

Environmental
Finance
**Sustainable
Investment
Awards**
2022 Winner
ESG data initiative
of the year

CARBON RISK REAL ESTATE MONITOR

MISSION NET-ZERO: TOOLS AND TACTICS TO ENDORSE SUSTAINABLE BUILDING

Julia Wein 17/06/2024

hospitality
INSIDE
WORLD OF HOSPITALITY INFORMATION.



STRANDED ASSETS

Transition risks and potential effects on asset value

Declining market attractiveness



Declining attractiveness of submarkets due to increased vulnerability and exposure to higher costs

- **Lower demand (investors and tenants)**
- Decreasing market values
- Overall negative impact on the market environment

Tighter regulations



Legislation focused on climate change - e.g., disclosure of climate risks, CO2 pricing, carbon credits, etc.

- **Tax increases, e.g. CO2 tax**
- Energy efficiency standards
- Decrease in subsidies for certain technologies
- Costs due to publication obligations and regulation

Reputation and positioning



Stakeholder demand for real estate companies where climate risks are taken into account

- **Loss of reputation if action is too late or if no action is taken**
- Reputational risks for companies that do not sufficiently consider ESG topics in their strategy

CHALLENGES: Investment Costs vs. Stranding Costs

Rental income

- Lower demand due to CO2 obligations of commercial tenants
- Lower net rents due to high ancillary costs

Operating costs

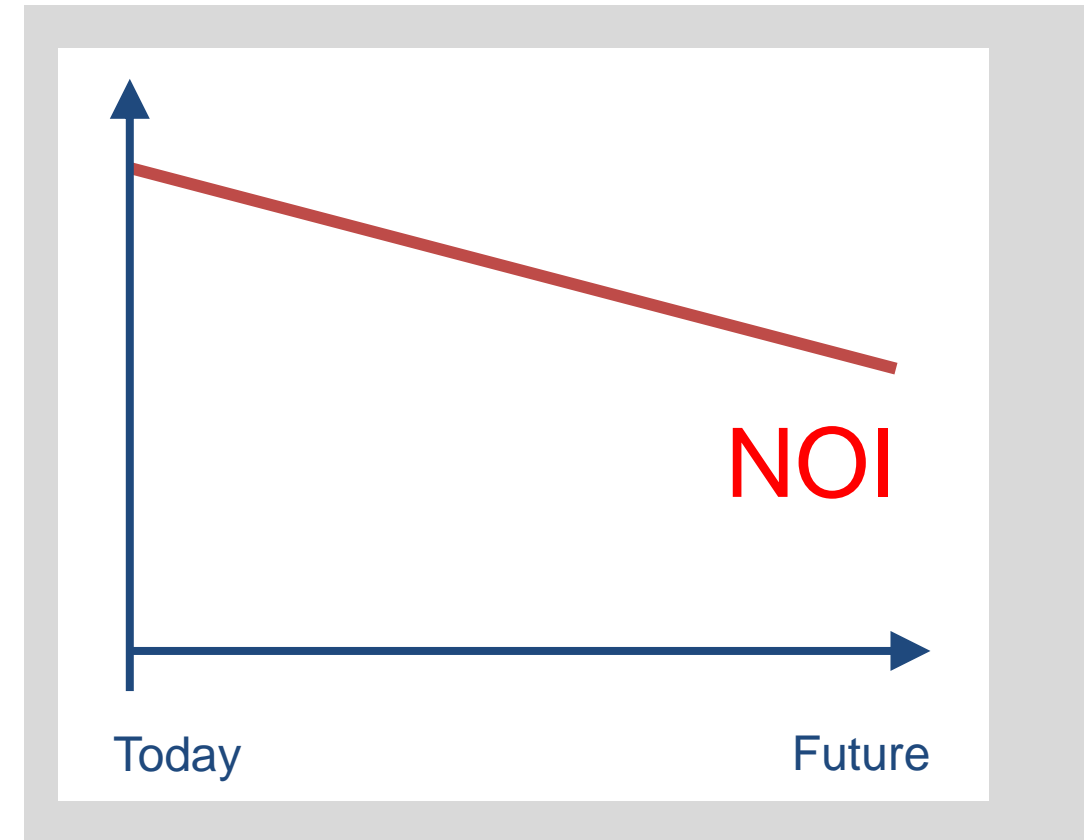
- CO2 taxes/certificates for high emission values
- Additional operating costs due to higher management costs

Investment costs

- Investments to counteract climate change
- Investment requirements due to new regulatory requirements

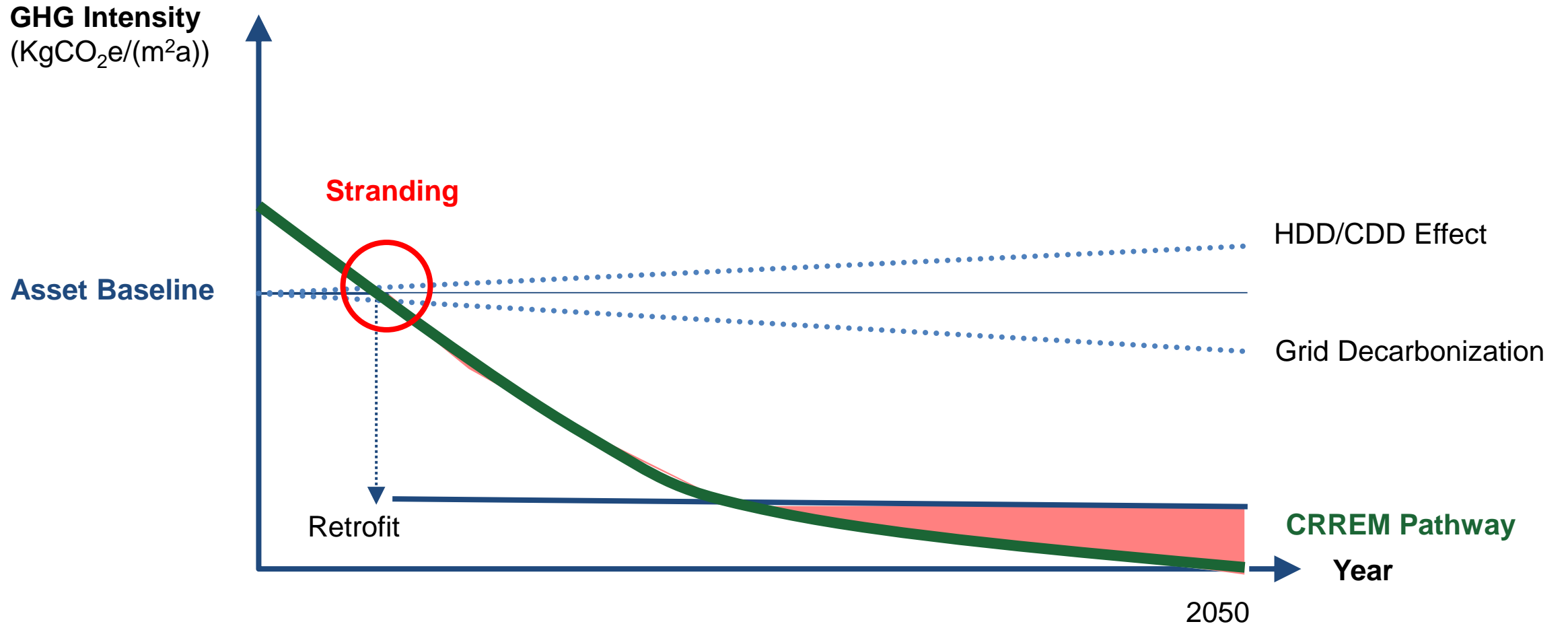
Borrowed capital

- Rising financing costs



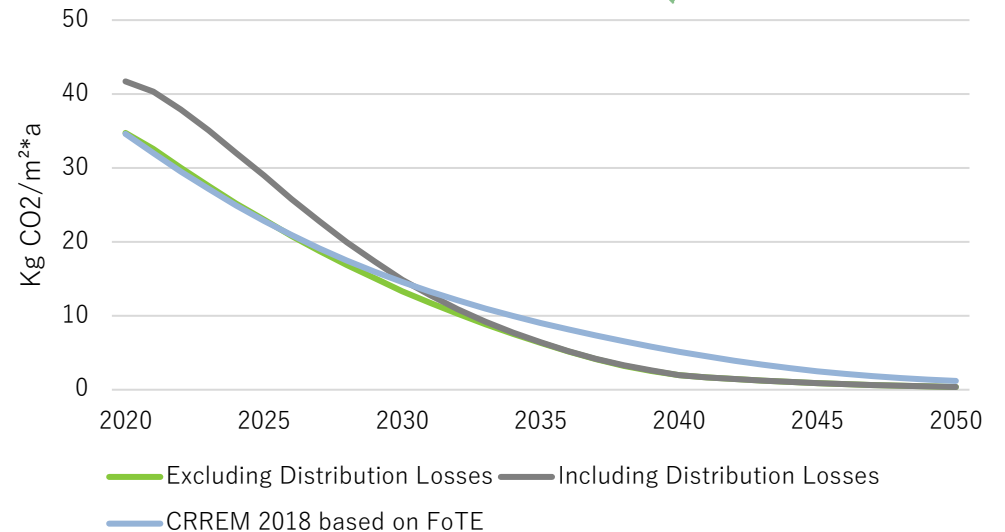
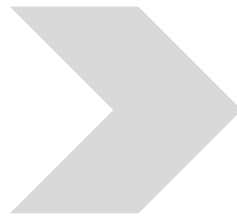
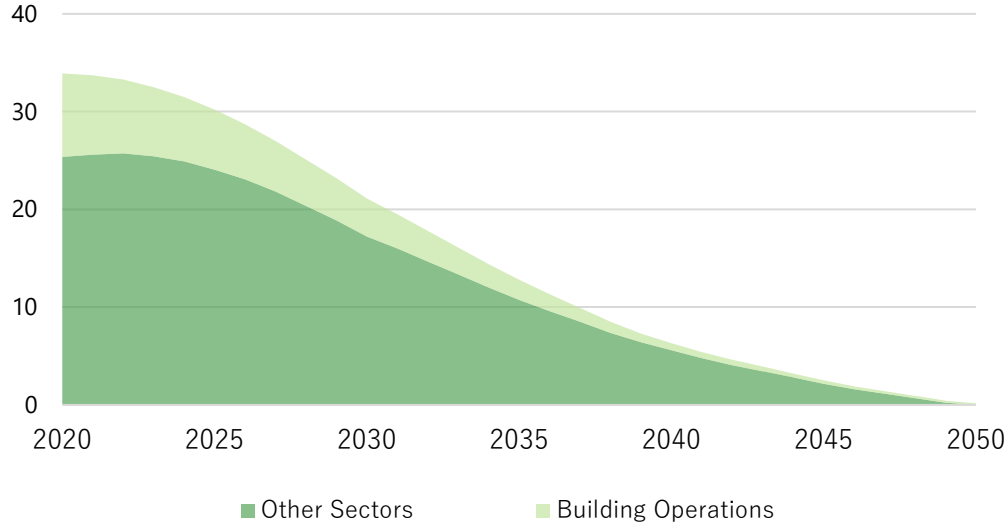
The Carbon Risk Real Estate Monitor (CRREM) provides the real estate industry with **transparent, science-based decarbonization pathways** aligned with the Paris Climate Goals of **limiting global temperature rise to 2° C, with ambition towards 1.5° C**. CRREM considers both **operational carbon and energy intensities**.

STRANDING RISK ANALYSIS ON ASSET LEVEL

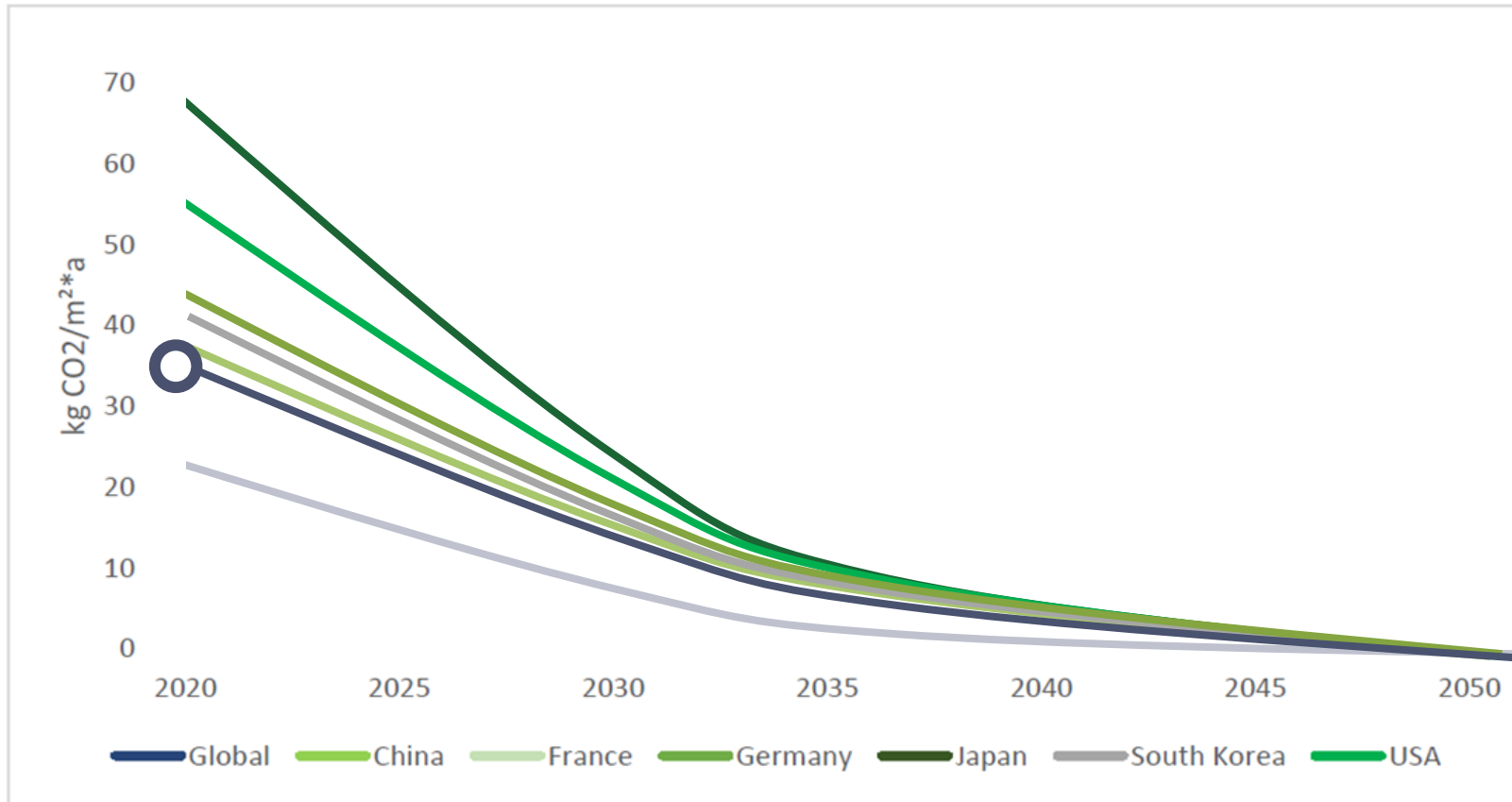


GLOBAL CO₂ & kWh INTENSITY PATHWAYS

Remaining Global CO₂ Budget p.a. (in Gigatons)



CRREM PATHWAYS: FROM GLOBAL EMISSIONS TO CO2-INTENSITIES





Strategy 2
More renewable energy on-site
(PV, Heatpumps, Wind etc.)

Strategy 4
Building automation
(Smart Metering etc.)



Strategy 1

Energetic retrofit
(Insulation, techn.
Equipement etc.)

Strategy 3

Consumer behaviour
(Green Leases, User Manuals
etc.)

Strategy 5

Purchase greener electricity
(„Gold“ Standard etc.)

Getting to „Net Zero“

INDUSTRY ALIGNMENT – ENSURING INDUSTRY UPTAKE & GLOBAL ACCEPTANCE (EXTRACT)



Total funds of over **6.000 bn. USD Assets under Management (~20% of the global CRE market)** used the tool.

Please note: numbers are based on direct contact via. the CRREM Team (excluding the tool downloads directly from the homepage and the indirect use of CRREM pathways via licensing partners).

THE NEED FOR MORE SECTOR SPECIFIC GUIDANCE

- CRREM to publish sector guidance for logistics and Hotel.
- Collaborating directly with **big** players in the sector to ensure **best-practice on reporting and benchmarking against CRREM** and **outlining the challenges for the sector**.
- Guidance on how to **normalize asset-level data against the CRREM decarbonization pathways**.



THE NEED FOR HIGHER GRANULARITY IN REGIONS

- **Focus on North America** - CRREM, ULI, and the Lawrence Berkeley National Lab (LBNL) are partnering to create more granular curves for the US and Canada.
- **Focus on Australia** - **NABERS & AGBC & CRREM** partner up to further increase update of CRREM in Australia.
- **Focus on Asia** – CRREM and AEC have launched a further “CRREM program: Net Zero Real Estate Group/Pioneers for China/HK” to increase focus and uptake.



THANK YOU!



JULIA WEIN

Mail: julia.wein@iioe.at

Tel: 017670858899

CRREM: www.crrem.eu



CRREM | CARBON RISK REAL ESTATE MONITOR

info@crrem.eu WWW.CRREM.EU / WWW.CRREM.ORG

iiö
INSTITUTE FOR REAL ESTATE
ECONOMICS