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 Kozlovska, 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 development
00:00:37 --> 00:00:38: of the tool.
00:00:38 --> 00:00:41: And he'll be able to give you the preview of
00:00:42 --> 00:00:45: the tool and he'll be asking of he'll be asking
00:00:45 --> 00:00:48: for some input to make sure that the the tool
00:00:49 --> 00:00:53: is created, Co created with the industry and it's and
00:00:53 --> 00:00:54: it works for you.
00:00:55 --> 00:00:55: Oh.
00:00:56 --> 00:00:58: Sorry, Derek, you can't see my slides.
00:00:58 --> 00:01:00: Yeah, they don't see you popping up.
00:01:01 --> 00:01:05: 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 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 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 that we
00:12:21 --> 00:12:24: are developing as a part of the CGS program, they
00:12:24 --> 00:12:27: will work best if they are taken up at scale.
00:12:27 --> 00:12:31: So when we thought we could turn the transition risk
00:12:31 --> 00:12:35: assessment guidelines into an easy tool, which we wanted to
00:12:35 --> 00:12:39: call preserve because ultimately we are hoping that this tool
00:12:39 --> 00:12:43: will help the industry to preserve the value of the
00:12:43 --> 00:12:44: assets.
00:12:44 --> 00:12:48: And then I will now pass on to Derek Wilson,
00:12:48 --> 00:12:51: who who is developing the preserved tool with us.
00:12:51 --> 00:12:55: And then, yeah, he'll introduce the tool and give you
00:12:55 --> 00:12:56: 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 today.
00:13:05 --> 00:13:08: I really looking forward to this workshop.
00:13:09 --> 00:13:11: So I'm going to show my screen here.
00:13:14 --> 00:13:16: Hope that that came up OK.
00:13:20 --> 00:13:21: Yes, yes, we can see that.
00:13:22 --> 00:13:22: Excellent.
00:13:22 --> 00:13:22: That's great.
00:13:23 --> 00:13:26: So yeah, very, very happy to be here.
00:13:26 --> 00:13:30: As as Alex mentioned, I'm Derek Wilson, CEO of Synergetic.
00:13:30 --> 00:13:33: So we're a sustainability analytics company based in Rotterdam, have
00:13:33 --> 00:13:36: been collaborating with Mount MacDonald and CBRE to

develop Preserve
00:13:36 --> 00:13:38: on behalf of ULI and its members.
00:13:39 --> 00:13:42: Just in terms of the agenda today, we really do
00:13:42 --> 00:13:44: want to kind of keep this interactive rather than us
00:13:44 --> 00:13:45: just talking you.
00:13:45 --> 00:13:48: So we're going to spend about 5 minutes just talking
00:13:48 --> 00:13:50: a little bit about the background and preserving the principles
00:13:50 --> 00:13:51: that underpin it.
00:13:52 --> 00:13:55: We'll then go through an actual demo of the prototype
00:13:55 --> 00:13:58: and this is the hot off the presses version.
00:13:58 --> 00:14:00: So that's been updated even in the last couple of
00:14:00 --> 00:14:00: days.
00:14:01 --> 00:14:03: So you get a fully current view of where we're
00:14:03 --> 00:14:06: at and then we'll get into an interactive workshop in
00:14:06 --> 00:14:08: a bit of a discussion around the tool and and
00:14:08 --> 00:14:10: we're going to be using mentimeter for that.
00:14:11 --> 00:14:13: We'll then cap it off with a bit of a
00:14:13 --> 00:14:17: road map of what's going to happen going forward.
00:14:17 --> 00:14:18: What does the future look like for preserve?
00:14:19 --> 00:14:21: And we'll we'll kind of wrap up with AQ and
00:14:21 --> 00:14:22: A and a brief close.
00:14:22 --> 00:14:25: So, yeah, very much looking to engage with pretty on
00:14:25 --> 00:14:25: this.
00:14:27 --> 00:14:32: So as Alex touched on, the transition risk assessment 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 decarbonization experts.
00:15:03 --> 00:15:06: They don't necessarily know what net 0 means for their
00:15:06 --> 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 and

00:20:46 --> 00:20:49: the one that incorporates the available evidence and also 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 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 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 limited
00:23:03 --> 00:23:06: pre-existing knowledge of these areas, they can get kind of
00:23:07 --> 00:23:10: a high level overview sufficient that they can actually use
00:23:10 --> 00:23:10: the tool.
00:23:11 --> 00:23:13: And of course, if they want to know more, they
00:23:13 --> 00:23:15: can click through and and link through to the more
00:23:15 --> 00:23:16: detailed information.
00:23:19 --> 00:23:21: Module 1B is the user guide.
00:23:21 --> 00:23:24: So this is meant to be a very, very high
00:23:25 --> 00:23:28: level summary of how to use the tool.
00:23:28 --> 00:23:29: This is not meant to be detailed guide.
00:23:29 --> 00:23:32: It's sort of a hyper detailed step by step by
00:23:32 --> 00:23:36: step approach, but it's basically meant to just set out
00:23:36 --> 00:23:39: at a very high level what the user needs to
00:23:39 --> 00:23:42: do in order to make use of the tool and
00:23:42 --> 00:23:45: notes which steps are required at a bare minimum, what
00:23:46 --> 00:23:48: they need to do in each module in two to
00:23:48 --> 00:23:50: three sentences, no more than.
00:23:51 --> 00:23:53: And it basically walks you through step by step by
00:23:53 --> 00:23:55: 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, that's
00:25:22 --> 00:25:25: essentially the opportunity cost of the voids that are in
00:25:25 --> 00:25:26: your building.
00:25:26 --> 00:25:28: So what revenue are you forgoing because of the vacancy
00:25:28 --> 00:25:30: that you're expecting?
00:25:30 --> 00:25:33: I've also got energy costs to the landlord, not necessarily
00:25:33 --> 00:25:36: to the tenant because we're really trying to model this
00:25:36 --> 00:25:38: for the from the landlord's perspective.
00:25:38 --> 00:25:42: And then finally, the net operating income after you deduct
00:25:42 --> 00:25:46: out all the other items like routine operations and maintenance,
00:25:46 --> 00:25:51: security costs, cleaning, etcetera, anything that's hitting the landlord and
00:25:51 --> 00:25:54: reducing that NOI, then we have other input.
00:25:54 --> 00:25:56: 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 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 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 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 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 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 manifest

00:31:47 --> 00:31:49: under different circumstances.

00:31:49 --> 00:31:54: And ultimately, we have settled on four different scenarios with

00:31:54 --> 00:31:58: respect to the market related transition risks.

00:31:58 --> 00:32:02: So certain transition risks are related to market dynamics applying

00:32:02 --> 00:32:06: demand and these specifically relate to occupiers and investors.

00:32:07 --> 00:32:11: So with occupiers, the demand for net zero and also

00:32:11 --> 00:32:16: just the general availability of net zero and standard assets

00:32:16 --> 00:32:21: will influence both rental rates and vacancy rates depending on

00:32:21 --> 00:32:23: the supply demand dynamics.

00:32:23 --> 00:32:26: So for instance, if you're talking about Central London office

00:32:26 --> 00:32:29: where there's a lot of interest in net zero and

00:32:29 --> 00:32:32: there's not that many net 0 assets to go around

00:32:32 --> 00:32:36: and competition between landlords is very high, you generally see

00:32:36 --> 00:32:39: a rental premium and much higher rental discount for those

00:32:40 --> 00:32:40: brown assets.

00:32:40 --> 00:32:43: And you also see much higher vacancy rates and assets

00:32:43 --> 00:32:44: that aren't net 0.

00:32:45 --> 00:32:50: Conversely, if you're talking about residential assets in the Netherlands,

00:32:50 --> 00:32:54: for instance, even if tenants really care about net zero,

00:32:54 --> 00:32:57: the supply is so limited and so tight that they

00:32:57 --> 00:32:59: will kind of take what they can get.

00:32:59 --> 00:33:01: So even if they were willing to pay more for

00:33:01 --> 00:33:04: a net zero asset, they will just take what's available.

00:33:04 --> 00:33:07: And ultimately it doesn't factor into decision making.

00:33:07 --> 00:33:10: It doesn't factor into the rental rates or the vacancy.

00:33:10 --> 00:33:13: So that would be an example of a no impact

00:33:13 --> 00:33:14: scenario.

00:33:14 --> 00:33:17: On the converse, the London office sector would be an

00:33:17 --> 00:33:19: example of a high impact scenario.

00:33:19 --> 00:33:21: And we've also set out a low and medium impact

00:33:22 --> 00:33:23: 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 203513.7 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 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 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 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 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 combined
00:38:49 --> 00:38:54: with those adjustment factors, those assumptions around transition risk to
00:38:54 --> 00:38:58: calculate out the marginal adjustment on your base cash 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 going
00:54:25 --> 00:54:26: 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 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

want
01:12:29 --> 01:12:30: to see prioritized?
01:13:17 --> 01:13:18: Thank you.
01:13:20 --> 01:13:25: So between 2025 and 2050, how will the following transition
01:13:25 --> 01:13:29: risks evolve in magnitude for other assets?
01:13:29 --> 01:13:31: So these are any assets other than non office and
01:13:31 --> 01:13:32: resi.
01:13:34 --> 01:13:38: So are they going to stay the same as today?
01:13:38 --> 01:13:39: Are they going to double?
01:13:39 --> 01:13:42: Are they going to triple or more or are they
01:13:42 --> 01:13:44: going to going to drop to 0 by 2050?
01:14:44 --> 01:14:44: Right.
01:14:44 --> 01:14:48: I'm going to leave it there and a final question
01:14:48 --> 01:14:52: and then we will switch over to wrapping up and
01:14:52 --> 01:14:53: a brief Q&A.
01:14:54 --> 01:14:57: How would you rate the dashboard in the following areas?
01:14:57 --> 01:14:59: So intuitiveness, so how intuitive is it?
01:14:59 --> 01:15:02: How useful and insightful is it?
01:15:04 --> 01:15:09: How well does it balance the need or balance complexity?
01:15:09 --> 01:15:11: And what I mean by that is, is it too
01:15:11 --> 01:15:11: complicated?
01:15:11 --> 01:15:13: Is it not complicated enough?
01:15:13 --> 01:15:17: We're trying to represent information and make it meaningful without
01:15:17 --> 01:15:18: making it overly complicated.
01:15:19 --> 01:15:21: And then finally, the general layout and design.
01:15:21 --> 01:15:22: What do you think?
01:15:55 --> 01:15:56: Perfect.
01:15:56 --> 01:15:56: OK.
01:15:56 --> 01:15:58: Well, thank you very much.
01:15:58 --> 01:16:01: So I will wrap it up there.
01:16:01 --> 01:16:04: In terms of the mentor, I have more questions that
01:16:04 --> 01:16:06: I'd love to ask you and get your input on,
01:16:06 --> 01:16:08: but I'm going to call it so we can get
01:16:08 --> 01:16:09: on to to a brief Q&A.
01:16:09 --> 01:16:12: So I will just just go back to the PowerPoints,
01:16:13 --> 01:16:15: so hopefully they can see that.
01:16:16 --> 01:16:19: So I'll just talk briefly about what's going to happen
01:16:20 --> 01:16:20: coming up.
01:16:20 --> 01:16:23: So in the next phase, which we're aiming to kick
01:16:23 --> 01:16:27: 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 got
01:20:25 --> 01:20:28: 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 be
01:21:14 --> 01:21:14: 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 and
01:21:20 --> 01:21:23: 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
01:21:32 --> 01:21:32: pilot phase.
01:21:32 --> 01:21:33: Very good question.
01:21:33 --> 01:21:37: So we're finalizing the details, but in essence the Pioneer
01:21:37 --> 01:21:40: pilot and the then the wider pilot that's coming in
01:21:40 --> 01:21:43: September, they are open to sea change partners and support
01:21:43 --> 01:21:44: supporters.
01:21:44 --> 01:21:48: But because we want to open it further, we so,
01:21:48 --> 01:21:51: so the option is to become a sea change partner
01:21:51 --> 01:21:54: of supporter or there will be a fee around the
01:21:54 --> 01:21:56: ???5000 mark to participate.
01:21:56 --> 01:21:58: And this will be open to all ULI members.
01:21:59 --> 01:22:01: And this is to make sure that, you know, the,
01:22:02 --> 01:22:03: the tool is properly developed.
01:22:04 --> 01:22:07: And yeah, this is, this is how we fundraise to
01:22:07 --> 01:22:09: make sure that the, the tool works.
01:22:09 --> 01:22:12: And it's useful with the view that ultimately sometime next
01:22:12 --> 01:22:14: year it will be open source for the industry.
01:22:15 --> 01:22:18: But at this stage, yes, this is, this is how
01:22:18 --> 01:22:21: we anticipate for the pilot phase to work.
01:22:21 --> 01:22:24: But if you've got any any questions or if you're
01:22:24 --> 01:22:26: interested, drop me an e-mail and we'll be able to
01:22:26 --> 01:22:28: share more details very soon.
01:22:29 --> 01:22:29: Yeah.
01:22:30 --> 01:22:34: Phase is also quite beneficial to those that participate because
01:22:34 --> 01:22:37: 1, you get the opportunity to shape the tools so
01:22:37 --> 01:22:40: that it's useful for your organization when it ultimately comes
01:22:40 --> 01:22:43: out as an open source version, but also means you
01:22:43 --> 01:22:46: get access in advance to the wider open source launch.
01:22:46 --> 01:22:49: So you get access to it in September rather than
01:22:49 --> 01:22:51: kind of spring somewhere next year.
01:22:51 --> 01:22:54: So definitely able to think about it and reach out
01:22:54 --> 01:22:56: to to Alex if you're if you're interested in the
01:22:56 --> 01:22:58: pilot program as you mentioned.
01:22:58 --> 01:23:01: Yeah, I mean it's, it's mainly for preserve partners and
01:23:01 --> 01:23:01: supporters.
01:23:01 --> 01:23:04: But we, the organization is opening up additional slots for
01:23:04 --> 01:23:07: those who want to contribute a kind of a smaller
01:23:07 --> 01:23:10: amount just specifically to preserve development.
01:23:13 --> 01:23:14: Yes, thank you.

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 know.

01:24:23 --> 01:24:27: Get in touch if you would like to pilot the

01:24:27 --> 01:24:28: 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.
