



PRESS RELEASE
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New study by CRREM ('Carbon Risk Real Estate Monitor') shows how the European commercial real estate industry needs to decarbonise by providing a clear roadmap of science-based greenhouse gas emissions targets aligned with the Paris Agreement to keep global warming well below 2 degrees.

CRREM defines SCIENCE-BASED DECARBONISATION TARGETS AND PATHWAYS SPECIFICALLY FOR THE COMMERCIAL REAL ESTATE INDUSTRY. Targets are consistent with the EU commitment to LIMIT GLOBAL WARMING TO 1.5°C OR 2°C but for the first time, broken down per country and by eight property types

- Current national climate pledges (NDCs) are not enough to meet the *Paris goals* and could lead to a 2.7 - 3.0°C global warming. More ambitious climate policies are needed and likely to come into force in the future.
- CRREM emission targets and pathways for individual buildings and portfolios are derived by **downscaling the remaining 1.5°/2°C consistent global carbon budget** to the EU commercial real estate sector, individual countries and subsectors, for example, office or hotel.
- European commercial properties will need to **reduce their carbon emissions by more than 80% until 2050**.
- The **EU commercial real estate sector is 14 years behind schedule**: At the current rate of emissions **the carbon budget available until 2050 will be fully consumed in 2036**.
- The pathways and targets provide **benchmarking roadmaps for individual properties**, enabling investors to assess the **'stranding risk' of their portfolio** and pro-actively address the decarbonisation of their assets.

The transition to a 'low-carbon economy' comprises of POTENTIAL WRITE-DOWNS and DEVALUATIONS of inefficient real estate assets

- The **European real estate industry** faces increasing **'stranding risks'** that could equate to trillions of euros and result in **fiduciary responsibilities** to implement appropriate countermeasures.
- **Stranded assets** are properties that will be increasingly exposed to the risk of **early economic obsolescence** because they will not meet future (regulatory) efficiency standards or market expectations. Buildings exposed to the threat of stranding risk will become less marketable and may require **costly refurbishment measures**.

STRATEGIC REACTIONS OF THE REAL ESTATE SECTOR TO MITIGATE CLIMATE-RELATED RISKS LAG BEHIND

- Despite a high level of climate-related risk to the real estate industry, **strategic response has been protracted and board attention needs further improvement**.
- **Carbon efficiency assessments remains challenging for many real estate investors** as a **wide range of carbon accounting methodologies are applied**, adding to the complexity and inconsistencies in interpretation.
- CRREM study proposes **well-defined guidelines** for setting carbon accounting boundaries and reporting scopes, emissions factors, on vs. off-site renewable energy generation, unregulated tenant energy consumption or the climate change impact on heating and cooling demand.
- **Besides emissions resulting from the operation of buildings, the embodied carbon (of energetic retrofits)** will become increasingly important as the electricity grid decarbonises and additional carbon savings must be realised to meet 2050 targets
- CRREM offers a comprehensive framework of **strategies for investors to manage and avoid carbon risk**.

For further information on how the CRREM project supports industry stakeholders in reducing risks, see the attached study: *'STRANDING RISK & CARBON - SCIENCE-BASED DECARBONISATION OF THE EU COMMERCIAL REAL ESTATE SECTOR'* also available at <https://www.crem.eu/publications/reports/>