high level what the user needs to

00:23:42 --> 00:23:45: do in order to make use of the tool and

00:23:46 --> 00:23:48: notes which steps are required at a bare minimum, what

00:23:48 --> 00:23:50: they need to do in each module in two to

00:23:51 --> 00:23:53: three sentences, no more than.

00:23:53 --> 00:23:55: And it basically walks you through step by step by

00:23:55 --> 00:23:56: step as to how to use the tool and what

00:23:55 --> 00:23:56: you get out of it.

00:23:57 --> 00:24:01: So this essentially provides just the high level overviews.

00:24:01 --> 00:24:04: You can understand the tool at a glance without having

00:24:04 --> 00:24:06: to go through A50 page technical Manual.

00:24:08 --> 00:24:11: And once you've gone through that, we then get into

00:24:11 --> 00:24:12: the DCF input tab.

00:24:12 --> 00:24:16: So this is where you entry your financial information.

00:24:17 --> 00:24:19: And the idea is that basically you can copy and

00:24:19 --> 00:24:22: paste values from your native discounted cash flow.

00:24:22 --> 00:24:26: So whether that's an Argus export or that's a proprietary

00:24:26 --> 00:24:30: custom designed in house Excel model, what you can do

00:24:30 --> 00:24:33: is you can copy and paste the relevant rows into

00:24:34 --> 00:24:37: preserve that align with these different line items.

00:24:37 --> 00:24:39: And these are typically pretty standard line items.

00:24:39 --> 00:24:43: Here at the top, you've got gross rental revenue, vacancy

00:24:43 --> 00:24:46: allowance, energy costs, net operating income.

00:24:46 --> 00:24:50: And then you can also for each year indicate whether

00:24:50 --> 00:24:53: or not you were planning to sell all of or

00:24:53 --> 00:24:54: part of the asset.

00:24:54 --> 00:24:56: So selling a stake in the asset and what kind

00:24:57 --> 00:24:59: of yield you're expecting to be applied to your NLY

00:24:59 --> 00:25:01: when you go to make that sale.

00:25:01 --> 00:25:04: So we've entered it for 2025, so we can establish

00:25:04 --> 00:25:07: the current valuation and then again, any years where we're

00:25:07 --> 00:25:08: selling the asset.

00:25:09 --> 00:25:13: So in this example, basically we've set out that the

00:25:13 --> 00:25:15: gross rental revenue is 700,000 per year.

00:25:16 --> 00:25:19: The vacancy allowance is assumed at 70,000.

00:25:19 --> 00:25:22: And for those who aren't familiar with vacancy allowance,

00:25:22 --> 00:25:25: that's

00:25:25 --> 00:25:26: essentially the opportunity cost of the voids that are in

00:25:26 --> 00:25:28: your building.

00:25:28 --> 00:25:30: So what revenue are you forgoing because of the vacancy

00:25:30 --> 00:25:33: that you're expecting?

00:25:33 --> 00:25:36: I've also got energy costs to the landlord, not necessarily

00:25:36 --> 00:25:38: to the tenant because we're really trying to model this

00:25:38 --> 00:25:42: for the from the landlord's perspective.

00:25:42 --> 00:25:46: And then finally, the net operating income after you deduct

00:25:46 --> 00:25:51: out all the other items like routine operations and

00:25:51 --> 00:25:54: security costs, cleaning, etcetera, anything that's hitting the

00:25:54 --> 00:25:56: landlord and

00:25:56 --> 00:25:58: reducing that NOI, then we have other input.

00:25:58 --> 00:25:59: And this is basically where the user can enter in

00:25:56 --> 00:25:58: certain parameters that might be relevant.

00:25:58 --> 00:26:01: So for instance, if you've got a single let building

00:26:01 --> 00:26:04: or a building that only has a couple of let's

00:26:04 --> 00:26:07: or a couple of tenants, the rent roll and their

00:26:07 --> 00:26:10: turnover is going to be really relevant to when the

00:26:10 --> 00:26:14: transition risks actually kick in and start hitting the cash

00:26:14 --> 00:26:14: flow.

00:26:14 --> 00:26:18: So for instance, in this particular example, 50% of the

00:26:18 --> 00:26:20: rent roll is turning over in 2028.

00:26:21 --> 00:26:23: So half the tenants are ending their leases and they

00:26:23 --> 00:26:26: are either will renew or new tenants will come in.

00:26:26 --> 00:26:28: You can of course change that to 10% a year

00:26:29 --> 00:26:31: if you want and you can see me just entering

00:26:31 --> 00:26:32: that in there.

00:26:32 --> 00:26:35: And then here we've got a larger void.

00:26:35 --> 00:26:37: So we can change that as we see fit.

00:26:38 --> 00:26:41: But that gives you essentially the ability to model out

00:26:41 --> 00:26:44: transition risk and how it impacts on your cash flow

00:26:44 --> 00:26:47: with respect to your leasing cycle because sometimes for

00:26:47 --> 00:26:50: assets

00:26:47 --> 00:26:50: with a smaller number of tenants that can be very

00:26:50 --> 00:26:50: relevant.

00:26:51 --> 00:26:53: And then below that, you can also enter in the

00:26:53 --> 00:26:54: carbon price.

00:26:54 --> 00:26:57: So kind of a house view on what the carbon

00:26:57 --> 00:26:58: price might be.

00:27:00 --> 00:27:03: 4th, we've got the maps penalty.

00:27:04 --> 00:27:10: So minimum energy performance standards are basically

00:27:10 --> 00:27:14: legal requirements that

00:27:10 --> 00:27:14: a building meets a certain standard with respect to energy

00:27:14 --> 00:27:16: efficiency or carbon emissions.

00:27:17 --> 00:27:20: Now these penalties are quite variable from country to

00:27:20 --> 00:27:24: country,

00:27:20 --> 00:27:24: and indeed MAPS penalties are actually being applied at the

00:27:24 --> 00:27:27: international, national, regional and even the municipal level.

00:27:28 --> 00:27:31: So you can actually have MAPS penalties layered on top

00:27:31 --> 00:27:32: of each other.

00:27:32 --> 00:27:37: There's also a lot of complexity around them because

00:27:32 --> 00:27:37: different

00:27:37 --> 00:27:41: maps penalties across Europe vary in terms of what they

00:27:41 --> 00:27:42: consider.

00:27:42 --> 00:27:47: So some maps minimum energy performance standards

00:27:42 --> 00:27:47: consider whether the

00:27:47 --> 00:27:50: asset is aligned with a 1.5?? pathway or not.

00:27:50 --> 00:27:53: Other ones look at Paris proof, other ones look at

00:27:53 --> 00:27:57: energy use intensity targets, others look at GHG intensity targets,

00:27:57 --> 00:28:00: and other ones are purely based on EPC ratings.

00:28:01 --> 00:28:03: And of course, even within EP CS, country to country,

00:28:03 --> 00:28:06: the EP CS are wildly different when you actually look

00:28:06 --> 00:28:07: at the actual energy performance.

00:28:07 --> 00:28:11: So trying to get that comparability between all the different

00:28:11 --> 00:28:15: maps and there are literally hundreds across Europe is very,

00:28:15 --> 00:28:16: very complicated.

00:28:16 --> 00:28:19: The other point is that the nature of the penalty

00:28:19 --> 00:28:22: and the magnitude of the penalty can be quite variable.

00:28:22 --> 00:28:26: So in certain jurisdictions, they might apply a fixed fine

00:28:26 --> 00:28:27: for a given asset.

00:28:27 --> 00:28:29: In other cases, they might say you can't let the

00:28:29 --> 00:28:32: asset out at all and all of your income goes

00:28:32 --> 00:28:32: away.

00:28:32 --> 00:28:35: In other cases, they're saying you can keep letting the

00:28:35 --> 00:28:38: asset, but you are not allowed to increase rents until

00:28:38 --> 00:28:40: you come into compliance.

00:28:40 --> 00:28:44: So because of that complexity and all these different factors

00:28:44 --> 00:28:48: and they're playing, you have literally thousands of different permutations

00:28:48 --> 00:28:51: and trying to come up with a single model that

00:28:51 --> 00:28:54: kind of quantifies those maps is, is quite challenging.

00:28:54 --> 00:28:57: So what we've essentially done here and we will discuss

00:28:57 --> 00:29:02: this in the workshop is we've essentially provided the opportunity

00:29:02 --> 00:29:05: for the user to define essentially a maps budget.

00:29:05 --> 00:29:09: So here they essentially define what they think the maps

00:29:09 --> 00:29:13: penalty might be if their asset happens to strand in

00:29:13 --> 00:29:13: any veneer.

00:29:14 --> 00:29:17: So you might say, and in this case we've basically

00:29:17 --> 00:29:21: said in 20-30, we are assuming that if the asset

00:29:21 --> 00:29:24: is stranded, we'll get hit with roughly a 20,000 LB

00:29:24 --> 00:29:28: penalty plus 10 up to 10% for net operating income.

00:29:29 --> 00:29:31: So that basically allows gives you a degree of flexibility

00:29:31 --> 00:29:32: in terms of how you represent it.

00:29:32 --> 00:29:34: Of course, you could just say that's going to be

00:29:34 --> 00:29:36: a fixed fine or on the converse you could say

00:29:36 --> 00:29:38: it's going to be a percentage of NOI.

00:29:39 --> 00:29:42: But ultimately that allows you to kind of take a



00:29:42 --> 00:29:45: house view on what the local policy considerations are and  
00:29:45 --> 00:29:48: come up with a budget formats if your asset happens  
00:29:48 --> 00:29:51: to strand and then that flows through later on.  
00:29:51 --> 00:29:55: I will say that this is not in my view  
00:29:55 --> 00:29:56: a an ideal solution.  
00:29:57 --> 00:30:01: We're trying to navigate a lot of complexity well, still  
00:30:01 --> 00:30:04: trying to maintain that kind of low learning curve.  
00:30:04 --> 00:30:07: And there are other ways to do this.  
00:30:07 --> 00:30:08: We'll discuss some of them.  
00:30:08 --> 00:30:10: I'm not convinced that this is the right way to  
00:30:10 --> 00:30:13: do it, and I'm very much looking forward to your  
00:30:13 --> 00:30:15: input on alternatives that we might be able to apply  
00:30:15 --> 00:30:16: in this context.  
00:30:17 --> 00:30:19: And then final item is the discount rates.  
00:30:19 --> 00:30:21: This is the discount that's being applied to the native  
00:30:21 --> 00:30:22: discount of cash flow.  
00:30:24 --> 00:30:26: I'll then move on to the CRAM input.  
00:30:26 --> 00:30:30: So one thing that's important to understand about Preserve is  
00:30:30 --> 00:30:33: that we've tried to align with CRAM wherever possible  
because  
00:30:33 --> 00:30:36: pretty much everybody we talked to is either using CRAM  
00:30:36 --> 00:30:38: or using a CRAM derivative.  
00:30:39 --> 00:30:41: So there's a fair amount of consensus and we don't  
00:30:41 --> 00:30:43: want to unpick that, we need to be want to  
00:30:43 --> 00:30:43: strengthen that.  
00:30:43 --> 00:30:47: So what we've done is essentially created a module here  
00:30:47 --> 00:30:51: where you can very simply copy and paste the back  
00:30:51 --> 00:30:55: end of a completed CRAM pathway straight into cell A1  
00:30:55 --> 00:30:57: and basically just paste values.  
00:30:57 --> 00:31:00: So it's about a three click operation to import all  
00:31:00 --> 00:31:04: of your CRAM information from your CRAM completed  
CRAM pathway  
00:31:04 --> 00:31:04: into Preserve.  
00:31:05 --> 00:31:07: And if you don't have a completed cram pathway, but  
00:31:07 --> 00:31:10: you're using a tool like measurable or deep key, for  
00:31:10 --> 00:31:13: instance, usually you can export that information and fill it  
00:31:13 --> 00:31:16: out fairly quickly, like within a, a matter of 10  
00:31:16 --> 00:31:19: to 15 minutes to, to get that information right format  
00:31:19 --> 00:31:20: and then bring it in.  
00:31:20 --> 00:31:23: So we've tried to keep this very, very straightforward.  
00:31:23 --> 00:31:25: So you're not going to manually reenter a lot of  
00:31:25 --> 00:31:27: information in a different format.

00:31:27 --> 00:31:29: It's basically just plug and play.

00:31:31 --> 00:31:34: So and I want to talk about scenarios because these

00:31:34 --> 00:31:37: are quite important to understanding how preserve works.

00:31:38 --> 00:31:40: One thing that we that I kind of touched on

00:31:40 --> 00:31:44: earlier is that we're trying to provide essentially a range

00:31:44 --> 00:31:47: of potential scenarios and and how transition risks might

00:31:47 --> 00:31:49: manifest

00:31:49 --> 00:31:54: under different circumstances.

00:31:54 --> 00:31:58: And ultimately, we have settled on four different scenarios

00:31:58 --> 00:32:02: with

00:32:02 --> 00:32:06: respect to the market related transition risks.

00:32:06 --> 00:32:11: So certain transition risks are related to market dynamics

00:32:11 --> 00:32:16: applying

00:32:16 --> 00:32:21: demand and these specifically relate to occupiers and

00:32:21 --> 00:32:23: investors.

00:32:23 --> 00:32:26: So with occupiers, the demand for net zero and also

00:32:26 --> 00:32:29: just the general availability of net zero and standard assets

00:32:29 --> 00:32:32: will influence both rental rates and vacancy rates depending

00:32:32 --> 00:32:36: on

00:32:36 --> 00:32:39: the supply demand dynamics.

00:32:40 --> 00:32:40: So for instance, if you're talking about Central London office

00:32:40 --> 00:32:43: where there's a lot of interest in net zero and

00:32:43 --> 00:32:44: there's not that many net 0 assets to go around

00:32:45 --> 00:32:50: and competition between landlords is very high, you

00:32:50 --> 00:32:54: generally see

00:32:54 --> 00:32:57: a rental premium and much higher rental discount for those

00:32:57 --> 00:32:59: brown assets.

00:32:59 --> 00:33:01: And you also see much higher vacancy rates and assets

00:33:01 --> 00:33:04: that aren't net 0.

00:33:04 --> 00:33:07: Conversely, if you're talking about residential assets in the

00:33:07 --> 00:33:10: Netherlands,

00:33:10 --> 00:33:13: for instance, even if tenants really care about net zero,

00:33:13 --> 00:33:14: the supply is so limited and so tight that they

00:33:14 --> 00:33:17: will kind of take what they can get.

00:33:17 --> 00:33:19: So even if they were willing to pay more for

00:33:19 --> 00:33:21: a net zero asset, they will just take what's available.

00:33:21 --> 00:33:23: And ultimately it doesn't factor into decision making.

00:33:23 --> 00:33:26: It doesn't factor into the rental rates or the vacancy.

00:33:26 --> 00:33:29: So that would be an example of a no impact

00:33:29 --> 00:33:31: scenario.

00:33:31 --> 00:33:34: On the converse, the London office sector would be an

00:33:34 --> 00:33:37: example of a high impact scenario.

00:33:37 --> 00:33:39: And we've also set out a low and medium impact

00:33:39 --> 00:33:42: scenario as kind of intermediate points.

00:33:24 --> 00:33:27: Now each of these scenarios is tied to a specific  
00:33:27 --> 00:33:31: assumption set, which I'll talk about in a minute.  
00:33:31 --> 00:33:35: But what we've essentially set out here is the ability  
00:33:35 --> 00:33:39: to model out the probability of any given scenario occurring.  
00:33:40 --> 00:33:43: Now there are default probabilities where we essentially just  
take  
00:33:43 --> 00:33:46: a straight line average and we say, OK, the probability  
00:33:46 --> 00:33:48: in any given year of you having a no, low,  
00:33:48 --> 00:33:51: medium, or high impact scenario is going to be 25%  
00:33:51 --> 00:33:52: each across the board.  
00:33:53 --> 00:33:55: There's a very simple reason for that.  
00:33:55 --> 00:33:58: We need some default values in order for the tool  
00:33:58 --> 00:34:03: to calculate our default scenarios and default transition risk  
outputs.  
00:34:04 --> 00:34:08: And really the probability of any of these given scenarios  
00:34:08 --> 00:34:12: happening is incredibly specific to the particular asset and  
where  
00:34:12 --> 00:34:16: it's located and the local supply demand dynamics.  
00:34:16 --> 00:34:19: Because it's so highly variable, we really can't take a  
00:34:19 --> 00:34:22: consistent unilateral view across Europe as to what the the  
00:34:22 --> 00:34:24: probability of those scenarios might be.  
00:34:25 --> 00:34:26: It's so, so localized.  
00:34:26 --> 00:34:30: So we basically just taking a straight line averages the  
00:34:30 --> 00:34:32: least worst option in terms of what we can put  
00:34:32 --> 00:34:33: here.  
00:34:34 --> 00:34:37: But the important bit, and this applies for everything  
throughout  
00:34:37 --> 00:34:40: the tool, is that the user has the option to  
00:34:40 --> 00:34:42: enter in their own custom probabilities.  
00:34:42 --> 00:34:44: And that's highlighted here in the blue.  
00:34:44 --> 00:34:48: So for example, if I'm a user and I say,  
00:34:48 --> 00:34:52: you know what, at the moment, there's really no impact  
00:34:53 --> 00:34:57: in terms of occupiers on rental rates and, and vacancy  
00:34:57 --> 00:34:59: rates at the moment.  
00:34:59 --> 00:35:01: So I'm going to change this to 100%.  
00:35:01 --> 00:35:02: We'll do 0.  
00:35:04 --> 00:35:07: I might say, I don't think it's actually gonna change  
00:35:07 --> 00:35:10: by 20-30, but by 2035, I might say, you know  
00:35:10 --> 00:35:13: what, I think there's a 75% chance.  
00:35:13 --> 00:35:15: It'll still be no impact, but there's a 25% chance  
00:35:15 --> 00:35:16: it might be low.  
00:35:18 --> 00:35:20: And of course, you can then do that for each  
00:35:20 --> 00:35:23: year and basically set out a probability so that you

00:35:23 --> 00:35:26: can create a probability waited discounted cash flow adjustment based

00:35:26 --> 00:35:30: on the probability of different scenarios occurring and the associated

00:35:30 --> 00:35:31: assumption sets.

00:35:32 --> 00:35:36: So on that point, moving on to the assumptions, we

00:35:36 --> 00:35:41: have essentially set out assumptions for a range of asset

00:35:41 --> 00:35:45: classes with respect to each of these scenarios.

00:35:45 --> 00:35:48: So for a no impact occupier scenario, you can see

00:35:48 --> 00:35:52: the assumptions set here in terms of adjustments to the

00:35:52 --> 00:35:53: rental rates.

00:35:53 --> 00:35:56: And as you'd expect, if there's no impact, the adjustments

00:35:56 --> 00:35:57: going to be 0%.

00:35:58 --> 00:36:02: But then when we start looking at low impact and

00:36:02 --> 00:36:06: if we're taking this example here in Office 2035, a

00:36:06 --> 00:36:10: low impact scenario would see a stranded asset rent out

00:36:10 --> 00:36:14: at a discount of 9.7% under a medium impact scenario

00:36:14 --> 00:36:18: in 2035 13.7 and 20% under a high impact scenario.

00:36:19 --> 00:36:22: Now again, I mentioned this at the beginning before I

00:36:22 --> 00:36:24: showed the demo, but these data points are based on

00:36:24 --> 00:36:25: two things.

00:36:25 --> 00:36:29: One is that exhaustive literature review we did of over

00:36:29 --> 00:36:33: 180 research reports and academic papers fused with the

00:36:33 --> 00:36:37: 2500

00:36:33 --> 00:36:37: plus data points we've received from workshops.

00:36:37 --> 00:36:39: And indeed, some of the outputs from and data points

00:36:39 --> 00:36:42: we'll be collecting later today will help inform these

00:36:42 --> 00:36:44: adjustment

00:36:42 --> 00:36:44: factors going forward.

00:36:44 --> 00:36:48: But we've done that for rental rate differentials, vacancy rate

00:36:48 --> 00:36:52: differentials and exedio differentials for two Asset 2 specific

00:36:52 --> 00:36:55: asset

00:36:52 --> 00:36:55: classes, which is office and residential.

00:36:56 --> 00:36:59: And we've also included an other category.

00:37:00 --> 00:37:03: Now the reason we've lumped all the other asset classes

00:37:03 --> 00:37:07: from retail to logistics to industrial into other is because

00:37:07 --> 00:37:12: the existing evidence in that kind of literature relating to

00:37:12 --> 00:37:14: these asset classes is extremely limited.

00:37:15 --> 00:37:18: Out of that 180 plus list of papers that we

00:37:18 --> 00:37:22: reviewed, I think less than 10 of them related to

00:37:22 --> 00:37:24: other asset classes.

00:37:25 --> 00:37:28: And ultimately we ended up reviewing them and kind of

00:37:28 --> 00:37:32: cross comparing them interest study and found that on

average

00:37:32 --> 00:37:36: the transition risks for these other asset classes were roughly

00:37:36 --> 00:37:38: 40% of that of office.

00:37:39 --> 00:37:41: But that's about all we have to go on because

00:37:41 --> 00:37:43: the existing evidence is very limited.

00:37:43 --> 00:37:45: So what we're really trying to do later on in

00:37:45 --> 00:37:48: the workshop is explore how do we actually model these

00:37:48 --> 00:37:51: out, what are the assumptions we can make around these

00:37:51 --> 00:37:53: other asset classes And if we are to differentiate and

00:37:53 --> 00:37:57: break these out into distinct asset classes, which ones

00:37:57 --> 00:37:57: should

00:37:57 --> 00:37:57: be prioritized.

00:37:58 --> 00:38:00: But right now, this is probably the least robust of

00:38:00 --> 00:38:03: the assumption sets and there's a massive health warning on

00:38:03 --> 00:38:03: it.

00:38:04 --> 00:38:06: And we're really hoping that over time we can build

00:38:06 --> 00:38:08: up a much more robust assumption set.

00:38:09 --> 00:38:12: Now as I mentioned, as with everything in this tool,

00:38:12 --> 00:38:15: you can of course add in your own custom assumptions

00:38:15 --> 00:38:17: for any given year under any given scenario for the

00:38:17 --> 00:38:19: different asset classes.

00:38:19 --> 00:38:22: So in this case, I'm kind of pre populated the

00:38:22 --> 00:38:26: tool with a series of custom assumptions and in the

00:38:26 --> 00:38:30: output you can kind of flick between different options and

00:38:30 --> 00:38:32: with that I will go to the output tab.

00:38:33 --> 00:38:36: So this is really where you get kind of the

00:38:36 --> 00:38:38: key highlights of the the adjustments.

00:38:38 --> 00:38:42: And basically what happens here is the DCF input tabs

00:38:42 --> 00:38:45: of all that baseline financial information that you put in

00:38:45 --> 00:38:49: is combined with CRAM, combined with the scenarios and

00:38:49 --> 00:38:54: combined

00:38:49 --> 00:38:54: with those adjustment factors, those assumptions around

00:38:54 --> 00:38:58: transition risk to

00:38:54 --> 00:38:58: calculate out the marginal adjustment on your base cash

00:38:58 --> 00:39:00: flow.

00:38:58 --> 00:39:00: So what we're not doing here is modeling out the

00:39:00 --> 00:39:03: full cash flow of the asset, but what we're actually

00:39:03 --> 00:39:05: looking at is what is the net change versus the

00:39:05 --> 00:39:06: base information that you entered.

00:39:07 --> 00:39:10: So we're just looking at the marginal changes due to

00:39:10 --> 00:39:13: transition risk and what it allows you to do up

00:39:13 --> 00:39:16: here at the top is test out different scenarios.

00:39:17 --> 00:39:18: So I'll just zoom in here so you can see

00:39:18 --> 00:39:19: a little bit better.

00:39:20 --> 00:39:24: So under the decarbonization scenario selection, you can essentially choose

00:39:25 --> 00:39:28: from between three different decarbonization scenarios.

00:39:28 --> 00:39:32: So 1 is a rolling 1.5?? alignment.

00:39:32 --> 00:39:35: What that means is that every year you are just

00:39:35 --> 00:39:39: investing the bare minimum needed to keep your asset in

00:39:39 --> 00:39:41: compliance with a 1.5?? pathway.

00:39:42 --> 00:39:44: And that's based on the CRAM curves and the marginal

00:39:44 --> 00:39:45: abatement cost of carbon.

00:39:45 --> 00:39:48: So this provides a bit of a CapEx estimate for

00:39:48 --> 00:39:52: how much it's going to cost to decarbonize an asset

00:39:52 --> 00:39:55: and maintain that decarb pathway.

00:39:55 --> 00:39:57: I will say it's based on the deep database.

00:39:57 --> 00:39:59: The data is a little bit out of date, but

00:40:00 --> 00:40:02: it nonetheless is a useful benchmark to give order of

00:40:02 --> 00:40:03: magnitude.

00:40:03 --> 00:40:06: It's not hyper detailed and of course, you don't actually

00:40:06 --> 00:40:07: retrofit an asset every year.

00:40:07 --> 00:40:11: But in terms of providing order of magnitude estimates and

00:40:11 --> 00:40:13: a bit of an indication as to what the CapEx

00:40:13 --> 00:40:16: could potentially be, it is quite a useful pathway and

00:40:16 --> 00:40:19: you can see how that impacts on transition risk.

00:40:20 --> 00:40:23: Now, if you actually have a detailed asset level audit

00:40:23 --> 00:40:25: and you actually have AD card plan, what you can

00:40:25 --> 00:40:28: also do is choose the single retrofit option.

00:40:28 --> 00:40:31: And in this case, what you're doing is entering the

00:40:31 --> 00:40:34: retrofit cost in a single intervention in your Creme pathway.

00:40:34 --> 00:40:37: So at the very right of the Creme input tab,

00:40:37 --> 00:40:40: it has a box for retrofit costs and expected emissions

00:40:41 --> 00:40:43: and and energy use intensity reduction.

00:40:44 --> 00:40:46: So if you plug that in and you select single

00:40:46 --> 00:40:49: retrofit here, that retrofit activity from your detailed asset plan

00:40:50 --> 00:40:52: will basically cascade all the way through and be pulled

00:40:53 --> 00:40:54: through into these financials.

00:40:55 --> 00:40:58: And the final option is do nothing, which basically sees

00:40:58 --> 00:41:00: you pay no D CARB CapEx at all and you

00:41:00 --> 00:41:03: see what the transition risk impacts are.

00:41:04 --> 00:41:06: And you can also test out a bunch of different

00:41:06 --> 00:41:09: configurations with respect to the other areas.

00:41:09 --> 00:41:12: So for occupier scenarios, for example, you can select no

00:41:12 --> 00:41:15: impact, in which case it's no impact across the board

00:41:15 --> 00:41:16: for every year.

00:41:17 --> 00:41:20: You can select low, medium, high impact across the board

00:41:20 --> 00:41:21: for every year.

00:41:21 --> 00:41:24: And then of course, you can take those probability weighted

00:41:24 --> 00:41:24: models.

00:41:25 --> 00:41:27: So you can do the defaults, which is a 25%

00:41:27 --> 00:41:31: weighting between the scenarios or indeed the customer probabilities that

00:41:31 --> 00:41:33: you've entered yourself.

00:41:34 --> 00:41:37: You can then also select whether or not you want

00:41:37 --> 00:41:41: the default adjustment factors or the custom assumptions that you've

00:41:41 --> 00:41:44: entered to be used for both the occupiers and investors.

00:41:44 --> 00:41:48: And finally, on the carbon emissions, you can select whether

00:41:48 --> 00:41:51: you choose the Creme based or customer carbon price and

00:41:51 --> 00:41:54: to which emissions the carbon emissions price applies.

00:41:54 --> 00:41:57: So is that all emissions, is that only excess emissions

00:41:57 --> 00:41:59: or do you not want to apply it at all?

00:42:01 --> 00:42:04: So this basically allows you to test out different scenarios.

00:42:04 --> 00:42:09: And what this does is it actually manifests itself in

00:42:09 --> 00:42:13: in a range of different in a range of different

00:42:13 --> 00:42:15: charts and and tables.

00:42:16 --> 00:42:19: So in this left box, what we have is the

00:42:19 --> 00:42:22: value at risk abatement to CapEx multiple.

00:42:22 --> 00:42:25: So what that means is if we do a present

00:42:25 --> 00:42:28: value of all the risks that have been abated by

00:42:28 --> 00:42:32: that CapEx expenditure under the chosen pathway, what is that

00:42:32 --> 00:42:33: multiple?

00:42:34 --> 00:42:38: So it's essentially basically just one over the other.

00:42:38 --> 00:42:42: So in this case, for example, for our selected pathway,

00:42:42 --> 00:42:46: which is that rolling 1.5?? alignment with on the basis

00:42:46 --> 00:42:50: of all these assumptions versus a do nothing pathway, we

00:42:51 --> 00:42:54: are abating for every euro of CapEx for spending, we

00:42:54 --> 00:42:58: are abating 8.6 euros worth of value at risk.

00:42:58 --> 00:43:01: And what we mean by value at risk is basically

00:43:01 --> 00:43:05: all the future adjustments, whether that's in terms of rental

00:43:05 --> 00:43:10: revenues, energy cost, vacancy allowance, Max penalties, carbon price, what

00:43:10 --> 00:43:13: is the present value of all those cash flows we

00:43:13 --> 00:43:14: bring all the way back.

00:43:14 --> 00:43:17: And then they say, OK, what's the multiple of that

00:43:17 --> 00:43:18: as a function of CapEx.

00:43:19 --> 00:43:23: So what you can see here is that by decarbonizing  
00:43:23 --> 00:43:26: at the low end, even if there is kind of  
00:43:26 --> 00:43:30: a no impact scenario just on the basis of carbon  
00:43:30 --> 00:43:34: pricing maps penalties and and and other other kind of  
00:43:34 --> 00:43:39: factors like energy costs for every euro you're spending in  
00:43:39 --> 00:43:43: a line with net zero, you're actually saving 7.4 euros  
00:43:43 --> 00:43:45: in terms of value.  
00:43:46 --> 00:43:49: So ultimately you have kind of a 7 times multiple  
00:43:49 --> 00:43:51: on that CapEx investment.  
00:43:51 --> 00:43:53: Of course, if you end up in one of those  
00:43:53 --> 00:43:55: scenarios where it's starting to hit your cash flow really  
00:43:55 --> 00:43:58: hard because occupiers and investors are really pushing it.  
00:43:58 --> 00:44:01: So when it's really influencing their decision making, that  
multiple  
00:44:01 --> 00:44:02: goes up to 76 in this scenario.  
00:44:03 --> 00:44:06: And this is just an illustrative example, but it basically  
00:44:06 --> 00:44:08: what it does, it gives you a heat map showing  
00:44:08 --> 00:44:12: under different situations rolling 1.5 realignment versus that  
single retrofit.  
00:44:13 --> 00:44:16: What is the multiple versus the do nothing pathway?  
00:44:17 --> 00:44:20: And then also have a net operating income adjustment by  
00:44:20 --> 00:44:21: year for the selected scenario.  
00:44:22 --> 00:44:24: So in this case, you can see how this impacts  
00:44:25 --> 00:44:26: under different scenarios.  
00:44:26 --> 00:44:29: And of course, naturally, the do nothing scenario is where  
00:44:29 --> 00:44:32: you start to see the most pronounced effects of transition  
00:44:32 --> 00:44:32: risk.  
00:44:34 --> 00:44:36: On the chart on the right, we set out the  
00:44:36 --> 00:44:39: cumulative value at risk for each of the standard scenarios  
00:44:39 --> 00:44:41: which are included down here.  
00:44:41 --> 00:44:43: And the one that's highly in orange is the 1  
00:44:43 --> 00:44:46: based on the assumptions that's selected up here.  
00:44:46 --> 00:44:50: So we can change from do nothing to high impact  
00:44:50 --> 00:44:55: and high impact and suddenly you'll start seeing that  
adjusted  
00:44:55 --> 00:44:59: or selected pathway be a lot more stark than it  
00:44:59 --> 00:45:00: was previously.  
00:45:02 --> 00:45:03: Below that, we've got scenario highlights.  
00:45:03 --> 00:45:07: So for each scenario, including both the user selection and  
00:45:07 --> 00:45:10: the standard scenarios, you see what the value at risk  
00:45:10 --> 00:45:11: potentially is.  
00:45:12 --> 00:45:15: So in this case, if we look at the user  
00:45:15 --> 00:45:19: selection under a rolling 1.5?? alignment, you can see that



00:45:19 --> 00:45:23: there's 0.69% of the assets value at risk and the

00:45:23 --> 00:45:27: net present value of all future cash flows relating to

00:45:27 --> 00:45:32: net sort of transition, whether that's CapEx, energy costs, increased

00:45:32 --> 00:45:34: or decreased vacancy, etcetera.

00:45:34 --> 00:45:38: It basically Nets out to ??70,000 in this particular case.

00:45:39 --> 00:45:41: And you can then see what it looks like under

00:45:41 --> 00:45:43: a range of different standard scenarios.

00:45:43 --> 00:45:46: So under a do nothing scenario, if there's all the

00:45:46 --> 00:45:49: scenarios are no impact, what does that look like?

00:45:49 --> 00:45:51: In that case it's 9%.

00:45:51 --> 00:45:54: So 9% of your value at risk is completely driven

00:45:54 --> 00:45:55: by non market factors.

00:45:55 --> 00:45:59: For instance, you can see that through all these different

00:45:59 --> 00:46:02: standardized scenarios all the way up to a rolling 1.5??

00:46:02 --> 00:46:03: alignment.

00:46:04 --> 00:46:07: And then finally, at the very bottom, we've got our

00:46:07 --> 00:46:10: DCF adjustment for the selected scenario.

00:46:10 --> 00:46:13: So based on what we've selected up here, this shows

00:46:13 --> 00:46:17: the marginal adjustment to each of the DCF line items.

00:46:17 --> 00:46:20: So you can see the adjustment to rental revenue, the

00:46:20 --> 00:46:25: adjustment to vacancy allowance, the adjustment to carbon price, energy

00:46:25 --> 00:46:28: costs, maps penalties, the overall NOI as well as the

00:46:28 --> 00:46:31: D CARB CapEx and any revenue you're getting from disposal

00:46:31 --> 00:46:33: or exit or sale of the asset.

00:46:34 --> 00:46:37: Ultimately that gives you a total adjustment and a net

00:46:37 --> 00:46:40: present value along with a value at risk.

00:46:40 --> 00:46:43: And that's essentially the net present value of all those

00:46:43 --> 00:46:46: transition risk related cash flows as a percentage of the

00:46:46 --> 00:46:47: assets value today.

00:46:48 --> 00:46:50: So that gives you kind of a life for like

00:46:50 --> 00:46:50: comparison.

00:46:52 --> 00:46:56: And with that, I will flip over to the workshop

00:46:56 --> 00:46:56: part.

00:46:56 --> 00:47:00: Sorry, I I appreciate that was a lot to take

00:47:00 --> 00:47:02: in a lot of a lot of components there.

00:47:03 --> 00:47:05: But I hope they gave you a good overview of

00:47:05 --> 00:47:07: what the tool does, how it works and the different

00:47:07 --> 00:47:08: features that are contained within it.

00:47:10 --> 00:47:11: OK.

00:47:11 --> 00:47:24: So I'll stop sharing my screen here and now we

00:47:24 --> 00:47:33: will go over to Menti Meter.

00:47:35 --> 00:47:37: So can everybody see that?

00:47:37 --> 00:47:37: OK.

00:47:40 --> 00:47:41: Yes, we can see that.

00:47:43 --> 00:47:43: OK.

00:47:43 --> 00:47:47: So following on from that, that kind of review of

00:47:47 --> 00:47:50: the prototype, what we really want to do is kind

00:47:50 --> 00:47:53: of get into a bit of a workshop to get

00:47:53 --> 00:47:55: some feedback and also some new ideas.

00:47:56 --> 00:47:59: So we'll be going through a series of questions and

00:47:59 --> 00:48:02: I'll kind of touch on different topics, but we've structured

00:48:02 --> 00:48:04: them to look at each individual module.

00:48:04 --> 00:48:07: Some of the questions are relatively straightforward, other ones a

00:48:07 --> 00:48:10: little bit more complex and might need some more subject

00:48:10 --> 00:48:13: matter, But we'll initially start off with just kind of

00:48:13 --> 00:48:15: a bit of an intro so we can kind of

00:48:15 --> 00:48:17: understand the composition of who's joined us today.

00:48:18 --> 00:48:21: For those who haven't used mentee before, you can just

00:48:21 --> 00:48:23: go to mentee.com and then you basically type in that

00:48:24 --> 00:48:25: code there at the top of the screen.

00:48:26 --> 00:48:29: Often it's uses just easiest just to use your phone,

00:48:29 --> 00:48:31: but you can also use it on your computer as

00:48:31 --> 00:48:32: well.

00:48:33 --> 00:48:36: So first of all, I'm going to ask everybody where

00:48:36 --> 00:48:38: they work and you can put a pin on the

00:48:38 --> 00:48:39: map if this works correctly.

00:48:41 --> 00:48:43: I will admit this is the first time I've used

00:48:43 --> 00:48:45: this function, but we'll see where we where we end

00:48:45 --> 00:48:45: up.

00:49:22 --> 00:49:23: OK.

00:49:23 --> 00:49:25: So we got nice geographical next, which is good.

00:49:25 --> 00:49:27: And then the next one is what are your, what

00:49:28 --> 00:49:29: is your technical discipline?

00:49:29 --> 00:49:31: We'll see see what kind of split we've got today.

00:49:52 --> 00:49:54: A lot of sustainability geeks here today.

00:49:56 --> 00:49:57: Don't worry, I'm 1-2.

00:49:57 --> 00:49:57: It's all good.

00:49:58 --> 00:49:59: Perfect.

00:49:59 --> 00:50:00: OK, well, thank you.

00:50:02 --> 00:50:04: Alright, so now we're going to get the feedback on

00:50:04 --> 00:50:06: the specific modules.

00:50:06 --> 00:50:09: So I'm going to just go through and talk a  
00:50:09 --> 00:50:12: little bit about each of the topics.  
00:50:12 --> 00:50:15: So first of all, we obviously went through Module 1A  
00:50:16 --> 00:50:20: and that basically provides basic background info on  
Seachange, Preserve  
00:50:20 --> 00:50:21: and Cram.  
00:50:21 --> 00:50:25: So are there any other areas that you think we  
00:50:25 --> 00:50:29: need to cover in that very basic user guide or  
00:50:29 --> 00:50:31: intro page if you will?  
00:50:59 --> 00:51:06: New taxonomy, OK, CSRD, so kind of the reporting  
requirements,  
00:51:06 --> 00:51:07: yeah.  
00:51:12 --> 00:51:14: Limitations, yeah, that's a good point.  
00:51:16 --> 00:51:22: Yeah, to that question.  
00:51:22 --> 00:51:26: It's designed for fund managers, so, so property investment  
professionals  
00:51:26 --> 00:51:26: primarily.  
00:51:26 --> 00:51:28: That being said, a lot of them do get help  
00:51:28 --> 00:51:31: and kind of engage with the ESG teams, but generally  
00:51:31 --> 00:51:33: it's kind of the the asset investment managers.  
00:51:49 --> 00:51:51: OK, that's a couple of a couple of really good  
00:51:51 --> 00:51:51: responses.  
00:51:52 --> 00:51:52: So thank you.  
00:51:52 --> 00:51:53: Couple of good ideas there.  
00:51:55 --> 00:51:57: To answer a couple of questions there, there is no  
00:51:57 --> 00:51:59: coverage of physical risks in this tool.  
00:52:00 --> 00:52:03: We're really just focusing on the transition risks that hit  
00:52:03 --> 00:52:06: financials rather than the actual physical impacts of climate  
change.  
00:52:08 --> 00:52:11: I would love to incorporate physical risks, but I think  
00:52:11 --> 00:52:13: that's that's another another step.  
00:52:13 --> 00:52:15: Can I just jump in here, Derek?  
00:52:15 --> 00:52:18: So yeah, physical risk, it's very much on our minds.  
00:52:18 --> 00:52:20: And we do know that, you know, it is a  
00:52:20 --> 00:52:21: limitation.  
00:52:22 --> 00:52:24: It's just finding the best way to address it.  
00:52:24 --> 00:52:27: So it's on our mind, but we're starting with transition  
00:52:27 --> 00:52:30: risk only, but ideally in the future physical risk could  
00:52:30 --> 00:52:31: feature as well.  
00:52:33 --> 00:52:34: So I'll move on.  
00:52:34 --> 00:52:37: Thank you for all your responses to Module 1B.  
00:52:37 --> 00:52:40: So that's that very high level user guide.  
00:52:40 --> 00:52:43: So just those kind of like 8 bullet points, two

00:52:43 --> 00:52:44: to three sentences.

00:52:44 --> 00:52:46: And of course there is more detailed guides that you

00:52:46 --> 00:52:47: will have seen on each tab.

00:52:48 --> 00:52:51: But we wanted to try and keep it simple.

00:52:51 --> 00:52:53: I mean, what do you, what do you think of

00:52:53 --> 00:52:53: Module 1B?

00:52:53 --> 00:52:56: Does it need to be need to be more detailed?

00:53:17 --> 00:53:18: OK.

00:53:18 --> 00:53:20: So it sounds like we could probably provide a little

00:53:20 --> 00:53:21: bit of supplementary information.

00:53:21 --> 00:53:23: I mean we can maybe just add a column for

00:53:23 --> 00:53:24: kind of sub points.

00:53:25 --> 00:53:26: But yeah, that's that's really helpful feedback.

00:53:26 --> 00:53:28: So we'll look to to build that out a little

00:53:29 --> 00:53:29: bit more.

00:53:30 --> 00:53:31: Thank you.

00:53:32 --> 00:53:34: Alright, so we will go on to the next one.

00:53:35 --> 00:53:39: So that was fairly straightforward obviously, but we'll get into

00:53:39 --> 00:53:40: the Module 2 input.

00:53:42 --> 00:53:45: So we've already started testing this out with a couple

00:53:45 --> 00:53:48: of preserved pioneers and they reported that it takes around

00:53:48 --> 00:53:51: 30 minutes to complete Module 2 for one asset and

00:53:51 --> 00:53:53: generate those first results.

00:53:53 --> 00:53:55: So what do you think of that kind of lift?

00:53:56 --> 00:53:57: Is that a good balance?

00:53:57 --> 00:53:59: Do we need to make it more intensive and robust?

00:53:59 --> 00:54:01: Do we need to make it simpler and faster?

00:54:15 --> 00:54:15: OK.

00:54:15 --> 00:54:18: So it sounds like we've pretty much struck the right

00:54:18 --> 00:54:18: balance.

00:54:20 --> 00:54:22: I expect that as we elaborate on the model and

00:54:22 --> 00:54:25: build out additional functions at that time and requirements

00:54:25 --> 00:54:26: going

00:54:26 --> 00:54:29: to increase.

00:54:26 --> 00:54:29: So there was three that are over there.

00:54:29 --> 00:54:33: I will say don't worry, I'm sure your concerns will

00:54:33 --> 00:54:34: be addressed.

00:54:34 --> 00:54:36: But yeah, we'll get on to that.

00:54:36 --> 00:54:37: So thank you very much for that feedback.

00:54:39 --> 00:54:40: So I'll move on to the next one.

00:54:40 --> 00:54:43: So Module 2A allows the user to enter their base

00:54:43 --> 00:54:46: DCF data and other relevant financial assumptions.

00:54:47 --> 00:54:50: In that tab, what would you change or add, if  
00:54:50 --> 00:54:51: anything?  
00:54:51 --> 00:54:53: Is there any kind of key items that you think  
00:54:53 --> 00:54:55: need to be changed or added or deleted for that  
00:54:56 --> 00:54:56: matter?  
00:55:19 --> 00:55:23: Interesting point on insurance costs because we've had a  
few  
00:55:23 --> 00:55:26: chat chats around how that could be 1 manifestation of  
00:55:26 --> 00:55:30: the cost of physical risk, which, you know, requires further  
00:55:30 --> 00:55:30: thought.  
00:55:30 --> 00:55:32: But yeah, an interesting thought.  
00:55:32 --> 00:55:32: Thank you.  
00:56:02 --> 00:56:02: Yeah.  
00:56:02 --> 00:56:04: So some really good, really good suggestions here.  
00:56:04 --> 00:56:07: I mean, insurance is definitely one that we want to  
00:56:07 --> 00:56:09: kind of look at and explore.  
00:56:09 --> 00:56:12: I mean, it, there's a good debate as to whether  
00:56:12 --> 00:56:16: or not you categorize that as a transition risk or  
00:56:16 --> 00:56:19: a physical risk, because when we talk about the net  
00:56:19 --> 00:56:24: zero transition, strictly speaking, climate impacts are kind of  
deep,  
00:56:24 --> 00:56:28: at least at the global skill decoupled from, you know,  
00:56:28 --> 00:56:31: the, the net zero status of an individual asset.  
00:56:34 --> 00:56:36: But yeah, something we want to look at.  
00:56:36 --> 00:56:37: I mean, the explanatory notes that make sense.  
00:56:37 --> 00:56:40: I mean, we're, we're planning to add like in line  
00:56:40 --> 00:56:42: comments just like pop up bubbles so that you can  
00:56:42 --> 00:56:43: check for their detail.  
00:56:45 --> 00:56:47: Clarifications on maps is really, really useful.  
00:56:47 --> 00:56:49: More data related to valuation.  
00:56:49 --> 00:56:50: Yeah, that's a good one.  
00:56:52 --> 00:56:55: Influence sustainability explanation of the different maps.  
00:56:55 --> 00:56:55: Yeah.  
00:56:56 --> 00:57:01: Tenant influence, green lease, utility bill construct, yeah,  
think with  
00:57:01 --> 00:57:02: existing DCF.  
00:57:04 --> 00:57:07: So generally speaking at the moment 'cause we'll touch on  
00:57:07 --> 00:57:10: this in a in a couple of questions down the  
00:57:10 --> 00:57:10: road.  
00:57:10 --> 00:57:13: But currently it is up to the user to figure  
00:57:13 --> 00:57:16: out what maps applied to them in their particular jurisdiction,  
00:57:16 --> 00:57:19: that particular asset and make an estimate of what those  
00:57:20 --> 00:57:22: might cost if their assets strands.

00:57:22 --> 00:57:24: So that's on the user, which is a bit onerous,  
00:57:25 --> 00:57:27: but we really struggled to come up with kind of  
00:57:28 --> 00:57:32: a consistent unified model that would assess that, especially  
given  
00:57:32 --> 00:57:35: how much legislation in this area is changing.  
00:57:35 --> 00:57:39: Trying to keep that updated would be, you know, massive  
00:57:39 --> 00:57:40: project onto itself.  
00:57:41 --> 00:57:44: So it's the on the user to update the maps  
00:57:45 --> 00:57:47: as legislation changes.  
00:57:50 --> 00:57:51: Perfect.  
00:57:51 --> 00:57:52: So I'll move on to the next one.  
00:57:53 --> 00:57:55: So this is on Module 2B.  
00:57:55 --> 00:57:58: So the idea as I mentioned was really try to  
00:57:58 --> 00:58:00: keep the interface with CRAM simple.  
00:58:00 --> 00:58:03: So it's a, you know, kind of three click operation,  
00:58:03 --> 00:58:05: copy and paste of the CRAM back end.  
00:58:06 --> 00:58:09: But do we need an alternative to CRAM for D  
00:58:09 --> 00:58:10: carb data input?  
00:58:10 --> 00:58:13: And if so, how important do you think this is?  
00:58:44 --> 00:58:45: That's quite interesting.  
00:58:45 --> 00:58:48: I mean, we've got the majority saying no, stick with  
00:58:48 --> 00:58:51: Crown, but we've got a a decent chunk saying it's  
00:58:51 --> 00:58:52: important and one in the middle.  
00:58:58 --> 00:59:01: This is something we're not currently looking at incorporating  
into  
00:59:01 --> 00:59:04: the the base prototype, but it's certainly could have been  
00:59:04 --> 00:59:07: an option or a feature that we're very actively considering  
00:59:07 --> 00:59:09: for the beta version.  
00:59:09 --> 00:59:12: So this is really helpful information for us to figure  
00:59:12 --> 00:59:13: out what to focus on.  
00:59:14 --> 00:59:17: And we'll also talk about, you know, what to focus  
00:59:17 --> 00:59:19: on in, in other areas in some of the other  
00:59:19 --> 00:59:19: questions.  
00:59:19 --> 00:59:21: So thank you very much for that, for that very  
00:59:21 --> 00:59:22: valuable feedback.  
00:59:25 --> 00:59:29: If we were to create an alternative decarbonization input,  
what  
00:59:29 --> 00:59:30: should that look like?  
00:59:31 --> 00:59:34: So I appreciate what most people said, we should just  
00:59:34 --> 00:59:35: stick with cram.  
00:59:35 --> 00:59:37: But if we do decide to create an alternative input,  
00:59:37 --> 00:59:38: what should that look like?  
00:59:38 --> 00:59:43: Should it be super simple, should it be incredibly robust

00:59:43 --> 00:59:48: and complicated and technical and you know cram squared in

00:59:48 --> 00:59:53: terms of sophistication, better data on cost versus decarbon impact?

00:59:53 --> 00:59:59: Yeah, that's the ideal for sure.

01:00:00 --> 01:00:05: I mean cost on like CapEx cost for the car

01:00:05 --> 01:00:07: better or well?

01:00:07 --> 01:00:13: In terms of open source and kind of freely available

01:00:13 --> 01:00:18: data, it's very limited, way more simple and easier to

01:00:18 --> 01:00:19: apply.

01:00:23 --> 01:00:25: If I could die if anybody kind of agrees with

01:00:25 --> 01:00:28: that cause we've heard that feedback like consistently like come

01:00:28 --> 01:00:30: up with an even easier version.

01:00:30 --> 01:00:32: That's not 'cause if if you've got a certain level

01:00:32 --> 01:00:34: of maturity, you'll be using crap anyway.

01:00:34 --> 01:00:36: So for those that don't have a pathway, keep it

01:00:36 --> 01:00:37: super simple.

01:00:40 --> 01:00:41: It's kind of the feedback we've received in the past.

01:00:41 --> 01:00:45: Consider data collected through yeah and Rev yeah.

01:00:51 --> 01:00:52: Detailed decar plan.

01:00:53 --> 01:00:55: Streamlined version of CRAM outputs.

01:00:55 --> 01:00:58: Alternative emission factor pathways.

01:00:58 --> 01:00:59: CRAM V2.

01:00:59 --> 01:01:00: Building energy.

01:01:14 --> 01:01:25: Yeah, embodied and operational carbon, Yeah, that's too complicated.

01:01:28 --> 01:01:28: Yeah.

01:01:28 --> 01:01:30: So some really, really interesting points there.

01:01:31 --> 01:01:33: Carbon budgets, a good one.

01:01:34 --> 01:01:37: Perfect, incredibly helpful.

01:01:37 --> 01:01:37: Thank you.

01:01:37 --> 01:01:40: And I, we will look to share this link after

01:01:40 --> 01:01:41: the webinar along with the link.

01:01:42 --> 01:01:44: So if you want to come back and review the

01:01:44 --> 01:01:46: responses or add your own at a later date, you

01:01:46 --> 01:01:48: should be able to do that.

01:01:48 --> 01:01:49: So thank you very much.

01:01:51 --> 01:01:55: All right, so I'm going to move on to Module

01:01:55 --> 01:01:56: 3A scenarios.

01:01:58 --> 01:02:01: So we've incorporated 4 scenarios ranging from no impact to

01:02:01 --> 01:02:02: high impact.

01:02:02 --> 01:02:03: So what do you think of that?

01:02:04 --> 01:02:06: I mean, we've had feedback that 4 is the right  
01:02:06 --> 01:02:08: number in the past, but we want to understand what  
01:02:08 --> 01:02:11: this group's view is now that they're actually going to  
01:02:11 --> 01:02:11: build out.  
01:02:26 --> 01:02:26: OK.  
01:02:26 --> 01:02:29: So it generally looks like, I mean we can maybe  
01:02:29 --> 01:02:34: consider streamlining it a little bit, maybe cutting it down  
01:02:34 --> 01:02:37: to three, but going up in terms of the number  
01:02:37 --> 01:02:41: of number of scenarios, probably not 01 person wants  
additional  
01:02:41 --> 01:02:42: scenarios.  
01:02:44 --> 01:02:45: OK, that's very helpful.  
01:02:45 --> 01:02:46: Thank you.  
01:02:47 --> 01:02:48: OK.  
01:02:48 --> 01:02:50: So this this is going to be the big one  
01:02:50 --> 01:02:53: of the big questions of today, which is our approach  
01:02:53 --> 01:02:56: to maps allows for users to set a maps budget  
01:02:56 --> 01:02:59: which flows through when the asset is stranded.  
01:02:59 --> 01:03:03: So basically they say this is how much maps I  
01:03:03 --> 01:03:06: expect if the asset is stranded in any given year  
01:03:06 --> 01:03:09: as a function of a fixed cost and or a  
01:03:09 --> 01:03:13: percentage of NOI, how appropriate is that approach?  
01:03:54 --> 01:03:54: OK.  
01:03:54 --> 01:03:57: So yeah, I mean it, it sounds like it's not  
01:03:57 --> 01:04:01: a terrible approach, but there's definitely or there's there's  
room  
01:04:01 --> 01:04:04: for improvement in the view of most, which is a  
01:04:04 --> 01:04:06: position I can tend to agree with.  
01:04:09 --> 01:04:12: So I'm very interested to get a view on the  
01:04:12 --> 01:04:13: proposed alternative.  
01:04:14 --> 01:04:17: And the point that's been highlighted is that the scenario  
01:04:17 --> 01:04:19: analysis that we have where we present a range of  
01:04:19 --> 01:04:23: different scenarios for occupiers and investors, we can apply  
the  
01:04:23 --> 01:04:26: same principle to the regulatory landscape because that is  
going  
01:04:26 --> 01:04:26: to change.  
01:04:27 --> 01:04:30: So could we set out a range of map scenarios  
01:04:30 --> 01:04:33: which say you can have a no map scenario all  
01:04:33 --> 01:04:37: the way up to a high map scenario which essentially  
01:04:37 --> 01:04:41: scans Europe for what does a really intensive maps regime  
01:04:41 --> 01:04:42: look like?  
01:04:42 --> 01:04:45: What does a, Well, a non existent one would be



01:04:45 --> 01:04:48: non existent and set out a couple of benchmarks and

01:04:48 --> 01:04:51: bear in mind that if we do that, you can

01:04:51 --> 01:04:55: still of course enter in your own custom maps scenario.

01:04:55 --> 01:04:57: So you can say I know exactly what my maps

01:04:57 --> 01:04:57: are going to be.

01:04:57 --> 01:05:00: This is what they are and you can enter that

01:05:00 --> 01:05:04: in as a custom, but for the comparability element

standardization

01:05:04 --> 01:05:06: element, you still have that custom option.

01:05:23 --> 01:05:26: OK, so it sounds like it's a good solution.

01:05:31 --> 01:05:32: I would like to, I don't know if we can

01:05:33 --> 01:05:33: do this.

01:05:34 --> 01:05:38: Alex, are you able to do a vote on the

01:05:38 --> 01:05:39: on the webinar?

01:05:43 --> 01:05:44: Good question.

01:05:44 --> 01:05:45: Let me have a look.

01:05:50 --> 01:05:52: Yes, I think I could do a poll.

01:05:52 --> 01:05:55: OK, Yeah, if you could do a, if you could

01:05:55 --> 01:05:59: just do a quick poll voting for this option or

01:05:59 --> 01:06:03: the previous option, that would be super helpful cause both

01:06:03 --> 01:06:06: of them kind of came out on the good end

01:06:06 --> 01:06:07: of the spectrum.

01:06:07 --> 01:06:08: I wasn't expecting that.

01:06:08 --> 01:06:14: So perfect.

01:06:15 --> 01:06:17: And we can do that a little bit later, but

01:06:17 --> 01:06:18: that's, that's very helpful.

01:06:18 --> 01:06:18: Thank you.

01:06:19 --> 01:06:22: So I'd like to move on to module 3B, which

01:06:22 --> 01:06:25: is which is the assumptions and we've got a bit

01:06:25 --> 01:06:28: more to get through here, so I'm going to move

01:06:28 --> 01:06:29: a little bit faster.

01:06:30 --> 01:06:33: But we have based our assumptions on a hybrid of

01:06:33 --> 01:06:37: existing evidence and literature and forward-looking survey

and workshop data.

01:06:38 --> 01:06:39: Do you think this is the right approach?

01:07:03 --> 01:07:03: OK.

01:07:03 --> 01:07:06: So by and large, we're happy with the approach.

01:07:08 --> 01:07:11: Now how do we set transition risk assumptions for other

01:07:11 --> 01:07:14: asset classes where the evidence is lacking?

01:07:14 --> 01:07:17: So for instance, if we're looking at industrial, we can't

01:07:18 --> 01:07:21: really rely on existing evidence and combine that with survey

01:07:21 --> 01:07:24: data because there is no existing evidence really.

01:07:26 --> 01:07:29: Just to say, Derek, I just launched the MET solution

01:07:29 --> 01:07:29: pool.

01:07:30 --> 01:07:30: Thank you.

01:07:30 --> 01:07:31: I see that.

01:07:32 --> 01:07:35: Sorry people are are answering 2 questions at the same

01:07:35 --> 01:07:38: time I think, so maybe we can leave it a

01:07:38 --> 01:07:39: little bit longer.

01:07:41 --> 01:07:44: So, yeah, when, when it when we talk about the

01:07:44 --> 01:07:48: transition risk assumptions for other asset classes, we've

we've got

01:07:48 --> 01:07:51: kind of two options that we foresee, which is to

01:07:51 --> 01:07:52: model it as a function.

01:07:52 --> 01:07:57: So for example, if the existing evidence says that transition

01:07:57 --> 01:08:01: risks broadly speaking or about 41% of that of office

01:08:01 --> 01:08:04: in other areas, we can model it as 40% of

01:08:04 --> 01:08:06: the office assumption set.

01:08:06 --> 01:08:08: We could also do a survey.

01:08:08 --> 01:08:10: We could combine those two approaches or we could just

01:08:10 --> 01:08:12: say, you know what, we're going to exclude these assets

01:08:12 --> 01:08:15: from preserve until the evidence is in, although we could

01:08:15 --> 01:08:16: be waiting a very long time for that.

01:08:21 --> 01:08:24: So it sounds like the OR looks like the the

01:08:24 --> 01:08:27: kind of hybrid option is is the preferred one and

01:08:27 --> 01:08:30: the industry survey would probably be viewed as a bit

01:08:30 --> 01:08:32: more credible than just purely as a function of the

01:08:32 --> 01:08:34: office and resi data.

01:08:37 --> 01:08:40: And some want to see the evidence first, which I

01:08:40 --> 01:08:41: can understand and appreciate.

01:08:41 --> 01:08:48: Certainly that's very helpful.

01:08:48 --> 01:08:49: Thank you.

01:08:49 --> 01:08:51: All right.

01:08:53 --> 01:08:56: Just to say I'm going to keep that map solution

01:08:56 --> 01:09:00: poll open for maybe 20 more seconds and then it's

01:09:00 --> 01:09:03: it looks like map scenarios are are winning.

01:09:04 --> 01:09:09: 76% of of respondents think that's the better solution.

01:09:10 --> 01:09:13: I mean, the truth is we could actually there, there

01:09:13 --> 01:09:16: could be a both option strictly speaking.

01:09:16 --> 01:09:18: And if we have the customization, it kind of effectively

01:09:18 --> 01:09:18: is both.

01:09:19 --> 01:09:20: So.

01:09:21 --> 01:09:21: Yeah.

01:09:21 --> 01:09:22: Yeah, that's, that's helpful.

01:09:23 --> 01:09:23: Oh, for guidance.

01:09:23 --> 01:09:23: Thank you.

01:09:25 --> 01:09:29: So moving on to this one, this is a bit

01:09:29 --> 01:09:32: of a, so you know on the basis that we

01:09:32 --> 01:09:38: are modelling other asset classes as a function of office

01:09:38 --> 01:09:40: transition risk.

01:09:40 --> 01:09:42: So we might say that you know, industrial is facing

01:09:42 --> 01:09:44: half the transition risk of office.

01:09:44 --> 01:09:47: What do you think that's going to sit at?

01:09:57 --> 01:09:59: And I appreciate this is a difficult question to answer.

01:09:59 --> 01:10:02: I mean, we are we are trying to take a

01:10:02 --> 01:10:06: view on a question that we as an industry don't

01:10:06 --> 01:10:08: really have the answer to.

01:10:08 --> 01:10:11: But the hope is that if we get enough data

01:10:11 --> 01:10:14: points, we can at least get some assumptions that represent

01:10:14 --> 01:10:17: a middle ground of what the industry currently views.

01:10:17 --> 01:10:21: So every every response is very helpful.

01:10:48 --> 01:10:49: So that's great.

01:10:49 --> 01:10:49: Thank you.

01:10:51 --> 01:10:52: So I'm going to move on to the next one.

01:10:53 --> 01:10:56: So if we do assume that other asset classes will

01:10:56 --> 01:11:01: eventually see the same transition risk impacts as the office

01:11:01 --> 01:11:04: sector today, how many years is that going to take?

01:11:07 --> 01:11:11: So for example, you know, we're starting to see green

01:11:11 --> 01:11:16: certifications like Energy Star Bream that sort of thing impact

01:11:16 --> 01:11:21: on valuations of residential assets particularly like built to rent

01:11:21 --> 01:11:23: and that sort of thing.

01:11:24 --> 01:11:26: But it is lagging way behind office.

01:11:26 --> 01:11:29: And we're only start, we've only in the last couple

01:11:29 --> 01:11:32: years started to see that manifest, whereas Office obviously

01:11:32 --> 01:11:34: was

01:11:32 --> 01:11:34: a lot earlier kind of asking if we take the

01:11:34 --> 01:11:37: same approach and assume the same for the other asset

01:11:37 --> 01:11:39: classes, how far down the line?

01:11:53 --> 01:11:57: See, I mean, generally speaking for the, it looks like

01:11:57 --> 01:12:01: for the same level of transition impact, we're looking at

01:12:01 --> 01:12:04: a decade plus at least with High Street, High Street

01:12:04 --> 01:12:08: retail kind of seeing the longest, longest tail.

01:12:14 --> 01:12:21: Annette, great.

01:12:21 --> 01:12:22: Thank you.

01:12:23 --> 01:12:26: So if we're going to add other asset classes to

01:12:26 --> 01:12:29: preserve like distinct asset classes, which ones would you

01:12:29 --> 01:12:30: want  
 01:13:17 --> 01:13:18: to see prioritized?  
 01:13:20 --> 01:13:25: Thank you.  
 01:13:25 --> 01:13:29: So between 2025 and 2050, how will the following transition  
 01:13:29 --> 01:13:31: risks evolve in magnitude for other assets?  
 01:13:31 --> 01:13:32: So these are any assets other than non office and  
 01:13:34 --> 01:13:38: resi.  
 01:13:38 --> 01:13:39: So are they going to stay the same as today?  
 01:13:39 --> 01:13:42: Are they going to double?  
 01:13:42 --> 01:13:44: Are they going to triple or more or are they  
 01:14:44 --> 01:14:44: going to going to drop to 0 by 2050?  
 01:14:44 --> 01:14:48: Right.  
 01:14:48 --> 01:14:52: I'm going to leave it there and a final question  
 01:14:52 --> 01:14:53: and then we will switch over to wrapping up and  
 01:14:54 --> 01:14:57: a brief Q&A.  
 01:14:57 --> 01:14:59: How would you rate the dashboard in the following areas?  
 01:14:59 --> 01:15:02: So intuitiveness, so how intuitive is it?  
 01:15:04 --> 01:15:09: How useful and insightful is it?  
 01:15:09 --> 01:15:11: How well does it balance the need or balance complexity?  
 01:15:11 --> 01:15:11: And what I mean by that is, is it too  
 01:15:11 --> 01:15:13: complicated?  
 01:15:13 --> 01:15:17: Is it not complicated enough?  
 01:15:17 --> 01:15:18: We're trying to represent information and make it meaningful  
 01:15:19 --> 01:15:21: without  
 01:15:21 --> 01:15:22: making it overly complicated.  
 01:15:55 --> 01:15:56: And then finally, the general layout and design.  
 01:15:56 --> 01:15:56: What do you think?  
 01:15:56 --> 01:15:58: Perfect.  
 01:16:01 --> 01:16:04: OK.  
 01:16:04 --> 01:16:06: Well, thank you very much.  
 01:16:06 --> 01:16:08: So I will wrap it up there.  
 01:16:08 --> 01:16:09: In terms of the mentor, I have more questions that  
 01:16:09 --> 01:16:12: I'd love to ask you and get your input on,  
 01:16:13 --> 01:16:15: but I'm going to call it so we can get  
 01:16:16 --> 01:16:19: on to to a brief Q&A.  
 01:16:20 --> 01:16:20: So I will just just go back to the PowerPoints,  
 01:16:20 --> 01:16:23: so hopefully they can see that.  
 01:16:23 --> 01:16:27: So I'll just talk briefly about what's going to happen  
 01:16:27 --> 01:16:31: coming up.  
 01:16:27 --> 01:16:31: So in the next phase, which we're aiming to kick  
 01:16:27 --> 01:16:31: off in in September, we're going to be expanding the  
 01:16:27 --> 01:16:31: pilot from our original 6 Pioneer users to incorporate a

01:16:31 --> 01:16:34: wider group of up to 20 different companies who are  
01:16:34 --> 01:16:35: piloting tool.  
01:16:35 --> 01:16:38: And basically what they'll be doing is working with us  
01:16:38 --> 01:16:41: to test out the tool in real world situations, provide  
01:16:41 --> 01:16:44: feedback and help us iterate the tools so it gets  
01:16:44 --> 01:16:45: better and better.  
01:16:46 --> 01:16:49: Following that early next year, we will launch the tool  
01:16:49 --> 01:16:52: as an open source tool for the wider industry and  
01:16:52 --> 01:16:56: also undertake a program of education and engagement  
around that.  
01:16:56 --> 01:16:58: And then we'll finish up with a phase of kind  
01:16:58 --> 01:17:01: of ongoing maintenance and refinement, which will last a little  
01:17:01 --> 01:17:02: bit over half a year.  
01:17:04 --> 01:17:06: In terms of the pilot program, the key steps there,  
01:17:06 --> 01:17:09: essentially we'll go through two turns that handle.  
01:17:09 --> 01:17:12: So we'll, we'll kick off, we'll provide an intro session,  
01:17:12 --> 01:17:15: provide a bit of training on how to use Preserve,  
01:17:15 --> 01:17:18: and after that hand it over to the organizations that  
01:17:18 --> 01:17:19: are piloting.  
01:17:20 --> 01:17:22: They'll have roughly 4 weeks to play around to test  
01:17:22 --> 01:17:23: it out.  
01:17:23 --> 01:17:26: And then we'll come together again to review how the  
01:17:26 --> 01:17:29: tool worked, what the issues are, where it can be  
01:17:29 --> 01:17:30: improved, and then we'll update it.  
01:17:31 --> 01:17:34: And we basically repeat that process twice at the end  
01:17:34 --> 01:17:36: of which we will close out and do a final  
01:17:37 --> 01:17:39: update to the tool in advance of public launch.  
01:17:41 --> 01:17:45: So fundamentally, Preserve is a collaborative project driven  
in partnership  
01:17:45 --> 01:17:45: with industry.  
01:17:46 --> 01:17:48: And there are a lot of ways to get involved.  
01:17:48 --> 01:17:51: You've already gotten involved by participating in this  
workshop and  
01:17:51 --> 01:17:53: giving us some some very helpful data.  
01:17:53 --> 01:17:55: So thank you very much for joining.  
01:17:56 --> 01:17:58: But of course, feel free to to join future workshops.  
01:17:58 --> 01:18:01: You can also look at potentially joining the Phase 3  
01:18:01 --> 01:18:05: pilot program, again, that's running from September to  
December of  
01:18:05 --> 01:18:08: this year, or even join as a sea change partner  
01:18:08 --> 01:18:09: or a supporter.  
01:18:09 --> 01:18:12: And of course, we want to thank those organizations that  
01:18:12 --> 01:18:15: have been accurately supporting Preserve in any of these

ways,  
01:18:15 --> 01:18:18: as well as yourselves for your ongoing support.  
01:18:19 --> 01:18:21: So if you want to get in touch to talk  
01:18:21 --> 01:18:25: about preserve and transition risk, please feel free to reach  
01:18:25 --> 01:18:26: out to to myself.  
01:18:27 --> 01:18:29: If you want to talk about sea change or sponsorship  
01:18:29 --> 01:18:33: opportunities and indeed getting involved in the pilot  
program, you're  
01:18:33 --> 01:18:34: best to reach out to Alex.  
01:18:35 --> 01:18:36: You can see our emails there.  
01:18:36 --> 01:18:39: And yeah, we certainly are happy to hear from you  
01:18:39 --> 01:18:41: and and very happy to discuss further.  
01:18:41 --> 01:18:43: So do feel free to reach out.  
01:18:43 --> 01:18:46: And with that, I'm going to switch over to AQ  
01:18:46 --> 01:18:47: and A.  
01:18:47 --> 01:18:50: And Alex, I will leave you to navigate the Zoom  
01:18:50 --> 01:18:52: Q&A function because I don't know how to do it.  
01:18:54 --> 01:18:54: Thanks.  
01:18:56 --> 01:18:57: Great.  
01:18:57 --> 01:19:00: So yeah, you can use the Q&A function to submit  
01:19:00 --> 01:19:01: comments and questions.  
01:19:01 --> 01:19:03: We've got one from Mac.  
01:19:03 --> 01:19:04: Hi, Matt and thank you.  
01:19:05 --> 01:19:08: Just a comment that it will be useful to have  
01:19:08 --> 01:19:11: visual indication that if percent if this if something has  
01:19:11 --> 01:19:13: to add up to 100% for it to work.  
01:19:14 --> 01:19:16: You know, to make it clear that the users know  
01:19:16 --> 01:19:18: so that they don't put kind of the wrong percentages  
01:19:18 --> 01:19:20: there in the weighted scenarios.  
01:19:20 --> 01:19:21: That's a very good idea.  
01:19:21 --> 01:19:23: Yeah, that one.  
01:19:24 --> 01:19:24: Thank you.  
01:19:25 --> 01:19:26: Thank you.  
01:19:26 --> 01:19:30: And then we have got a question from Richard Hamilton  
01:19:30 --> 01:19:30: Gray.  
01:19:30 --> 01:19:34: What is the most efficient way to aggregate analysis for  
01:19:34 --> 01:19:36: a portfolio view of privatization?  
01:19:36 --> 01:19:38: So we have had the question a few times, so  
01:19:38 --> 01:19:40: direct if you could answer.  
01:19:40 --> 01:19:41: Yeah, yeah.  
01:19:41 --> 01:19:42: So that's that's a bit of an interesting 1.  
01:19:42 --> 01:19:46: So, so one thing to mention and I'll actually just

01:19:47 --> 01:19:47: talk.

01:19:47 --> 01:19:51: I'll quickly share the the back end and show the

01:19:51 --> 01:19:53: back end for everybody.

01:19:53 --> 01:19:57: So we've got the tool there and basically we've got

01:19:57 --> 01:20:00: the back and then behind here we've we've taken pains

01:20:00 --> 01:20:04: to really set it out very, very clearly at each

01:20:04 --> 01:20:05: step of the way.

01:20:05 --> 01:20:07: So you can see where all the assumptions are coming

01:20:07 --> 01:20:07: from.

01:20:07 --> 01:20:09: I mean, one of the big frustrations that a lot

01:20:09 --> 01:20:12: of people and the eye have with Cram is that

01:20:12 --> 01:20:13: it's very opaque.

01:20:13 --> 01:20:14: And then if you want to try and figure out

01:20:14 --> 01:20:17: where a number is coming from, you've got a backwards

01:20:17 --> 01:20:18: engineer a formula for two hours.

01:20:20 --> 01:20:22: So what we've done is set it up in the

01:20:22 --> 01:20:25: incremental steps all the way down and you've essentially

01:20:25 --> 01:20:28: got every single cash flow and adjustment all the way through.

01:20:30 --> 01:20:32: So the problem is, is that if we try and

01:20:32 --> 01:20:36: do the set of portfolio level, the Creme back end

01:20:36 --> 01:20:40: is already managed and you know, the Creme tool barely

01:20:40 --> 01:20:42: runs and crashes fairly regularly.

01:20:43 --> 01:20:46: If we then multiply this back end with every single

01:20:46 --> 01:20:48: asset in Cram, the whole thing breaks.

01:20:48 --> 01:20:52: So at the moment the best way is to basically

01:20:52 --> 01:20:56: take and compile the output tabs into a separate workbook

01:20:56 --> 01:20:58: and then do a summary.

01:20:58 --> 01:21:01: Now I will say that Cram is updating its back

01:21:01 --> 01:21:04: end later this year and they're really trying to streamline

01:21:04 --> 01:21:04: it down.

01:21:04 --> 01:21:06: So it's a lot simpler.

01:21:07 --> 01:21:09: And with that we're hoping that it brings the file

01:21:09 --> 01:21:11: size down enough that we can actually build in a

01:21:11 --> 01:21:14: portfolio analysis directly into Preserve, but that remains to

01:21:14 --> 01:21:14: be seen.

01:21:14 --> 01:21:17: So either way, we'll figure out a way to do

01:21:17 --> 01:21:20: that portfolio analysis and maybe a stand alone workbook

01:21:20 --> 01:21:23: and maybe fully integrated remains to be seen.

01:21:23 --> 01:21:24: So yes.

01:21:27 --> 01:21:28: Great.

01:21:28 --> 01:21:28: Thank you.

01:21:29 --> 01:21:32: There's a question about a fee to participate in the pilot phase.

01:21:32 --> 01:21:32: Very good question.

01:21:32 --> 01:21:33: So we're finalizing the details, but in essence the Pioneer pilot and the then the wider pilot that's coming in September, they are open to sea change partners and support supporters.

01:21:43 --> 01:21:44: But because we want to open it further, we so, so the option is to become a sea change partner of supporter or there will be a fee around the ???5000 mark to participate.

01:21:54 --> 01:21:56: And this will be open to all ULI members.

01:21:56 --> 01:21:58: And this is to make sure that, you know, the, the tool is properly developed.

01:21:59 --> 01:22:01: And yeah, this is, this is how we fundraise to make sure that the, the tool works.

01:22:02 --> 01:22:03: And it's useful with the view that ultimately sometime next year it will be open source for the industry.

01:22:04 --> 01:22:07: But at this stage, yes, this is, this is how we anticipate for the pilot phase to work.

01:22:07 --> 01:22:09: But if you've got any any questions or if you're interested, drop me an e-mail and we'll be able to share more details very soon.

01:22:09 --> 01:22:12: Yeah.

01:22:12 --> 01:22:14: Phase is also quite beneficial to those that participate because

01:22:15 --> 01:22:18: 1, you get the opportunity to shape the tools so that it's useful for your organization when it ultimately comes out as an open source version, but also means you get access in advance to the wider open source launch.

01:22:18 --> 01:22:21: So you get access to it in September rather than kind of spring somewhere next year.

01:22:21 --> 01:22:24: So definitely able to think about it and reach out to to Alex if you're if you're interested in the pilot program as you mentioned.

01:22:24 --> 01:22:26: Yeah, I mean it's, it's mainly for preserve partners and supporters.

01:22:26 --> 01:22:28: But we, the organization is opening up additional slots for those who want to contribute a kind of a smaller amount just specifically to preserve development.

01:22:28 --> 01:22:29: Yes, thank you.

01:22:29 --> 01:22:29: Yeah.

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01:22:49 --> 01:22:51: Yes, thank you.

01:22:51 --> 01:22:54: Yeah.

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01:23:07 --> 01:23:10: But we, the organization is opening up additional slots for those who want to contribute a kind of a smaller amount just specifically to preserve development.

01:23:10 --> 01:23:13: Yes, thank you.

01:23:13 --> 01:23:14: Yeah.



01:23:14 --> 01:23:16: And we've got another comment from Matt.

01:23:17 --> 01:23:21: Yeah, really, really good point on the importance of energy's

01:23:21 --> 01:23:26: intensities and making sure that we prioritise their reduction first

01:23:26 --> 01:23:26: approach.

01:23:28 --> 01:23:30: So yeah, something maybe to take away and and discuss

01:23:30 --> 01:23:31: separately.

01:23:31 --> 01:23:32: But very good point and thank you.

01:23:40 --> 01:23:43: I think I can't see any more questions, but if

01:23:43 --> 01:23:46: you've got any other thoughts or comments, you've got our

01:23:47 --> 01:23:47: contact details.

01:23:47 --> 01:23:50: So please get in touch, I'd be very interested as

01:23:50 --> 01:23:52: well to just, you know, go go back to the

01:23:53 --> 01:23:56: big picture and understand how this tool would be useful

01:23:56 --> 01:23:59: to you and your organization and what decisions you'd make

01:23:59 --> 01:24:01: using the output tab and the dashboard.

01:24:01 --> 01:24:03: So if you've got any thoughts on that, and I

01:24:03 --> 01:24:06: appreciate that sometimes it's just it, it requires a little

01:24:06 --> 01:24:07: bit of thought.

01:24:08 --> 01:24:10: So yeah, if anything occurs to you, please do reach

01:24:10 --> 01:24:10: out.

01:24:10 --> 01:24:11: Again.

01:24:11 --> 01:24:14: I just wanted to emphasize that we really want this

01:24:14 --> 01:24:17: to be a collaborative effort and we want the tool

01:24:17 --> 01:24:19: to be useful and used at scale.

01:24:19 --> 01:24:23: So any further comments, questions, ideas, please let us

01:24:23 --> 01:24:27: know.

01:24:27 --> 01:24:28: Get in touch if you would like to pilot the

01:24:29 --> 01:24:30: the tool, Derek.

01:24:29 --> 01:24:30: That's great.

01:24:30 --> 01:24:30: Thank you.

01:24:31 --> 01:24:33: And I'll just leave our contact details up here for

01:24:33 --> 01:24:35: a little minute so anybody can can grab them if

01:24:35 --> 01:24:36: they missed it previously.

01:24:36 --> 01:24:39: But yeah, as as Alex said, please do feel free

01:24:39 --> 01:24:41: to reach out and we can, we can gladly have

01:24:41 --> 01:24:42: a chat with you about it.

01:24:42 --> 01:24:45: So thanks so much for participating.

01:24:45 --> 01:24:48: Thank you, Uli, for for putting this on.

01:24:48 --> 01:24:50: And yeah, hope everybody has a has a great day.

01:24:51 --> 01:24:51: Thank you.

01:24:52 --> 01:24:53: Great, Derek.

01:24:53 --> 01:24:55: While we put the details up on the screen, there's  
01:24:55 --> 01:24:56: one last question came in last.  
01:24:56 --> 01:24:57: Minute.  
01:24:57 --> 01:25:01: Are are you considering carbon price forecasting?  
01:25:03 --> 01:25:05: Not as a stand alone work package.  
01:25:05 --> 01:25:08: So we've looked at, I mean we've basically given the  
01:25:08 --> 01:25:11: user the option to put in their own custom carbon  
01:25:11 --> 01:25:14: price and we've also given the option to pull through  
01:25:14 --> 01:25:15: the cram assumed carbon price.  
01:25:16 --> 01:25:18: But we're not trying to come up with a separate  
01:25:18 --> 01:25:22: mechanism or or model for what we think carbon prices  
01:25:22 --> 01:25:22: might be.  
01:25:22 --> 01:25:25: No, and I should add there is there's a separate  
01:25:25 --> 01:25:28: work stream on carbon pricing that's being undertaken as  
part  
01:25:28 --> 01:25:29: of the sea Change program.  
01:25:30 --> 01:25:32: So if you want to know more about carbon pricing  
01:25:32 --> 01:25:35: and that would be the work stream to get involved  
01:25:35 --> 01:25:37: in which Alex is also very involved in.  
01:25:37 --> 01:25:40: So she can touch base with you on that if  
01:25:40 --> 01:25:41: it's of interest.  
01:25:43 --> 01:25:45: Lovely, brilliant.  
01:25:45 --> 01:25:47: Well, we are up time.  
01:25:47 --> 01:25:50: So again, we really, really appreciate your input and the  
01:25:50 --> 01:25:53: time that you've dedicated to to helping us develop reserve  
01:25:53 --> 01:25:56: today and hopefully speak to you soon and have a  
01:25:56 --> 01:25:56: great day.  
01:25:57 --> 01:25:57: Thank you very much.  
01:25:58 --> 01:25:59: Thanks very much everybody.

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