Webinar

C Change Check-in Demystifying Transition Risks and Valuation

Date: December 12, 2022

00:00:01 --> 00:00:04:	Today is really our opportunity to tell you more about
00:00:04 --> 00:00:07:	sea change, which aims to bring to the industry together
00:00:07 --> 00:00:10:	to speed up and scale up decarbonisation. But also we
00:00:10 --> 00:00:13:	want to talk to you about the first outcome of
00:00:13 --> 00:00:16:	the sea change program. A few weeks ago we launched
00:00:16 --> 00:00:19:	a set of consultation guidelines which are a first step
00:00:19 --> 00:00:23:	to a common methodology to assess and disclose transition risks
00:00:23 --> 00:00:27:	as part of property valuations. Now that's already quite a
00:00:27 --> 00:00:30:	complicated concept, so today, as the title suggests, we are
00:00:30 --> 00:00:31:	here to break that.
00:00:31 --> 00:00:34:	Down and demystify it. In actual fact, some of you
00:00:34 --> 00:00:37:	may not end up engaging with the technical aspects of
00:00:37 --> 00:00:40:	the guidelines, but it is still really important that you
00:00:40 --> 00:00:43:	are here and know about why we have developed them
00:00:43 --> 00:00:47:	for such an important aspect around decarbonization and climate change.
00:00:48 --> 00:00:51:	So we want to spread the work about the word,
00:00:51 --> 00:00:54:	about the work we have done, but maybe more critically
00:00:54 --> 00:00:58:	why this work on transition risk is important. The format
00:00:58 --> 00:01:01:	is simple. Lisette Vandoorne, Uri Europe CEO, is going to
00:01:01 --> 00:01:05:	talk us through sea change, explain about the reasons we
00:01:05 --> 00:01:08:	need to address transition risks and the guide as well
00:01:08 --> 00:01:12:	as the guidelines which we have published recently. Then we
00:01:12 --> 00:01:16:	have time for time for and actually encourage your questions.
00:01:16 --> 00:01:18:	So please do put those in the chat.
00:01:18 --> 00:01:21:	No question is too simple. Now there's that. Over to
00:01:22 --> 00:01:22:	you.
00:01:27 --> 00:01:31:	Thanks so much for the introduction on Andrea and for
00:01:31 --> 00:01:35:	being with us today to help moderate the session. Well
00:01:35 --> 00:01:39:	thanks of all for for joining today. And I'm very
00:01:39 --> 00:01:43:	pleased that to see this interest in sea change and

00:01:43 --> 00:01:47: the work we've done on transition risks. And next one
00:01:48 --> 00:01:52: please Martha and C chain is a really important program
00:01:52 --> 00:01:52: and.
00:01:54 --> 00:01:57: We've started this work about a year ago officially, when
00:01:58 --> 00:02:01: we kicked off the program at that time still called
00:02:01 --> 00:02:03: fast track to decarbonization.
00:02:04 --> 00:02:08: We've been inspired by Sir de Fisking who gave a
00:02:08 --> 00:02:12: virtual keynote at our virtual conference in early 2021. And
00:02:12 --> 00:02:16: and for those of you who don't know so David
00:02:16 --> 00:02:20: King is head of the Center for Climate Repair in
00:02:20 --> 00:02:23: the UK and a well known figure on climate change.
00:02:25 --> 00:02:29: We kind of following. He called on the real estate
00:02:29 --> 00:02:33: industry and the built environment to take action, which at
00:02:33 --> 00:02:36: that time was still, if existing, very fragmented.
00:02:37 --> 00:02:41: We were inspired, but also thinking, what can our role
00:02:41 --> 00:02:45: be as you alive? So we started to have conversations
00:02:45 --> 00:02:50: with Members, looked around what other industry associations were doing
00:02:50 --> 00:02:53: and quickly found that a lot of work was already
00:02:53 --> 00:02:57: being done in terms of Rd maps, toolkits, action plans
00:02:57 --> 00:03:01: and speaking to members. What we learned was there was
00:03:01 --> 00:03:05: actually that was really great, although not so easy to
00:03:05 --> 00:03:07: navigate who was doing what.
00:03:07 --> 00:03:11: But the real issue was around trying to implement with
00:03:11 --> 00:03:17: so many, of course, different jurisdictions across Europe, different legislations,
00:03:17 --> 00:03:21: a lot of legacy regulation actually in the way of
00:03:21 --> 00:03:23: adopt, helping to adopt new innovations.
00:03:25 --> 00:03:29: Use of new materials, et cetera, et cetera. And with
00:03:29 --> 00:03:33: you and I obviously being a global platform and working
00:03:33 --> 00:03:37: across the value chain, we thought that's actually a very
00:03:37 --> 00:03:41: good area for us to focus on, given that often
00:03:41 --> 00:03:46: the bottlenecks are also big between the different disciplines within
00:03:46 --> 00:03:50: the built environment. So that's where we started. And we
00:03:50 --> 00:03:55: raised funding from 7 partners, including Schroeders, Heinz.
00:03:55 --> 00:04:00: Um alliance through Defco Arab?
00:04:01 --> 00:04:02: Catella.
00:04:03 --> 00:04:04: And.
00:04:06 --> 00:04:09: The servant I'll get to in a in a minute.
00:04:10 --> 00:04:14: And we kind of started working, we hired a consultant
00:04:14 --> 00:04:18: 103 and immobile, sorry, I got the last one and
00:04:18 --> 00:04:21: we hired one or three consultants to work with us.

00:04:22 --> 00:04:25: And given what I just said about the difficulty to
00:04:25 --> 00:04:30: navigate or the industry initiatives and also to really determine
00:04:30 --> 00:04:34: what would be most useful for us to focus on,
00:04:34 --> 00:04:38: we started off with work to identify all the different
00:04:38 --> 00:04:41: initiatives that were going on.
00:04:41 --> 00:04:45: And maybe before I get to that, one more comment
00:04:45 --> 00:04:49: on where we are, because we see all those initiatives
00:04:49 --> 00:04:53: happening, but we're definitely now going fast enough and as
00:04:54 --> 00:04:58: also explained by Antonio Gutierrez at COP 27, the UN
00:04:58 --> 00:05:02: Secretary General, that we're on a highway to climate hell
00:05:02 --> 00:05:06: with our food still on the accelerator. So by no
00:05:06 --> 00:05:11: means are the current initiatives that we undertake sufficiently to
00:05:11 --> 00:05:12: decarbonize.
00:05:12 --> 00:05:17: Our society but also to decarbonize the built environment. Next
00:05:17 --> 00:05:21: slide please Marta, because we all know that the built
00:05:21 --> 00:05:26: environment makes up such an important part. Almost 40% of
00:05:26 --> 00:05:31: both operational and embodied carbon emissions are coming from the
00:05:31 --> 00:05:36: built environment. So we have a responsibility in this in
00:05:36 --> 00:05:40: in tackling this challenge and we feel as you're lying
00:05:40 --> 00:05:43: that's also core to the sea.
00:05:43 --> 00:05:47: Gains program that we can only do this together, partly
00:05:47 --> 00:05:52: because individually so many initiatives already going on, but also
00:05:52 --> 00:05:55: because we need to speed up the process. We can't
00:05:55 --> 00:05:59: afford to lose time and therefore we need to scale
00:05:59 --> 00:06:03: up the initiatives that are being taken across the industry.
00:06:03 --> 00:06:05: Next slide please.
00:06:06 --> 00:06:07: So now.
00:06:08 --> 00:06:13: This is what I already talked about, the different sponsors
00:06:13 --> 00:06:14: of the program.
00:06:15 --> 00:06:18: We kicked this off a year ago it's but it's
00:06:18 --> 00:06:22: obviously meant to be a multi year program to mobilize
00:06:23 --> 00:06:27: the industry and speed up and scale up the process
00:06:27 --> 00:06:28: of decarbonization.
00:06:29 --> 00:06:33: And the focus is on systems change and what that
00:06:33 --> 00:06:38: means is finding those biggest bottlenecks that hold back progress
00:06:38 --> 00:06:42: across the industry. And as I just mentioned, we also

00:06:42 --> 00:06:46: feel strongly that a lot of knowledge is already there.
00:06:46 --> 00:06:50: So let's first start to bring that out, identify the
00:06:50 --> 00:06:55: best practice solutions and see how we can scale those
00:06:55 --> 00:06:57: up to speed up the process.
00:06:58 --> 00:07:02: Next slide. So now back to where I started in
00:07:02 --> 00:07:07: terms of what are those initiatives that are already going
00:07:07 --> 00:07:12: on, what are those biggest bottlenecks, if you will, holding
00:07:12 --> 00:07:17: back progress for the industry? This is the work that
00:07:17 --> 00:07:19: we kicked off with and you see.
00:07:21 --> 00:07:26: I think around 14 intervention points that we identified and
00:07:26 --> 00:07:30: a couple of them we saw were already progress was
00:07:30 --> 00:07:35: being made but from other organizations, for example related to
00:07:35 --> 00:07:37: net zero building standards.
00:07:38 --> 00:07:43: Energy efficiency databases and whole life carbon. We mapped this,
00:07:43 --> 00:07:48: all these initiatives and all these intervention points with what
00:07:48 --> 00:07:52: our Members were thinking was most important for you and
00:07:52 --> 00:07:56: I to focus on. Obviously that yielded some overlap example.
00:07:57 --> 00:08:02: Not surprisingly, all Members also thought that working around standards
00:08:02 --> 00:08:06: and common definitions was very important, but given that it
00:08:06 --> 00:08:08: was already well underway.
00:08:08 --> 00:08:12: We didn't. We didn't think it was a good idea
00:08:12 --> 00:08:15: for us to focus on that. So we instead focused
00:08:15 --> 00:08:20: on those where no other organizations were already focusing. That
00:08:20 --> 00:08:25: led to 4 priorities and the alignment between occupiers and
00:08:25 --> 00:08:25: landlords.
00:08:26 --> 00:08:31: Assessing transition risk in property valuations.
00:08:32 --> 00:08:38: City level financial solutions for assets that are likely to
00:08:38 --> 00:08:42: be stranded and a coordinated investment voice.
00:08:44 --> 00:08:48: I will mostly talk about predominantly talk about transition risk
00:08:48 --> 00:08:52: today as that is the focus of this session. If
00:08:52 --> 00:08:55: you have any further questions on any of the others
00:08:55 --> 00:08:59: which I will briefly come back to at the end
00:08:59 --> 00:09:03: of my presentation, then please let me know. We're always
00:09:03 --> 00:09:06: happy to ask questions and then those you see in
00:09:06 --> 00:09:10: light blue at the bottom needs urgent industry action as
00:09:10 --> 00:09:14: well but were felt to some of them follow from.
00:09:14 --> 00:09:18: The work, for example, related to transition risks.
00:09:19 --> 00:09:22: Or we need to kind of work slightly lower on
00:09:22 --> 00:09:26: the priority risk on the priority list, although they're very

00:09:26 --> 00:09:27: important.
00:09:28 --> 00:09:29: And next slide, please.
00:09:32 --> 00:09:36: So moving on to transition risk and the intervention and
00:09:36 --> 00:09:40: the work we did around that, before I go into
00:09:40 --> 00:09:43: the detail, maybe I'll first for those of you that
00:09:43 --> 00:09:48: aren't aware focus on what is the transition risk. We
00:09:48 --> 00:09:52: have two types of risks related to climate change. One
00:09:52 --> 00:09:55: is adaptation risk as we call it is adapting to
00:09:55 --> 00:09:58: the physical climate risk, it's.
00:09:59 --> 00:10:04: Heavier rain, more extreme temperatures and.
00:10:04 --> 00:10:10: Storms, etcetera, etcetera. While the other part where we focus
00:10:10 --> 00:10:14: on is the transition risk, it is the risk related
00:10:14 --> 00:10:18: to the transition to a low carbon environment and both
00:10:18 --> 00:10:22: in terms of the use of energy as well as
00:10:22 --> 00:10:26: water energy is being used to mitigate as much as
00:10:26 --> 00:10:30: we still can the impact of climate change. It is
00:10:30 --> 00:10:34: the 1 1/2 degree scenario that we still focus on,
00:10:34 --> 00:10:36: although we know that.
00:10:36 --> 00:10:40: That is getting more and more difficult to achieve given
00:10:40 --> 00:10:43: where we are also coming back to the comment made
00:10:43 --> 00:10:48: by the UN Secretary General that we're actually still heading
00:10:48 --> 00:10:49: in the wrong direction.
00:10:50 --> 00:10:51: Next slide, please.
00:10:54 --> 00:10:55: So.
00:10:56 --> 00:11:01: What what is this about? What is unlocking the valuation
00:11:01 --> 00:11:04: issue? What we looked at is and why we focused
00:11:04 --> 00:11:08: on this work is that currently in property valuation the
00:11:08 --> 00:11:12: cost of doing nothing, so not taking any action and
00:11:12 --> 00:11:13: not.
00:11:14 --> 00:11:19: Adapting any building to become net 0 carbon is not
00:11:19 --> 00:11:25: included, so nobody's encouraged to do anything because your property
00:11:26 --> 00:11:31: valuation doesn't show. That makes it very hard to make
00:11:31 --> 00:11:36: the business case to make those investments. That is mostly
00:11:36 --> 00:11:41: due to the fact that there is no regulation in
00:11:41 --> 00:11:45: any country yet to get to net 0 carbon emissions.
00:11:45 --> 00:11:49: We have in some countries, we have of course, the
00:11:49 --> 00:11:50: Paris Agreement.
00:11:50 --> 00:11:54: But the Paris Agreement was needed to be put into
00:11:54 --> 00:11:58: local regulation to get on the right trajectory.
00:11:58 --> 00:12:01: In some countries what we do have is what we

00:12:01 --> 00:12:06: call energy performance certificates. For example becoming effective for office

00:12:06 --> 00:12:10: buildings in the Netherlands from the 1st of January. We

00:12:10 --> 00:12:14: have something similar in the UK and but those energies

00:12:14 --> 00:12:18: performance certificates requirements I think is in the Netherlands. It's

00:12:19 --> 00:12:21: see it doesn't get you to net zero, gets you

00:12:21 --> 00:12:25: in the right direction, but nowhere near where we need

00:12:25 --> 00:12:25: to be.

00:12:26 --> 00:12:28: And four.

00:12:29 --> 00:12:33: To get to net, shirini, to have the transparency of

00:12:33 --> 00:12:37: what are the investments needed to get our buildings to

00:12:37 --> 00:12:40: net zero and that's why we need it to be

00:12:40 --> 00:12:45: included in the valuation. Currently there's not enough market evidence

00:12:45 --> 00:12:48: for the values to include it. We read a lot

00:12:48 --> 00:12:53: about brown discounts and green premiums, but often that is

00:12:53 --> 00:12:57: blurred because what we see happening is the greenest buildings

00:12:57 --> 00:12:59: are often in the highest value.

00:13:00 --> 00:13:05: Locations and demanded by high end tenants. So you could

00:13:05 --> 00:13:10: not just kind of isolate the impact of a green

00:13:10 --> 00:13:16: building from its location and and the valuation impact of

00:13:16 --> 00:13:21: that from being in in the best location the moment

00:13:21 --> 00:13:26: by the say most of clowns tenants. So that is

00:13:26 --> 00:13:30: something that blurs what the impact of net.

00:13:30 --> 00:13:35: Theories. And therefore we felt it's really important despite the

00:13:35 --> 00:13:40: lack of regulation to create transparency on what they are,

00:13:40 --> 00:13:43: the transition risks as we call it and what is

00:13:43 --> 00:13:48: their impact on real estate valuations, what we see happening.

00:13:48 --> 00:13:49: Next slide please.

00:13:53 --> 00:13:57: Yeah. Well, I'll just keep going. What we see happening

00:13:57 --> 00:13:57: is that.

00:14:00 --> 00:14:00: Some.

00:14:01 --> 00:14:05: Some individual players already have started working on this and

00:14:05 --> 00:14:09: obviously do their homework on their existing portfolios and also

00:14:10 --> 00:14:14: include that in their due diligence. Now obviously we're looking

00:14:14 --> 00:14:18: at a transaction market which is close to standing still,

00:14:18 --> 00:14:23: but before we sort transactions happening where

investments were needed
00:14:23 --> 00:14:25: and we saw two parts of the market, one was
00:14:26 --> 00:14:30: more the informed investors had done their homework, but maybe
00:14:30 --> 00:14:31: it's better.
00:14:31 --> 00:14:35: Sell this off instead of making all the investments. You
00:14:35 --> 00:14:38: know what's one part of the market that hadn't done
00:14:38 --> 00:14:42: the homework yet? Maybe also not having the resources to
00:14:42 --> 00:14:45: really focus on this or not knowing exactly what to
00:14:45 --> 00:14:46: do.
00:14:46 --> 00:14:48: Who were then typically the buyers?
00:14:50 --> 00:14:53: We feel for the industry to take action. It's important
00:14:53 --> 00:14:56: that we bring the whole market up to speed. And
00:14:57 --> 00:15:01: again that's why it's important that this information needs to
00:15:01 --> 00:15:05: be included in property valuations. But until the evidence comes
00:15:05 --> 00:15:08: out and we have clarity on a what the costs
00:15:08 --> 00:15:12: are and these and and the investments needed, what the
00:15:12 --> 00:15:15: different risks are and what the impact is on the
00:15:15 --> 00:15:19: valuation and that is being disclosed before we can get
00:15:19 --> 00:15:20: the whole market.
00:15:20 --> 00:15:25: On board, and there's another element related to that because
00:15:25 --> 00:15:30: generally, obviously the cost of decarbonizing for say, a typical
00:15:30 --> 00:15:35: office building is the same despite the location, whether it's
00:15:35 --> 00:15:39: in the CBD or somewhere in a suburban office location.
00:15:39 --> 00:15:43: However, if the costs are the same, the value is
00:15:43 --> 00:15:47: not the same. So it is much easier to make
00:15:47 --> 00:15:51: the business case for the transition in those higher.
00:15:51 --> 00:15:56: Tell your locations and those higher value assets for example
00:15:56 --> 00:16:01: also with high end residential what is really important is
00:16:01 --> 00:16:05: that we make a transition that is just an just
00:16:05 --> 00:16:10: unfair because the whole all we need to decarbonize all
00:16:10 --> 00:16:14: our buildings not just those where it's easier to make
00:16:14 --> 00:16:19: the business case. So that is also a very important
00:16:19 --> 00:16:21: element that we wanted.
00:16:21 --> 00:16:22: To demonstrate.
00:16:23 --> 00:16:24: Next slide, please.
00:16:27 --> 00:16:30: We for explained what I just told you about the
00:16:30 --> 00:16:34: difference in locations where it's easier to make the business
00:16:34 --> 00:16:38: case and also the the potential inequality risk that it
00:16:38 --> 00:16:42: is related to decarbonizing the built environment in a paper

00:16:42 --> 00:16:47: that's called breaking the value deadlock and that is available
00:16:47 --> 00:16:50: on our website and we can also share it with
00:16:50 --> 00:16:53: you after this webinar if you haven't already seen it.
00:16:55 --> 00:17:00: We also published guidelines because we feel the industry needs
00:17:00 --> 00:17:04: to come together on this and act jointly, not only
00:17:04 --> 00:17:09: in the way we analyze and assess these transition risks,
00:17:09 --> 00:17:14: but also, as I mentioned before on reaching agreement that
00:17:14 --> 00:17:18: we need to disclose these transition risk. What is that
00:17:18 --> 00:17:23: impact on of transitioning to a low carbon environment on
00:17:23 --> 00:17:24: my building?
00:17:25 --> 00:17:30: And and what we've identified through a very long process
00:17:30 --> 00:17:35: among not only involving our Members but also other industry
00:17:35 --> 00:17:41: associations, we felt workshops, interviews, round table discussion, more than
00:17:41 --> 00:17:48: 100 industry experts were involved and we developed consultation guidelines.
00:17:48 --> 00:17:52: We launched these at our inaugural Uihc change summit that
00:17:52 --> 00:17:55: was held mid-october in Rotterdam.
00:17:56 --> 00:18:01: And these are now open for consultation. We've identified 14
00:18:01 --> 00:18:06: transition risks of which nine can now be quantified and
00:18:06 --> 00:18:11: and we've also developed disclosure sheets with data points for
00:18:11 --> 00:18:16: transparent information transfer not only to the valuer but also
00:18:16 --> 00:18:20: to the other stakeholders including investors.
00:18:21 --> 00:18:27: This requires the mindset change to remove transition rates as
00:18:27 --> 00:18:31: it is now as a competitive part of transactions.
00:18:32 --> 00:18:36: Next slide please. So what are those transition risks? Here
00:18:36 --> 00:18:40: you see an overview of the 9 risks that we
00:18:40 --> 00:18:43: identified, the the nine risk of the 14 that we
00:18:43 --> 00:18:47: think we can already model and integrate in a discounted
00:18:48 --> 00:18:51: cash flow model because that is the basis that we
00:18:51 --> 00:18:56: took. So it's obviously the cost of decarbonization, the cost
00:18:56 --> 00:19:00: of carbon, embodied carbon, both the historic part as well
00:19:00 --> 00:19:02: as the future that.
00:19:02 --> 00:19:06: May come when any future upgrades need to be done,
00:19:06 --> 00:19:11: depreciation energy costs 10 and four. It's excellent yield and
00:19:11 --> 00:19:16: rental income change for each of these we've laid out
00:19:16 --> 00:19:21: following a similar structure what what the risk is about
00:19:21 --> 00:19:25: and next slide just wanted to show you one example
00:19:25 --> 00:19:29: related to energy costs, how it is being treated in

00:19:29 --> 00:19:32: the guidelines, so the guidelines.
00:19:32 --> 00:19:37: Without a principle for each of these 14 risks and
00:19:37 --> 00:19:42: also proposed treatment in the DCF not only now current
00:19:42 --> 00:19:46: but also proposed treatment in the future.
00:19:47 --> 00:19:50: And for example, also what you'll find in the guidelines
00:19:50 --> 00:19:53: is how this would look in a cash flow model.
00:19:53 --> 00:19:54: Next slide please.
00:19:56 --> 00:20:00: For again for energy costs, you will then see how
00:20:00 --> 00:20:05: this looks in the future. For example, when you've made
00:20:05 --> 00:20:10: investments to reduce the use of energy, how your energy
00:20:10 --> 00:20:14: cost goes down, or how it goes from one source
00:20:14 --> 00:20:18: of energy and fuel to natural gas or.
00:20:19 --> 00:20:21: Renewable energy.
00:20:22 --> 00:20:22: Next slide, please.
00:20:25 --> 00:20:30: So what does this bring? We think this work can
00:20:30 --> 00:20:35: really potentially help to close the information gap both to
00:20:35 --> 00:20:40: bring the whole industry on board and what this is,
00:20:40 --> 00:20:45: help those that may not have the the resources to
00:20:45 --> 00:20:49: all kind of come up with this internally and to
00:20:49 --> 00:20:55: most importantly develop a standardized approach to deal with these.
00:20:56 --> 00:20:59: Risk because ultimately that is what we need to bring
00:20:59 --> 00:21:04: it into and to incorporate it into property valuation. There's
00:21:04 --> 00:21:09: great work already being done within many companies and we've
00:21:09 --> 00:21:12: taken a lot of that to come up with this.
00:21:12 --> 00:21:16: But we ultimately need to create a standardized approach because
00:21:17 --> 00:21:21: we know that from standardization comes progress and we can
00:21:21 --> 00:21:25: speed up the process and the work that's already been
00:21:25 --> 00:21:26: done and.
00:21:26 --> 00:21:29: Again, this also helps to see for all kinds of
00:21:29 --> 00:21:35: different buildings what the necessary investments are that need to
00:21:35 --> 00:21:35: be made.
00:21:37 --> 00:21:40: What also and what we're now going to work on
00:21:40 --> 00:21:43: for next year is a is a model and I'll
00:21:43 --> 00:21:45: talk a bit more about that at the end of
00:21:46 --> 00:21:50: standardized model to include all these risk based on standardized
00:21:50 --> 00:21:54: datasets. Some of them are already available, some of them
00:21:54 --> 00:21:58: still need to be developed and and one element obviously

00:21:58 --> 00:22:02:	that we're mostly focused on is the cost side, but
00:22:02 --> 00:22:05:	what is also included is what it can be impact
00:22:05 --> 00:22:07:	be on the revenue side.
00:22:07 --> 00:22:13:	For example, on rents on exit, yields on vacancy and
00:22:13 --> 00:22:21:	maybe reducing that for longer tenant contracts. Next slide please.
00:22:25 --> 00:22:28:	So next steps is we need your views. We need
00:22:28 --> 00:22:32:	your input to what makes sense, what doesn't make sense,
00:22:32 --> 00:22:35:	what is clear, what is not clear. So I would
00:22:35 --> 00:22:40:	encourage all of you to review those consultation guidelines and
00:22:40 --> 00:22:44:	give us your feedback. Even if you're not the technical
00:22:44 --> 00:22:48:	expert, as already outlined by Andrea before, it is still
00:22:48 --> 00:22:52:	very useful to receive your feedback on a higher level.
00:22:52 --> 00:22:56:	And again, not only relate to the assessment but also
00:22:56 --> 00:23:00:	to the disclosure, because for this to be the successful,
00:23:00 --> 00:23:03:	we need everyone in the industry to adopt it.
00:23:03 --> 00:23:07:	And we will be doing more sessions going forward and
00:23:07 --> 00:23:11:	in the next couple of months during the consultation. So
00:23:11 --> 00:23:14:	there's still more. And if you want to have a
00:23:14 --> 00:23:18:	conversation, have more specific questions, let us know. I already
00:23:18 --> 00:23:22:	mentioned the two. We will start the development of a
00:23:22 --> 00:23:25:	standardized tool that we've called preserve.
00:23:26 --> 00:23:31:	And based on standardized data sets like cram, climate zone
00:23:31 --> 00:23:36:	data, cost, intervention, cost of intervention, data of the main
00:23:36 --> 00:23:39:	intervention needed to decarbonize.
00:23:41 --> 00:23:44:	So that we can all use the same data we're
00:23:44 --> 00:23:49:	making these assessments and also what we will be start
00:23:49 --> 00:23:53:	looking at is other areas to encourage adoption such as
00:23:54 --> 00:23:58:	the data sharing that needs to happen and carbon pricing.
00:24:00 --> 00:24:01:	Next one please.
00:24:02 --> 00:24:05:	And then finally, before I close, I wanted to come
00:24:05 --> 00:24:09:	back also to the other work that we're doing well.
00:24:09 --> 00:24:12:	Obviously, a lot of the focus is on progressing the
00:24:12 --> 00:24:17:	work we've started around transition risk and real estate valuations.
00:24:17 --> 00:24:22:	One other thing we're focusing on is develop an education
00:24:22 --> 00:24:25:	program as well as case studies so you can see
00:24:25 --> 00:24:28:	how it works for specific buildings.
00:24:29 --> 00:24:31:	We've also done in the first year a lot of
00:24:31 --> 00:24:36:	work around Occupy, landlords alignment based on interviews with occupiers

00:24:36 --> 00:24:39: and for now, the second year, we will put that

00:24:39 --> 00:24:44: into a community of practice bringing occupiers, landlords and other

00:24:44 --> 00:24:45: stakeholders together.

00:24:46 --> 00:24:50: To see what the biggest challenges are, which solutions already

00:24:50 --> 00:24:55: exist that can for example, be transferred to other countries,

00:24:55 --> 00:24:59: can be scaled up and see what's needed for that,

00:24:59 --> 00:25:05: identify new challenges and then collaboratively, collaboratively work on solutions.

00:25:06 --> 00:25:12: And then starting work on other other priorities already identified.

00:25:12 --> 00:25:17: One is around the more coordinated investment voice, ultimately the

00:25:17 --> 00:25:22: regulator. Whenever they come, they will come to the building

00:25:22 --> 00:25:22: owner.

00:25:23 --> 00:25:27: So we think it would be very useful if the

00:25:27 --> 00:25:32: investment side of the industry, both investors and managers team

00:25:32 --> 00:25:37: up more proactively to to build the key industry advocacy

00:25:37 --> 00:25:42: to also go stand behind useful initiatives to help scale

00:25:42 --> 00:25:46: up and speed up the adoption of these that helps

00:25:47 --> 00:25:52: bring the industry forward. And one other important topic is

00:25:52 --> 00:25:53: related to again.

00:25:54 --> 00:25:57: The transition risk work that once we are able to

00:25:58 --> 00:26:02: have a common methodology to assess these risks, we'll also

00:26:02 --> 00:26:06: see much clearer which assets are likely to strand. For

00:26:07 --> 00:26:11: example, related to the lower value ones. You can think

00:26:11 --> 00:26:17: of affordable and social housing, maybe certain neighborhoods, maybe certain

00:26:17 --> 00:26:21: districts, suburban in cities, and maybe some uses that are

00:26:22 --> 00:26:24: not so much in the mount anymore.

00:26:24 --> 00:26:28: And what we're going to do is work in Berlin

00:26:28 --> 00:26:32: in a two phase process. First to identify those buildings

00:26:32 --> 00:26:35: that are more likely to strand. And in the second

00:26:36 --> 00:26:41: phase work very collaboratively with all stakeholders including local city

00:26:41 --> 00:26:47: government, national government and maybe housing corporations, private sector to

00:26:47 --> 00:26:52: work through solutions which are not just financial, some of

00:26:52 --> 00:26:55: it the financial, some can be planning.

00:26:55 --> 00:26:58: Related or team up on investment. So if you want

00:26:58 --> 00:27:01: to know more about this let us know. Very happy
00:27:01 --> 00:27:04: to answer any questions and talk more about it.
00:27:05 --> 00:27:08: And now I think it's time for Q&A. Thank you
00:27:09 --> 00:27:09: very much.
00:27:11 --> 00:27:15: Thank you Lizette lissette for that fantastic overview. Be very
00:27:15 --> 00:27:18: keen to have your questions. If you want to pop
00:27:18 --> 00:27:20: them in the chat, it would be no question is
00:27:20 --> 00:27:23: to simple. If you want to know more about what
00:27:23 --> 00:27:27: we're doing please do just pop a questionnaire. And Lisette
00:27:27 --> 00:27:30: for individuals who want to feedback, could you maybe also
00:27:30 --> 00:27:33: tell us a little bit about the survey that they
00:27:33 --> 00:27:35: can fill in on the sea change page as well?
00:27:36 --> 00:27:41: Yeah. Sure, Andrew. Uh, very good question. Obviously, what we've
00:27:41 --> 00:27:45: done is we've created the sort of standardized survey to
00:27:45 --> 00:27:49: kind of facilitate the feedback. And that's not just for
00:27:49 --> 00:27:53: the technical experts who want to really go into the
00:27:53 --> 00:27:56: detail, but also if you have just more, much more
00:27:56 --> 00:28:01: general view on this, there's the opportunity to provide feedback
00:28:01 --> 00:28:04: and we would really value that we can share the
00:28:04 --> 00:28:07: link after the webinar with everyone.
00:28:07 --> 00:28:10: So that you can just click it and then provide
00:28:10 --> 00:28:13: your feedback on the on the on the guidelines.
00:28:14 --> 00:28:16: And I think if people are people on the web
00:28:16 --> 00:28:18: and I can also be ambassadors for our work within
00:28:18 --> 00:28:20: their companies if they want to come to us with,
00:28:20 --> 00:28:22: you know, suggestions for us to catch up with people
00:28:23 --> 00:28:25: within their organization as well, that's another way that we
00:28:25 --> 00:28:28: just, you know, we're really trying. As I think we
00:28:28 --> 00:28:30: said today, the technical aspects are important. But you can
00:28:30 --> 00:28:33: see from Lizette, from your arguments how important it is
00:28:33 --> 00:28:34: to collaborate on this.
00:28:36 --> 00:28:39: We see this also as as continuous almost work in
00:28:39 --> 00:28:43: progress because obviously what we're trying to do with this
00:28:43 --> 00:28:47: work is to speed up the process because we cannot
00:28:47 --> 00:28:51: just sit and wait until regulation will come when the
00:28:51 --> 00:28:55: value we're obviously knows how to include it in the
00:28:55 --> 00:28:58: in the valuations. This is really meant to speed up
00:28:58 --> 00:29:02: the process because we have no time to lose and
00:29:02 --> 00:29:05: therefore any suggestions anyone has to kind of.
00:29:06 --> 00:29:10: Involve broader groups within the market to see what maybe

00:29:10 --> 00:29:15: not can not done cannot be immediately done today, but
00:29:15 --> 00:29:18: going forward any feedback is helpful.
00:29:19 --> 00:29:22: And we've sort of talked about this being very collaborative
00:29:22 --> 00:29:25: and requires a different mindset. Do you think the industry
00:29:25 --> 00:29:27: is ready to this be the topic on where there's
00:29:27 --> 00:29:30: plenty to be competitive on, but just be collaborative on
00:29:30 --> 00:29:31: this topic?
00:29:33 --> 00:29:37: All the journeys been very interesting. When we started from
00:29:38 --> 00:29:42: this work, we I think we decided early February, somewhere
00:29:42 --> 00:29:45: in February on this was going to be one of
00:29:45 --> 00:29:49: the main priorities for first year of work of C
00:29:49 --> 00:29:53: change. There wasn't so much talk about it, it was
00:29:53 --> 00:29:57: recognized. But I think what you've seen since then is
00:29:57 --> 00:30:01: that a real momentum has been developed across the industry,
00:30:01 --> 00:30:03: not because of us.
00:30:03 --> 00:30:07: So because of the wider discussion that as an industry
00:30:07 --> 00:30:10: we need to solve this issue that we know exactly
00:30:10 --> 00:30:14: that what the impact on the valuation is done and
00:30:14 --> 00:30:17: and see the need to make those investments. So I
00:30:18 --> 00:30:21: yes think and if I didn't see how many people
00:30:21 --> 00:30:26: volunteered during the process already mentioned more than 100 people
00:30:26 --> 00:30:30: been involved with even people within companies that we've not
00:30:31 --> 00:30:33: been directly in contact with.
00:30:33 --> 00:30:37: And also the interest we've seen since we've launched these
00:30:38 --> 00:30:40: consultation guidelines, I think.
00:30:41 --> 00:30:45: I think there's the real recognition that this is a
00:30:45 --> 00:30:50: very important challenge we need to tackle collaboratively and and
00:30:50 --> 00:30:54: then the key question is how. So that is more
00:30:54 --> 00:30:58: into the detail of what it should exactly look like.
00:30:58 --> 00:31:00: And I think the outcomes have been so practical. I
00:31:00 --> 00:31:03: mean, these are consultation guidelines, but people could look at
00:31:03 --> 00:31:06: how they would work in practice already and that kind
00:31:06 --> 00:31:08: of feedback or case studies that they might do on
00:31:08 --> 00:31:11: certain assets we'd be really interested in, I think.
00:31:11 --> 00:31:12: Bring that feedback as well.
00:31:13 --> 00:31:17: Yeah, I think that would be the greatest feedback honestly
00:31:17 --> 00:31:21: speaking if if people already started applying them, try to
00:31:21 --> 00:31:24: apply them maybe in a due diligence where you're looking

00:31:24 --> 00:31:28: at a the transaction to buy something or doing your
00:31:28 --> 00:31:30: portfolio management and try to kind of.
00:31:31 --> 00:31:34: Take some assets and see how the guidelines would apply
00:31:34 --> 00:31:37: to them and then I think it would be a
00:31:37 --> 00:31:40: great way to see what works, what doesn't, what is
00:31:40 --> 00:31:43: actually not clear or needs to be clarified further would
00:31:43 --> 00:31:47: be really useful. So yes, I would encourage everyone to
00:31:47 --> 00:31:50: already start using the guidelines because I think that would
00:31:51 --> 00:31:52: be the most meaningful feedback.
00:31:53 --> 00:31:56: And just a final question actually on the tenant Landlord
00:31:56 --> 00:31:59: alignment intervention that you mentioned, that's probably the the other
00:31:59 --> 00:32:01: main strand sea changes looking at the moment.
00:32:01 --> 00:32:04: Why is that so important? Why has that come? Why
00:32:04 --> 00:32:06: did that end up being top of the agenda really
00:32:06 --> 00:32:07: for the industry?
00:32:09 --> 00:32:14: Well, I think for numerous reasons actually. First of all,
00:32:14 --> 00:32:19: I think it's fair to say that collaboration between occupiers
00:32:19 --> 00:32:22: and landlords has never been optimal.
00:32:23 --> 00:32:27: Because we've been used to kind of signing a contract
00:32:27 --> 00:32:31: and then not look on after the tenant for a
00:32:31 --> 00:32:34: while by the end of the towards the expiry of
00:32:34 --> 00:32:38: the contract being contact again. So I think there's a
00:32:38 --> 00:32:43: general feeling I I'm generalizing here obviously that not always
00:32:43 --> 00:32:48: the interest of the occupier have been taken into account
00:32:48 --> 00:32:51: and now suddenly there's a real need for the two
00:32:51 --> 00:32:55: parties to work together on decarbonizing.
00:32:55 --> 00:32:57: Feelings and.
00:32:57 --> 00:33:00: So that is one part of it. And then obviously
00:33:00 --> 00:33:04: the other part is there is the big need because
00:33:04 --> 00:33:07: you cannot get a building to net zero if you've
00:33:07 --> 00:33:11: not collaborated with the tenant. Given that the actual use
00:33:11 --> 00:33:15: of the energy, not just for the owner controlled spaces
00:33:15 --> 00:33:19: but for the whole building needs to be controlled. And
00:33:19 --> 00:33:22: first of all, there needs to be the transparency on
00:33:22 --> 00:33:26: what, how does the tenant use the building, what is
00:33:26 --> 00:33:28: the actual energy use.
00:33:28 --> 00:33:31: So you need the that the exchange of the data.
00:33:32 --> 00:33:38: And and then of course design collaboratively measures to either
00:33:38 --> 00:33:43: reduce that to more collaboratively and it's not always been
00:33:44 --> 00:33:46: easy there may be very.

00:33:47 --> 00:33:52: You think of solutions where the the building now generates
00:33:52 --> 00:33:57: energy through solar panels, but there are still regulation in
00:33:57 --> 00:34:01: place in countries where that you can't then distribute that
00:34:01 --> 00:34:05: energy to your tenants. So it sounds even if you
00:34:05 --> 00:34:07: get the alignment.
00:34:08 --> 00:34:11: Share the same objectives. It is not that easy in
00:34:11 --> 00:34:15: practice. So at each of those different levels there are
00:34:15 --> 00:34:19: obstacles and that's why I think because it's so important,
00:34:19 --> 00:34:24: there's really the importance of working together and that's why
00:34:24 --> 00:34:26: it ended up so highly on the list.
00:34:27 --> 00:34:29: And anyone who wants to get involved with that strand
00:34:29 --> 00:34:31: as well can also get in touch if they've kind
00:34:31 --> 00:34:34: of interested in that tenant and occupant tenant and landlord.
00:34:34 --> 00:34:37: Side yeah, yeah, sure. If you would like to be
00:34:37 --> 00:34:38: part of the.
00:34:38 --> 00:34:42: Community of practice. And also if you already have solutions
00:34:42 --> 00:34:46: that you've created and think, well, this actually works really
00:34:46 --> 00:34:49: well and I'm not really sure why anyone else is
00:34:49 --> 00:34:53: not using it, please let us know. We're very interested
00:34:53 --> 00:34:56: to see whether we can bring that in and obviously
00:34:56 --> 00:34:59: and see how it can be used by the wider
00:34:59 --> 00:35:00: industry as well.
00:35:01 --> 00:35:03: OK. Well, thank you for everyone for kind of staying
00:35:03 --> 00:35:05: on that. You've not had any questions, but you've all
00:35:05 --> 00:35:08: been sat there listening. So hopefully you if you will.
00:35:08 --> 00:35:11: Follow up either with the survey or separate questions to
00:35:11 --> 00:35:14: us as well. We'd really welcome that. I think Martha's
00:35:14 --> 00:35:18: now going to put up just a little feedback questionnaire
00:35:18 --> 00:35:20: for you to give us feedback to continue to improve
00:35:21 --> 00:35:23: our webinars. And I just want to kind of reiterate,
00:35:23 --> 00:35:26: I think some of the work that Lizette pointed out
00:35:26 --> 00:35:30: through January and February, we'll be having lots of events
00:35:30 --> 00:35:33: and other webinars and ways for you to interact with
00:35:33 --> 00:35:37: the sea change program and those consultation guidelines. But please
00:35:37 --> 00:35:38: do help us spread the word.
00:35:38 --> 00:35:41: And see come to us if you think there's another
00:35:41 --> 00:35:44: way, another group that we should talk to another organization
00:35:44 --> 00:35:47: or just within your within your company as well. So
00:35:47 --> 00:35:50: Lizzette thank you very much for taking us through the

00:35:50 --> 00:35:53: fantastic presentation about the work done so far and we
00:35:53 --> 00:35:55: look forward to seeing you all soon. So thank you
00:35:55 --> 00:35:58: very much for attending and and have a good rest
00:35:58 --> 00:35:59: of the day. Thank you very much.
