

Webinar

Carbon Pricing Practitioner Workshops Part 3

Date: September 17, 2024

00:00:00 --> 00:00:04: And yes, thank you so much to everyone for joining.

00:00:05 --> 00:00:07: I am going to pass you straight over to Bex,

00:00:07 --> 00:00:10: who's going to take you through what the plan is

00:00:10 --> 00:00:10: for today.

00:00:10 --> 00:00:12: And thank you very much.

00:00:15 --> 00:00:15: Wonderful.

00:00:15 --> 00:00:19: Thank you, Sophie and welcome to everyone today.

00:00:19 --> 00:00:20: Good to see you.

00:00:20 --> 00:00:23: Hope you're having a good day and week so far.

00:00:24 --> 00:00:29: So for today, we have a a brief agenda that

00:00:29 --> 00:00:30: we can show.

00:00:35 --> 00:00:41: And firstly, we'll have some brief opening words updates from

00:00:41 --> 00:00:46: Uli, very briefly from Sophie, then we'll go into two

00:00:46 --> 00:00:51: case studies and they're both from the real estate industry

00:00:51 --> 00:00:56: and following that AQ and A with each of those

00:00:56 --> 00:00:57: case studies.

00:00:58 --> 00:01:02: After that, that opening and the two case studies and

00:01:02 --> 00:01:07: the the Q&A, we'll then turn to the principals towards

00:01:07 --> 00:01:08: the end of the meeting.

00:01:09 --> 00:01:13: And that's presenting the provisional carbon pricing principles

00:01:13 --> 00:01:17: and there's

00:01:13 --> 00:01:17: an opportunity to feedback during the course of this

00:01:17 --> 00:01:18: workshop

00:01:17 --> 00:01:18: today.

00:01:18 --> 00:01:22: And then finally closing and wrap up the next steps.

00:01:23 --> 00:01:26: Just a reminder for feedback as we go along.

00:01:26 --> 00:01:30: If you do have questions or comments, please feel free

00:01:30 --> 00:01:33: to put them in the chat as we go along

00:01:33 --> 00:01:37: and either we'll cover them during the workshop itself or

00:01:37 --> 00:01:42: we'll take that away and we reply later individually via

00:01:42 --> 00:01:42: e-mail.

00:01:42 --> 00:01:46: But please do utilize the chat function.

00:01:48 --> 00:01:52: So with that, turning back over to Sophie.

00:01:56 --> 00:01:57: Yeah, hi.

00:01:57 --> 00:02:01: So brief updates and I, I think, Kate, are you

00:02:01 --> 00:02:03: running through this?

00:02:03 --> 00:02:04: Yeah, I can run through that.

00:02:04 --> 00:02:05: That's no problem at all.

00:02:06 --> 00:02:09: So, yeah, so where we're up to, so, so far

00:02:09 --> 00:02:11: we've had three workshops.

00:02:11 --> 00:02:14: So we've had May, June and now heading into our

00:02:14 --> 00:02:16: September workshop.

00:02:16 --> 00:02:18: So thank you very much for your input there.

00:02:19 --> 00:02:21: We have on the horizon the Sea Change Summit.

00:02:21 --> 00:02:23: We'll talk about that at the end of this session

00:02:23 --> 00:02:24: as well.

00:02:24 --> 00:02:27: So that's taking place in Barcelona on the 17th of

00:02:27 --> 00:02:27: October.

00:02:27 --> 00:02:30: If you haven't got your tickets, we're providing a link

00:02:30 --> 00:02:30: at the end.

00:02:31 --> 00:02:34: That's where we will be publishing the carbon pricing

00:02:34 --> 00:02:37: principles

00:02:37 --> 00:02:38: that we will be sharing with you today and we'll

00:02:38 --> 00:02:38: be really welcoming your feedback.

00:02:39 --> 00:02:42: In general, when it comes to feedback, please do place

00:02:42 --> 00:02:43: your questions in the chat.

00:02:43 --> 00:02:45: If you want to raise your hands as well, you

00:02:45 --> 00:02:47: can do, but for any reason it's not working.

00:02:47 --> 00:02:50: Feel free to just put your questions in the chat

00:02:50 --> 00:02:52: throughout the workshop and we will make sure that they're

00:02:52 --> 00:02:55: either addressed during the call, that would be our ideal,

00:02:55 --> 00:02:57: or via e-mail afterwards.

00:02:57 --> 00:02:59: And if you have any specific topics you want to

00:02:59 --> 00:03:02: raise, Yeah, get them down in the comments session and

00:03:02 --> 00:03:04: just basically just don't be afraid.

00:03:04 --> 00:03:05: We really, really do want to hear them.

00:03:06 --> 00:03:07: So I think that's it.

00:03:07 --> 00:03:12: So back over to Rebecca.

00:03:12 --> 00:03:12: There you go.

00:03:14 --> 00:03:15: Wonderful.

00:03:15 --> 00:03:16: Thank you very much.

00:03:17 --> 00:03:20: So now we turn to the two case studies and

00:03:20 --> 00:03:24: the first of those is with Janine Cole from Great
00:03:24 --> 00:03:25: Portland Estate.
00:03:27 --> 00:03:30: We'll give her a moment to come off mute.
00:03:31 --> 00:03:32: Come off mute.
00:03:33 --> 00:03:34: Fantastic.
00:03:35 --> 00:03:36: Thank you.
00:03:36 --> 00:03:41: And starting off Janine, so you could introduce yourself, your
00:03:41 --> 00:03:45: role and your any connection with carbon pricing please?
00:03:45 --> 00:03:46: Yeah, sure.
00:03:46 --> 00:03:50: So I'm Sustainability and Social Impact Director for GPE.
00:03:51 --> 00:03:57: We took the decision to introduce a carbon price in
00:03:58 --> 00:04:03: 2020 as part of our original road map to Net
00:04:04 --> 00:04:04: 0.
00:04:05 --> 00:04:11: I think probably worth saying that we are a london-based
00:04:11 --> 00:04:17: rate so and solely sort of commercial office properties, little
00:04:17 --> 00:04:22: bit of retail, it's sort of High Street retail.
00:04:22 --> 00:04:25: So I just thought it'd be worth setting out that
00:04:25 --> 00:04:28: context as well for the people on the court who
00:04:28 --> 00:04:31: don't perhaps don't aren't familiar with GPE because I think
00:04:31 --> 00:04:34: this that also impacts the context within which we set
00:04:34 --> 00:04:35: our carbon price.
00:04:37 --> 00:04:37: Absolutely.
00:04:37 --> 00:04:38: Thank you.
00:04:38 --> 00:04:42: And then perhaps going going more into the carbon price,
00:04:42 --> 00:04:45: I'm assuming it's an internal carbon price, but would you
00:04:45 --> 00:04:48: be able to describe it in a bit more detail
00:04:48 --> 00:04:51: and that the level that you set it out and
00:04:51 --> 00:04:53: some of something behind that?
00:04:53 --> 00:04:54: Sure.
00:04:54 --> 00:04:57: So we, it is an Intel carbon price, we set
00:04:58 --> 00:05:00: it originally at ??95 per tonne.
00:05:02 --> 00:05:04: We apply it.
00:05:04 --> 00:05:07: And so how we apply it has not changed, although
00:05:07 --> 00:05:08: the price has recently.
00:05:09 --> 00:05:13: We apply it to the embodied carbon of our developments
00:05:13 --> 00:05:16: and that's calculated at practical completion.
00:05:16 --> 00:05:19: So it's not if you like a whole life embodied
00:05:19 --> 00:05:22: carbon price, it's up to practical completion.
00:05:23 --> 00:05:27: So that then and then money feeds into a decarbonisation
00:05:27 --> 00:05:32: fund which is used to support the decarbonisation of our
00:05:32 --> 00:05:33: existing estate.
00:05:34 --> 00:05:37: We also apply it to our scope one and scope

00:05:38 --> 00:05:42: 2 emissions of our existing buildings that are currently left
00:05:42 --> 00:05:43: to our customers.
00:05:44 --> 00:05:47: So and we calculate that every at the end of
00:05:47 --> 00:05:48: the financial year.
00:05:49 --> 00:05:52: And primarily the reason we did that was because there
00:05:53 --> 00:05:56: are some years when we may not finish a development
00:05:56 --> 00:05:59: and we always wanted there to be something in the
00:05:59 --> 00:06:02: decarbonisation fund each year because it's, it's, I'm sure
we'll
00:06:03 --> 00:06:04: come on to it in a second.
00:06:04 --> 00:06:08: It's an excellent way to kind of motivate people's thinking
00:06:08 --> 00:06:12: on carbon emissions and how it impacts how we can
00:06:12 --> 00:06:15: use it to improve energy efficiency of our estate.
00:06:17 --> 00:06:18: Thank you very much.
00:06:18 --> 00:06:22: And I think so you've had this in process for
00:06:22 --> 00:06:26: some time and I'm just curious how you started.
00:06:26 --> 00:06:28: Was there a staged approach?
00:06:28 --> 00:06:30: Did you look at a piece of the portfolio, the
00:06:30 --> 00:06:34: whole portfolio at first, Was the price level perhaps lower
00:06:34 --> 00:06:34: initially?
00:06:34 --> 00:06:37: So just curious to get a sense of that staging
00:06:37 --> 00:06:38: or how the process works.
00:06:39 --> 00:06:39: Yeah.
00:06:39 --> 00:06:42: And so it came out of us pulling together our
00:06:42 --> 00:06:42: Rd.
00:06:42 --> 00:06:43: maps, net zero.
00:06:44 --> 00:06:48: We were surprised at the the some of our energy
00:06:48 --> 00:06:50: and carbon targets.
00:06:50 --> 00:06:53: We had expected to have a larger impact on our
00:06:53 --> 00:06:57: carbon emissions than they actually had once we worked,
once
00:06:57 --> 00:06:59: we worked out the long term impact.
00:07:00 --> 00:07:02: And so we wanted a mechanism to try and speed
00:07:02 --> 00:07:02: things up a bit.
00:07:04 --> 00:07:06: And so that's really why we started thinking about an
00:07:06 --> 00:07:07: internal carbon price.
00:07:08 --> 00:07:12: We had a number of spirited debates with our board
00:07:12 --> 00:07:16: as to what we should how we should set the
00:07:16 --> 00:07:18: the internal carbon price.
00:07:18 --> 00:07:21: And so we used a number of different pieces of
00:07:21 --> 00:07:24: information to arrive at the number.
00:07:25 --> 00:07:27: It was a little bit of trial and error.
00:07:27 --> 00:07:30: So we put the price through a number of our

00:07:30 --> 00:07:33: development appraisals so that we could understand what the impact

00:07:33 --> 00:07:36: of the internal carbon price would have and at what

00:07:36 --> 00:07:39: level it would need to be to actually incentivize a

00:07:39 --> 00:07:43: different behaviour because ultimately that's why we were doing it.

00:07:45 --> 00:07:50: And so we looked at sort of UN prices.

00:07:50 --> 00:07:54: Some of our non exec directors had more experience of

00:07:54 --> 00:07:56: carbon pricing in different industries.

00:07:56 --> 00:08:00: So we took that into account as well and there

00:08:00 --> 00:08:04: was also a local example of an internal comp price,

00:08:04 --> 00:08:08: which was the internal comp price set by the Greater

00:08:08 --> 00:08:12: London Authority and actually that was ??95 per tonne as

00:08:12 --> 00:08:12: well.

00:08:12 --> 00:08:15: So, so we sort of lined up with that, which

00:08:15 --> 00:08:20: made sense when external people were looking at the pricing,

00:08:20 --> 00:08:24: but also internally we looked at ??95 per tonne.

00:08:24 --> 00:08:27: I said actually that will start to incentivize a different

00:08:27 --> 00:08:29: conversation when it comes to development appraisal.

00:08:29 --> 00:08:33: So sort of it was a sort of flexible certain

00:08:33 --> 00:08:35: amount of feeling as we went.

00:08:37 --> 00:08:40: And then in terms of did we do sort of

00:08:40 --> 00:08:41: a piece meal approach.

00:08:42 --> 00:08:44: So the answer was that we were all sort of

00:08:44 --> 00:08:47: ready to do it just on embodied carbon up to

00:08:47 --> 00:08:49: practical completion of our developments.

00:08:49 --> 00:08:53: And then we took it to sustainability committee to sign

00:08:53 --> 00:08:57: off and our Director of Investor Relations said we should

00:08:57 --> 00:09:00: do it on operational carbon as well.

00:09:00 --> 00:09:03: It makes no sense to not include operational carbon scope

00:09:03 --> 00:09:05: one and scope 2 because we have direct control over

00:09:05 --> 00:09:06: that.

00:09:06 --> 00:09:10: And so it was from that conversation that we decided

00:09:10 --> 00:09:11: to to do that too.

00:09:13 --> 00:09:14: Really interesting.

00:09:14 --> 00:09:18: So looking at some of those external examples benchmarks and

00:09:18 --> 00:09:21: then also it sounds like really using some of that

00:09:21 --> 00:09:25: internal experience and asking questions and the committee process as

00:09:25 --> 00:09:25: well.

00:09:26 --> 00:09:28: And if I could just pick up on something that

00:09:28 --> 00:09:29: you mentioned.

00:09:29 --> 00:09:33: You mentioned around one of some of the rationale for

00:09:33 --> 00:09:37: having the carbon price was to motivate, I assume sort

00:09:37 --> 00:09:41: of decarbonisation and and speeding up some of the processes.

00:09:41 --> 00:09:44: So I was just curious to unpick that a little

00:09:44 --> 00:09:44: bit.

00:09:44 --> 00:09:47: Has that been your experience since it's been implemented?

00:09:47 --> 00:09:48: Yeah, absolutely.

00:09:48 --> 00:09:52: It's, it's completely changed conversations with our professional teams when

00:09:52 --> 00:09:54: they're working up our developments.

00:09:55 --> 00:10:00: There is now a carbon price in every development appraisal.

00:10:01 --> 00:10:04: So it's a line item impacts the profitability of our

00:10:04 --> 00:10:05: developments.

00:10:05 --> 00:10:08: What that means is that when it goes, when our

00:10:08 --> 00:10:11: developments go to executive committee and then to board for

00:10:11 --> 00:10:14: sign off, there is a financial number set by carbon

00:10:14 --> 00:10:17: which has really driven behavioural change.

00:10:17 --> 00:10:21: So it's that started within our project management team.

00:10:21 --> 00:10:25: So they really took it upon themselves to reduce the

00:10:25 --> 00:10:30: amount that they'll be paying to the decarbonisation fund.

00:10:30 --> 00:10:32: And so ultimately that was why we were doing it.

00:10:32 --> 00:10:36: So they they where we expected them to come out

00:10:36 --> 00:10:39: the the payment for 50 Finsbury Square.

00:10:39 --> 00:10:43: Actually we ended up sort of quite, quite somewhere lower

00:10:43 --> 00:10:46: because the project managers sort of really worked hard to

00:10:46 --> 00:10:48: try and bring down that contribution.

00:10:48 --> 00:10:51: So, and it's sort of for us, it's a sort

00:10:51 --> 00:10:54: of a bit of a win, win situation because we

00:10:54 --> 00:10:57: can, because the money that goes into the fund we

00:10:57 --> 00:11:00: use to decarbonise our our buildings as well.

00:11:00 --> 00:11:03: And so that drives a different conversation with our technical

00:11:04 --> 00:11:07: services teams as well, because what they're doing is they

00:11:07 --> 00:11:11: are competing for the funds within the decarbonisation fund as

00:11:11 --> 00:11:11: well.

00:11:12 --> 00:11:15: So what they're doing is they're looking at what energy

00:11:15 --> 00:11:19: efficiency projects can we fund with the decarbonisation fund, which

00:11:19 --> 00:11:22: ones will bring us back the best carbon returns or

00:11:22 --> 00:11:25: which, which ones would have the most impact on how

00:11:25 --> 00:11:28: we reduce our carbon emissions in the longer term.

00:11:28 --> 00:11:31: So it's, it's had real, it's, it's had a really

00:11:31 --> 00:11:35: positive impact on both technical services teams who are, you

00:11:35 --> 00:11:39: know, doing the day-to-day energy management of our existing buildings

00:11:39 --> 00:11:41: and the development ones development teams.

00:11:43 --> 00:11:43: Yeah.

00:11:43 --> 00:11:44: Thank you for sharing.

00:11:44 --> 00:11:45: Really interesting.

00:11:45 --> 00:11:48: And it sounds like that fee paying carbon price has

00:11:48 --> 00:11:50: been a particularly impactful.

00:11:50 --> 00:11:50: Yeah.

00:11:52 --> 00:11:55: And then you mentioned some of the the local taxes

00:11:55 --> 00:11:59: and external carbon prices earlier and I was just curious

00:11:59 --> 00:12:01: to dig into that a little bit.

00:12:01 --> 00:12:03: How, how have you thought about that as you have

00:12:04 --> 00:12:07: this internal carbon price and then external external carbon prices

00:12:07 --> 00:12:08: too?

00:12:09 --> 00:12:12: So initially it didn't really have a big impact.

00:12:12 --> 00:12:16: So the GLA, so the Greater London Authority price is

00:12:17 --> 00:12:19: based on sort of regulated carbon.

00:12:19 --> 00:12:23: So everything that fits within the UK building regulations, it

00:12:23 --> 00:12:24: doesn't impact embodied carbon at all.

00:12:24 --> 00:12:26: But there's no crossover there.

00:12:26 --> 00:12:29: And the ??95 return, it's not a massive issue if

00:12:29 --> 00:12:33: you're having to pay something from the building, the building

00:12:33 --> 00:12:37: regulations into the sort of to the GLA and to

00:12:37 --> 00:12:41: the embodied carbon from our sort of internal carbon price.

00:12:41 --> 00:12:43: They don't sort of compete, if that makes sense.

00:12:44 --> 00:12:45: You're not double counting.

00:12:45 --> 00:12:50: More recently what started to happen is that within Westminster

00:12:50 --> 00:12:53: they're starting to rapidly ramp up their carbon tariff.

00:12:54 --> 00:12:57: So most recently talking about 880 lbs per tonne for

00:12:57 --> 00:13:01: gas fired build buildings and 330 lbs per tonne I

00:13:01 --> 00:13:04: think it is for electric only and that sort of

00:13:04 --> 00:13:09: again still regulated carbon that sits within building regulations, but

00:13:09 --> 00:13:11: it's a much higher number.

00:13:12 --> 00:13:14: And So what we are going to have to do

00:13:14 --> 00:13:17: is start to think about in the situation where we

00:13:17 --> 00:13:20: were developing a building in Westminster needs to pay
??330

00:13:20 --> 00:13:23: per tonne, what would happen in terms of the viability

00:13:24 --> 00:13:25: of that development.

00:13:26 --> 00:13:28: So we've not got there yet, but that's definitely something

00:13:28 --> 00:13:29: that we're thinking about.

00:13:30 --> 00:13:33: The other thing we hadn't anticipated was that we're doing

00:13:33 --> 00:13:35: a lot of work around circular economy.

00:13:36 --> 00:13:39: We've recently done a large project where we've shifted a,

00:13:39 --> 00:13:42: we've taken steel out of one building and we're really

00:13:42 --> 00:13:44: using it in another building.

00:13:44 --> 00:13:48: By doing that, it's slightly increased the carbon of one

00:13:48 --> 00:13:53: building, which is paying internal carbon price and
dramatically reduced

00:13:53 --> 00:13:55: the carbon for the other building.

00:13:55 --> 00:13:58: So there is a discussion, an ongoing discussion now about

00:13:58 --> 00:14:02: how we deal with donor buildings where we're looking at

00:14:02 --> 00:14:03: circular economies.

00:14:03 --> 00:14:05: So you know, how do we balance that out if

00:14:05 --> 00:14:07: we're moving materials around the portfolio.

00:14:09 --> 00:14:12: So because even the sort of so Calbrae, our demolition

00:14:12 --> 00:14:15: contractors took steel out, they had to work in a

00:14:15 --> 00:14:17: quite different way and it took longer.

00:14:18 --> 00:14:22: So those were aspects that we'd not really thought through

00:14:22 --> 00:14:24: when we had the internal carbon price.

00:14:24 --> 00:14:27: But ultimately, I think they're positive things for us to

00:14:27 --> 00:14:28: have to think through.

00:14:30 --> 00:14:31: Absolutely.

00:14:31 --> 00:14:34: And it's really interesting thinking about those relations with
other

00:14:34 --> 00:14:37: aspects of sustainability to circular economy.

00:14:37 --> 00:14:38: Yeah, really interesting.

00:14:38 --> 00:14:42: And perhaps that leads on to sort of final question

00:14:42 --> 00:14:45: before opening up and just if you have any other

00:14:45 --> 00:14:49: comments, that final question is about stakeholders and the
stakeholders

00:14:49 --> 00:14:53: inside, you mentioned some of the committees, but then also

00:14:53 --> 00:14:57: outside and the value chain and tenants and local authorities

00:14:57 --> 00:14:58: mentioned already.

00:14:58 --> 00:15:02: So curious if you had any reflections about particularly
dealing

00:15:02 --> 00:15:05: with stakeholders and the value chain while you've been
going

00:15:05 --> 00:15:06: through this process?

00:15:07 --> 00:15:11: So it's been very positive with our supply chain because

00:15:11 --> 00:15:14: I think they our supply chain have, they took our

00:15:14 --> 00:15:18: setting of an internal carbon price as GP putting our

00:15:18 --> 00:15:21: money where our mouth was on sustainability.

00:15:21 --> 00:15:24: So from that it was very much OK, they mean

00:15:24 --> 00:15:25: it.

00:15:25 --> 00:15:29: So and so it's driven a different conversation from between

00:15:29 --> 00:15:31: US and our supply chain.

00:15:32 --> 00:15:37: Our investors, I remember us announcing it during the pandemic

00:15:37 --> 00:15:42: interim results, they were very positive about it.

00:15:43 --> 00:15:47: Again, because we were using a decarbonisation fund mechanism.

00:15:47 --> 00:15:50: What our investors could see from that is that essentially

00:15:50 --> 00:15:54: we were supporting fast de risking of our existing buildings,

00:15:54 --> 00:15:58: so sort of helping reduce the energy intensity for example

00:15:58 --> 00:15:59: of our existing buildings.

00:16:00 --> 00:16:02: So they could very much see the sort of positive

00:16:02 --> 00:16:03: side of that.

00:16:04 --> 00:16:09: So I think what we're finding with our tenants is

00:16:09 --> 00:16:13: that they over the last few years, their view and

00:16:13 --> 00:16:18: their understanding of sustainability has rapidly risen.

00:16:18 --> 00:16:21: And I think probably when we set it, they probably

00:16:22 --> 00:16:25: were not really engaging with us as much on sustainability.

00:16:25 --> 00:16:26: That's changed.

00:16:27 --> 00:16:31: And so recent lease negotiations when we've talked about internal

00:16:31 --> 00:16:36: carbon price, but sustainability more generally and specifically net zero,

00:16:36 --> 00:16:39: we're having very different conversations about that.

00:16:39 --> 00:16:44: And so the internal carbon price definitely helps, albeit the

00:16:44 --> 00:16:48: conversation is probably more is a broader conversation.

00:16:50 --> 00:16:53: And I think probably the other thing to say is

00:16:53 --> 00:16:56: the other stakeholder is that is our internal team and

00:16:56 --> 00:16:59: they, it's, it's had a huge impact on them because

00:16:59 --> 00:17:03: it really makes them think differently on a day-to-day basis.

00:17:06 --> 00:17:06: Yeah.

00:17:06 --> 00:17:08: Well, thank you so much for sharing.

00:17:09 --> 00:17:14: Really interesting and hearing about those stakeholders in internal and

00:17:14 --> 00:17:18: beyond too and also increasing knowledge you like or capability,

00:17:18 --> 00:17:21: particularly with the tenants as well.

00:17:21 --> 00:17:24: So being prepared for some of those questions, maybe a

00:17:24 --> 00:17:27: carbon prices is one way to prepare from some of

00:17:28 --> 00:17:29: those future demands too.

00:17:30 --> 00:17:33: And just a reminder, if anyone does have any questions

00:17:33 --> 00:17:35: for Janine, please put them in the chat.

00:17:36 --> 00:17:39: We'll get to get them after the next case study.

00:17:39 --> 00:17:41: But in the meantime, Janine, are there any other comments

00:17:41 --> 00:17:43: you would just like to add at this point to

00:17:43 --> 00:17:44: finish off?

00:17:45 --> 00:17:48: I think probably it's it's important to recognise that as

00:17:48 --> 00:17:51: GPI think probably because we're a smaller business it is

00:17:51 --> 00:17:53: easier for us to be flexible.

00:17:53 --> 00:17:55: So and I think we recognise that.

00:17:56 --> 00:18:00: I think the other thing to say is that we

00:18:00 --> 00:18:03: didn't have all the answers when we set it and

00:18:03 --> 00:18:07: I think we shouldn't wait for perfection before we do

00:18:07 --> 00:18:08: these things.

00:18:08 --> 00:18:12: And I think that our board were very supportive of

00:18:12 --> 00:18:15: that and I think have also sort of gone on

00:18:15 --> 00:18:18: the journey with us and have they've been happy for

00:18:18 --> 00:18:22: us to iterate as we've got, as we've moved along.

00:18:22 --> 00:18:24: So I think it is sort of for us.

00:18:24 --> 00:18:26: We were keen to not wait to be able to

00:18:26 --> 00:18:30: answer every single question before we jumped on the

00:18:30 --> 00:18:31: course

00:18:30 --> 00:18:31: as it were.

00:18:33 --> 00:18:34: Thank you very much.

00:18:35 --> 00:18:37: Yeah, really interesting to hear those reflections.

00:18:39 --> 00:18:41: And I said, yeah, just a reminder, can see there's

00:18:41 --> 00:18:42: some questions popping in.

00:18:42 --> 00:18:45: So please keep them coming and we'll get to that

00:18:45 --> 00:18:46: that later in the Q&A.

00:18:46 --> 00:18:48: But thank you for now, Janine.

00:18:50 --> 00:18:56: So the next case study, I'm pleased to welcome Stefano

00:18:56 --> 00:18:57: Corbella.

00:18:58 --> 00:18:59: From Koiba.

00:19:01 --> 00:19:02: Hi everyone.

00:19:02 --> 00:19:02: Hello.

00:19:02 --> 00:19:02: Hello.

00:19:04 --> 00:19:05: Good to see you.

00:19:06 --> 00:19:08: Great to see you too and perhaps if you could

00:19:08 --> 00:19:10: start the same way, so please introduce.

00:19:10 --> 00:19:13: Yourself, just a quick introduction as I said that Stephen

00:19:13 --> 00:19:16: Corbella, I'm the sustainability officer of Coima.

00:19:16 --> 00:19:19: We are developer, Italian based developer.

00:19:21 --> 00:19:25: Majority of our portfolio is located in the city of

00:19:25 --> 00:19:25: Milan.

00:19:26 --> 00:19:30: I would say 80% of the value of the real

00:19:30 --> 00:19:35: estate value is concentrated in the city and we are,

00:19:35 --> 00:19:41: we have approximately 10 billion of asset under management and

00:19:41 --> 00:19:46: the proportion is 60% core asset and 40% development at

00:19:46 --> 00:19:50: the current value, which in the in the context of

00:19:51 --> 00:19:56: carbon emission makes a little bit of a difference when

00:19:56 --> 00:20:01: we are speaking about embodied carbon versus operational.

00:20:01 --> 00:20:07: Because we are exposed basically to both because we have

00:20:07 --> 00:20:11: a quite a wide pipeline of new development in the

00:20:11 --> 00:20:12: coming years.

00:20:12 --> 00:20:17: So that's is quite a topic within our organization.

00:20:19 --> 00:20:20: Absolutely.

00:20:20 --> 00:20:21: Well, thank you.

00:20:21 --> 00:20:26: And then perhaps into the internal carbon price.

00:20:26 --> 00:20:29: So when did you start and and what level is

00:20:29 --> 00:20:32: that carbon price now if you're able to share a

00:20:32 --> 00:20:33: bit?

00:20:33 --> 00:20:34: More, yeah, sure.

00:20:34 --> 00:20:37: So we started well discussing carbon.

00:20:37 --> 00:20:42: We started almost five years ago when we run out

00:20:42 --> 00:20:47: the carbonisation plan for all the core asset that we

00:20:47 --> 00:20:51: had on the management in order to address how much

00:20:51 --> 00:20:56: carbon and how to reduce energy and carbon emissions.

00:20:58 --> 00:21:03: Then we started obviously using CRAM addressing what's the transition

00:21:03 --> 00:21:08: risk of real estate assets both already operational and going

00:21:08 --> 00:21:09: forward.

00:21:09 --> 00:21:13: What's the target that we can set for future development

00:21:13 --> 00:21:16: that we are we have in the pipeline at that

00:21:16 --> 00:21:20: point the the point that the key one of the

00:21:20 --> 00:21:23: key point is not only the quantity of carbon that

00:21:23 --> 00:21:26: you have or you are or you have in into

00:21:26 --> 00:21:30: the future, but also at which price is this carbon

00:21:30 --> 00:21:30: cost?

00:21:33 --> 00:21:38: Pretty much two year and a half ago then came

00:21:38 --> 00:21:43: out the city of Milan with a local regulation which

00:21:43 --> 00:21:48: set a carbon tax actually on operational carbon.

00:21:49 --> 00:21:53: So the city of Milan 2 1/2 years ago introduced

00:21:53 --> 00:21:56: a carbon tax at ???25 per tonne.

00:21:57 --> 00:22:01: These carbon tax is applied to all renovation or new

00:22:01 --> 00:22:06: construction and is calculated during the building permit.

00:22:06 --> 00:22:11: It accounts only for regulated carbon emission or energy consumption.

00:22:12 --> 00:22:17: And basically the developer has to calculate this mission as

00:22:17 --> 00:22:19: part of the planning permission.

00:22:20 --> 00:22:25: And if the refurbishing refurbishment reduce more than 15% on

00:22:25 --> 00:22:31: the refurbishment, you have accomplished your reduction so far and

00:22:31 --> 00:22:34: you don't have to pay any, any carbon tax.

00:22:35 --> 00:22:39: But for new developments, so new construction, the, the, the

00:22:39 --> 00:22:44: regulation requires that the operational emission has to be carbon

00:22:44 --> 00:22:45: neutrality.

00:22:45 --> 00:22:48: Now as to achieve carbon neutrality now in the way

00:22:49 --> 00:22:53: the calculation works, you it's impossible to demonstrate the carbon

00:22:53 --> 00:22:55: neutrality at operational level.

00:22:57 --> 00:23:01: And the calculation is done for the 50 years life

00:23:01 --> 00:23:01: lifetime.

00:23:02 --> 00:23:07: So basically for new construction, according to this regulation, there's

00:23:07 --> 00:23:10: a carbon tax to pay for new, for, for the

00:23:10 --> 00:23:15: operational carbon emission and basically is paid upfront by the

00:23:15 --> 00:23:16: developer and that's it.

00:23:16 --> 00:23:19: So that's the current regulation is still in place.

00:23:19 --> 00:23:23: And for all new construction, basically there's a carbon tax to pay.

00:23:23 --> 00:23:24: And the city of Milan has decided to price at

00:23:24 --> 00:23:27: ???25.

00:23:27 --> 00:23:27: Now that's not the end of the story, because one

00:23:28 --> 00:23:33: year ago the city of Milan has agreed Air and

00:23:33 --> 00:23:37: Climate Act, which basically set the ambitious target for the

00:23:37 --> 00:23:43: city to achieve carbon neutrality by 2030 as a city.

00:23:44 --> 00:23:49: And this regulation has basically 3 pillars, transportation, real asset,

00:23:50 --> 00:23:56: real estate and the energy production around the city now.

00:23:56 --> 00:24:01: So for the for the real estate, they're going to

00:24:01 --> 00:24:05:

00:24:05 --> 00:24:11: review the current carbon tax, which accounts only for the operational, including the embodied carbon.

00:24:11 --> 00:24:14: These new regulation is not yet been issued with the executive order, let's say with executive law.

00:24:16 --> 00:24:22: The the city has called the major developer of the city to test this new regulation with the calculation methodology

00:24:22 --> 00:24:27: and things like that.

00:24:29 --> 00:24:33: And this new regulation basically like the current one on the operational will likely introduce the calculation again at build

00:24:33 --> 00:24:38: during the building permit to calculate the embodied carbon plus

00:24:38 --> 00:24:40: the operational for the 50 years.

00:24:42 --> 00:24:46: And they will apply a carbon tax accounting for both you know, and this again is going to be paid upfront.

00:24:46 --> 00:24:51: So obviously as you can imagine, because we have quite a big pipeline of new development that's may affect our you know return because there's a liability in front of us.

00:24:51 --> 00:24:56: We are not yet sure if the price is going to change with the 25 years batons we believe is likely to increase and in fact that's why for all new funds that we have.

00:24:56 --> 00:24:58: But we four years ago we introduced the shadow cost of carbon and that is roll out to all our funds.

00:24:58 --> 00:25:04: And for the funds that has development pipeline, the shadow price become a real a real cost because currently we have the carbon tax on the operational for the for the new project.

00:25:04 --> 00:25:08: And we are calculating now what is the cost that likely to be applicable to those funds that we have to take into account because in the next step, probably one year, one year and a half, the new regulation will come in place and we have to address this.

00:25:08 --> 00:25:09: This cost Now the sensitivity analysis that we are carrying out is with ???25 per tons, but with even higher cost because if it's become 50 and according as Janine just told us about the Great London Authority, that has put a substantially higher price on that.

00:25:09 --> 00:25:13: And the ETS at the European level is way more

00:26:59 --> 00:27:00: than 25.

00:27:00 --> 00:27:03: So we're not sure that is going to stay at

00:27:03 --> 00:27:04: 25.

00:27:04 --> 00:27:07: So it's likely to be more and the sensitivity and

00:27:07 --> 00:27:11: that we have developed goes to 50 hundred 150 now

00:27:11 --> 00:27:14: so far in order to address what is the impact

00:27:15 --> 00:27:18: on the project that we have in front of us.

00:27:20 --> 00:27:21: Yeah.

00:27:21 --> 00:27:22: Well, thank you very much.

00:27:22 --> 00:27:23: Really interesting.

00:27:23 --> 00:27:26: And then perhaps if I summarize, so you were looking

00:27:26 --> 00:27:30: at this in the context of transition risk, greenhouse gas

00:27:30 --> 00:27:35: accounting, understanding the portfolio from a sustainability perspective, but then

00:27:35 --> 00:27:39: also looking at those local regulation, new local regulations.

00:27:39 --> 00:27:43: But if I understand well, getting prepared for them, so

00:27:43 --> 00:27:46: not waiting for them to happen, but really setting this

00:27:46 --> 00:27:50: internally as a shadow price in order to prepare for

00:27:50 --> 00:27:54: those potential future regulations which may still change.

00:27:54 --> 00:27:55: Yeah, exactly.

00:27:55 --> 00:28:00: And that that's in order to address also the the

00:28:00 --> 00:28:02: impact of the carbon.

00:28:04 --> 00:28:08: Pretty much two years ago, we started to run the

00:28:09 --> 00:28:14: LCA for all project development for the embodied and operational

00:28:15 --> 00:28:20: with greater details in order to establish what we can

00:28:20 --> 00:28:25: do to reduce the embodied carbon in our construction and

00:28:25 --> 00:28:31: to understand what we can invest into the project according

00:28:31 --> 00:28:34: to the level of the cost of the carbon.

00:28:34 --> 00:28:37: So if the carbon tax is going to be 50

00:28:37 --> 00:28:41: years, but tons, instead of paying a carbon tax, I

00:28:41 --> 00:28:45: can invest, I should invest a little bit more on

00:28:45 --> 00:28:50: the construction in order to reduce the embodied carbon and,

00:28:50 --> 00:28:54: you know, investing in the building instead of paying a

00:28:54 --> 00:28:55: necessary tax.

00:28:55 --> 00:28:59: You know, now with the lower carbon cost, there's, there's

00:29:00 --> 00:29:02: only optimization that you can do.

00:29:02 --> 00:29:06: The amount of the cost of the carbon at ???25,

00:29:06 --> 00:29:12: it doesn't really change dramatically the way you build the

00:29:12 --> 00:29:13: buildings.

00:29:14 --> 00:29:19: Still a lot of optimization can be implemented despite the

00:29:19 --> 00:29:23: carbon tax by just be more focus and engage with

00:29:23 --> 00:29:27: the contractor and with the design team in order to

00:29:27 --> 00:29:33: optimize the emission of the materials or the design solutions,

00:29:33 --> 00:29:38: implementing prefabrication team very possible and so on.

00:29:38 --> 00:29:42: So there's still lots to that can be implemented without

00:29:42 --> 00:29:47: necessarily increase the construction cost, but you can achieve a

00:29:47 --> 00:29:50: certain level after that you have to, you know, as

00:29:50 --> 00:29:54: long as at the moment with the current supply chain

00:29:54 --> 00:29:58: that we have locally also there's a certain limit that

00:29:58 --> 00:30:02: you can achieve now, a sort of reduction that you

00:30:02 --> 00:30:06: can achieve to go beyond what is the optimization, design

00:30:06 --> 00:30:09: optimization and construction optimization.

00:30:09 --> 00:30:13: There's a little bit of investment to, to into, into,

00:30:13 --> 00:30:16: to implement into a project.

00:30:16 --> 00:30:21: Carbon cost would support, obviously the carbon tax will support

00:30:22 --> 00:30:26: the industry to, to invest a little bit more into,

00:30:26 --> 00:30:27: into the building.

00:30:28 --> 00:30:32: The issue is obviously is the return of the investment

00:30:32 --> 00:30:36: because it's definitely an additional cost that pays for an

00:30:36 --> 00:30:37: externality.

00:30:38 --> 00:30:40: But it is what it is.

00:30:40 --> 00:30:45: It's there's nothing that we would probably can do to

00:30:45 --> 00:30:49: avoid the diesel is probably the right thing to do.

00:30:51 --> 00:30:55: And that is basically what what is the action that

00:30:55 --> 00:30:57: we are taking into into consideration?

00:30:58 --> 00:30:58: Yeah.

00:30:58 --> 00:31:00: Thank you very much for sharing.

00:31:00 --> 00:31:02: So in a way this was acting as almost a

00:31:02 --> 00:31:06: type of incentive for those more sustainable practices looking at

00:31:06 --> 00:31:08: steel materials and so on.

00:31:08 --> 00:31:11: And you mentioned the the value chain and supply chain

00:31:11 --> 00:31:14: and perhaps one more question before opening and and then

00:31:14 --> 00:31:16: the Q and AI won't see.

00:31:19 --> 00:31:19: You there?

00:31:20 --> 00:31:21: I won't see you there.

00:31:22 --> 00:31:23: I could hear a little bit of noise.

00:31:23 --> 00:31:24: Oh, OK.

00:31:24 --> 00:31:25: I think you're OK.

00:31:26 --> 00:31:30: So on the the value chain and supply chain, how

00:31:30 --> 00:31:34: have you found that with this shadow carbon price?

00:31:34 --> 00:31:37: Have you found dealing with different parts of the value
00:31:37 --> 00:31:42: chain or supply chain and stakeholders, perhaps internally or externally?

00:31:42 --> 00:31:47: Well, internally, I would say for five years ago with
00:31:47 --> 00:31:52: some part of the business, there was a, a, a
00:31:52 --> 00:31:57: learning curve to, to address, not just to understand why
00:31:57 --> 00:32:02: the carbon it's important, but to give the order of
00:32:03 --> 00:32:05: magnitude of the, the problem.
00:32:05 --> 00:32:09: Now, as soon as you get the, you start to
00:32:09 --> 00:32:13: get the feeling of how much carbon a building can
00:32:13 --> 00:32:18: emit me during the operation and having the sense of
00:32:18 --> 00:32:23: how much carbon is emitted during the construction or through
00:32:23 --> 00:32:26: the process of the construction.
00:32:27 --> 00:32:31: You get to have some calculation and to, you know,
00:32:31 --> 00:32:35: to get to know some data that previously was not
00:32:35 --> 00:32:38: part of the, of any discussion.
00:32:41 --> 00:32:47: the IT for the investment management team and development management
00:32:47 --> 00:32:51: team, things get a little bit more clear when the
00:32:51 --> 00:32:56: practicality of implementing a carbon tax was a was a
00:32:56 --> 00:32:57: real thing.
00:32:57 --> 00:33:01: So I'd have to face that the carbon, it has
00:33:01 --> 00:33:06: a consequence of some decision that we have to take
00:33:06 --> 00:33:11: now on how we build the building or how efficient
00:33:11 --> 00:33:12: is a building now.
00:33:13 --> 00:33:17: The in the way the city has implemented the carbon
00:33:17 --> 00:33:19: tax that is everything upfront.
00:33:20 --> 00:33:23: And so once you have paid, you can forget the
00:33:23 --> 00:33:24: building emissions.
00:33:24 --> 00:33:29: Theoretically you can forget the building emissions because theoretically you
00:33:29 --> 00:33:33: already paid for the emission of the building for 50
00:33:33 --> 00:33:37: years, although the calculation is done with the only the
00:33:37 --> 00:33:39: regulated 1 and and that's the impact.
00:33:39 --> 00:33:42: The internal impact is that we have to build a
00:33:42 --> 00:33:46: building that is efficient, build, design efficiently and build efficiently
00:33:46 --> 00:33:47: now.
00:33:48 --> 00:33:53: But then there's the operate the real life functionality of
00:33:53 --> 00:33:58: a building and that's is a more a discussion very
00:33:58 --> 00:34:00: much with the tenant.
00:34:02 --> 00:34:07: And despite the carbon couple of years ago when the

00:34:07 --> 00:34:13: energy price increased five times, the more efficient building has

00:34:14 --> 00:34:19: had less problem with the tenant compared to the inefficient

00:34:20 --> 00:34:25: one, because they suddenly had to pay a huge amount

00:34:25 --> 00:34:29: of utility cost that previously they didn't.

00:34:30 --> 00:34:34: And they tend to realize more than investing into the

00:34:34 --> 00:34:39: building to efficiently manage the building has real payback.

00:34:39 --> 00:34:43: And going forward, who knows the energy price is going

00:34:43 --> 00:34:44: to be stable or not.

00:34:45 --> 00:34:49: Also looking at the fact that Italy depends very much

00:34:49 --> 00:34:55: on energy supply from other foreign country, gas and electricity

00:34:55 --> 00:34:56: as well.

00:34:56 --> 00:35:00: So that is a sensitive the issue for for the

00:35:00 --> 00:35:01: tenant.

00:35:03 --> 00:35:04: Well, thank you so much.

00:35:04 --> 00:35:08: Yeah, very interesting and and hearing about those different aspects

00:35:08 --> 00:35:11: of the business, the tenants and play chain and so

00:35:11 --> 00:35:11: on.

00:35:12 --> 00:35:14: I can see there's some questions already in the chat.

00:35:14 --> 00:35:19: Just a reminder, please add any more and then welcome

00:35:19 --> 00:35:23: Janine back and we can move to the Q&A.

00:35:24 --> 00:35:25: Thank you.

00:35:26 --> 00:35:32: So starting with the first question, that's for you, Janine.

00:35:33 --> 00:35:37: So the approach being very insightful, but a question about

00:35:38 --> 00:35:43: how you balance shorter term financial viability considerations alongside that

00:35:43 --> 00:35:44: carbon price?

00:35:45 --> 00:35:50: Now I think because we particularly from a development perspective,

00:35:51 --> 00:35:55: because we build in the internal carbon price right from

00:35:55 --> 00:35:59: the off, what that means is that as the development

00:35:59 --> 00:36:04: goes through its design stages, the carbon price sits alongside

00:36:04 --> 00:36:07: other cost changes as the design develops.

00:36:08 --> 00:36:11: So what that means is that when you we do

00:36:11 --> 00:36:15: the standard value engineering that you would do for a

00:36:15 --> 00:36:20: development, the carbon will change alongside the value of engineering,

00:36:20 --> 00:36:25: if that makes sense, because you've always got a carbon

00:36:25 --> 00:36:27: impact next to design changes.

00:36:27 --> 00:36:31: So what that's meant is that to date what we

00:36:31 --> 00:36:34: we've not got to a point where a development has

00:36:34 --> 00:36:39: become unviable because of the carbon price, because it gets

00:36:39 --> 00:36:44: managed as part of the development process, because it's continually

00:36:44 --> 00:36:44: there.

00:36:47 --> 00:36:50: What it does do though, is it me it, it

00:36:50 --> 00:36:54: does make us think a little bit more creatively about

00:36:54 --> 00:36:55: carbon.

00:36:55 --> 00:36:58: And I think in some respects some of the conversations

00:36:58 --> 00:37:03: we've had more recently around circular economy, they have been

00:37:03 --> 00:37:07: I think turbocharged a little bit because of the internal

00:37:07 --> 00:37:08: carbon price.

00:37:08 --> 00:37:12: And certainly some of the work that we're doing with

00:37:12 --> 00:37:16: the building on South Bank in terms of reusing glazing

00:37:16 --> 00:37:20: there and even using the river to service the building.

00:37:20 --> 00:37:24: So we're effectively doing it using a barge to take

00:37:24 --> 00:37:29: away materials from the building to do reduce vehicle movements.

00:37:29 --> 00:37:32: So all of that sort of creative thinking.

00:37:32 --> 00:37:34: I think because we have the internal carbon price in

00:37:34 --> 00:37:36: place, it's sort of really supported that.

00:37:36 --> 00:37:37: So, so far, so good.

00:37:37 --> 00:37:41: We haven't had anything that's been made financially and viable.

00:37:41 --> 00:37:44: I think the place where we have to have more

00:37:44 --> 00:37:48: difficult conversations is around acquisition.

00:37:49 --> 00:37:54: So the market is has changed more recently, but it's

00:37:54 --> 00:37:57: been quite difficult.

00:37:57 --> 00:38:03: So I've CEO and CFO investor Rd.

00:38:03 --> 00:38:06: shows and results presentations have talked for a number of

00:38:07 --> 00:38:10: years about, but buildings being priced at fair value from

00:38:10 --> 00:38:12: an acquisitions perspective.

00:38:12 --> 00:38:16: And that's where the internal carbon price can cause an

00:38:16 --> 00:38:20: issue because what it might do is it might push

00:38:20 --> 00:38:23: an acquisition into actually we're not our exit yield on

00:38:24 --> 00:38:26: that particular building won't work.

00:38:27 --> 00:38:32: And the internal carbon price could perhaps kind of just

00:38:32 --> 00:38:33: drive costs.

00:38:33 --> 00:38:35: So what we've had to do with that is sort

00:38:35 --> 00:38:37: of start to think about.

00:38:37 --> 00:38:40: So, so we've had to think about our business plans

00:38:40 --> 00:38:44: for acquisitions in a much more detailed way when we're

00:38:44 --> 00:38:47: thinking about acquisitions than we had to do before.

00:38:47 --> 00:38:48: And again, I think that's a positive impact of the

00:38:48 --> 00:38:50: internal carbon price to be honest.

00:38:50 --> 00:38:52: Yeah, very interesting.

00:38:54 --> 00:38:56: Thank you.

00:38:56 --> 00:38:59: And thinking about that good old fashioned accounting fair value,

00:39:00 --> 00:39:01: I always love those conversations.

00:39:03 --> 00:39:06: Stefano, actually, I'm curious if you have any reflections yourself

00:39:06 --> 00:39:07: on that question.

00:39:07 --> 00:39:10: You mentioned about some of the conversations eternity and with

00:39:10 --> 00:39:12: investor relations and so on.

00:39:12 --> 00:39:13: So any thoughts from you?

00:39:14 --> 00:39:19: Well, well, now in the last, let's say 2-3 years,

00:39:19 --> 00:39:24: all the acquisition has a deep assessment on projected carbon

00:39:24 --> 00:39:29: emissions of existing projected that we acquire and how we

00:39:29 --> 00:39:35: can implement a CapEx plan that improve the building, but

00:39:35 --> 00:39:40: also reduce the carbon emission and the liability of the

00:39:40 --> 00:39:41: project.

00:39:41 --> 00:39:45: So that is now I would say a standard discussion

00:39:45 --> 00:39:46: among the internal team.

00:39:47 --> 00:39:51: The expectation is to address that economically.

00:39:52 --> 00:39:58: And now I think it's, it's, it's a discussion that

00:39:58 --> 00:40:03: is it's very much clear for for the internal stakeholder.

00:40:05 --> 00:40:08: The uncertainty is obviously on the pricing of the carbon

00:40:08 --> 00:40:10: and what is going to happen in the future.

00:40:10 --> 00:40:15: So since when you acquire building, you plan a business

00:40:15 --> 00:40:19: plan for the next 1020 years and that price?

00:40:20 --> 00:40:25: Being so uncertainty, it can be material to the return

00:40:25 --> 00:40:28: of the investment at some point.

00:40:29 --> 00:40:33: The fact that in theory as as as far as

00:40:33 --> 00:40:37: we are to build the building before the new regulation

00:40:37 --> 00:40:42: and we secure the project for a higher carbon tax.

00:40:43 --> 00:40:44: But the industry doesn't.

00:40:45 --> 00:40:48: As you know, the real estate industry is not that

00:40:48 --> 00:40:52: quick because there's time to design and to build a

00:40:52 --> 00:40:57: building and therefore that's the biggest and the greatest concern.

00:40:59 --> 00:41:02: Really that case of integrating it into the economics.

00:41:03 --> 00:41:05: And then on the next question, I can see you've

00:41:06 --> 00:41:09: mentioned around viability and and projects becoming unviable.

00:41:09 --> 00:41:13: But perhaps, Janine, on that second point, are there any

00:41:13 --> 00:41:17: situations where you could foresee perhaps a carbon price being

00:41:17 --> 00:41:21: overruled or there are other considerations which are overruled?

00:41:22 --> 00:41:24: Or how does the carbon price work when you have

00:41:24 --> 00:41:25: different competing factors?

00:41:25 --> 00:41:28: If there's any light you could share on that?

00:41:28 --> 00:41:30: So we've had the conversation.

00:41:30 --> 00:41:33: So in that we because we do a lot of

00:41:33 --> 00:41:39: refurbishment, there has been and there have been conversations around

00:41:39 --> 00:41:43: should you apply an internal carbon price to an energy

00:41:43 --> 00:41:45: efficiency retrofit?

00:41:47 --> 00:41:50: Should you apply an internal carbon price worth a majority

00:41:50 --> 00:41:52: of it is a retrofit, but it's not just sort

00:41:52 --> 00:41:53: of M&E focused.

00:41:53 --> 00:41:57: So at what price, at what construction value should you

00:41:57 --> 00:41:59: start to apply an internal carbon price?

00:41:59 --> 00:42:01: How big does a project need to be?

00:42:01 --> 00:42:04: Because obviously as you start to look at average over

00:42:04 --> 00:42:07: sort of square foot, for example, square metre of a

00:42:07 --> 00:42:11: building, then depending on the size of the project will

00:42:11 --> 00:42:13: have a, it will have an impact when you average

00:42:14 --> 00:42:16: that cost over the sort of area of a of

00:42:16 --> 00:42:16: a building.

00:42:16 --> 00:42:20: So all those conversations have been had and I think

00:42:20 --> 00:42:26: that ultimately our our sustainability committee, which is chaired by

00:42:26 --> 00:42:29: our CEO came to the conclusion that where it's a

00:42:29 --> 00:42:34: major refurbishment, then we would always apply the internal carbon

00:42:34 --> 00:42:35: price.

00:42:35 --> 00:42:38: So if we're just doing sort of on floor refurbishments,

00:42:38 --> 00:42:40: then it won't be applied applied.

00:42:40 --> 00:42:43: And if we're just dealing with sort of M&E upgrades,

00:42:43 --> 00:42:44: it's not supplied.

00:42:44 --> 00:42:47: But the minute we're actually doing the refurbishment of of

00:42:47 --> 00:42:49: a whole building, then it does apply.

00:42:50 --> 00:42:54: So, and there was again a likely debate about that,

00:42:54 --> 00:42:58: but the view was that if it drives a different
00:42:58 --> 00:43:00: decision, then we should apply it.
00:43:01 --> 00:43:04: So and there was a view that if you take
00:43:04 --> 00:43:07: it away, would it have a a reverse impact, which
00:43:07 --> 00:43:11: is then people would think that we were less bothered
00:43:11 --> 00:43:13: about sustainability.
00:43:13 --> 00:43:15: And I think it was that that sort of drove
00:43:15 --> 00:43:18: that sort of the view that we should always apply
00:43:18 --> 00:43:18: it.
00:43:21 --> 00:43:22: Thank you, makes sense.
00:43:22 --> 00:43:25: And that consistency I think in application.
00:43:27 --> 00:43:29: And then just a reminder if there are any other
00:43:29 --> 00:43:31: questions to put them in a chat.
00:43:31 --> 00:43:34: Maybe turning to you, Stefano.
00:43:34 --> 00:43:36: So there's another question.
00:43:36 --> 00:43:40: What extra detail was added to a standard LCA approach
00:43:40 --> 00:43:44: which allowed you to create a shadow price that could
00:43:44 --> 00:43:47: then be used to inform future designs?
00:43:47 --> 00:43:48: Yeah, yeah.
00:43:48 --> 00:43:53: Well, the first step was to establish which standard, which
00:43:53 --> 00:43:57: seems simple things, but it was not because when we
00:43:57 --> 00:44:02: started to calculate the the embodied carbon, we typically
00:44:03 --> 00:44:07: use
00:44:07 --> 00:44:12: the the standard LCA as part of the lead certification,
00:44:12 --> 00:44:12: which has a certain perimeter, a certain assumption and so
00:44:14 --> 00:44:19: on.
00:44:19 --> 00:44:20: Then along the time the European Community developed a
00:44:21 --> 00:44:27: standard
00:44:27 --> 00:44:30: which is levels.
00:44:30 --> 00:44:34: So unfortunately, there's a slightly different perimeter, a
00:44:34 --> 00:44:39: slightly different
00:44:39 --> 00:44:42: time lifetime of the calculation.
00:44:44 --> 00:44:49: So going backwards to set the standard and to have
00:44:49 --> 00:44:53: a unique calculation, the calculation takes into account pretty
00:44:54 --> 00:44:59: much
00:44:59 --> 00:45:04: everything, structure, facade and M&E.
00:45:04 --> 00:45:08: Things are easier when you're talking about facade, let's say
00:45:08 --> 00:45:10: for typical offices space and structure for new construction.
00:45:10 --> 00:45:10: Things are getting more complicated by in implementing the
00:45:10 --> 00:45:10: mechanic
00:45:10 --> 00:45:10: and the electrical system, which is but because by definition
00:45:10 --> 00:45:10: are a huge amount of small bit and pieces, which
00:45:10 --> 00:45:10: is a diversified supply chain.

00:45:10 --> 00:45:16: So that is still based on benchmark on literature and
00:45:17 --> 00:45:23: that was the most difficult, let's say elements to have
00:45:23 --> 00:45:28: a solid calculation and demonstrate that.
00:45:28 --> 00:45:31: Because now, because we are working with the city of
00:45:31 --> 00:45:34: Milan in testing the local code, which is based on
00:45:34 --> 00:45:35: levels.
00:45:35 --> 00:45:39: What's also the the agreement of defining the perimeter.
00:45:39 --> 00:45:42: You know, if you build a building with external areas
00:45:42 --> 00:45:46: and some infrastructure, do you account for the infrastructure
you
00:45:46 --> 00:45:46: or you don't?
00:45:47 --> 00:45:51: So that was, you know, sometimes the the are in
00:45:51 --> 00:45:56: the details of adding the perimeter or or not adding
00:45:56 --> 00:46:00: a certain perimeter that makes the difference.
00:46:00 --> 00:46:04: Once it's hopefully clear that off, then the discussion is
00:46:04 --> 00:46:06: the price of the carbon.
00:46:09 --> 00:46:09: Wonderful.
00:46:09 --> 00:46:10: Thank you.
00:46:10 --> 00:46:13: So it sounds like deciding on those standards and there's
00:46:13 --> 00:46:17: often many and then the boundaries and scope sort of
00:46:17 --> 00:46:21: important pieces now I assume documenting those decisions
and the
00:46:21 --> 00:46:22: background as well.
00:46:23 --> 00:46:24: Thank you.
00:46:25 --> 00:46:28: And then Janine, another question for you.
00:46:28 --> 00:46:33: So you mentioned around behaviour change and if you could
00:46:33 --> 00:46:36: expand a bit further on some of the points or
00:46:36 --> 00:46:40: perhaps where that impacted or you saw that the most
00:46:40 --> 00:46:45: across the life cycle, so design, development, operations and
so
00:46:45 --> 00:46:45: on.
00:46:47 --> 00:46:53: So our 50 Finsbury Square development was our first net
00:46:53 --> 00:46:55: 0 carbon building.
00:46:55 --> 00:46:58: It was never envisaged it would get there and we
00:46:58 --> 00:47:01: believe the internal carbon price was one of the main
00:47:01 --> 00:47:03: factors in getting it there.
00:47:03 --> 00:47:07: Because once our project managers got the bit between their
00:47:07 --> 00:47:11: teeth and really started pushing on carbon, they got much
00:47:11 --> 00:47:15: further in terms of reducing embodied carbon and driving
improved
00:47:16 --> 00:47:19: energy intensity than they thought they could.
00:47:20 --> 00:47:24: And so it sort of definitely drove a different thought
00:47:24 --> 00:47:25: process.

00:47:25 --> 00:47:29: What it has also done is it's made sustainability, it's

00:47:29 --> 00:47:34: thought about at the start, it's thought about during the

00:47:34 --> 00:47:38: acquisition process and that's largely to do with the internal

00:47:38 --> 00:47:39: carbon price.

00:47:40 --> 00:47:43: So it's affecting all aspects of the life cycle of

00:47:43 --> 00:47:44: our of our buildings.

00:47:44 --> 00:47:48: We have just increased the internal carbon price to ??150

00:47:48 --> 00:47:49: per tonne.

00:47:50 --> 00:47:52: So we did that this financial year.

00:47:53 --> 00:47:56: That came with the strong support of our development team.

00:47:56 --> 00:47:59: So having had quite a sort of lively debate in

00:47:59 --> 00:48:01: the 1st place when we were talking about it, the

00:48:01 --> 00:48:04: sort of the view from my development team was that,

00:48:04 --> 00:48:07: that was the right thing to do to actually push

00:48:07 --> 00:48:10: our supply chain harder because that number being sort of

00:48:10 --> 00:48:14: higher within the development appraisal would kind of drive

00:48:14 --> 00:48:16: different

00:48:16 --> 00:48:20: conversations on a circular economy.

00:48:20 --> 00:48:26: And so I think so, so really impacting, I think

00:48:26 --> 00:48:30: internally behavioural change, but then having that knock on

00:48:30 --> 00:48:33: effect.

00:48:33 --> 00:48:37: So I think from a stewardship perspective, it's been really

00:48:37 --> 00:48:40: helpful as we've brought various different sort of members of

00:48:40 --> 00:48:42: the professional team to the table at different at different

00:48:42 --> 00:48:45: parts of times of the development process.

00:48:45 --> 00:48:48: And then from the operational side, I think as I

00:48:48 --> 00:48:51: touched on earlier, we've had an awful lot of conversations

00:48:51 --> 00:48:52: with our technical services team where they've said can we

00:48:52 --> 00:48:54: use the decarbonisation fund for this?

00:48:54 --> 00:48:57: Can we use it for that?

00:48:57 --> 00:48:59: Well, come back to me and tell me what the

00:49:00 --> 00:49:02: carbon savings will be and then we'll, we'll, we'll line

00:49:02 --> 00:49:05: all the projects up and make a call.

00:49:05 --> 00:49:09: So when we sign those projects off, it's it's I

00:49:09 --> 00:49:12: sign it off along with one of our PLC directors.

00:49:12 --> 00:49:16: So it's a sort of counter signature to sign off

00:49:16 --> 00:49:21: the money going to a particular project.

00:49:21 --> 00:49:25: And so I think that has also made our technical

00:49:25 --> 00:49:27: services team thinking carbon and I think that that's also

00:49:27 --> 00:49:30: been transformational and it also then their supply chain.

00:49:30 --> 00:49:33: So it's not just the development supply chain, it's also

00:49:33 --> 00:49:36: a technical services team supply chain as well who are

00:49:36 --> 00:49:39: thinking differently because they're competing for that

money.

00:49:33 --> 00:49:36: So I think it's provided sort of a healthy level

00:49:36 --> 00:49:39: of competition as well between our teams.

00:49:42 --> 00:49:43: Thank you.

00:49:43 --> 00:49:45: And yeah, I appreciate the sharing.

00:49:45 --> 00:49:47: And perhaps I would have a just a brief few

00:49:47 --> 00:49:50: moments and a reminder if anyone else has any questions.

00:49:50 --> 00:49:54: But perhaps for those people who are just getting started

00:49:54 --> 00:49:58: or quite early on in their internal carbon pricing journey,

00:49:58 --> 00:50:01: are there any final closing comments you would have for

00:50:01 --> 00:50:04: those people and perhaps starting with the Asano?

00:50:05 --> 00:50:11: Yeah, I think to as Janine was mentioning is a

00:50:11 --> 00:50:19: journey that start with not achieving perfection since day one

00:50:19 --> 00:50:26: has a technical background that having internally is a great

00:50:26 --> 00:50:27: advantage.

00:50:27 --> 00:50:32: So I've been a technical team that understand carbon, how

00:50:32 --> 00:50:34: does it work, how is it calculated?

00:50:35 --> 00:50:40: And was the impact of implementing some strategy at asset

00:50:40 --> 00:50:45: level that's has having this knowledge internally, I think is

00:50:45 --> 00:50:51: a great, great, great advantage because otherwise you rely

00:50:51 --> 00:50:55: only on on the consultants, which they can do a great

00:50:55 --> 00:51:00: work, but they're not there every day and things change,

00:51:00 --> 00:51:02: the consumption change.

00:51:02 --> 00:51:08: So there's a daily work to look at this issue

00:51:08 --> 00:51:16: and having an internal discussion with the financial key

00:51:16 --> 00:51:16: decision maker.

00:51:18 --> 00:51:22: It's important to have this discussion internally, you know, it's

00:51:22 --> 00:51:26: your colleague, you have more, you know, freedom to, to

00:51:26 --> 00:51:27: speak and freely.

00:51:27 --> 00:51:32: And there's a debate that you, that you can establish

00:51:32 --> 00:51:36: in a, in a different way compared to the, to

00:51:36 --> 00:51:39: a consultancy role, you know.

00:51:39 --> 00:51:41: So it's a journey, as I said.

00:51:41 --> 00:51:46: And it's, it's very important to have the expertise internally,

00:51:46 --> 00:51:51: otherwise is you may achieve great things, but I'm, I'm

00:51:51 --> 00:51:55: quite sure that it's going to take longer, much longer.

00:51:56 --> 00:51:58: And and that's it.

00:52:00 --> 00:52:01: Wonderful, Thank you.

00:52:01 --> 00:52:05: So getting started, not perfection and and the importance of

00:52:05 --> 00:52:08: internal expertise and Janine the same question to you.

00:52:08 --> 00:52:10: Any final thoughts for those just getting?

00:52:10 --> 00:52:12: Started, yeah.

00:52:12 --> 00:52:14: I mean, don't that perfect be the enemy of the

00:52:14 --> 00:52:15: good, basically.

00:52:15 --> 00:52:18: I mean, I think as we, you know, we started

00:52:18 --> 00:52:21: off at ??95 per tonne, we're now at ??150 per

00:52:21 --> 00:52:22: tonne.

00:52:22 --> 00:52:27: We're now letting our development team compete for

00:52:27 --> 00:52:29: decarbonisation funds

00:52:29 --> 00:52:34: for different types of materials as well.

00:52:34 --> 00:52:37: So whereas before it was only in existing buildings, we're

00:52:37 --> 00:52:41: also allowing them to come to the table with some

00:52:41 --> 00:52:44: plans for you for using the fund for innovative materials.

00:52:44 --> 00:52:47: So it is evolving and it will continue to evolve

00:52:47 --> 00:52:51: and sort of the next sort of iteration we'll be

00:52:51 --> 00:52:51: looking at what else can we apply the internal carbon

00:52:51 --> 00:52:51: price to.

00:52:51 --> 00:52:55: But it has to be for us, it's needed to

00:52:55 --> 00:52:58: be sort of it's needed to be.

00:52:58 --> 00:53:00: We've need to allow it to evolve.

00:53:00 --> 00:53:04: And I think the other thing to say is that

00:53:04 --> 00:53:08: sort of from our perspective as a business, we thrive

00:53:08 --> 00:53:12: on targets and putting a# on things because it makes

00:53:12 --> 00:53:16: more sense to more people in the business.

00:53:16 --> 00:53:19: And So what it's done is it's translated carbon into

00:53:19 --> 00:53:21: something that everybody can understand.

00:53:21 --> 00:53:26: And I think ultimately that's been biggest, the biggest win

00:53:26 --> 00:53:29: of having an internal carbon price.

00:53:29 --> 00:53:32: Lately.

00:53:32 --> 00:53:35: Well, thank you so much for sharing.

00:53:35 --> 00:53:38: Really appreciate hearing from both of you and all of

00:53:38 --> 00:53:39: the excellent questions as well.

00:53:39 --> 00:53:44: And I'll then turn over to Kate, who will go

00:53:44 --> 00:53:46: through the principles.

00:53:46 --> 00:53:48: But thank you very much to both of you.

00:53:48 --> 00:53:51: Really appreciate hearing so much about your journey.

00:53:51 --> 00:53:52: Thank you.

00:53:52 --> 00:53:52: Thank you.

00:53:52 --> 00:53:53: Thank you very much.

00:53:53 --> 00:53:53: Bye.

00:53:53 --> 00:53:54: Bye.

00:53:54 --> 00:53:54: See you.

00:53:54 --> 00:53:57: Bye, Wonderful.

00:53:57 --> 00:53:59: Thank you, Janine, and thank you, Stefano.

00:53:59 --> 00:54:01: Really, really, really interesting to hear.

00:54:01 --> 00:54:04: So yes, let me just share screens.

00:54:04 --> 00:54:07: I'm going to pick up on the principles that we

00:54:07 --> 00:54:11: have been mentioning during the course of this of this

00:54:11 --> 00:54:14: theory and we're now excited to be able to share

00:54:14 --> 00:54:15: where we've got to.

00:54:16 --> 00:54:18: So just a, a super quick recap.

00:54:18 --> 00:54:21: As you know, the this is a work stream for

00:54:21 --> 00:54:24: people that are willing and interested in starting on the

00:54:24 --> 00:54:26: journey of developing up a carbon price.

00:54:26 --> 00:54:30: We have had a parallel work stream as well, and

00:54:30 --> 00:54:33: that's been very much focused on how do we get

00:54:33 --> 00:54:38: together a group of experts who've already implemented carbon pricing

00:54:38 --> 00:54:41: on the ground in order to be able to create

00:54:41 --> 00:54:44: up a set of universal for, for, for carbon pricing

00:54:44 --> 00:54:46: and real estate.

00:54:46 --> 00:54:48: And we've been on that journey with an, with an

00:54:48 --> 00:54:49: excellent set of organizations.

00:54:49 --> 00:54:54: So ULIWBCSD in Rev EFRA Green Ricks, NIIGCC, most of

00:54:54 --> 00:54:56: which are on the call today.

00:54:57 --> 00:55:00: And we've done 3 separate workshops where we've taken the

00:55:00 --> 00:55:03: real challenges and got it right through to the to

00:55:03 --> 00:55:04: the needs Arizona.

00:55:04 --> 00:55:05: Let me just double check.

00:55:05 --> 00:55:07: I'm not sharing my notes again.

00:55:07 --> 00:55:08: I'm sorry about this.

00:55:08 --> 00:55:10: It's 2 seconds.

00:55:10 --> 00:55:13: Let me just it's I've got my my screens being

00:55:13 --> 00:55:16: I've got my my second screen as being funny today.

00:55:16 --> 00:55:17: Let me try now.

00:55:20 --> 00:55:21: Is that better?

00:55:23 --> 00:55:24: You've got full screen Apologies about that.

00:55:24 --> 00:55:26: My second, my second screen is broken today.

00:55:26 --> 00:55:28: So it's playing up, right.

00:55:28 --> 00:55:30: OK, so on to the principles.

00:55:30 --> 00:55:32: We're really, we're really excited to be able to share

00:55:33 --> 00:55:35: these with you today and really welcome your feedback on

00:55:35 --> 00:55:35: them.

00:55:35 --> 00:55:38: So putting that a little bit earlier in the process,

00:55:38 --> 00:55:41: hat on, do they, do you relate to them?

00:55:42 --> 00:55:43: Do they make sense for you?

00:55:43 --> 00:55:45: Is there anything glaringly missing?

00:55:45 --> 00:55:46: We're all ears.

00:55:46 --> 00:55:50: So both of you of the principles, they are a

00:55:50 --> 00:55:52: draft set of principles.

00:55:52 --> 00:55:56: We're finalizing them right now and they are voluntary.

00:55:56 --> 00:55:58: That's really important, not here to be able to create

00:55:58 --> 00:56:00: another standard or certification.

00:56:01 --> 00:56:04: It's very much building on existing initiatives and wants to

00:56:04 --> 00:56:05: link wherever possible.

00:56:05 --> 00:56:09: So we're not here to replace the suggestion of SPTI

00:56:09 --> 00:56:10: as an example.

00:56:10 --> 00:56:14: We're here purely to focus on carbon pricing and make

00:56:14 --> 00:56:17: these a first step and a voluntary one at that.

00:56:18 --> 00:56:20: And on that note, they're high level and indicative.

00:56:20 --> 00:56:22: As you can imagine, there are, we've already seen two

00:56:22 --> 00:56:24: really great cases of that today, but there are many

00:56:24 --> 00:56:27: cases across the value chain where specific stakeholders

00:56:27 --> 00:56:28: approach things

00:56:27 --> 00:56:28: in different ways.

00:56:28 --> 00:56:31: So that's where that universal people comes in.

00:56:31 --> 00:56:33: We're trying to create as simple and as high level

00:56:33 --> 00:56:36: as an indicative as possible so anybody at any part

00:56:36 --> 00:56:38: of the value chain can engage with them.

00:56:38 --> 00:56:41: So you'll see that come across in the whilst I'm

00:56:41 --> 00:56:44: going to go through the principles with you today.

00:56:44 --> 00:56:46: We do, you will see that's published at the Sea

00:56:47 --> 00:56:50: Chain Summit, the the principles document and in there be

00:56:50 --> 00:56:51: below the principles.

00:56:51 --> 00:56:53: We have also gone a little bit deeper into some

00:56:53 --> 00:56:57: implementation considerations that could help specific

00:56:57 --> 00:56:59: stakeholders.

00:56:57 --> 00:56:59: And then of course, our thinking for how do we

00:56:59 --> 00:57:01: then take this forward in next steps.

00:57:01 --> 00:57:04: But I'll focus just on the principles today because that's

00:57:04 --> 00:57:05: the bit we'd love your feedback on.

00:57:05 --> 00:57:09: There are 7 in total and 1st is fairly obvious.

00:57:09 --> 00:57:12: But on that point of being able to align to

00:57:12 --> 00:57:15: all key initiatives, whole life Carbon is now very gratefully

00:57:15 --> 00:57:16: I think.

00:57:16 --> 00:57:18: So one, the number one principle we see as the

00:57:18 --> 00:57:21: most important is to take a whole life carbon approach
00:57:21 --> 00:57:22: to your carbon pricing.
00:57:22 --> 00:57:26: So both embodied and operational across the full value chain
00:57:26 --> 00:57:30: that you are responsible for principle, sorry whole life cycle
00:57:30 --> 00:57:35: that you're responsible for Principle 2 take responsibility for
all
00:57:35 --> 00:57:37: decisions to be able to spend carbon.
00:57:37 --> 00:57:39: Just seeing another note got dropped for another call.
00:57:39 --> 00:57:40: OK, that's fine.
00:57:41 --> 00:57:44: So yeah, Principle 2, take responsibility for all decisions to
00:57:44 --> 00:57:45: spend carbon.
00:57:45 --> 00:57:48: Now what we're holding down on here is, is an
00:57:48 --> 00:57:49: initiator pays principal.
00:57:49 --> 00:57:52: So if you are responsible for the for the spend
00:57:53 --> 00:57:55: on carbon and take responsibility for it.
00:57:56 --> 00:57:59: So from an embodied carbon perspective, we've found that
down
00:57:59 --> 00:58:01: on the capital providers and in some case strategic tenants
00:58:02 --> 00:58:04: who have ultimate collective responsibility for carbon pricing.
00:58:05 --> 00:58:08: Whereas from an operational perspective, we're holding
down on the
00:58:08 --> 00:58:12: tenants and the building owners and managers who have
ultimate
00:58:12 --> 00:58:13: responsibility there.
00:58:15 --> 00:58:17: Principle 3, this is this is focus.
00:58:17 --> 00:58:20: This is a principle that focuses on what if you
00:58:20 --> 00:58:23: are a stakeholder in this value chain, but you're not
00:58:23 --> 00:58:26: one of the stakeholders we just called out and so
00:58:26 --> 00:58:29: aren't necessarily directly and wholly responsible for the
spend of
00:58:29 --> 00:58:30: carbon here.
00:58:30 --> 00:58:34: We think that there is still a responsibility and specifically
00:58:34 --> 00:58:38: it's in influencing and educating the stakeholders who do
have
00:58:38 --> 00:58:39: that responsibility.
00:58:39 --> 00:58:43: So imagine if you're an architect or a consultant or
00:58:43 --> 00:58:48: in the construction industry, there is a responsibility to be
00:58:48 --> 00:58:51: able to provide the right data and share it and
00:58:51 --> 00:58:56: support the influencing of the people that will ultimately
spend
00:58:56 --> 00:58:58: the carbon right.
00:58:58 --> 00:59:01: Next slide, Principle 4.
00:59:01 --> 00:59:03: So this one again is really critical.
00:59:03 --> 00:59:05: Across the course of this practitioner works drop series,

we've

00:59:05 --> 00:59:08: really heard this come through loud and clear.

00:59:08 --> 00:59:11: So we really wanted to make this a very prominent

00:59:11 --> 00:59:12: principle.

00:59:13 --> 00:59:15: So we've put it into two parts that the the

00:59:15 --> 00:59:19: headline of it is to engage all key stakeholders starting

00:59:19 --> 00:59:21: with senior leadership by in person.

00:59:21 --> 00:59:26: From there, the wider stakeholder engagement can cascade.

00:59:27 --> 00:59:30: So yeah, really honing down on that first one problem,

00:59:30 --> 00:59:33: pricing really does need to be addressed as a strategic

00:59:33 --> 00:59:36: priority and ensure senior leadership buy in from the outset.

00:59:36 --> 00:59:39: That's so that it doesn't just sit as a fringe

00:59:39 --> 00:59:41: activity and it can actually do as we've seen as

00:59:42 --> 00:59:45: some really great examples today, have really helped shape

strategic

00:59:45 --> 00:59:46: business decisions.

00:59:47 --> 00:59:50: Second is once you've got that senior leadership buy in

00:59:50 --> 00:59:54: and it's considered a strategic priority, time and attention is

00:59:54 --> 00:59:57: required to be able to build out the education and

00:59:57 --> 00:59:59: engagement of the wider value chain.

00:59:59 --> 01:00:02: Not now, not all value chain members are as educated

01:00:02 --> 01:00:04: or engaged or indeed motivated.

01:00:04 --> 01:00:07: So the the, the way that we've written this is

01:00:07 --> 01:00:10: to think about that in a sequential and strategic way.

01:00:11 --> 01:00:14: Principle 5 use a uniform internal price.

01:00:14 --> 01:00:18: What we're talking about here is to use a universal

01:00:18 --> 01:00:22: price across both operational and embodied and when what

we're

01:00:22 --> 01:00:26: not saying here is use a specific price, we're not

01:00:26 --> 01:00:29: saying you must use this benchmark.

01:00:29 --> 01:00:31: We're saying what we what we have actually done within

01:00:31 --> 01:00:33: this principle is suggested ways you could do it.

01:00:33 --> 01:00:36: But in order to be able to get started, get

01:00:36 --> 01:00:38: out the gate, use a universal use a universal price

01:00:39 --> 01:00:42: for both embodied and operational and and we've we've

created

01:00:42 --> 01:00:45: some ways that you might want to choose your price

01:00:45 --> 01:00:46: according to the material.

01:00:46 --> 01:00:49: This is the materiality of the business decisions you need

01:00:49 --> 01:00:49: to make.

01:00:50 --> 01:00:54: Principle 6 Take action before reaching a perfect data set.

01:00:54 --> 01:00:56: Again, a fairly obvious but really critical one.

01:00:56 --> 01:01:00: We see that the perfect data set challenge holds back

01:01:00 --> 01:01:03: a lot of sustainability issues across the board.

01:01:04 --> 01:01:06: So just really making clear here, you do not need

01:01:06 --> 01:01:07: a perfect data set.

01:01:07 --> 01:01:12: You can move forward without complete oversight using proxies as

01:01:12 --> 01:01:13: an example.

01:01:14 --> 01:01:17: And then finally, again, an obvious but incredibly important one

01:01:17 --> 01:01:20: to close this loop on carbon pricing, and that is

01:01:20 --> 01:01:22: to commit to transparency.

01:01:22 --> 01:01:24: Not only does that help shape the sector, but you're

01:01:24 --> 01:01:27: also already seeing it as a major driver for doing

01:01:27 --> 01:01:28: carbon pricing in the 1st place.

01:01:28 --> 01:01:31: So the ISSP standards and indeed, let's as an example

01:01:32 --> 01:01:35: in the UK, the mandatory transition planning that you're seeing.

01:01:35 --> 01:01:38: So ever more so becoming both the driver, but also

01:01:38 --> 01:01:41: a responsibility for organizations to move forward.

01:01:43 --> 01:01:44: So that's it.

01:01:44 --> 01:01:45: Those are the three high level principles.

01:01:45 --> 01:01:47: I don't want to go too much more in depth

01:01:47 --> 01:01:49: for them now, but we will be sharing out the

01:01:49 --> 01:01:52: wider document and of course it will be published on

01:01:52 --> 01:01:53: the 17th of October.

01:01:53 --> 01:01:55: But just staying at this high level for now.

01:01:56 --> 01:01:59: We just really welcome your thoughts and feedback about that.

01:01:59 --> 01:02:03: So reiterating what we're thinking, does it resonate with you?

01:02:03 --> 01:02:04: Do you find it?

01:02:04 --> 01:02:06: Is there anything that's missing for you?

01:02:06 --> 01:02:09: Does it help you to start your journey and and

01:02:09 --> 01:02:14: debunk some of the the mysteries breeze around carbon pricing

01:02:14 --> 01:02:16: and we welcome your thoughts.

01:02:34 --> 01:02:35: Nothing at all.

01:02:35 --> 01:02:48: So it feels like it's principle.

01:02:48 --> 01:02:50: So I've just got one in from G1.

01:02:50 --> 01:02:52: Hi G1, I hope you're doing well.

01:02:52 --> 01:02:55: So let me have a look on take a universal

01:02:55 --> 01:02:59: universal internal price or uniform internal price.

01:02:59 --> 01:03:01: Yes, so how across European nations.

01:03:01 --> 01:03:04: So yes, so I would say when doing this research

01:03:04 --> 01:03:08: and speaking to all of the expert panel, the the

01:03:08 --> 01:03:12: resounding advice was to be able to keep it as
01:03:12 --> 01:03:13: simple as possible.
01:03:13 --> 01:03:16: So to be able to create that universal price and
01:03:16 --> 01:03:18: that's both both embodied and operational.
01:03:18 --> 01:03:22: Well, when it came to across European nations, we have
01:03:22 --> 01:03:27: actually got included in our in our implementation
considerations.
01:03:27 --> 01:03:30: The topic of double counting.
01:03:30 --> 01:03:32: So you might find as an example, one of the
01:03:32 --> 01:03:37: main differences between European nations is that one
location, let's
01:03:37 --> 01:03:41: say for instance, Germany is already has an external,
external
01:03:41 --> 01:03:41: tax.
01:03:41 --> 01:03:45: So you would then need to adjust for double counting.
01:03:45 --> 01:03:48: So that's one way that you could potentially still keep
01:03:48 --> 01:03:51: a universal tax now across the many cases, whilst you're
01:03:51 --> 01:03:56: considering many different costs of decarbonisation, many
different economic climates
01:03:56 --> 01:03:58: across even just the region of Europe.
01:03:59 --> 01:04:02: The resulting piece of advice from experts on the ground
01:04:02 --> 01:04:05: was to keep it as simple as possible and create
01:04:05 --> 01:04:06: a singular price.
01:04:06 --> 01:04:09: However, it might be later on in your journey when
01:04:09 --> 01:04:12: you're more mature that you might want to go to
01:04:12 --> 01:04:13: a more nuanced approach.
01:04:13 --> 01:04:15: But for now, it is possible.
01:04:15 --> 01:04:18: It has been done and we recommend that as a
01:04:18 --> 01:04:21: way to be able to get your foot into the
01:04:21 --> 01:04:23: carbon pricing seriously.
01:04:28 --> 01:04:29: Did that answer your question?
01:04:33 --> 01:04:36: Hi, Kate, Maybe I can just bounce on that comment
01:04:36 --> 01:04:38: about the the carbon.
01:04:38 --> 01:04:40: This is Rachel from Ivan O Cambridge.
01:04:40 --> 01:04:42: And we, we have an internal carbon price.
01:04:42 --> 01:04:46: We integrated within the IRR and we actually started with
01:04:46 --> 01:04:48: a universal carbon price.
01:04:48 --> 01:04:49: And that there was a kind of a lot of
01:04:49 --> 01:04:52: criticism of that internally because you know, people say,
well,
01:04:52 --> 01:04:54: you know in China we don't have a carbon price
01:04:54 --> 01:04:56: or in India it's not there yet.
01:04:56 --> 01:04:59: So in the second duration of our carbon price, we

01:04:59 --> 01:05:01: had regional differences.

01:05:01 --> 01:05:05: So I think the principle may be like start simple

01:05:05 --> 01:05:09: with a universal price that can perhaps evolve over time

01:05:09 --> 01:05:12: to to recognize those regional differences.

01:05:13 --> 01:05:16: And just second comment, I think the principles are great.

01:05:16 --> 01:05:19: Maybe one that I think was really key to the

01:05:19 --> 01:05:24: development of our approach was ensuring that we know whatever

01:05:24 --> 01:05:29: process that it's really integrated into the cash flow and

01:05:29 --> 01:05:32: the financial modelling of the assets.

01:05:32 --> 01:05:37: Because I think that's really where decarbonization decisions are made.

01:05:37 --> 01:05:40: It's you know, in the budgeting processes, in the asset

01:05:40 --> 01:05:44: management decisions when we purchase an asset and if the

01:05:44 --> 01:05:47: carbon pricing is kind of driven by the sustainability team,

01:05:47 --> 01:05:50: then it takes kind of those decisions out of the

01:05:50 --> 01:05:51: asset management decisions.

01:05:52 --> 01:05:56: So I think another principle could be around like integration

01:05:56 --> 01:06:00: within financial decision making that the carbon pricing really needs

01:06:00 --> 01:06:03: to sit in the real estate financial model.

01:06:03 --> 01:06:05: So that's maybe one thing to consider.

01:06:07 --> 01:06:08: Beautiful.

01:06:08 --> 01:06:08: Thank you so much.

01:06:08 --> 01:06:11: That was a really good quality piece of feedback.

01:06:11 --> 01:06:13: So I'd say thank you First off as well for

01:06:13 --> 01:06:16: sharing that experience in relation to the iterative approach to

01:06:16 --> 01:06:17: your carbon pricing.

01:06:17 --> 01:06:19: I think that's a really great thing.

01:06:19 --> 01:06:22: I think that's in full alignment with our principles, which

01:06:22 --> 01:06:24: is start simple, get it out there and if you

01:06:24 --> 01:06:26: need to iterate over time you can.

01:06:26 --> 01:06:28: But yeah, so we're we're full agreement with that.

01:06:28 --> 01:06:29: Thank you so much for that.

01:06:29 --> 01:06:35: And yes, really interesting feedback about integrating into a decision

01:06:35 --> 01:06:35: making.

01:06:35 --> 01:06:38: And I don't know whether whether you were on the

01:06:38 --> 01:06:41: journey with us when we were at the beginning doing

01:06:41 --> 01:06:43: the transition risks and that big, I guess our, our

01:06:43 --> 01:06:46: major problem statement, which is until we can get the

01:06:46 --> 01:06:50: qualitative transition risks or indeed even the quantified

transition risks

01:06:50 --> 01:06:53: into the discounted cash flows, we will not be able

01:06:53 --> 01:06:54: to move the money.

01:06:54 --> 01:06:56: So really nice to be able to say that's not

01:06:56 --> 01:07:00: actually coming through as loud and clear as we'd like

01:07:00 --> 01:07:02: it to in this first in this iteration.

01:07:02 --> 01:07:04: So let's just go back to see if we how

01:07:04 --> 01:07:06: we can pull that out and make it clear because

01:07:06 --> 01:07:07: it's what we are 100% aligned.

01:07:17 --> 01:07:19: Anyone else at all?

01:07:24 --> 01:07:27: No, OK, well, if anybody else does have any thoughts

01:07:27 --> 01:07:29: or queries at all and please do pop them into

01:07:29 --> 01:07:32: the chat or if you want to, if you prefer

01:07:32 --> 01:07:33: not to speak up about it.

01:07:33 --> 01:07:34: You want to send it, send me an e-mail.

01:07:34 --> 01:07:35: You're more than welcome.

01:07:35 --> 01:07:38: I'm Kate at one O 3 dot ventures.

01:07:38 --> 01:07:39: Most of you have my e-mail.

01:07:39 --> 01:07:41: It will be in the calendar invite anyway.

01:07:42 --> 01:07:44: So what I'll do then is I'll close off this

01:07:44 --> 01:07:44: session.

01:07:44 --> 01:07:48: Thank you so much for the feedback and pass that.

01:07:48 --> 01:07:52: Let me just reshare screens because I'm going to cast

01:07:52 --> 01:07:56: back over to Sophie who can lead us out of

01:07:56 --> 01:07:59: this session and hopefully, let's see.

01:08:09 --> 01:08:11: Not full screen, No, no, no.

01:08:11 --> 01:08:12: Sorry about this.

01:08:12 --> 01:08:14: It's like I'm, I'm very sorry about this.

01:08:14 --> 01:08:15: My screen is playing up today.

01:08:15 --> 01:08:16: Here we go.

01:08:16 --> 01:08:17: No, but at all.

01:08:18 --> 01:08:18: Yeah.

01:08:18 --> 01:08:22: We just wanted to say thank you very much for

01:08:22 --> 01:08:23: joining us.

01:08:23 --> 01:08:25: Just a reminder that in a month's time, we have

01:08:25 --> 01:08:27: our Sea Change Summit in Barcelona.

01:08:27 --> 01:08:30: As you've already heard, this is where we're going to

01:08:30 --> 01:08:32: be launching the principles and we're also going to be

01:08:32 --> 01:08:35: launching another document to go alongside that.

01:08:35 --> 01:08:37: That the working title is why Carbon pricing?

01:08:37 --> 01:08:41: Because I think while the principals are really helpful when

01:08:41 --> 01:08:44: you've got on board with implementing a carbon price, we

01:08:44 --> 01:08:47: still need to work on that argument as to why
01:08:47 --> 01:08:49: it is needed, how it can help, what is it
01:08:49 --> 01:08:52: for those who are much earlier on in the journey.
01:08:52 --> 01:08:55: So that's going to be an accompanying document as well.
01:08:55 --> 01:08:56: So please do look up for both of those.
01:08:57 --> 01:09:00: If you haven't got any information on this summit in
01:09:00 --> 01:09:03: Barcelona, I will follow up from this call with an
01:09:03 --> 01:09:03: e-mail.
01:09:03 --> 01:09:05: Just sending some details.
01:09:05 --> 01:09:07: We would love to see see you there and we
01:09:07 --> 01:09:10: will be doing a workshop also on the principles, the
01:09:10 --> 01:09:13: carbon pricing principles as well as a number of other
01:09:13 --> 01:09:16: workshops that you can see on the screen.
01:09:16 --> 01:09:20: And if we just go to the next slide, the
01:09:20 --> 01:09:23: final thing I wanted to share is that we are
01:09:23 --> 01:09:28: doing an update to our ULIC change survey this year.
01:09:28 --> 01:09:31: Again, I will follow up with a link and also
01:09:31 --> 01:09:33: pop it in the in the chat now.
01:09:33 --> 01:09:35: But please do take some time to fill that out.
01:09:35 --> 01:09:37: It's really helpful for us.
01:09:37 --> 01:09:41: It goes into both the transition risk work and also
01:09:41 --> 01:09:42: carbon pricing.
01:09:42 --> 01:09:45: And yeah, the deadline is next week, but we'd really
01:09:45 --> 01:09:47: appreciate you taking the time.
01:09:47 --> 01:09:49: It should just take 10 minutes or so to fill
01:09:49 --> 01:09:50: it out.
01:09:51 --> 01:09:54: Other than that, just want to say a huge thank
01:09:54 --> 01:09:57: you for attending and hopefully we'll see you all in
01:09:57 --> 01:10:00: Barcelona and if not at some other event soon.
01:10:00 --> 01:10:01: Thank you very much.
01:10:05 --> 01:10:06: Thank you.

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