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The Real Estate Roundtable

July 16, 2024

Secretary Janet Yellen
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Secretary Jennifer Granholm
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20024

Administrator Michael Regan
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., NW
Washington, DC 20004

Dear Secretary Yellen, Secretary Granholm, and Administrator Regan:

We request your leadership to develop voluntary guidelines that may assist U.S. real estate companies align their climate-related programs with long-term goals to limit global temperature rise.

Our members are public and private companies which own, develop, finance, manage, and service all types of income-producing real estate. We house our population, companies, classrooms, government, and health care facilities. Our members provide cell towers to let us communicate, laboratories where we invent, facilities where we store personal and business items, and hotels where we vacation with family and friends. We include owners, developers, and financiers of shopping centers, data centers, and warehouses. Investors seek out our members' assets for their efficiency and sustainability features to support pensions and retirement obligations.

The global marketplace for investments in real estate is highly competitive. U.S. government-backed guidelines which offer property owners fact-based "pathways" to manage their transition risks to a lower-carbon economy will give America's real estate the edge to attract capital and financing from banks, pension funds, sovereign wealth funds, and other institutional investors.

The voluntary guidelines we envision are science-based, data-driven, and relevant to America's building infrastructure and power grids. They will provide a road map for real estate assets in our country interested in taking near- and long-term steps towards climate targets which align with reduced global temperature rise.

We urge the U.S. government to develop such pathways through a robust public input process that defines policy based on the practical knowledge and experience of building owners, developers, managers, financial institutions, and other interested stakeholders. Sustainability leaders in the existing built environment are the experts in current and evolving technologies. They ground their company's investment decisions in cost-benefit analyses to support principled capital improvements in our nation's buildings.

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The companies we represent have significant interests in sound and replicable methods to measure and disclose climate-related risks. In 2023, 94% of the 100 largest publicly traded U.S. REITs by market cap reported on carbon emissions, and 73% reported having a carbon reduction target. These reports help investors, tenants, employees, and government bodies understand the financial risks and opportunities inherent to managing a real estate portfolio. Key audiences want information regarding how our members are cutting energy use, lowering emissions, and developing actionable plans to decarbonize buildings and keep U.S. real estate competitive in the fight for global capital.

The Treasury Department's [*Principles for Net Zero Financing and Investment*](#), released last September, are intended to guide how voluntary net-zero corporate commitments “are developed, implemented, assessed, and communicated, *particularly in the United States.*”¹ However, foreign organizations aim to exert significant influence over investment decisions in America's real estate. In particular, NGOs active in the European Union have developed non-specific decarbonization pathways for buildings globally – with insufficient considerations as to geography, building type, technical feasibility, local grid conditions, or economic practicality – to demonstrate emission reductions following a “curve” that meets the Paris treaty's “net zero by 2050” goals. We believe such pathways developed by EU organizations do not account for the regulatory frameworks of our communities, our energy sources, and will not translate into attainable climate actions here at home.

Real estate must do its part in an “all of economy” approach to limit the worst impacts from global warming. However, U.S. building owners seek decarbonization curves designed by the U.S. government, using U.S. resources, reflecting U.S. climate patterns, and based on U.S. power grid conditions. They should not be the creation of the EU. Specific examples of foreign-based standards promulgated by foreign organizations include:

- The Carbon Risk Real Estate Monitor (“CRREM”) describes itself as “the leading global standard and initiative for operational decarbonization of real estate assets.”² It was originally funded by a 2020 European Union research grant and receives continued funding from the [Laudes Foundation](#).³ “Investors worldwide use the CRREM tool to assess, price, and mitigate carbon performance and stranded asset risk in real estate investments.”⁴
- The Science Based Targets Initiative (“SBTi”) and its partners⁵ have the objective to “drive[] ambitious corporate climate action by enabling businesses and financial institutions globally to set science-based greenhouse gas (GHG) emissions reduction targets.”⁶ SBTi is currently “pilot testing” guidance for companies in the buildings sector to set 1.5 C°-aligned science-based targets.⁷ SBTi is working “[i]n collaboration with CRREM ... to provide ... decarbonization pathways for the building sector” and plans to “integrate [CRREM] pathways into the [SBTi] target-setting tool.”⁸

¹ U.S. Department of the Treasury, [*Principles for Net-Zero Financing and Investment*](#), at p. 2 (Sept. 2023).

² CRREM [website](#), “Objectives & Benefits.”

³ *Id.* The Laudes Foundation [website](#) explains it was launched in 2020 and was “[f]ounded by the Brenninkmeijer family business owners.” [Forbes](#), “Highly Secretive C&A Brenninkmeijer is a Global Powerhouse in Fashion Retailing” (July 19, 2016). Consortium members in the CRREM project include universities located in the Netherlands, Ireland, and Spain; a sustainability think-tank based in Austria; and an NGO that originated in the Netherlands that charges real estate companies for a service to “rate” sustainability performance under a global benchmark. CRREM [website](#), “Consortium Members.”

⁴ See ULI Americas [website](#), “CRREM North America Project.”

⁵ SBTi lists as “partners” CDP Worldwide, the World Resources Institute, the World Wide Fund for Nature, and the UN Global Compact. [SBTi Monitoring Report 2022](#) (published Aug. 2023), at p. 3.

⁶ *Id.* at p. 4

⁷ SBTi [website](#), “Buildings.”

⁸ *Id.*

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The intent of groups like CRREM and SBTi are laudable. Their decarbonization pathways may provide keen insights regarding how EU real estate markets manage transition risks, and there may be foundational elements present therein for U.S. guidelines. However, our members' analyses shows that EU-based efforts do not provide standards which will scale for American properties to help cut their energy use and lower their emissions. At the same time, reports indicate that “[f]und managers overseeing commercial real estate say significant chunks of their portfolios hold assets that can now be considered stranded due to energy requirements being rolled out in Europe.”⁹

US-EPA and US-DOE lead the world with the provision of tools for residential and commercial real estate to address the climate crisis. No other national government has amassed such a broad ecosystem of voluntary, building-related energy efficiency and climate policy guidelines. In our experience, governments abroad and international organizations have minimal familiarity with the agencies' extensive climate-related programs for buildings. We urge Treasury, EPA, and DOE to work with us to educate your overseas counterparts on programs including:

- Industry standards from the ENERGY STAR program to measure and benchmark energy efficiency metrics in [Portfolio Manager](#), and to calculate and forecast GHG impacts through the [Building Emissions Calculator](#);
- The deep expertise from DOE's system of [17 national labs](#) and the leading resources they generate, such as the annual [scenarios report](#) released by the National Renewable Energy Laboratory (NREL) which forecasts changes in the U.S. electricity sector and serves as a critical guide for power system planning;
- Two national programs that capture systemic data on nationwide building energy use and emissions, the Commercial Building Energy Consumption Survey ([CBECS](#)) and ENERGY STAR's Portfolio Manager data (searchable through the open-source [Data Explorer](#) tool);
- The most comprehensive [building classification](#) system of which we are aware, that enables “apples-to-apples” comparisons of uniform energy efficiency and emissions metrics among like-kind types of real estate;
- An exhaustive [library](#) of training documents for real estate professionals to measure energy use and emissions with consistency and accuracy;
- National leadership platforms that recognize portfolio-wide excellence, the [Better Buildings Challenge](#) and the [Better Climate Challenge](#);
- *The* government-sponsored building certification that has become the standard-bearer for high energy efficiency performance, the ENERGY STAR [1-100 score](#);
- Criteria to recognize low-carbon buildings through ENERGY STAR [Next Gen certification](#) – which sends a much-needed marketplace signal that an asset is on a path toward zero emissions status under the first government-backed [National Definition of a Zero Emissions Building \(“ZEB”\)](#);
- A “rising star” campaign in development by EPA, to recognize existing buildings that improve their energy efficiency performance significantly and demonstrably;

⁹ Bloomberg, [Funds in Commercial Real Estate Warn of Stranded-Asset Shock](#) (June 18, 2024).

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- The Emissions & Generation Resource Integrated Database (“[eGRID](#)”) and its landmark [Power Profiler tool](#), which visualizes the specific fuel mix that powers the electric grid in regions across the U.S.;
- EPA’s centralized [Emissions Factors Hub](#) which provides a regularly updated and easy-to-use set of default emissions factors to assist real estate and other companies with GHG reporting and disclosures;
- A public-private [Green Power Partnership](#), with verification guardrails to support “credible claims” that qualified renewable energy certificates and other attributes generate new electricity generation from non-fossil fuel sources;
- Principles signed by Secretaries Yellen, Granholm and other cabinet-level officials to channel private capital into [voluntary carbon markets](#) that provide high-quality offsets for GHG mitigation to reach “net zero” goals; and
- [ENERGY STAR Tenant Space recognition](#), the only government program of which we are aware to guide commercial building tenants to play their role to reduce whole-building energy consumption and emissions through the high-performance design and operation of leased spaces.

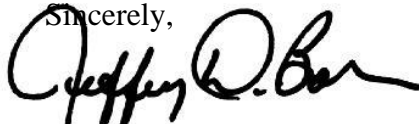
This suite of building-related climate policy resources is unmatched globally. No other country comes close to providing the breadth of U.S. standards and guidelines to assist residential and commercial buildings gauge their energy and emissions performance.

The addition of decarbonization pathways for buildings would provide a critical resource from the U.S. government to complement its current framework of policies. Treasury, DOE, and EPA should not cede this space to other nations’ governments, bodies, or interest groups and allow for the isolation of U.S. real estate from global capital. America has unique real estate assets amidst unique power generation, climate, and grid conditions. We urge your commitment to research, develop, and collect stakeholder input for voluntary building decarbonization curves which may guide U.S. real estate companies while reflecting the scientific data, environmental, and market characteristics of our nation.

* * *

The Real Estate Roundtable looks forward to collaborating with your agencies on this important undertaking. Please contact Duane J. Desiderio (d-desiderio@rer.org), Senior Vice President and Counsel with The Real Estate Roundtable, for further questions regarding this request.

Sincerely,



Jeffrey D. DeBoer
President and Chief Executive Officer

cc:

The Hon. John Podesta, Senior Adviser to the President for International Climate Policy
The Hon. Ali Zaidi, White House National Climate Adviser