Webinar

ULI Europe: Carbon Pricing

Date: July 19, 2023

00:00:08 --> 00:00:12:	Hello everyone. Thank you for joining us for this webinar.
00:00:12 --> 00:00:15:	My name is Simon Chin, I'm Head of Research and
00:00:15 --> 00:00:19:	Advisory Services for Urban Land Institute in Europe. For those
00:00:20 --> 00:00:24:	that aren't already aware of ULII, thought I'd just start
00:00:24 --> 00:00:28:	with a brief overview and background of our organization. So
00:00:28 --> 00:00:32:	the Urban Land Institute is a global member driven organization
00:00:32 --> 00:00:34:	comprising around 50,000.
00:00:35 --> 00:00:40:	Real estate and Urban Development professionals dedicated to advancing the
00:00:40 --> 00:00:44:	Institute's mission to shape the future of the built environment
00:00:44 --> 00:00:47:	for transformative impact in communities worldwide.
00:00:48 --> 00:00:52:	ULI is the oldest and largest network of cross disciplinary
00:00:52 --> 00:00:55:	real estate and land use experts in the world with
00:00:55 --> 00:00:59:	a presence in the Americas, Europe and Asia Pacific. And
00:00:59 --> 00:01:03:	at ULI we published for leadership and knowledge sharing for
00:01:03 --> 00:01:07:	best practices in the real estate industry and also provide
00:01:07 --> 00:01:12:	an educational platform to inform and instill best practice in
00:01:12 --> 00:01:16:	the next generation of diverse leaders in the real estate
00:01:16 --> 00:01:16:	industry.
00:01:17 --> 00:01:21:	And the purpose of today's session is to provide an
00:01:21 --> 00:01:25:	informational and educational look at carbon pricing and how it
00:01:25 --> 00:01:30:	can impact decarbonization in the real estate sector. We'll begin
00:01:30 --> 00:01:34:	the session with a short presentation and then after that
00:01:34 --> 00:01:37:	we'll open up to a panel discussion with some experts
00:01:37 --> 00:01:41:	on the topic. So firstly, what is carbon pricing and
00:01:41 --> 00:01:44:	why are we talking about it the climate crisis?

00:01:45 --> 00:01:49: Is one of the biggest social and environmental challenges of
00:01:49 --> 00:01:55: our time, causing extreme weather events, crop failures, forced migration,
00:01:55 --> 00:01:59: among other adverse impacts. It's also one of the biggest
00:01:59 --> 00:02:04: economic challenges for society. And greenhouse gas emissions such as
00:02:04 --> 00:02:09: carbon dioxide is a classic example of what economists call
00:02:09 --> 00:02:10: externality.
00:02:10 --> 00:02:15: Emissions contribute to climate change, which impacts everybody's well-being and
00:02:15 --> 00:02:19: the environment. The problem is that the averse impacts and
00:02:19 --> 00:02:23: effects of emissions are not reflected in market prices. So
00:02:23 --> 00:02:27: Simply put, a price on carbon, from an economic standpoint
00:02:27 --> 00:02:30: is an effective way to get polluters to pay for
00:02:30 --> 00:02:34: this negative externality that their emissions inflict on the planet.
00:02:35 --> 00:02:39: The majority of carbon emissions are currently unpriced. A study
00:02:39 --> 00:02:43: by the World Bank estimates that only around 23% of
00:02:43 --> 00:02:47: global emissions are currently subject to a carbon pricing scheme.
00:02:47 --> 00:02:50: And as the world shifts to a low carbon economy,
00:02:50 --> 00:02:56: carbon pricing is increasingly important for investment decisions. Carbon pricing
00:02:56 --> 00:02:59: is also a topic that's becoming more and more prevalent.
00:03:00 --> 00:03:04: Generating a lot of media attention as countries look to
00:03:04 --> 00:03:09: tackle climate change and meet their decarbonization targets. It's for
00:03:09 --> 00:03:13: this reason that in this year's Global Emerging Trends in
00:03:13 --> 00:03:17: Real Estate report, Uli, in partnership with PwC, undertook a
00:03:17 --> 00:03:20: deep dive into carbon pricing and how it can impact
00:03:20 --> 00:03:23: decarbonization in the real estate sector.
00:03:24 --> 00:03:27: Now to start, there are two main forms of external
00:03:27 --> 00:03:31: carbon pricing mechanisms, carbon taxes and cap and trade programs
00:03:31 --> 00:03:35: or emissions trading schemes. And these are called external because
00:03:35 --> 00:03:39: they're implemented and managed by a government or regulatory body,
00:03:39 --> 00:03:43: and they're often compliance based for a particular industry or
00:03:43 --> 00:03:46: sector. So firstly on carbon taxes, the carbon tax is
00:03:46 --> 00:03:49: a fixed price that must be paid for every ton
00:03:49 --> 00:03:52: of carbon dioxide emitted into the atmosphere.
00:03:53 --> 00:03:57: The carbon levy aims to internalize that externality, what's

known

00:03:58 --> 00:04:02: as the polluter pays principle. The tax usually increases over

00:04:02 --> 00:04:07: time, which provides an incentive, a financial incentive, for businesses

00:04:07 --> 00:04:12: to reduce their carbon footprint. Revenue generated from this tax

00:04:12 --> 00:04:16: can then be used to fund clean energy initiatives or

00:04:16 --> 00:04:20: support communities that are affected by climate change. The other

00:04:20 --> 00:04:21: external.

00:04:23 --> 00:04:27: Carbon pricing mechanism is emission trading schemes also known as

00:04:27 --> 00:04:31: cap and trade systems. So these are when a government

00:04:31 --> 00:04:35: or regulatory body sets a limit on the total amount

00:04:35 --> 00:04:39: of emissions that can be emitted within a certain sector

00:04:39 --> 00:04:42: over a given period of time. So for example, a

00:04:42 --> 00:04:46: companies in an impacted sector are allocated a number of

00:04:46 --> 00:04:49: permits to emit carbon each year and then the.

00:04:50 --> 00:04:53: Cap is imposed on that sector, and if companies exceed

00:04:53 --> 00:04:57: that cap in terms of emissions, they are then sanctioned

00:04:57 --> 00:05:01: with fines or have to purchase additional carbon permits from

00:05:01 --> 00:05:04: others in the sector. As firms become more energy efficient

00:05:05 --> 00:05:08: and increase their use of renewables, they're able to sell

00:05:08 --> 00:05:12: surplus credits back into the market, leading to this market

00:05:12 --> 00:05:14: mechanism for carbon pricing.

00:05:14 --> 00:05:18: And the pool of permits decreases every year in line

00:05:18 --> 00:05:22: with the remaining carbon budget. So hopefully over time we

00:05:22 --> 00:05:26: see that reduction in carbon emissions from that sector through

00:05:26 --> 00:05:31: these external pricing mechanisms. There is effectively a price put

00:05:31 --> 00:05:34: on carbon. And the example of this is showing here

00:05:34 --> 00:05:37: on this on this chart on the on the slide

00:05:37 --> 00:05:40: which shows the weekly carbon spot price in euros per

00:05:40 --> 00:05:44: metric ton in the E U's emissions trading system.

00:05:44 --> 00:05:47: Which is one of the largest in the world and

00:05:47 --> 00:05:51: covers the highest emitting industries, responsible for 45% of the

00:05:51 --> 00:05:54: EU's total emissions. And the prices spiked when the EU

00:05:54 --> 00:05:58: announced plans to reduce the cap and increase its emissions

00:05:58 --> 00:06:02: reductions target, briefly surpassing ???100 per metric ton earlier this

00:06:02 --> 00:06:03: year.

00:06:04 --> 00:06:07: And the chart on the right shows the price variance
00:06:07 --> 00:06:11: across various jurisdictions globally for carbon prices. It's also worth
00:06:11 --> 00:06:15: pointing out that these figures are averages across all sectors
00:06:15 --> 00:06:19: within those markets. So there's significant variance in the carbon
00:06:19 --> 00:06:22: price, but many of these prices remain well below the
00:06:22 --> 00:06:23: levels to meet.
00:06:24 --> 00:06:28: Net 0 targets. A study in the scientific journal Nature
00:06:28 --> 00:06:32: published in 2021 is estimated that a price of around
00:06:32 --> 00:06:36: $130.00 per ton is needed to by 20-30 to decarbonize
00:06:36 --> 00:06:40: economies by 2050, in line with the Paris Agreement.
00:06:42 --> 00:06:47: External carbon pricing mechanisms are already having an impact on
00:06:47 --> 00:06:50: the real estate across the world. Just to cover a
00:06:50 --> 00:06:54: few examples on this slide, in New York, buildings account
00:06:54 --> 00:06:58: for 2/3 of carbon annual carbon dioxide emissions. And to
00:06:59 --> 00:07:03: tackle this, the government recently introduced Local Law 97, which
00:07:03 --> 00:07:07: requires buildings in New York City to track and report
00:07:07 --> 00:07:12: greenhouse gas emissions. It requires buildings over 25,000 square feet.
00:07:12 --> 00:07:17: To meet energy efficiency and greenhouse gas emissions, target reduction
00:07:17 --> 00:07:21: targets by 2024, and stricter limits are expected to come
00:07:21 --> 00:07:25: into effect by 20-30. Buildings must comply with the caps
00:07:25 --> 00:07:30: or face fines for exceeding emissions limits, and building owners
00:07:30 --> 00:07:33: can also be fined if they fail to report on
00:07:33 --> 00:07:34: their emissions.
00:07:34 --> 00:07:37: The law applies a penalty of $268 per every tonne
00:07:38 --> 00:07:41: of carbon emitted above the limit, making it one of
00:07:41 --> 00:07:45: the most stringent regulations today for the real estate sector.
00:07:45 --> 00:07:48: Tokyo is is one of the only major cities in
00:07:48 --> 00:07:52: the world to have implemented a carbon trading program for
00:07:52 --> 00:07:56: buildings emissions, which was first introduced in 2010. This is
00:07:56 --> 00:08:01: a mandatory emissions program for all large commercial and industrial
00:08:01 --> 00:08:02: buildings in the city.
00:08:03 --> 00:08:07: Owners of the buildings are required to meet allocated reduction
00:08:07 --> 00:08:12: targets through onsite energy efficiency measures or an emission trading

00:08:12 --> 00:08:16: scheme. Owners that failed to meet the reduction obligations from

00:08:16 --> 00:08:20: this scheme are required to cover 1.3 times the reduction

00:08:20 --> 00:08:23: shortfall, are subject to a fine of around ??500,000 I

00:08:23 --> 00:08:28: think and will have their violation published externally creating that

00:08:28 --> 00:08:30: that reputational pressure.

00:08:31 --> 00:08:36: The scheme was proved successful in reducing building emissions with

00:08:36 --> 00:08:40: the latest compliance period from 2015 to 2019 achieving a

00:08:40 --> 00:08:45: 17% reduction in based base year emissions. However, the effective

00:08:45 --> 00:08:49: prices remains lower, around $5 per ton of carbon. And

00:08:49 --> 00:08:51: then in Europe we have the.

00:08:52 --> 00:08:57: Emissions Trading Scheme which indirectly impacts the built environment by

00:08:57 --> 00:09:02: affecting carbon intensive construction inputs to the sector such as

00:09:02 --> 00:09:05: cement and steel. There are also plans to extend this

00:09:05 --> 00:09:10: emissions trading scheme from 2026 to cover fuel providers for

00:09:10 --> 00:09:13: road and road transport and building. So this will impact

00:09:13 --> 00:09:18: fuel prices for tenants of commercial and residential real estate.

00:09:18 --> 00:09:21: Carbon price The carbon border adjustment mechanism.

00:09:22 --> 00:09:26: Was legislated by the European Commission earlier this year and

00:09:26 --> 00:09:29: will also take effect from 2026. And this is a

00:09:29 --> 00:09:33: carbon tax on carbon intensive imports to the EU, which

00:09:33 --> 00:09:37: covers construction materials such as steel at The aim of

00:09:37 --> 00:09:40: this measure is to reduce the the risk of carbon

00:09:40 --> 00:09:44: leakage by equalizing the price of carbon between domestic products

00:09:44 --> 00:09:47: and imports internal carbon pricing.

00:09:48 --> 00:09:52: Involves setting an internal charge on the amount of carbon

00:09:52 --> 00:09:56: dioxide emitted from assets and investment projects so that companies

00:09:56 --> 00:10:00: can see how, where and when their emissions could affect

00:10:00 --> 00:10:04: their profit and loss. Statements and investment choices. According to

00:10:04 --> 00:10:08: a 2019 study by McKinsey covering covering over 2500, of

00:10:08 --> 00:10:12: the world's largest companies, just 20, just 23% that they

00:10:12 --> 00:10:15: were using some form of internal carbon price in their

00:10:15 --> 00:10:16: operations.

00:10:17 --> 00:10:20: But the number of firms using internal carbon pricing is
00:10:20 --> 00:10:24: likely to rise as regulatory requirements to incorporate it into
00:10:24 --> 00:10:28: transit transition risk assessments are set to become mandatory in
00:10:28 --> 00:10:31: a growing number of jurisdictions globally.
00:10:31 --> 00:10:35: More and more companies will need a better understanding of
00:10:35 --> 00:10:38: carbon pricing and the impact it has on their business
00:10:38 --> 00:10:41: operations. There's a comment on the on the right side
00:10:41 --> 00:10:44: of the slide there from Bridgewater, one of the largest
00:10:44 --> 00:10:47: hedge funds in the world and which said that it
00:10:47 --> 00:10:50: it expects carbon price will overtime become an essential input
00:10:50 --> 00:10:54: into economic activity just as oil, gas, coal and other
00:10:54 --> 00:10:57: commodities are common input costs. Now there are two main
00:10:57 --> 00:11:00: types of internal carbon pricing, the shadow price involves.
00:11:01 --> 00:11:05: Applying A theoretical price for every ton of carbon dioxide
00:11:05 --> 00:11:09: emitted. This is used to mainly support investment decisions and
00:11:09 --> 00:11:12: but the company doesn't set aside any money or put
00:11:12 --> 00:11:16: it towards a fund for decarbonization. An internal carbon fee,
00:11:16 --> 00:11:20: by comparison, applies a price per each ton of carbon
00:11:20 --> 00:11:24: emitted and allocates this money internally to a decarbonization fund.
00:11:25 --> 00:11:29: The company usually puts this money towards capital expenditure needed
00:11:30 --> 00:11:34: to reduce portfolio emissions or fund carbon offsets. One example
00:11:34 --> 00:11:38: of a real estate company using carbon internal carbon prices
00:11:38 --> 00:11:42: at Great Portland Estates, it applies a carbon price of
00:11:42 --> 00:11:46: ??95 per ton of carbon dioxide emitted to embodied carbon
00:11:46 --> 00:11:51: from its development schemes calculated at the practical completion and
00:11:51 --> 00:11:52: operational carbon.
00:11:53 --> 00:11:57: Emissions from its investment portfolio. The money from this is
00:11:57 --> 00:12:01: put towards a decarbonization fund which is used to finance
00:12:01 --> 00:12:06: retrofitting and investment in onsite renewable energy. A non real
00:12:06 --> 00:12:10: estate example is Microsoft, which charges a carbon fee across
00:12:10 --> 00:12:13: all of its business units based on their scope 1-2
00:12:13 --> 00:12:17: and free emissions. The carbon fee ranges from $15 per
00:12:17 --> 00:12:20: ton of carbon dioxide up to $100 per ton for

00:12:20 --> 00:12:21: business travel.
00:12:22 --> 00:12:26: Money raised internally is used to fund its carbon reduction
00:12:26 --> 00:12:29: efforts. Now the chart on the left of the slide
00:12:29 --> 00:12:33: here shows the use of carbon internal carbon pricing by
00:12:33 --> 00:12:37: selected industries from a study by McKinsey in 2019, which
00:12:37 --> 00:12:41: examines the top 100 firms by revenue in each sector.
00:12:41 --> 00:12:45: And it's clear that real estate lags behind other carbon
00:12:45 --> 00:12:49: intensive sectors such as energy, materials and industrials.
00:12:51 --> 00:12:55: Some of the reasons for the limited uptake in internal
00:12:55 --> 00:12:58: carbon pricing in real estate is primarily down to it
00:12:58 --> 00:13:02: being unregulated, the complexity of doing it, and also it
00:13:02 --> 00:13:07: raises concerns around competitiveness. If it's not applied universally across
00:13:07 --> 00:13:10: the sector, it could mean that people would miss out
00:13:10 --> 00:13:12: on going and going into deals.
00:13:13 --> 00:13:16: But it's clear that a growing number of real estate
00:13:16 --> 00:13:20: firms recognize the value in understanding and applying carbon price
00:13:20 --> 00:13:25: to their investments and portfolios, particularly from a transition risk
00:13:25 --> 00:13:28: perspective. And carbon pricing mechanisms are likely to have an
00:13:28 --> 00:13:31: impact on the sector in the near future, as one
00:13:31 --> 00:13:34: interviewee from our report put it into.
00:13:34 --> 00:13:38: Into perspective by saying 15 years ago when people talked
00:13:38 --> 00:13:41: about sustainability, people would roll their eyes at you, but
00:13:42 --> 00:13:45: today it's mandatory and there's a view that the similar
00:13:45 --> 00:13:49: approach similar approach could happen with carbon pricing. So in
00:13:49 --> 00:13:53: terms of the outlook for carbon pricing and real estate
00:13:53 --> 00:13:57: opportunities and challenges there are there are some clear benefits
00:13:57 --> 00:14:01: of external internal carbon pricing mechanisms for for car for
00:14:01 --> 00:14:02: carbon as it.
00:14:03 --> 00:14:06: Increases awareness of the cost of carbon emissions and can
00:14:06 --> 00:14:11: also nudge companies to investment decisions towards lower carbon alternatives.
00:14:11 --> 00:14:15: However, one of the challenges is the ongoing inconsistency in
00:14:15 --> 00:14:19: that pricing level, which doesn't always reflect the true cost
00:14:19 --> 00:14:21: of carbon, and the price can be set too low
00:14:21 --> 00:14:25: to incentivize action. Some firms also feel that voluntary carbon

00:14:25 --> 00:14:28: pricing would price them out of the market.
00:14:28 --> 00:14:33: And there's argue, but there's arguably an increasingly commercial advantage
00:14:33 --> 00:14:37: to getting ahead of increasing regulations on carbon emissions around
00:14:37 --> 00:14:42: the world. So while external carbon pricing mechanisms are currently
00:14:42 --> 00:14:46: mainly applied to the most carbon intensive industries like transport
00:14:46 --> 00:14:49: and energy sectors, we all know the widely cited statistic
00:14:49 --> 00:14:53: that real estate contributes just under 40% of annual greenhouse
00:14:53 --> 00:14:57: gas emissions. So it's highly likely that the sector will.
00:14:57 --> 00:15:01: Be impacted by some form of carbon emissions trading scheme
00:15:01 --> 00:15:05: in the near future, particularly as countries aim to reduce
00:15:05 --> 00:15:09: emissions in line with achieving decarbonization goals by 2050. So
00:15:09 --> 00:15:13: that ends the presentation part of the session. Thank you
00:15:13 --> 00:15:17: for listening to my overview and introduction to the topic.
00:15:17 --> 00:15:20: I'll now pass over to Lizette van Dorn, CEO of
00:15:20 --> 00:15:23: ULI Europe, who will moderate the panel session. Over to
00:15:23 --> 00:15:24: you, Lizette.
00:15:27 --> 00:15:32: Thank you, Simon, and good morning, everyone. My name is
00:15:32 --> 00:15:36: Lisa Van Dorn. I'm the Chief Executive for Urban Land
00:15:36 --> 00:15:41: Institute in Europe and I'm very pleased to moderate this
00:15:41 --> 00:15:45: session this morning. We have well maybe a bit of
00:15:45 --> 00:15:49: background how we've seen things evolve and as you took
00:15:49 --> 00:15:54: from Simon's presentation just now, it's a complex topic.
00:15:54 --> 00:15:58: And it's been interesting how we've seen the journey of
00:15:58 --> 00:16:02: the past, so six months when we started preparing for
00:16:02 --> 00:16:06: the global emerging trends report in which we covered carbon
00:16:06 --> 00:16:10: pricing, when we initially started to think about topics, common
00:16:10 --> 00:16:14: pricing came up, but there was actually not so much
00:16:14 --> 00:16:18: discussed about it yet and we've seen that picking up.
00:16:18 --> 00:16:21: Simon also showed some some newspaper headings.
00:16:21 --> 00:16:26: And not specifically related to real estate, but the topic
00:16:26 --> 00:16:30: is getting a lot more attention generally as well as
00:16:30 --> 00:16:34: in real estate. So we feel it's very topical today
00:16:34 --> 00:16:38: to have this conversation. And also we've built this into
00:16:39 --> 00:16:42: a wider work as part of our UNIC change work
00:16:42 --> 00:16:47: that focused on helping the real estate industry speed up

00:16:47 --> 00:16:50: the decarbonization and scale up initiatives.

00:16:51 --> 00:16:56: We recently launched transition risk investment guidelines that help to

00:16:56 --> 00:17:01: better include the the transition risks into property valuations and

00:17:01 --> 00:17:04: therefore have a clear view on what needs to happen

00:17:04 --> 00:17:08: to buildings to get them to net zero and what

00:17:08 --> 00:17:11: the impact is on a on on the valuation of

00:17:11 --> 00:17:15: the building and discounted cash flow. We've covered carbon pricing

00:17:15 --> 00:17:18: that but only in a very generic way.

00:17:18 --> 00:17:22: Realizing some of the issues that Simon also pointed out

00:17:23 --> 00:17:26: in terms of what is the right price level etcetera,

00:17:26 --> 00:17:30: that's why we said for this year's program of work,

00:17:30 --> 00:17:34: we set a target to dig deeper into carbon pricing

00:17:34 --> 00:17:37: and hopefully by the end of this year come up

00:17:37 --> 00:17:41: with further guidance how this could look for the real

00:17:41 --> 00:17:45: estate industry. Enough about that, for now, I'm very pleased.

00:17:48 --> 00:17:53: I'm very pleased that I'm being joined by an excellent

00:17:53 --> 00:17:57: panel today and and I would like to introduce Emily

00:17:57 --> 00:18:02: Hamilton. She's Head of PSD at several investment management, Jeremy

00:18:02 --> 00:18:08: Corlick, Associate Director at 103 Ventures and a deep experience

00:18:08 --> 00:18:12: in in climate finance and Zara Wall. She's had evaluations

00:18:12 --> 00:18:16: and performance at iput. Welcome everyone.

00:18:18 --> 00:18:22: I would like to kick off with kind of asking

00:18:22 --> 00:18:26: all three of you to just keep your reflections. You've

00:18:26 --> 00:18:30: all been already pretty well and immersed into the topic,

00:18:30 --> 00:18:34: use carbon pricing in different ways. So I think it

00:18:34 --> 00:18:37: would be very interesting to hear from you on what

00:18:38 --> 00:18:42: are you doing with this, what are your observation, what

00:18:42 --> 00:18:47: are the biggest challenges and also reflecting on Simon's presentations.

00:18:47 --> 00:18:50: What you picked out from that, Sarah, can I start

00:18:51 --> 00:18:51: with you?

00:18:52 --> 00:18:55: Yeah, No problem is that I think I started to

00:18:55 --> 00:18:58: start just to give some background to where we're on

00:18:58 --> 00:19:01: our journey as well and how we got to the

00:19:01 --> 00:19:05: carbon pricing. So as a phone, we generate carbon emissions

00:19:05 --> 00:19:08: in two areas of our business, the development of our

00:19:08 --> 00:19:10: assets and then their operations.

00:19:12 --> 00:19:15: Our net Zero 23 strategy is leading us to focus

00:19:15 --> 00:19:19: on a pathway of reducing embodied carbon associated with the

00:19:19 --> 00:19:22: materials used in the life cycle of our buildings and

00:19:22 --> 00:19:27: then reducing emissions in our operations by reducing energy intensity

00:19:27 --> 00:19:31: and increasing the use of renewables. So our strategy has

00:19:31 --> 00:19:35: really been to focus on emissions from our directly managed

00:19:35 --> 00:19:37: portfolio and assets under development.

00:19:38 --> 00:19:40: And this is where we're seeing that we can have

00:19:41 --> 00:19:44: the greatest level of influence. And when we're looking at

00:19:44 --> 00:19:47: this, we're addressing I suppose the whole life are of

00:19:47 --> 00:19:51: an impact on our buildings across three names scopes as

00:19:51 --> 00:19:54: Simon referenced. But scope three is our main focus and

00:19:54 --> 00:19:58: it's the indirect emissions from our value chain including indirect

00:19:58 --> 00:20:03: embodied carbon from our developments, our corporate emissions business operations

00:20:03 --> 00:20:05: and waste in our directly managed assets.

00:20:06 --> 00:20:10: I think more importantly is that the emissions from our

00:20:10 --> 00:20:14: development project make up about 66% of our carbon footprint.

00:20:14 --> 00:20:17: So we really want to reduce this through the life

00:20:17 --> 00:20:21: cycle of our buildings using carbon accounting, sustainable design and

00:20:21 --> 00:20:25: engaging with our shareholders. My my role in the carbon

00:20:25 --> 00:20:29: pricing area is to ensure its adoption and financial modeling.

00:20:30 --> 00:20:34: Along working with our sustainability team and analyzing the risks

00:20:34 --> 00:20:38: and impacts of not having a transition plan, not implementing

00:20:38 --> 00:20:43: it, we recently launched in our sustainability responsible investment plan

00:20:43 --> 00:20:46: that we are applying a carbon price within the fund

00:20:46 --> 00:20:50: of 80 year old per tonne on embodied carbon emissions

00:20:50 --> 00:20:54: generated in our development program between 2022 and 2030. And

00:20:54 --> 00:20:57: I suppose the purpose of this for us is really

00:20:57 --> 00:20:59: to promote sustainable construction.

00:21:00 --> 00:21:03: On operation practices within our supply chain and how it

00:21:03 --> 00:21:07: works is that we levy our developments during the development

00:21:07 --> 00:21:11: stage and then these funds are ring fenced. So Simon

00:21:11 --> 00:21:15: touched on, you know there's different ways companies are doing

00:21:15 --> 00:21:18: it and I think one of the limitations is that

00:21:18 --> 00:21:22:	there's no, there's no perfect methodology. So we're all learning
00:21:22 --> 00:21:24:	together, but what we're doing is.
00:21:25 --> 00:21:29:	These funds that we're, I suppose, taxing ourselves are being
00:21:29 --> 00:21:33:	ring fenced into a transition fund and then they're being
00:21:33 --> 00:21:38:	reinvested in projects and initiatives that either improve sustainability performance
00:21:38 --> 00:21:42:	of our existing assets or help decarbonize our portfolio. And
00:21:42 --> 00:21:45:	I suppose a key differentiator for us is that we
00:21:45 --> 00:21:49:	do not use these funds just to retrofit assets within
00:21:49 --> 00:21:50:	the portfolio.
00:21:50 --> 00:21:54:	We believe cost but rhetoric fitting should already be built
00:21:54 --> 00:21:58:	into the valuations as part of a good estate management.
00:21:58 --> 00:22:01:	So instead what we're trying to do is to use
00:22:01 --> 00:22:05:	these funds to finance projects that focus on carbon avoidance
00:22:05 --> 00:22:08:	and also removal at a much greater scale. During 2022,
00:22:08 --> 00:22:12:	our fund accrued ???3 million and from a governance perspective
00:22:12 --> 00:22:15:	this brings up you know a whole level of new
00:22:15 --> 00:22:16:	types of reporting.
00:22:17 --> 00:22:20:	We have a transition fund framework in place. We have
00:22:21 --> 00:22:24:	a steering committee and that's chaired by our CEO and
00:22:24 --> 00:22:27:	is also members at the highest level from our senior
00:22:27 --> 00:22:30:	management team on it, including the CIOCOO and how to
00:22:30 --> 00:22:34:	sustainability and they govern the use of this fund and
00:22:34 --> 00:22:37:	decide how to use it. And there's certain criterias that
00:22:37 --> 00:22:39:	we have to hit in order to be able to
00:22:39 --> 00:22:42:	access the funds in our transition fund. And you know
00:22:42 --> 00:22:47:	that includes anything from supporting research and innovative trials.
00:22:47 --> 00:22:50:	Of low carbon solutions and in order to reduce energy
00:22:50 --> 00:22:54:	use intensity across our assets and also more importantly to
00:22:54 --> 00:22:58:	train and upskill not only our team, but our supply
00:22:58 --> 00:23:01:	chain and the wider stakeholders in the market and how
00:23:01 --> 00:23:05:	we can develop and operate as opposed 0 carbon assets.
00:23:08 --> 00:23:11:	Thank you. That's very helpful. Right, Jeremy?
00:23:12 --> 00:23:16:	You are an associate actor with 103. You actually do
00:23:16 --> 00:23:20:	work on the the sea change work and you especially
00:23:20 --> 00:23:24:	focus on the carbon pricing work and you've spoken to
00:23:24 --> 00:23:30:	many different Members and why the industry representatives already on their
00:23:30 --> 00:23:34:	views on carbon pricing. Can you reflect on that and

00:23:34 --> 00:23:38: also from your broader experience because you've been working on
00:23:38 --> 00:23:41: climate finance for many years.
00:23:41 --> 00:23:46: Across many different sectors. Can you share learnings from that?
00:23:48 --> 00:23:51: Absolutely. Thanks, Lisette and thanks everybody. I see in looking
00:23:51 --> 00:23:54: through the participant list that some of the people who
00:23:54 --> 00:23:57: are joining are those that I've spoken with already on
00:23:57 --> 00:24:01: this assignment and others are friends from other projects I've
00:24:01 --> 00:24:03: worked on. So it's great to see so many familiar
00:24:03 --> 00:24:06: faces. I have two sets of comments, so one in
00:24:06 --> 00:24:09: response to what Simon has presented earlier and then one
00:24:09 --> 00:24:11: just generally on everything that I've.
00:24:11 --> 00:24:15: Gathered from especially the past two weeks of intensive interviews.
00:24:15 --> 00:24:19: So I've conducted over the past two weeks about 35
00:24:19 --> 00:24:23: interviews with a wide variety of stakeholders, and I effectively
00:24:23 --> 00:24:26: have broken the responses that I've received as far as
00:24:26 --> 00:24:30: carbon pricing into three different camps. The first? Those like
00:24:30 --> 00:24:34: Zara, who wholeheartedly agree with the idea that we need
00:24:34 --> 00:24:38: to find ways to incorporate carbon pricing and are experimenting
00:24:38 --> 00:24:41: in different ways. Zara, as you said, there is no
00:24:41 --> 00:24:41: one.
00:24:41 --> 00:24:45: Foolproof method. But instead there are different people who are
00:24:45 --> 00:24:47: trying different ways to make this work. And one of
00:24:47 --> 00:24:50: the things that we're hoping with the efforts that we're
00:24:50 --> 00:24:53: doing under sea change is that we will at least
00:24:53 --> 00:24:56: be able to introduce maybe different typologies that others who
00:24:56 --> 00:24:59: are questioning this can start to adopt into the work
00:24:59 --> 00:25:02: that they're doing. The second group, and probably the largest
00:25:02 --> 00:25:05: group though, of everybody that I've spoken with, is those
00:25:05 --> 00:25:08: that agree in principle with the idea that we need
00:25:08 --> 00:25:09: to find ways.
00:25:09 --> 00:25:12: To be responsive to carbon, to be responsive to emissions
00:25:12 --> 00:25:16: across, whether it be embodied carbon or operational carbon, but
00:25:16 --> 00:25:19: find it very difficult to figure out the best way

00:25:19 --> 00:25:23: to operationalize this concept. And so they're looking for guidance,
00:25:23 --> 00:25:26: looking to see what those emerging best practices can and
00:25:26 --> 00:25:29: should be. And then the third camp are those that
00:25:29 --> 00:25:33: effectively are rejecting the thesis of carbon pricing because they
00:25:33 --> 00:25:36: say carbon pricing is already internalized in the work that
00:25:36 --> 00:25:37: we're doing.
00:25:37 --> 00:25:40: And until there is a clear mandate or regulations that
00:25:40 --> 00:25:43: force us to follow certain pathways, we will be looking
00:25:43 --> 00:25:46: instead at those that are maybe early adopters is doing
00:25:47 --> 00:25:50: this from a voluntary perspective, but we don't necessarily think
00:25:50 --> 00:25:53: that we want to be industry leaders in looking at
00:25:53 --> 00:25:56: this. So I think that it's interesting to look to
00:25:56 --> 00:25:59: see the ways that different people are approaching this philosophy.
00:25:59 --> 00:26:03: Part of the philosophy though that we're that I'm gathering
00:26:03 --> 00:26:05: and that I've seen in real estate but that I've
00:26:05 --> 00:26:07: seen in other sectors as well.
00:26:07 --> 00:26:10: Is this question of should we be calling it carbon
00:26:10 --> 00:26:14: pricing because pricing or tax has a certain implication and
00:26:14 --> 00:26:18: rather than calling it something that has a negative connotation
00:26:18 --> 00:26:20: that's more of a stick, Is there in fact a
00:26:20 --> 00:26:23: way that we can offer a carrot? So is there
00:26:23 --> 00:26:26: a way that we can either offer a carbon incentive
00:26:26 --> 00:26:29: to those that are early adopters or to encourage early
00:26:29 --> 00:26:32: adoption and or a carbon dividend to to make this
00:26:32 --> 00:26:36: just from the semantics behind it something that people are?
00:26:36 --> 00:26:39: Comfortable with or want to pursue, which I think couples
00:26:40 --> 00:26:43: very nicely with the concept of the idea of anticipatory
00:26:43 --> 00:26:46: adoption of some of these concepts. So rather than waiting
00:26:46 --> 00:26:49: for that regulation to come in and I think that
00:26:49 --> 00:26:52: the trends definitely are indicating that that we are heading
00:26:52 --> 00:26:56: in that direction of seeing something mandatory coming in. The
00:26:56 --> 00:26:59: question is the timing on that, how do we anticipate
00:26:59 --> 00:27:01: this, how do we look to see the the best
00:27:01 --> 00:27:04: ways to be able to already factor this into decision
00:27:04 --> 00:27:05: making.
00:27:05 --> 00:27:08: The final thing though that I'll say on this and
00:27:08 --> 00:27:11: I think Lizette, as per your question on what I've

00:27:11 --> 00:27:14: seen in other sectors is this concept of what we
00:27:14 --> 00:27:17: see in transportation and what we see in the power
00:27:18 --> 00:27:20: sector. So looking at EVs and what that means as
00:27:21 --> 00:27:24: far as that transition away from internal combustion engine to
00:27:24 --> 00:27:28: electric vehicles, that's largely driven by the fact again that
00:27:28 --> 00:27:32: people are seeing that the regulations have changed and so
00:27:32 --> 00:27:33: we see that manufacturers.
00:27:34 --> 00:27:37: And others who are participants in the supply chain are
00:27:37 --> 00:27:40: responding to that. And so they're saying we need to
00:27:40 --> 00:27:43: change how we do business as usual. Same thing in
00:27:43 --> 00:27:46: the power sector. We're seeing that there's a migration away
00:27:46 --> 00:27:50: from fossil fuels and increasingly towards renewables, driven by policymakers.
00:27:50 --> 00:27:53: And so the industries in those sectors have said we
00:27:53 --> 00:27:56: know that we need to be responsive and so we
00:27:56 --> 00:27:58: need to change the way we do business as usual.
00:27:58 --> 00:28:01: My challenge, and I'll throw out, is that a lot
00:28:01 --> 00:28:03: of people that I've spoken to are saying.
00:28:04 --> 00:28:06: You know what, we we are resistant to change and
00:28:06 --> 00:28:08: I feel like that's something that I get as a
00:28:09 --> 00:28:12: common trope across the real estate and built environment players.
00:28:12 --> 00:28:14: So is there in fact a way that we can
00:28:14 --> 00:28:17: encourage not just the industry leaders but those who are
00:28:17 --> 00:28:20: generally thinking about this to follow that trend? As far
00:28:20 --> 00:28:22: as Simon's presentation, just a few small things that I
00:28:22 --> 00:28:25: thought were really interesting that hopefully we can pick up
00:28:26 --> 00:28:26: on later the 1st.
00:28:27 --> 00:28:29: I thought that it was terrific to be able to
00:28:29 --> 00:28:32: see New York and Tokyo as two examples, but it
00:28:32 --> 00:28:35: really drives that we're looking at a very localized place
00:28:35 --> 00:28:38: based solution set rather than something which is more sweeping.
00:28:38 --> 00:28:41: So is there a way that we can encourage that
00:28:41 --> 00:28:44: the lessons learned from place based localized approaches can be
00:28:44 --> 00:28:47: applied on a more general level? The second I appreciate
00:28:47 --> 00:28:50: the McKinsey study and the fact that there is an
00:28:50 --> 00:28:53: analysis of those 2500 firms, I am concerned about the
00:28:53 --> 00:28:56: fact that that's not necessarily capturing the smaller players.
00:28:56 --> 00:28:59: And I think that this is going to be extremely
00:28:59 --> 00:29:02: difficult for smaller players who will be I think far
00:29:02 --> 00:29:06: more price sensitive when looking at the question of

decarbonization,
00:29:06 --> 00:29:09: especially of existing building stock. And then the Third Point
00:29:09 --> 00:29:12: is the, the slide where it showed the regional variations
00:29:12 --> 00:29:15: in carbon pricing. And I think that we need to
00:29:15 --> 00:29:16: just recognize the fact that.
00:29:17 --> 00:29:20: As I've been doing the conversations I have with people
00:29:20 --> 00:29:23: who are focused on UK versus EU versus US, there's
00:29:23 --> 00:29:26: different levels of appreciation and different levels of desire to
00:29:26 --> 00:29:29: adhere to different things. I know I've spoken for quite
00:29:29 --> 00:29:32: a while, so I will stop, but I really enjoy
00:29:32 --> 00:29:35: this conversation and looking forward to hearing what Emily has
00:29:35 --> 00:29:37: to share as well. Thank you.
00:29:38 --> 00:29:41: Thank you. Maybe one follow up question before I get
00:29:41 --> 00:29:44: to to Emily, because I was triggered by what you
00:29:44 --> 00:29:46: said about transportation and.
00:29:47 --> 00:29:51: Power as the other industries real estate is also known
00:29:51 --> 00:29:57: as being extremely fragmented with even the biggest owner manager
00:29:57 --> 00:30:02: having only a very small percentage of the total building
00:30:02 --> 00:30:06: stock. Well, I think the other industries there is more
00:30:06 --> 00:30:11: massive and bigger players. How do you see that complicates
00:30:11 --> 00:30:13: the issue even more?
00:30:14 --> 00:30:17: So absolutely, if you look at the fact that there
00:30:17 --> 00:30:21: is no majority shareholder that can drive that versus if
00:30:21 --> 00:30:24: you look at, if you look at transportation, you look
00:30:24 --> 00:30:27: at the fact that we are talking about major manufacturers
00:30:27 --> 00:30:30: who do have a large percentage of market share. That
00:30:30 --> 00:30:31: being said.
00:30:31 --> 00:30:34: There are and maybe this is too much of A
00:30:34 --> 00:30:37: digression, but there are some new players who are coming
00:30:37 --> 00:30:39: in. I mean you look at what Tesla has been
00:30:39 --> 00:30:42: able to do in the market and that's relatively new.
00:30:42 --> 00:30:45: Some of the other players who are coming in who
00:30:45 --> 00:30:48: are seeing opportunities to step in, I feel like we
00:30:48 --> 00:30:50: can start pointing to that as being ways that there
00:30:50 --> 00:30:53: is responsiveness. But I think that it also comes back
00:30:53 --> 00:30:57: to the point of this conversation around carbon pricing and
00:30:57 --> 00:31:00: the fact that that whether you're established or whether you
00:31:00 --> 00:31:01: are new to market.
00:31:02 --> 00:31:04: You're starting to look at ways that you can play
00:31:04 --> 00:31:08: within existing and soon to be passed regulation. And so

00:31:08 --> 00:31:10: I feel like we need to be examining that more
00:31:10 --> 00:31:13: carefully. But I think it also plays into that question
00:31:13 --> 00:31:16: of smaller players and when we look at those smaller
00:31:16 --> 00:31:20: players. So I've had conversations with major players and with.
00:31:20 --> 00:31:23: Small asset owners and when we look at those smaller
00:31:23 --> 00:31:26: players, they get very concerned about what this will mean
00:31:26 --> 00:31:28: from a pricing perspective for them. And so I think
00:31:28 --> 00:31:31: that to your point on fragmentation, it becomes even more
00:31:31 --> 00:31:34: of a sensitive question in real estate and built environment
00:31:34 --> 00:31:36: than for others, which is why in part of the
00:31:36 --> 00:31:38: sea change work we are looking at what does this
00:31:38 --> 00:31:41: mean for smaller players rather than just for the industry
00:31:41 --> 00:31:42: leaders? Thank you.
00:31:44 --> 00:31:47: Thank you, Jeremy. We'll come back to the sort of
00:31:47 --> 00:31:50: unintended consequences topic later as well.
00:31:50 --> 00:31:54: And Emily, very interested to hear your views on the
00:31:55 --> 00:31:55: topic.
00:31:57 --> 00:32:00: I think we're at a similar stage to what Zara
00:32:00 --> 00:32:02: described. So as far as I am, we've set a
00:32:02 --> 00:32:05: global net 0 carbon target of 2040 and we've used
00:32:05 --> 00:32:10: the better building partnership climate commitment to frame that, which
00:32:10 --> 00:32:14: encourages us to think about whole buildings and also embodied
00:32:14 --> 00:32:14: carbon.
00:32:15 --> 00:32:18: When we came to baseline our embodied carbon, because we
00:32:19 --> 00:32:22: don't do that much development at the moment, it's it
00:32:22 --> 00:32:26: was actually less than about 10% of our overall emissions.
00:32:26 --> 00:32:29: Our emissions are from operational, so our primary focus is
00:32:30 --> 00:32:33: on reducing where we can energy and also looking at
00:32:33 --> 00:32:36: how we build in climate resilience. But that said, we
00:32:36 --> 00:32:40: do have some funds that are doing significant developments.
00:32:40 --> 00:32:44: And one in particular is really forward thinking and we've
00:32:44 --> 00:32:47: got a fantastic client that we work with who's a
00:32:47 --> 00:32:51: major pension fund and they've been allowing us to experiment
00:32:51 --> 00:32:54: with carbon pricing with the view that we need to
00:32:54 --> 00:32:58: offset emissions in order to become net 0 carbon. So
00:32:58 --> 00:33:02: we've already designed the building to be extremely low carbon,
00:33:02 --> 00:33:05: you know meetings of 350 kilograms of CO_2 square meter

00:33:05 --> 00:33:08: and it's as low as we can for this industrial
00:33:08 --> 00:33:09: logistics asset.
00:33:10 --> 00:33:13: And it's Net 0 Carbon ready in the sense of
00:33:13 --> 00:33:16: if we bring in a tenant who operates it in
00:33:16 --> 00:33:18: the way that we need them to, it can be
00:33:18 --> 00:33:21: operated at Net 0 Carbon. What we can't get rid
00:33:21 --> 00:33:25: of is the fact that building buildings or even retrofitting
00:33:25 --> 00:33:30: buildings creates embodied carbon, whether you're bringing solar panels to
00:33:30 --> 00:33:34: site or if you're having to build buildings from scratch
00:33:34 --> 00:33:38: because there's a need to have a wider sustainability angle.
00:33:39 --> 00:33:42: And for us, we've been looking at how we were
00:33:42 --> 00:33:45: to offset that residual piece that we just could not
00:33:45 --> 00:33:48: get any lower for whichever reasons they were. And we
00:33:48 --> 00:33:51: first of all started looking at the UK carbon market
00:33:51 --> 00:33:54: and forestry and thought great we'll we'll go and offset
00:33:54 --> 00:33:57: through the forestry. Realize we can't do that because it
00:33:57 --> 00:34:00: doesn't exist enough credits yet. There will be PIU's and
00:34:00 --> 00:34:04: pending issuance units and you can't use that. We secondly,
00:34:04 --> 00:34:07: we looked at the overseas market like Vera and others.
00:34:07 --> 00:34:12: But conscious that that would be very, very controversial given
00:34:12 --> 00:34:16: that there's a lot around difference in carbon offsetting at
00:34:16 --> 00:34:19: the moment and how effective they are. So we then
00:34:19 --> 00:34:23: suggested to the client, why don't we set up our
00:34:23 --> 00:34:26: own carbon pricing and we were looking around 95 to
00:34:26 --> 00:34:29: over ??100 per ton and the exact amount is still
00:34:29 --> 00:34:33: being investigated and through that we will set up a
00:34:33 --> 00:34:36: decarbonization fund which is looking to.
00:34:36 --> 00:34:39: Not just retrofit buildings because I agree with Zara, we
00:34:39 --> 00:34:43: should be retrofitting as part of what we're doing. But
00:34:43 --> 00:34:46: in particular, we had long discussions with the client about
00:34:46 --> 00:34:50: how can that fund be leveraged to help tenant emissions.
00:34:50 --> 00:34:52: And in real estate as it is fragmented, we have
00:34:52 --> 00:34:55: a lot of buildings where they're on what they call
00:34:55 --> 00:34:57: fully repaired and insured leases.
00:34:58 --> 00:35:02: Where we don't necessarily have control over the operation of
00:35:02 --> 00:35:05: that building and if we actually want to get it
00:35:05 --> 00:35:07: down to zero, we need to work with the tenant.
00:35:08 --> 00:35:10: So for us it's about looking at how we set
00:35:10 --> 00:35:13: up a fund to get net 0 carbon across the
00:35:13 --> 00:35:16: whole portfolio, not just one or two assets and to

00:35:16 --> 00:35:19: use that fund for that purpose. However, we also need
00:35:19 --> 00:35:22: to offset to a certain extent to be compliant with
00:35:22 --> 00:35:24: current offsetting guidelines.
00:35:25 --> 00:35:28: So we're using the other part of that carbon price
00:35:28 --> 00:35:32: to go and look for high quality removals, offsets where
00:35:32 --> 00:35:35: we can, so that we're both meeting the removals and
00:35:35 --> 00:35:40: we're meeting this decarbonization fund. We've agreed with the client
00:35:40 --> 00:35:45: that if carbon pricing significantly increases in the market, so
00:35:45 --> 00:35:48: at the moment carbon offset is anywhere between 20 to
00:35:48 --> 00:35:50: 40 units even for some removals.
00:35:51 --> 00:35:54: Then we will review our strategy and once it gets
00:35:54 --> 00:35:56: to the point where 50% of the carbon price would
00:35:57 --> 00:35:59: have to be spent on offsetting, we won't do that
00:35:59 --> 00:36:03: anymore. We'll purely keep it as a carbonization fund. So
00:36:03 --> 00:36:05: we're very lucky that we're using this fund and this
00:36:06 --> 00:36:08: client as a as a trial and they've been really
00:36:08 --> 00:36:11: happy to be the Guinea pig. And then what we're
00:36:11 --> 00:36:13: looking to do next is look at how we can
00:36:13 --> 00:36:15: roll that strategy out wider.
00:36:18 --> 00:36:20: Thank you. That's very helpful.
00:36:21 --> 00:36:25: Maybe Zara and Emily asking you both in terms of
00:36:25 --> 00:36:29: when you started, you said the initial objectives. What kind
00:36:29 --> 00:36:32: of did it bring? Did it, did you achieve the
00:36:33 --> 00:36:37: objectives? I also take Zara's previous comment on we're learning
00:36:37 --> 00:36:41: along the way and and maybe something on what have
00:36:41 --> 00:36:44: been the biggest challenges you've seen so far.
00:36:47 --> 00:36:47: Who wants to start?
00:36:48 --> 00:36:51: I can give Emily a break for a moment. I
00:36:51 --> 00:36:55: think there's two parts. So obviously we're still in the
00:36:55 --> 00:36:59: infancy stage of it. So I think like Emily referred
00:36:59 --> 00:37:03: to, setting the price is a really big part of
00:37:03 --> 00:37:06: it and takes a huge amount. And you know, we
00:37:06 --> 00:37:07: started on this.
00:37:08 --> 00:37:11: A good few years ago and obviously 80 year old
00:37:11 --> 00:37:14: is our price and when initially we started it, my
00:37:14 --> 00:37:17: question was can we review it. So I suppose we
00:37:18 --> 00:37:21: all think in different ways, but I'm a have a
00:37:21 --> 00:37:24: real estate background so I sort of am now thinking
00:37:24 --> 00:37:27: we actually do badge to that. We have a rent
00:37:27 --> 00:37:30: review and property terms for our carbon price and in

00:37:30 --> 00:37:34: 2025 we're going to have a carbon rent review for
00:37:34 --> 00:37:37: want of a better word where we sit back and
00:37:37 --> 00:37:37: evaluate.
00:37:38 --> 00:37:41: You know the pricing and assembly set costs are fluctuating.
00:37:41 --> 00:37:43: We're seeing it as well. But but in setting the
00:37:44 --> 00:37:46: initial price, I think that was the one of the
00:37:46 --> 00:37:48: hardest parts of it. And what you do is we
00:37:48 --> 00:37:51: have to look up here, it's we looked at national
00:37:51 --> 00:37:54: guidance at the time, you know Ireland's Climate Action Bill
00:37:54 --> 00:37:57: and where we felt pricing was going to get to
00:37:57 --> 00:37:59: by the late, you know twenty 20s. We felt like
00:37:59 --> 00:38:02: it needed to be at a meaningful level and that's
00:38:02 --> 00:38:05: going back to some of the points Jeremy picked up
00:38:05 --> 00:38:06: on his interviews.
00:38:06 --> 00:38:09: But not at a level where it's going to meet
00:38:09 --> 00:38:12: huge resistance. And for us, really when you think about
00:38:12 --> 00:38:15: it, the focus should be on the correct measurement of
00:38:15 --> 00:38:18: the carbon emissions. What we're doing with the internal pricing
00:38:18 --> 00:38:22: is we're translating it into money to make it measurable
00:38:22 --> 00:38:25: because in real estate we like to measure things. But
00:38:25 --> 00:38:28: really what we should be doing is factoring and having
00:38:28 --> 00:38:31: a really small transition fund because we're not actually, you
00:38:31 --> 00:38:34: know, having that much embodied carbon being produced.
00:38:35 --> 00:38:38: So, so I think that's what we're learning. We're we're
00:38:38 --> 00:38:42: also learning in terms of measurement as well and we're
00:38:42 --> 00:38:46: really intensifying our methodology there. We use obviously Courage parties
00:38:46 --> 00:38:49: who assist with the calculation of our LCAS and we
00:38:49 --> 00:38:53: obviously at the beginning of a design process do preliminary
00:38:53 --> 00:38:56: ones and that can be in developments or in assets.
00:38:56 --> 00:38:59: And then at the end of a project we do
00:38:59 --> 00:39:02: it to look I suppose what happened on a representation
00:39:02 --> 00:39:04: as fair as possible of the end result.
00:39:05 --> 00:39:09: And you mentioned, I suppose challenges as well that we've
00:39:09 --> 00:39:12: had. I think education is key around us. You know,
00:39:12 --> 00:39:14: when I first heard about it, I probably wasn't as
00:39:14 --> 00:39:17: much of A champion as I am now because the
00:39:17 --> 00:39:20: perception is, and I think they'll probably come up a
00:39:20 --> 00:39:23: lot with Jeremy, that it's a bit of a disadvantage
00:39:23 --> 00:39:26: if you were looking at a development appraisal compared to
00:39:26 --> 00:39:29: a competitor and you're bidding on something in the market

00:39:29 --> 00:39:31: and I think it came up in Simon's.
00:39:32 --> 00:39:35: Comments as well. So are you pricing yourself out of
00:39:35 --> 00:39:39: an investment situation because you're trying to do better, but
00:39:39 --> 00:39:42: actually it shouldn't be seen like that. It's just a
00:39:42 --> 00:39:47: factor in investment consideration like everything else. So when we're
00:39:47 --> 00:39:51: looking at appraisals or things we obviously have, it's factored
00:39:51 --> 00:39:55: into our appraisals, but we're able to extract it. It's
00:39:55 --> 00:39:57: a one line almost like in the DCF as a
00:39:57 --> 00:40:00: shadow cost. So we can extract it to look at
00:40:00 --> 00:40:00: what.
00:40:01 --> 00:40:03: We think peers are pricing based on not having it
00:40:03 --> 00:40:06: in and then we have to be happy that are
00:40:06 --> 00:40:09: we happy having a smaller profit knowing that we're doing
00:40:09 --> 00:40:12: something better, we're creating additionality you know in our figures
00:40:12 --> 00:40:15: and our appraisals. So I think once you start changing
00:40:15 --> 00:40:18: your mindset of how you're looking at things, it doesn't
00:40:18 --> 00:40:21: have to be a negative just because it's called a
00:40:21 --> 00:40:23: tax or a cost or a levy. And so and
00:40:23 --> 00:40:26: you know Jeremy's right, we probably badge it wrong if
00:40:26 --> 00:40:28: we just put it in money terms to make it
00:40:28 --> 00:40:30: on to file. So we know the cost of it.
00:40:33 --> 00:40:36: Thank you. That's really helpful. In the meantime, we've also
00:40:37 --> 00:40:40: received the question and I would encourage also others to
00:40:40 --> 00:40:43: ask questions. And maybe Emily, you can also address that
00:40:43 --> 00:40:46: because I think it serves the topic that we're not
00:40:46 --> 00:40:49: talking about really well. And you say more about how
00:40:49 --> 00:40:53: you're making sure you're actually measuring the carbon oil renaissed
00:40:53 --> 00:40:57: gas emissions associated with your activity. What tools and data
00:40:57 --> 00:40:58: are you using?
00:41:01 --> 00:41:05: So we've just appointed a a carbon consultant across the
00:41:05 --> 00:41:08: whole portfolio to be able to manage the net 0
00:41:08 --> 00:41:11: decarbonization pathway and part of their role is to be
00:41:11 --> 00:41:15: able to capture the data. So the way that we've
00:41:15 --> 00:41:18: approached developments to date is to do a whole life
00:41:18 --> 00:41:22: carbon assessment and then to follow through. So that's the
00:41:22 --> 00:41:25: kind of pre assessment and a post assessment.
00:41:26 --> 00:41:28: And that helps us to track what are the, what's

00:41:28 --> 00:41:32: the embodied carbon that's coming from these developments, but also
00:41:32 --> 00:41:34: what are the hotspots. And what we found from that
00:41:35 --> 00:41:37: is to see what the industry finds, which is still
00:41:37 --> 00:41:40: is very carbon intensive. So then the major change that
00:41:40 --> 00:41:43: we're looking at making is on the next development that
00:41:43 --> 00:41:46: this fund is doing, they are actively now going to
00:41:46 --> 00:41:49: have discussions with our insurers to see if we could
00:41:49 --> 00:41:49: use CLT.
00:41:50 --> 00:41:52: Was when we tried the first time to use cross
00:41:52 --> 00:41:55: laminated timber, it was too early and we weren't able
00:41:55 --> 00:41:57: to get the insurance that we needed. So I think
00:41:58 --> 00:42:01: from that perspective by doing a whole life carbon assessment,
00:42:01 --> 00:42:04: we're able to track that and that includes things like
00:42:04 --> 00:42:07: the embodied carbon that you're bringing to site through things
00:42:07 --> 00:42:10: like solar panels as well as it does through the
00:42:10 --> 00:42:13: construction process. So we're trying to make it as rigorous
00:42:13 --> 00:42:14: as possible.
00:42:15 --> 00:42:18: Currently we hold that data just on spreadsheets, but the
00:42:18 --> 00:42:21: intention is that it will go into a data platform
00:42:21 --> 00:42:24: that we have where we store all our operational energy
00:42:24 --> 00:42:28: emissions. So that's our next phase, but data is really
00:42:28 --> 00:42:30: important and it it's one of the areas.
00:42:30 --> 00:42:31: That I think.
00:42:31 --> 00:42:33: We struggle with not not just us, but as an
00:42:33 --> 00:42:36: industry, but on how to kind of track all of
00:42:36 --> 00:42:36: this.
00:42:38 --> 00:42:38: Thank you.
00:42:39 --> 00:42:43: I would like to move on also triggered by Zara's
00:42:43 --> 00:42:47: previous point and we've heard about it more around the
00:42:47 --> 00:42:52: competitiveness issue. If you're one of the first movers in
00:42:52 --> 00:42:57: terms of why is the industry approach so important and
00:42:57 --> 00:43:01: would that help kind of the adoption of carbon pricing
00:43:01 --> 00:43:04: us all moving in the same direction?
00:43:05 --> 00:43:09: And maybe, Jeremy, I see you nodding, maybe I'll hand
00:43:09 --> 00:43:13: over to you first, it's how important is that industry
00:43:13 --> 00:43:18: approach and and how can it help the further process
00:43:18 --> 00:43:23: of decarbonization where there's already a lot happening, many companies
00:43:24 --> 00:43:27: have pledges, etc. What else can it do?
00:43:28 --> 00:43:30: So would love to answer that. I just want to.

00:43:31 --> 00:43:33: Also do a quick response to some of the Emily
00:43:33 --> 00:43:36: raised as an important point. And so in the interviews,
00:43:36 --> 00:43:39: one of the things I have been asking is on
00:43:39 --> 00:43:42: the embodied carbon question, What are we looking at as
00:43:42 --> 00:43:45: far as construction materials? And when we talk about the
00:43:45 --> 00:43:47: fact that if we are, if we want to go
00:43:47 --> 00:43:50: vertical and we want to have that density rather than
00:43:50 --> 00:43:53: have horizontal sprawl, we do need to be looking at
00:43:53 --> 00:43:56: construction materials that can handle that load. And so it
00:43:56 --> 00:43:59: typically will be looking at steel and concrete.
00:43:59 --> 00:44:02: Yet the idea is that we can in fact be
00:44:02 --> 00:44:04: relying more on on wood and how do we bring
00:44:04 --> 00:44:07: timber in CLT in particular in a meaningful way. And
00:44:07 --> 00:44:10: one of the challenges and I think a lot of
00:44:10 --> 00:44:13: people want to find the the reasons why they can't
00:44:13 --> 00:44:16: adopt things that are helpful from a carbon or environmental
00:44:16 --> 00:44:20: perspective. One of the things people raise is well the
00:44:20 --> 00:44:23: insurance industry is not keeping up with us. And so
00:44:23 --> 00:44:25: I feel like if we can find where those pain
00:44:25 --> 00:44:28: points are that prohibit the adoption of some of these.
00:44:29 --> 00:44:32: These ideas that ends up being something that could be
00:44:32 --> 00:44:35: helpful to point to. It of course triggers the next
00:44:35 --> 00:44:37: question, which is, is that if we have a full
00:44:37 --> 00:44:41: industry shift away from steel and concrete, which I think
00:44:41 --> 00:44:44: is unlikely to happen. But if we start seeing more
00:44:44 --> 00:44:47: timber get incorporated, is there a sufficient amount of sustainable
00:44:48 --> 00:44:50: timber that gets brought in and how do we make
00:44:50 --> 00:44:51: sure that that's not?
00:44:52 --> 00:44:55: Creating a whole set of other unintended consequences from a
00:44:55 --> 00:44:59: carbon and environmental perspective, recognizing the importance of forestry and
00:44:59 --> 00:45:02: helping to make sure that climate change is mitigated as
00:45:02 --> 00:45:05: much as possible. So there is that point that we're,
00:45:05 --> 00:45:07: I think we also need to keep in mind, but
00:45:07 --> 00:45:08: as far as can.
00:45:08 --> 00:45:11: You mind if I just add to your business, can
00:45:11 --> 00:45:14: you do that as well slightly so I think?
00:45:14 --> 00:45:18: You know we we've obviously used CLT in construction here.
00:45:18 --> 00:45:22: We built the first timber frame logistics asset in the
00:45:22 --> 00:45:26: double market. I think when you're looking at timber you
00:45:26 --> 00:45:29: have to be look at what you're working with. So

00:45:29 --> 00:45:32: from the logistics point it worked on the tenant was
00:45:32 --> 00:45:36: very engaged and operating in that zero asset and that's
00:45:36 --> 00:45:39: key around engagement from stakeholders but also.
00:45:40 --> 00:45:42: I don't think we're ever going to move to an
00:45:42 --> 00:45:46: all timber construction, you know, to to reduce our embodied
00:45:46 --> 00:45:49: carbon. But what we have done now is we're looking
00:45:49 --> 00:45:52: at, you know, construction differently and it's not just being
00:45:52 --> 00:45:56: because of the carbon pricing, but it's definitely consideration. We've
00:45:56 --> 00:45:59: 2 assets on site at the moment. One of them
00:45:59 --> 00:46:01: we've retained 92% of the existing structure.
00:46:02 --> 00:46:05: And the second, we've retained 75% of the existing concrete
00:46:05 --> 00:46:08: structure and what that's allowed us to do in the
00:46:08 --> 00:46:11: second one is we've saved 60% of the embodied carbon
00:46:11 --> 00:46:15: by retaining that. So it's not necessarily always moving to
00:46:15 --> 00:46:18: a more sustainable product like timber, but it's actually we're
00:46:18 --> 00:46:22: getting your supply chain and your advisors to reevaluate the
00:46:22 --> 00:46:24: way you look at it. In the past, we would
00:46:24 --> 00:46:28: have knocked down buildings, you know most developers wouldn't rebuild
00:46:29 --> 00:46:32: them. Now you're challenging your design team, your supply.
00:46:32 --> 00:46:35: Light chain on looking at using what's there, you know,
00:46:35 --> 00:46:38: trying to save on the embodied carbon. So sometimes actually
00:46:38 --> 00:46:41: by keeping the concrete that has been there already, we're
00:46:41 --> 00:46:44: able to really save. But again, it's a partnership, it's
00:46:44 --> 00:46:48: a partnership with your shareholders, it's a partnership with financing,
00:46:48 --> 00:46:51: it's a partnership with tenants. And I think that's key.
00:46:51 --> 00:46:54: But carbon pricing isn't the driver of it, but it's
00:46:54 --> 00:46:55: definitely a consideration in it.
00:46:59 --> 00:47:00: Emily, did you want to jump in before I?
00:47:01 --> 00:47:04: I just completely agree with Zara. I put a post
00:47:04 --> 00:47:06: on LinkedIn about a week and a half ago about
00:47:06 --> 00:47:09: one of our retrofit projects and I was astounded when
00:47:09 --> 00:47:11: we went to site that it looks like a brand
00:47:11 --> 00:47:14: new building and development, but it's not. It's, it's a
00:47:14 --> 00:47:16: retrofit. And I think it just shows the power of
00:47:16 --> 00:47:20: retrofitting really well and not just thinking about carbon, but
00:47:20 --> 00:47:23: all the other things like, you know, pedestrian access and
00:47:23 --> 00:47:25: making it as inclusive as possible. And I think that's
00:47:25 --> 00:47:28: where the carbon price can really help drive that different
00:47:29 --> 00:47:29: mindset.

00:47:33 --> 00:47:35: Yeah. So I I think that it also comes back
00:47:35 --> 00:47:38: to the question that I think Simon alluded to and
00:47:38 --> 00:47:41: something that has come up in a number of the
00:47:41 --> 00:47:45: interviews that I've been conducting, which is let's not conflate
00:47:45 --> 00:47:49: carbon pricing with carbon offsets because these are two separate
00:47:49 --> 00:47:52: but related concepts. And it comes down to the point
00:47:52 --> 00:47:55: that a number of people have raised, which is we
00:47:55 --> 00:47:56: can get to.
00:47:57 --> 00:47:59: Close to carbon neutrality in the way that we design
00:47:59 --> 00:48:03: buildings, especially if we start incorporating other materials, but we
00:48:03 --> 00:48:06: still are not going to say that a building necessarily
00:48:06 --> 00:48:09: is always going to be net zero at the point
00:48:09 --> 00:48:11: that it's built. So if we want to say that
00:48:11 --> 00:48:13: it is a net zero asset, we need to say
00:48:13 --> 00:48:17: that we're incorporating better construction practices on the embodied carbon
00:48:17 --> 00:48:19: side, looking at the operational carbon.
00:48:20 --> 00:48:22: Point as well. And then saying that if we want
00:48:22 --> 00:48:25: it to be something that can be badged as completely
00:48:25 --> 00:48:28: let's say net zero or carbon neutral, there is going
00:48:28 --> 00:48:30: to likely be a need for offsets as well. And
00:48:30 --> 00:48:32: how do we, how do we put all of these
00:48:32 --> 00:48:35: together, Which comes back to I think the question that
00:48:35 --> 00:48:37: Lizette initially asked me and I know we we went
00:48:37 --> 00:48:39: off track a little bit, but I hope it was
00:48:40 --> 00:48:42: helpful for those who are listening and the.
00:48:42 --> 00:48:45: I think that if we can come up with very
00:48:45 --> 00:48:48: similar to what Sea change has done on other transition
00:48:48 --> 00:48:51: guidelines that the industry is able to adopt and accept,
00:48:51 --> 00:48:53: if we can do the same thing as far as
00:48:53 --> 00:48:56: carbon pricing and make sure to. I think Zara you
00:48:56 --> 00:48:59: raised this point on awareness and education. If we can
00:48:59 --> 00:49:02: make sure that everybody at least is looking at this
00:49:02 --> 00:49:05: from the same point of view and regardless of whether
00:49:05 --> 00:49:08: we call it incentive or tax or pricing, if we
00:49:08 --> 00:49:10: can say that this is something that everybody.
00:49:11 --> 00:49:14: Is using the same approach, the same mentality on this,
00:49:14 --> 00:49:18: then there won't necessarily be that competitor. Well, are we
00:49:18 --> 00:49:21: going to price this the same way as somebody else
00:49:21 --> 00:49:23: does? So if we can see that there is a

00:49:23 --> 00:49:27: universally accepted approach to this and this is a methodology
00:49:27 --> 00:49:31: that is used across the industry, I feel like that's
00:49:31 --> 00:49:34: a helpful direction to head in. It also means that
00:49:34 --> 00:49:38: policymakers will feel like this is something being well adopted
00:49:38 --> 00:49:39: and accepted by industry.
00:49:40 --> 00:49:43: Largely because of the fact that, again, policymakers often are
00:49:43 --> 00:49:47: politicians and politicians need to be responsive to their constituents
00:49:47 --> 00:49:49: if there is a price that's passed on to them,
00:49:50 --> 00:49:52: which is viewed as being unaffordable. So I feel like
00:49:52 --> 00:49:55: all of these end up needing to be things that
00:49:55 --> 00:49:57: we factor in together. And if there's a way that
00:49:57 --> 00:50:00: Uli can lead in that discussion and say this is
00:50:00 --> 00:50:03: what industry is effectively calling for, it becomes beneficial across
00:50:03 --> 00:50:04: the board. Thank you.
00:50:06 --> 00:50:07: Thank you.
00:50:08 --> 00:50:11: Time is moving fast actually and we only have 8
00:50:11 --> 00:50:15: minutes left. There are also a couple of questions really
00:50:15 --> 00:50:18: good coming and that have come in and I would
00:50:18 --> 00:50:21: like to address a few of those. But before that,
00:50:21 --> 00:50:25: I would just briefly like to talk about the unintended
00:50:25 --> 00:50:29: consequences part because more broadly we already see this in
00:50:29 --> 00:50:33: in in decarbonization. We've just launched the transition risk guidelines
00:50:34 --> 00:50:36: and you see that assets where the.
00:50:36 --> 00:50:40: Almost the the the comparison between land value and the
00:50:40 --> 00:50:44: cost and the value of the building have a harder
00:50:44 --> 00:50:47: time or the total value have a harder time because
00:50:47 --> 00:50:51: the cost is very similar to make the business case
00:50:51 --> 00:50:55: thinking for example about social and affordable housing with a
00:50:55 --> 00:50:59: potential risk also to create an even further divide in
00:50:59 --> 00:51:02: terms of what we're seeing already how do we prevent
00:51:03 --> 00:51:05: if we implement carbon price that that.
00:51:06 --> 00:51:10: He almost increases that divide even further, not only in
00:51:10 --> 00:51:14: terms of types of property, but also types of players.
00:51:14 --> 00:51:18: We've already heard about smaller players Jeremy may be studying
00:51:18 --> 00:51:22: with you, learning from other sectors where they must come

00:51:23 --> 00:51:27: across unintended consequences as well other ways to prevent this.

00:51:27 --> 00:51:31: Is it a dynamic pricing level? Is it? What is

00:51:31 --> 00:51:31: it?

00:51:33 --> 00:51:34: Great question and.

00:51:35 --> 00:51:38: I would say that it's not, there's again no silver

00:51:38 --> 00:51:41: bullet answer that we can say this is how this

00:51:41 --> 00:51:44: is applied across the board. But I think that having

00:51:44 --> 00:51:47: dynamic pricing levels is one of the important things that

00:51:47 --> 00:51:50: we start looking at as far as how do we

00:51:50 --> 00:51:53: capture this. The other thing of course is having good

00:51:53 --> 00:51:56: feedback loops to make sure that this is not not

00:51:56 --> 00:52:01: having significant consequences for certain players or certain certain vulnerable

00:52:01 --> 00:52:04: communities across what we're looking at, so being able to

00:52:04 --> 00:52:04: again.

00:52:05 --> 00:52:08: Make sure that this is something that the regulations or

00:52:08 --> 00:52:12: the things that are introduced as something almost mandatory have

00:52:12 --> 00:52:15: that fluidity to be able to be responsive to what

00:52:15 --> 00:52:18: the those changes are there happening across the board ends

00:52:18 --> 00:52:21: up being helpful. But I think that for me it

00:52:21 --> 00:52:24: really is looking at the built environment it would be

00:52:24 --> 00:52:27: on the affordable housing side. How do we make sure

00:52:27 --> 00:52:30: that this doesn't end up becoming something if we see

00:52:30 --> 00:52:32: prices get passed along to to.

00:52:33 --> 00:52:35: To those end users, how do we make sure that

00:52:35 --> 00:52:38: especially if we're not talking about something which is fully

00:52:38 --> 00:52:42: government subsidized, but instead something where there is participation out

00:52:42 --> 00:52:45: of the income of those who are maybe not in

00:52:45 --> 00:52:48: the bottom income bracket but something slightly higher. How do

00:52:48 --> 00:52:50: we make sure that we are not making it something

00:52:50 --> 00:52:54: which is so unaffordable that the percentage they're paying for

00:52:54 --> 00:52:57: rent hypothetically ends up exceeding what they can afford as

00:52:57 --> 00:53:00: part of their overall monthly income? And so how do

00:53:00 --> 00:53:01: we, how do we?

00:53:01 --> 00:53:04: Maybe look to the public sector to provide a little

00:53:04 --> 00:53:07: bit of incentivization in the initial years of this transition,

00:53:08 --> 00:53:11: so that ultimately we know that this is something that

00:53:11 --> 00:53:14: is comfortable. And I would say that again that can
00:53:14 --> 00:53:17: be part of the regulations that are brought forward. But
00:53:17 --> 00:53:20: on the incentivization side, so we say that this is
00:53:20 --> 00:53:23: something that will phase out or graduate down and as
00:53:23 --> 00:53:25: we graduate down people will.
00:53:25 --> 00:53:28: Smart money will say, let's try to capture as much
00:53:28 --> 00:53:31: of that subsidy as possible so that we we when
00:53:31 --> 00:53:34: that subsidy no longer exists, we're able to at least
00:53:34 --> 00:53:37: demonstrate that this is financially viable.
00:53:38 --> 00:53:41: Thank you. And I'm just kind of picking out a
00:53:41 --> 00:53:45: couple of questions that we've received for the others and
00:53:45 --> 00:53:48: because we won't be able to address all of them
00:53:48 --> 00:53:52: and we're very happy to respond separately and the ACE
00:53:52 --> 00:53:53: with the panelists on that.
00:53:54 --> 00:53:57: And then I would also like to ask maybe for
00:53:57 --> 00:54:00: you to close. I have one final question and I'll
00:54:00 --> 00:54:03: give that one in a minute. We have a question
00:54:03 --> 00:54:08: on talking to sustainable finance experts. Out of the building
00:54:08 --> 00:54:12: sectors, there were many investors seem hesitant to move faster
00:54:12 --> 00:54:16: towards sustainable investing due to the weak signals from the
00:54:16 --> 00:54:20: government. Is that any different in the building sector?
00:54:21 --> 00:54:25: Any comments on the policy investing in the sector? We
00:54:25 --> 00:54:29: have a question on the inclusion of real estate in
00:54:29 --> 00:54:34: the EU Emissions trading scheme. Currently on the revision, has
00:54:34 --> 00:54:38: some assessment been done or what the impact will be
00:54:38 --> 00:54:42: on both landlords and tenants? And then do you find
00:54:42 --> 00:54:47: that the decision making process is slowing when introducing?
00:54:47 --> 00:54:52: Problem pricing as a factor in the investment strategy as
00:54:52 --> 00:54:56: it's at another layer of required expertise. And then the
00:54:56 --> 00:55:00: final question. So I encourage you to just pick out
00:55:00 --> 00:55:04: one that you feel more sequated with to respond. And
00:55:04 --> 00:55:08: then I'd like to finish up asking what do you
00:55:08 --> 00:55:11: think if you had one action you could ask for
00:55:11 --> 00:55:12: one wish?
00:55:12 --> 00:55:15: What would it be for you that you feel will
00:55:15 --> 00:55:20: massively help the implementation of carbon pricing for the real
00:55:20 --> 00:55:24: estate industry as a whole? Sarah, I'll start with you.
00:55:25 --> 00:55:29: Thanks. I think I might take going around the investment

00:55:29 --> 00:55:33: strategy. So for us now it's I suppose carbon pricing
00:55:33 --> 00:55:36: isn't that, it's across our entire.
00:55:37 --> 00:55:40: Team So at the beginning, yes, it was takes a
00:55:40 --> 00:55:43: while to educate yourself and I come back to this
00:55:43 --> 00:55:47: education part of it because it is huge, but now
00:55:47 --> 00:55:50: it's embedded in the process. It's also just a factor
00:55:50 --> 00:55:52: like any other input.
00:55:52 --> 00:55:56: Into an investment consideration now it's like you know if
00:55:56 --> 00:55:59: you look back maybe 10 years ago, ESG wasn't doesn't
00:55:59 --> 00:56:02: much of A consideration now. It's inherent in every decision
00:56:02 --> 00:56:06: that we make. It's exactly the same with carbon pricing.
00:56:06 --> 00:56:09: It's a factor now, it's established, we understand it, we
00:56:09 --> 00:56:12: know how to use it. So we don't see it
00:56:12 --> 00:56:14: as slowing anything down. We see it now as as
00:56:14 --> 00:56:18: well as an enabler to create additionality really in the
00:56:18 --> 00:56:20: funds and we see it as a positive I think
00:56:20 --> 00:56:21: to your second point.
00:56:22 --> 00:56:25: It's why we're really excited to be part of sea
00:56:25 --> 00:56:28: Change with ULI. I'm partnering with you guys on it.
00:56:28 --> 00:56:30: I think there needs to be even a consensus you
00:56:31 --> 00:56:33: know it. It's still to hear Jeremy say people don't
00:56:34 --> 00:56:37: believe and it's still they don't want to tell. It's
00:56:37 --> 00:56:39: regulation. I think by the time it comes in to
00:56:39 --> 00:56:43: regulation, it's those funds or people that have an adopted
00:56:43 --> 00:56:46: that that will be left extremely far behind from a
00:56:46 --> 00:56:47: stranding transitional risk.
00:56:48 --> 00:56:51: If you look over the next couple of years in
00:56:51 --> 00:56:54: terms of legislation coming down the line, what's the reputation
00:56:55 --> 00:56:58: for a business risk by not embracing or even admitting
00:56:58 --> 00:57:00: you know that there is this issue out here, tenant
00:57:00 --> 00:57:04: risk, void risk, income risk and ultimately if you're a
00:57:04 --> 00:57:07: real estate owner, the value risk to yourself, your shareholders
00:57:07 --> 00:57:10: or the fund, but by not adopting this. So I
00:57:10 --> 00:57:13: think that's why we're really excited to be part of
00:57:13 --> 00:57:14: sea change and I think.
00:57:14 --> 00:57:17: For the next even 12 or 18 months, it would
00:57:17 --> 00:57:19: just to be get people to be educated and understand
00:57:19 --> 00:57:22: that something is coming down the line. I think we
00:57:22 --> 00:57:25: have to think probably in smaller stacks. I'd love to
00:57:25 --> 00:57:27: say that we all had a consensus that we agreed
00:57:27 --> 00:57:29: on in terms of pricing, I don't think so, but

00:57:29 --> 00:57:32: I think just for people to acknowledge that it needs
00:57:32 --> 00:57:34: to be a consideration in real estate there.
00:57:35 --> 00:57:40: Thank you, Jeremy. Please answer please.
00:57:41 --> 00:57:43: Sure. I'll be quick. So I would say.
00:57:44 --> 00:57:46: The the question I'll respond to is on how do
00:57:46 --> 00:57:49: we work as far as signals that are coming in
00:57:49 --> 00:57:52: from policymakers and what this has looked like in other
00:57:52 --> 00:57:55: industries. So let's just take the example of the power
00:57:55 --> 00:57:58: sector and what the UK Green Bank was able to
00:57:58 --> 00:58:00: do as far as offshore wind. So all of the
00:58:00 --> 00:58:04: investment community was like, yeah, renewable energy is fine, but
00:58:04 --> 00:58:07: we don't necessarily want to participate and it took a.
00:58:07 --> 00:58:10: A public sector entity to come in and say we
00:58:10 --> 00:58:13: will provide that capital, make it something that everybody else
00:58:13 --> 00:58:16: felt comfortable with and saw that there were efficient returns
00:58:16 --> 00:58:19: coming in and then we're able to effectively make this
00:58:19 --> 00:58:22: something which is far more mainstream. So the public sector
00:58:22 --> 00:58:24: was able to step out on this and I feel
00:58:24 --> 00:58:26: like we can find corollaries that might be able to
00:58:27 --> 00:58:29: be applicable in the built environment. As far as what
00:58:29 --> 00:58:31: I would like to see if I could wave a
00:58:31 --> 00:58:34: magic wand and make everything work, I think that there
00:58:34 --> 00:58:36: would be honestly two things first.
00:58:37 --> 00:58:39: I think that we need to have a universal price
00:58:39 --> 00:58:42: on carbon. I think that everybody needs to accept what
00:58:42 --> 00:58:44: that is and we just factor that in on all
00:58:44 --> 00:58:47: decisions rather than have this be some waffly number that
00:58:48 --> 00:58:51: different people can apply in different ways. 2nd and this
00:58:51 --> 00:58:53: has come up in a lot of the conversations I've
00:58:53 --> 00:58:56: had, the embodied carbon is really where I feel like
00:58:56 --> 00:58:59: there's far more of an opportunity to make things change.
00:58:59 --> 00:59:02: I think that operational carbon is going to resolve itself
00:59:02 --> 00:59:03: in the next five years.
00:59:04 --> 00:59:06: It's not the easiest thing to do, but I think
00:59:06 --> 00:59:09: that it will nonetheless happen. And I also feel like
00:59:09 --> 00:59:12: if operational carbon is largely a function of where energy
00:59:12 --> 00:59:14: comes from and if we see again the power sector
00:59:14 --> 00:59:17: moving towards renewables, we we will see that that drop
00:59:17 --> 00:59:20: happens almost by default even if everybody in the built

00:59:20 --> 00:59:23: environment continues business as usual. So I'd love to see
00:59:23 --> 00:59:26: a universal price and embody carbon be the thing that
00:59:26 --> 00:59:29: we we tackle far more significantly. But I know there's
00:59:29 --> 00:59:31: differences of opinion. I will hand over I guess to
00:59:31 --> 00:59:33: Emily. Thank you though.
00:59:34 --> 00:59:37: Thanks Jeremy. I'll take the one on real estate and
00:59:37 --> 00:59:41: EUETSI think it's an absolute must regulation government, we are
00:59:41 --> 00:59:45: so far behind as Simon's presentation showed the other sectors
00:59:45 --> 00:59:48: and we talk about emerging trends, This is not an
00:59:49 --> 00:59:52: emerging trend, we are just late. So I think the
00:59:52 --> 00:59:55: quicker we can get regulation built in and something like
00:59:55 --> 00:59:59: equivalent of the EUETS for real estate, I think we'll
00:59:59 --> 01:00:01: see faster market change much quicker.
01:00:02 --> 01:00:05: And I think that's the reason why we've got involved
01:00:05 --> 01:00:07: with sea Change as sabo as I am, because real
01:00:07 --> 01:00:11: estate is such a collaborative industry and yet we're really
01:00:11 --> 01:00:14: struggling to get past these issues new from confidentiality to
01:00:14 --> 01:00:17: all sorts of things. And so therefore, I think there's
01:00:17 --> 01:00:20: a real opportunity for Sea Change to help bring us
01:00:20 --> 01:00:23: all together to look at how do we tackle things
01:00:23 --> 01:00:25: like carbon price, how do we set some sort of
01:00:26 --> 01:00:29: guidance because there isn't clear guidance on what is a
01:00:29 --> 01:00:31: global carbon price that we should have.
01:00:32 --> 01:00:34: And how do we move forward as a sector together?
01:00:35 --> 01:00:40: Thank you so much. Apologies for overrunning, but there's so
01:00:40 --> 01:00:44: much to say about this. We could have continued to
01:00:44 --> 01:00:47: live longer. I would like to ask everyone to We
01:00:48 --> 01:00:51: have a survey popping up with only a few questions.
01:00:51 --> 01:00:55: If you could just quickly, quickly click on the the.
01:00:57 --> 01:01:00: Your preferences and what you thought about this webinar, it
01:01:00 --> 01:01:03: would be really helpful because that way we can always
01:01:03 --> 01:01:06: improve what we what we're doing. And the other thing
01:01:06 --> 01:01:09: I would like to say, if you're interested in this
01:01:09 --> 01:01:12: topic, we will address more of this and other topics
01:01:12 --> 01:01:17: related to decarbonization and broader sustainability at the upcoming Sea
01:01:17 --> 01:01:20: Change Summit that will take place in Copenhagen on the
01:01:20 --> 01:01:21: 11th of October and now.
01:01:22 --> 01:01:25: I would like to close. Thank you all for joining.
01:01:25 --> 01:01:28: At this hour of the day in Europe, it's still

01:01:28 --> 01:01:32:	quite early and also from Asia Pacific. And also the
01:01:32 --> 01:01:36:	panelists, Jeremy, Zahra and Emily. Thank you so much, Simon.
01:01:36 --> 01:01:40:	Thanks for the presentation and I hope to see all
01:01:40 --> 01:01:43:	of you soon again and have a nice summer. Thanks
01:01:43 --> 01:01:45:	everyone. Have a great day.
