Energy & Climate

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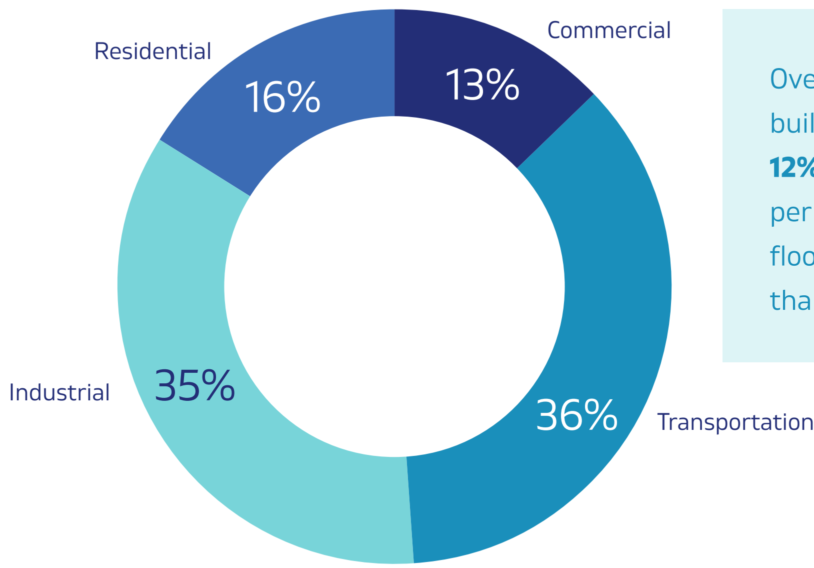
Our industry plays a critical role in helping to avoid, minimize, and mitigate the health, environmental, and economic risks posed by climate change.

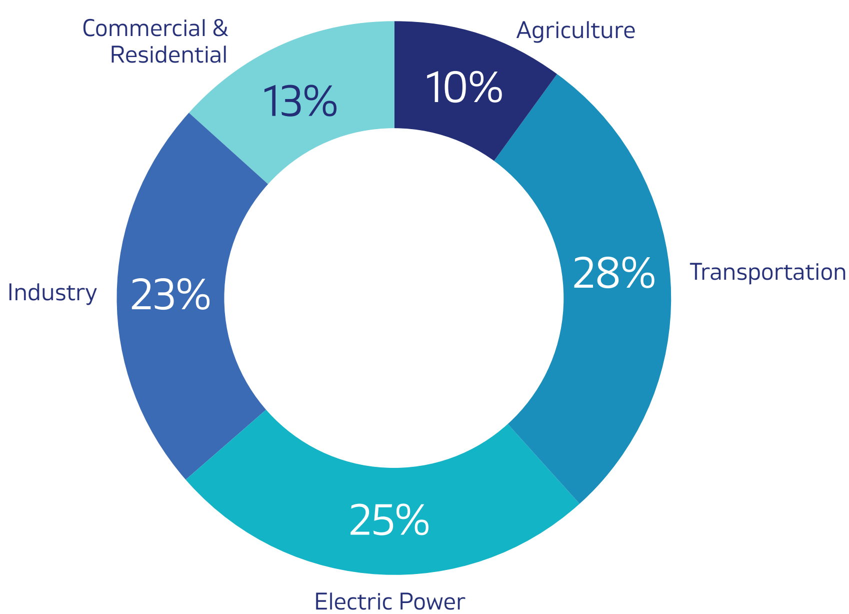
Policies that promote cost-effective investments to optimize building energy efficiency, increase the nation's supply of renewables, and decarbonize the electric grid will help the real estate sector combat climate change, create "green jobs," and enhance the resilience of our communities.

U.S. Energy Consumption By Sector, 2021[17, 18]



Overall, commercial buildings consumed **12%** less energy per square foot of floorspace in 2018 than in 2012.

Total U.S. Greenhouse Gas Emissions By Economic Sector In 2021



Over the past year, we've created and updated our online "library" of fact sheets and comment letters on topics addressing clean energy tax incentives, risk disclosure rules, and various building performance standards to keep our members up-to-date—and educate policymakers on The Roundtable's constructive role in the energy and climate space.

Building Performance Standards (BPS)

A growing number of states and localities are enacting Building Performance Standards (BPS). These mandates generally require buildings to reduce energy consumption and GHG emissions to specific levels, with an overarching goal for real estate assets to be "net zero" by 2050.

A federal-level mandate on private sector buildings is not anticipated to pass Congress. Instead, voluntary approaches have been developed by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE). Voluntary guidelines developed with U.S. government resources and data can harmonize the confusing and conflicting system of local BPS laws that has emerged.

Uniform EPA and DOE methods can also help provide investors, tenants, and other CRE audiences with consistent metrics that show how buildings are making progress to reduce their carbon footprints. Meanwhile, non-governmental organizations (NGOs) that strive for national and international influence are also developing their own BPS-type regimes.

The Roundtable, through our Sustainability Policy Advisory Committee (SPAC), has been actively engaged on BPS policy design, advocacy, and education. Over the past year, our efforts have included:

- **Comments with Nareit and "listening sessions" with the White House to develop a workable, first-ever federal definition for the term "zero emissions building" (or "ZEB").** The ZEB definition provides an aspirational long-term goal that can drive buildings toward decarbonization in an attainable, cost-effective manner through "life cycle" upgrades to building systems.

- In June, the Biden administration released the "National Definition for a Zero Emissions Building." It is the first definition of its kind from the U.S. government and was developed with heavy input from SPAC.

- Coordination with EPA to shape its new voluntary "NextGen" certification for buildings. The Roundtable has emphasized that CRE markets can benefit from Next Gen as a recognizable and achievable signal now for buildings that may be on a path to eventually reach zero emissions down the road.

- Stakeholder engagement with key NGO efforts. Our joint comments with Nareit to both the Science-based Targets Initiative (SBTi), and the Urban Land Institute's Carbon Risk Real Estate Manager (CRREM) project, emphasized the importance to ground "net zero" aspirations in realistic pathways that reflect climate and grid conditions in North America—and allow buildings to demonstrate progress in energy and emissions reductions.

- Ordinance reviews of various city and state BPS laws to assist members' local compliance; education regarding The Roundtable's model comments that highlight impracticalities of many local BPS mandates; and policy summaries development of a "primer" to assist state and local advocates dealing with building-related climate laws in their home jurisdictions.

- Comments to the House Subcommittee on Energy, Climate and Grid Security on how local BPS laws may negatively impact affordable housing, building construction, and operations.

Enhancing Renewable Energy Supplies

Decarbonizing buildings and decarbonizing the power grid must go hand-in-hand.

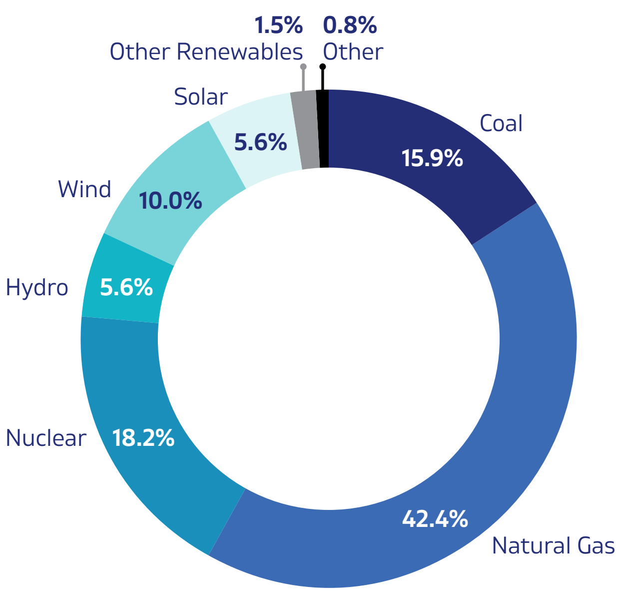
If policymakers want to slash on-site building emissions (such as by installing electric equipment), the source of the grid electricity used to power that equipment must not combust fossil fuels. Otherwise, if a building switches to heat pumps when an efficient natural gas burner reaches the end of its useful life, global warming emissions will still occur if the electric grid remains dependent on gas, coal, oil, or other fossil fuels.

National EPA data shows that a resilient, reliable grid that relies on solar, wind, and other clean power sources is decades away at best. However, our industry is working now with policymakers, grid operators, and utilities to make progress. The Roundtable has advocated for policies (summarized in our ZEB fact sheet, coalition advocacy to EPA, and elsewhere) that:

- Support market-based solutions that help buildings reach net zero goals—and also invest in grid decarbonization—such as through renewable energy certificates (RECs), power purchase agreements, and green tariffs.
- Bring the market for thermal energy certificates up to the same level as RECs, to encourage buildings reliant on district heating and cooling systems to invest in off-site clean power infrastructure;
- Where RECs are not available, allow market-based purchases of carbon offsets—but only if they meet stringent quality control criteria developed by the U.S. Commodity Futures Trading Commission (CFTC) to avoid allegations of "greenwashing";
- Accelerate investments supported by the Inflation Reduction Act and the Bipartisan Infrastructure Law to clean the grid, develop long-distance transmission lines that bring renewable power sourced in rural areas to the nation's population centers, and reform burdensome National Environmental Policy Act (NEPA) reviews to expedite energy infrastructure construction; and
- Develop monitoring platforms that inform owners and other customers of the grid's "fuel mix" in real-time, as buildings draw electricity at peak intervals in the day, to enable effective "demand-response" management.
- EEI graphic on U.S. energy resource mix.

2023 National Energy Resource Mix[19]

Electric companies use a diverse mix of resources to generate electricity



Climate-Related Financial Disclosures

In March 2024, the U.S. Securities and Exchange Commission (SEC) released long-anticipated rules that require registered companies to disclose climate-related financial risks in annual Form 10-Ks and other filings.

In a positive development, the SEC's final rule followed The Roundtable's comments (and those urged by a broader real estate industry coalition) to drop mandatory reporting of Scope 3 indirect "supply chain" emissions.

The SEC's new rule nonetheless establishes a complex regime for public companies to quantify emissions other than Scope 3, and report on climate-related expenses and losses that pose a "material" financial impact. Moreover, state laws and regimes developed in the EU, UK, and elsewhere overseas go even further than the SEC's rule and require broader sustainability reports to government agencies.

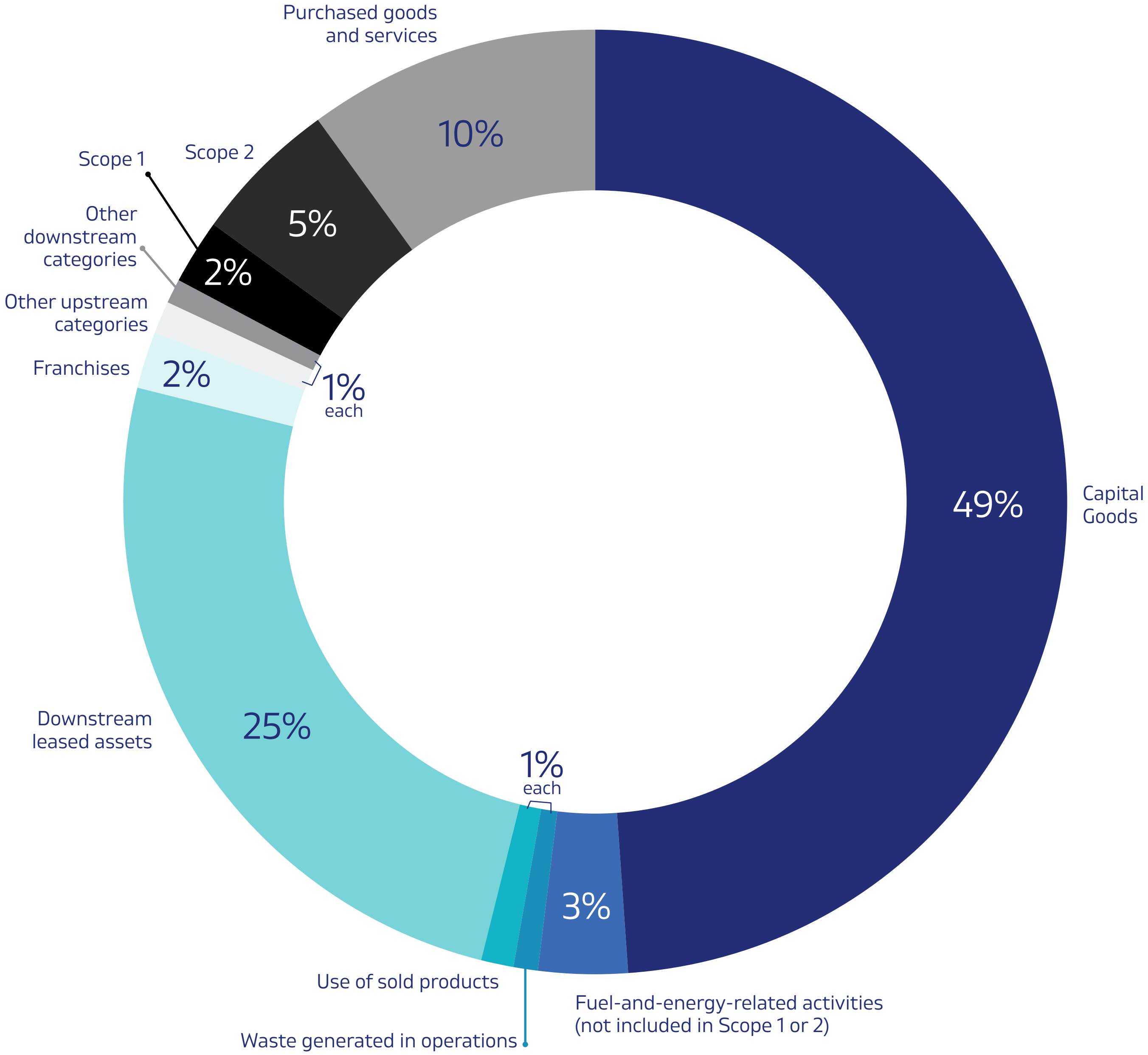
It is a Roundtable priority to help our industry make sense of this rapidly evolving field of climate reporting and disclosure policies. Over the last year, The Roundtable has:

- Developed fact sheets summarizing what "CRE should know" about the SEC rule and California's climate disclosure package;
- Convening a panel of experts for a SPAC discussion on compliance with the SEC rule from the auditor's perspective;
- Conducted the first-ever survey of our members to gain deeper insights regarding our industry's common practices in measuring and categorizing GHG emissions;
- Led our allies to urge enhancements to EPA's Portfolio Manager, the real estate industry's standard energy and emissions measurement tool, with a focus on assisting disclosures for SEC and other government filings;
- Supported EPA's work to develop a "library" of environmental product declarations (EPDs), that can help real estate companies procure climate-friendly building products and access data from manufacturers with reportable metrics on embodied carbon;
- Convened leaders from the White House and the General Services Administration (GSA) to explore how the federal government's "Buy Clean" initiative could be a model to guide private sector procurements in low-carbon goods and materials; and

- Advocated for the open letter sent by three federal agencies—HUD, EPA, and DOE—impressing upon utilities the importance for owners and managers to obtain tenant-level energy data to assist with "whole-building" climate-related corporate filings.

John Podesta (White House Senior Advisor for Clean Energy Innovation and Implementation) discussed the implementation of the IRA's clean energy and climate provisions.

Real Estate Sector Total Scope 1+2+3 Emissions[20]



The overwhelming majority of real estate companies' emissions are from indirect Scope 3 sources in their supply chains—that they generally do not control.

Inflation Reduction Act Tax Incentives

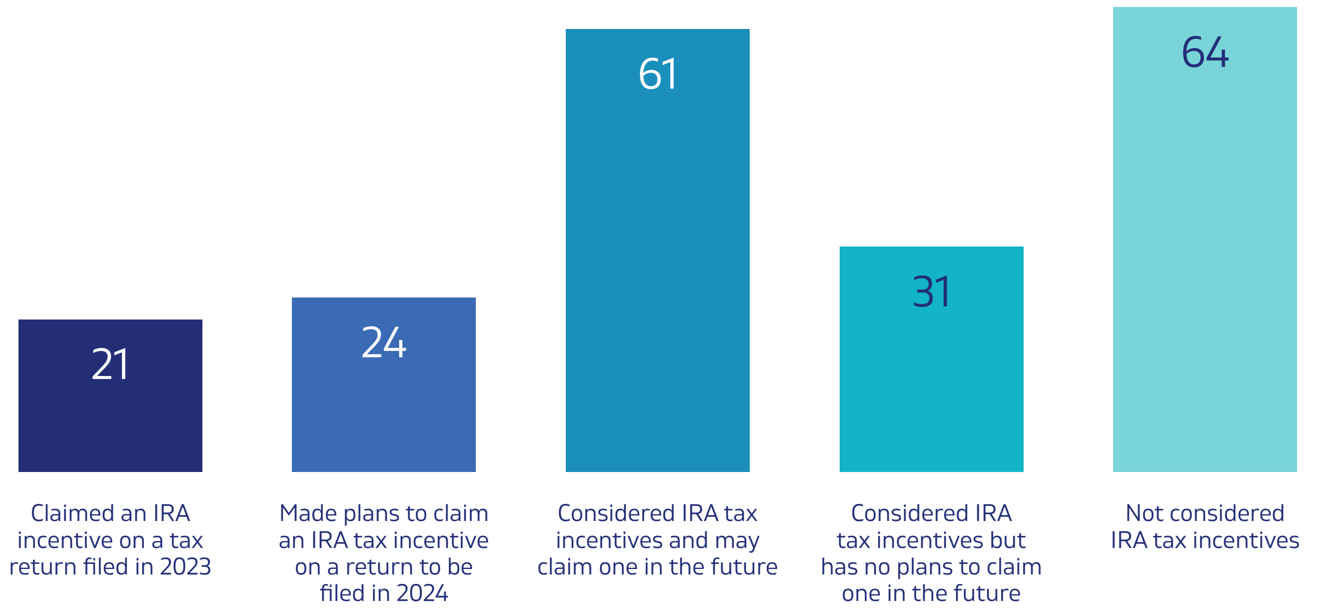
IRA President Biden signed the *Inflation Reduction Act (IRA)* into law on August 16, 2022. The legislation will invest almost $370 billion over 10 years to tackle the climate crisis. A number of the *IRA*'s changes to the federal tax code may help the U.S. real estate sector reduce its carbon footprint, particularly:

- A deduction to help make commercial and multifamily buildings more energy efficient (Section 179D);
- A credit to encourage investments in renewable energy generation, storage, grid interconnection, and other "clean energy" technologies sited at buildings and other facilities (Section 48);
- A credit to incentivize EV charging stations (Section 30C); and
- A credit to incentivize energy-efficient new residential construction and major rehabs, including multifamily (Section 45L).

Over the past year, The Roundtable's advocacy has strived to optimize the ability of private sector owners, developers, and financial institutions to access these clean energy incentives. Our efforts included:

- A series of comment letters to the U.S. Treasury and Internal Revenue Service to optimize our industry's ability to achieve climate goals by accessing each of these incentives;
- Surveying our members on whether they are claiming these incentives—and ascertaining what additional refinements to the tax code are necessary to maximize clean power investments in buildings;
- Revisions to and education surrounding our series of fact sheets summarizing the IRA's tax incentives that are relevant to US real estate; and
- Educating our members through SPAC meetings on the development of the IRS's new online marketplace to "buy and sell" tax credits.

Since the IRA's enactment, RER member's companies have..



The Roundtable will continue to educate members on the clean energy tax incentives available and provide fact sheets and other relevant materials on relevant policy updates. Further, The Roundtable will continue to work with the administration and others to lay the foundation for future reforms in this space.