

London Industry Seminar

CRREM-ERES

Stranding Risk

2nd Panel: Decarbonisation targets
and risk disclosure



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AEW

CLIMATE CHANGE RISK

MEASURING NEEDED TO START PRICING

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RESEARCH & STRATEGY



Hans Vrensen CFA, CRE
MANAGING DIRECTOR
Tel +44 (0)20 7016 4753
hans.vrensen@eu.aew.com

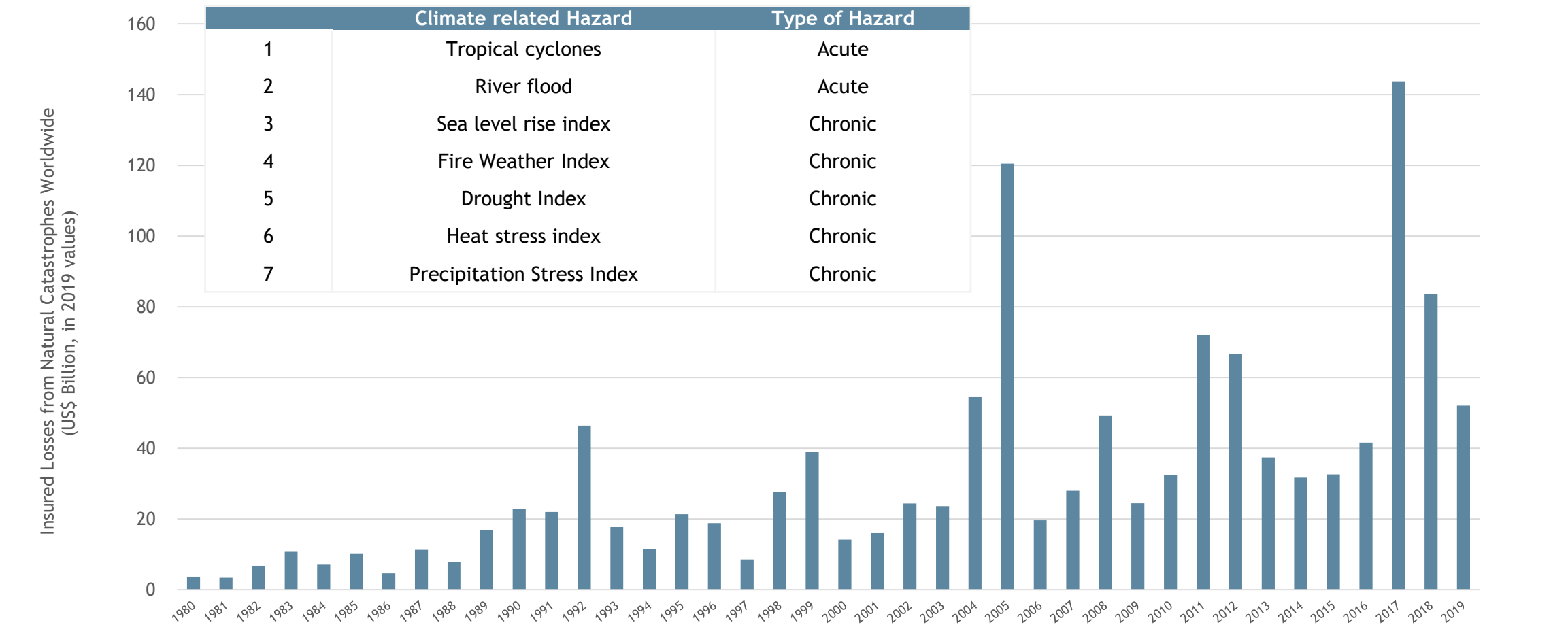
I. INTRODUCTION

II. TRANSITION RISK

III. KEY VIEWS

CATASTROPHE LOSSES SHOW A STRONG UPWARD TREND

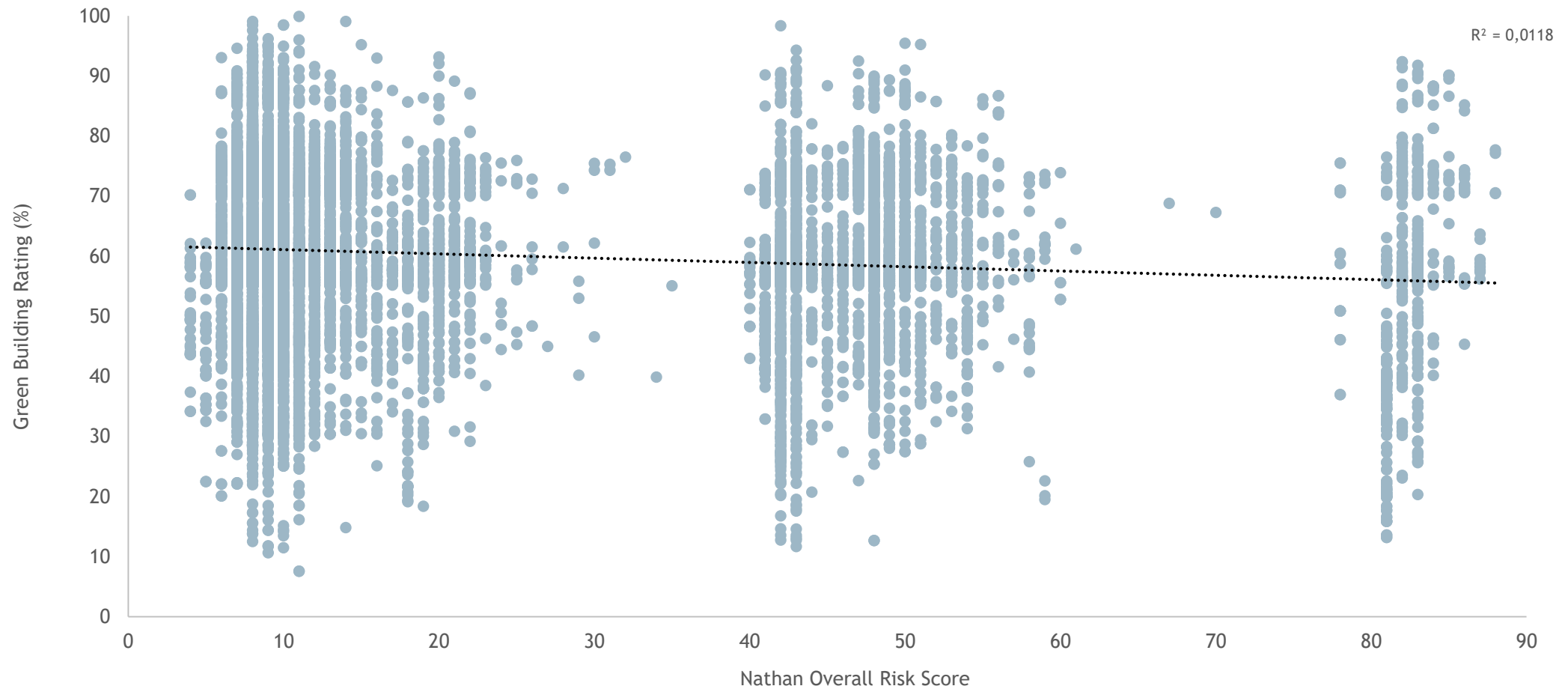
CLAIMS & RISK MODELS DRIVE ASSESSMENT OF SEVEN PHYSICAL CLIMATE CHANGE RISKS



Sources: Munich Re & AEW

NO CLEAR PATTERN BETWEEN PHYSICAL RISK SCORE AND GREEN CERTIFICATION

CURRENT BUILDING CERTIFICATIONS LACK CLIMATE RISK FOCUS

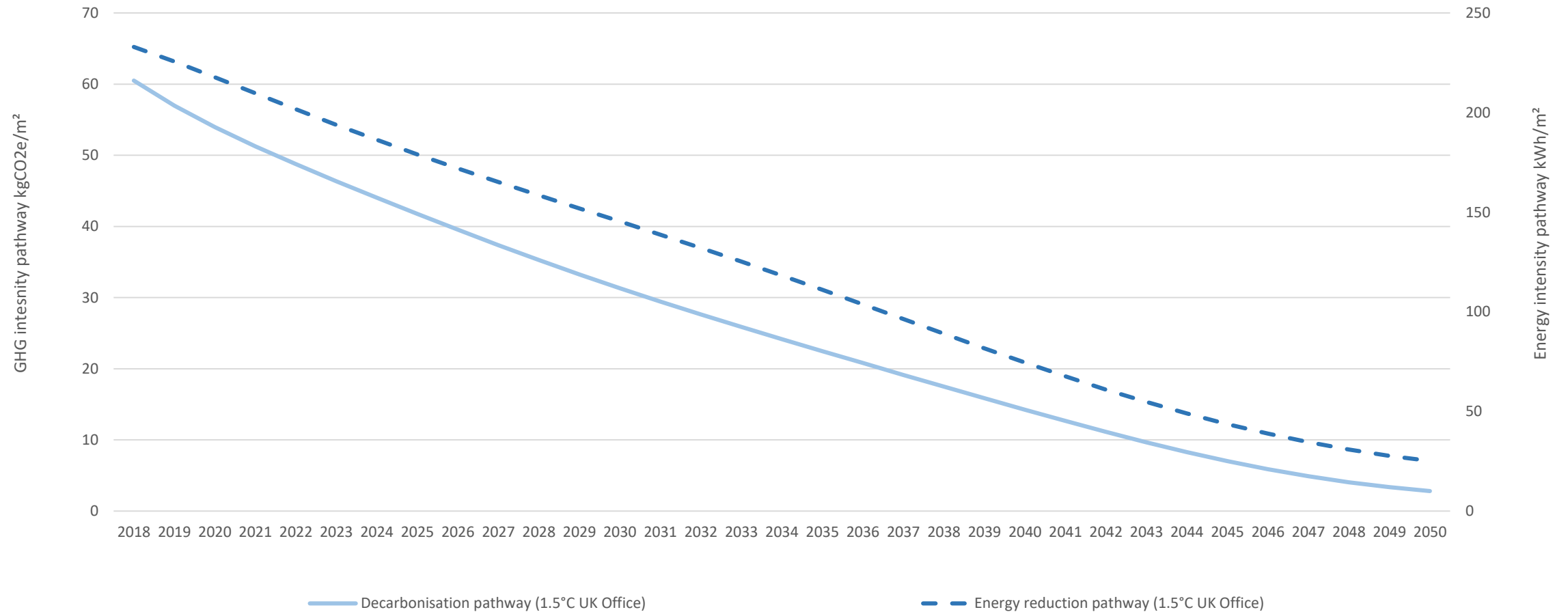


Sources: Greenbook, Munich Re & AEW

TRANSITION RISK

SWITCHING FROM ENERGY INTENSITY 'INPUT' TO GHG INTENSITY 'OUTPUT'

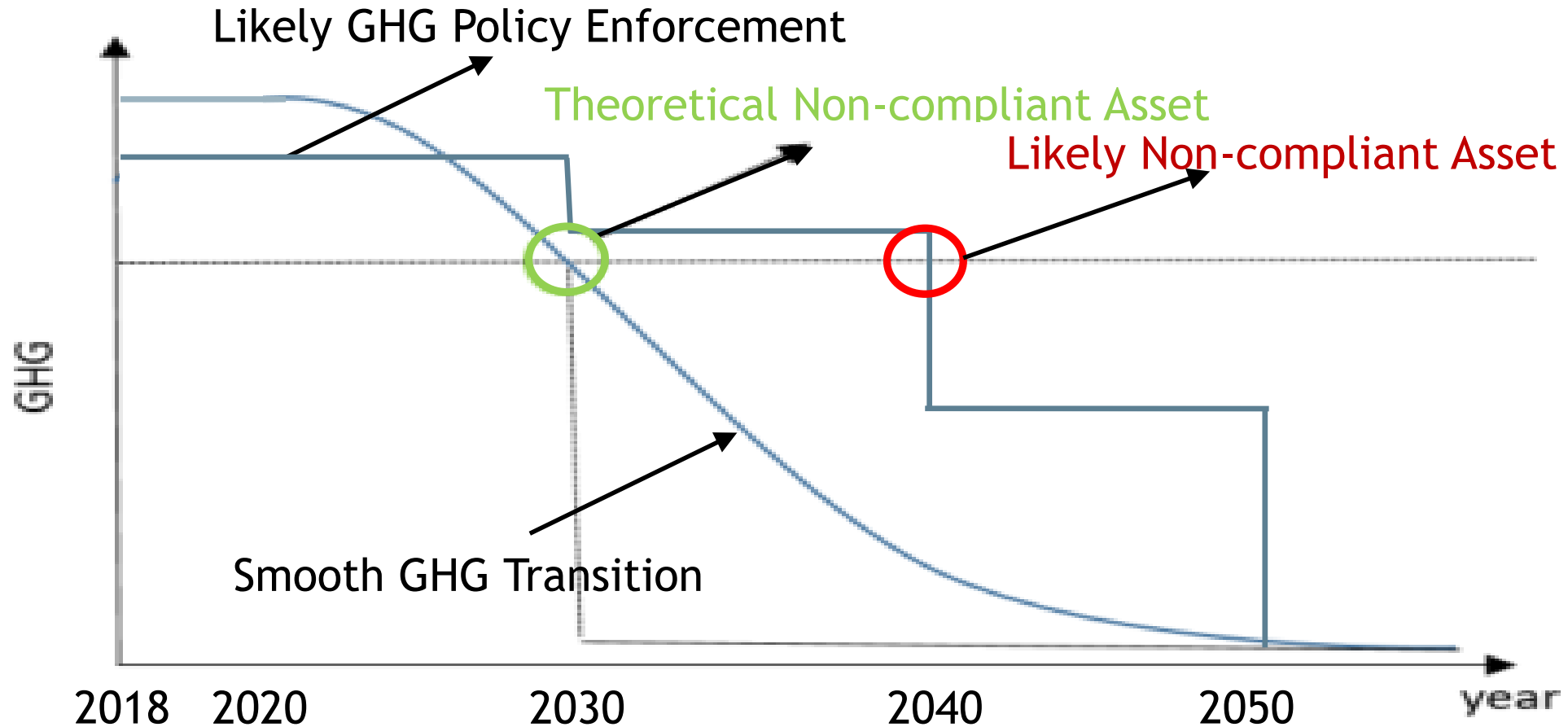
LOGICAL NEXT POLICY STEP



Sources: CRREM, CBRE & AEW

STEPPED REGULATORY ENFORCEMENT TO DELAY TRANSITION RISK

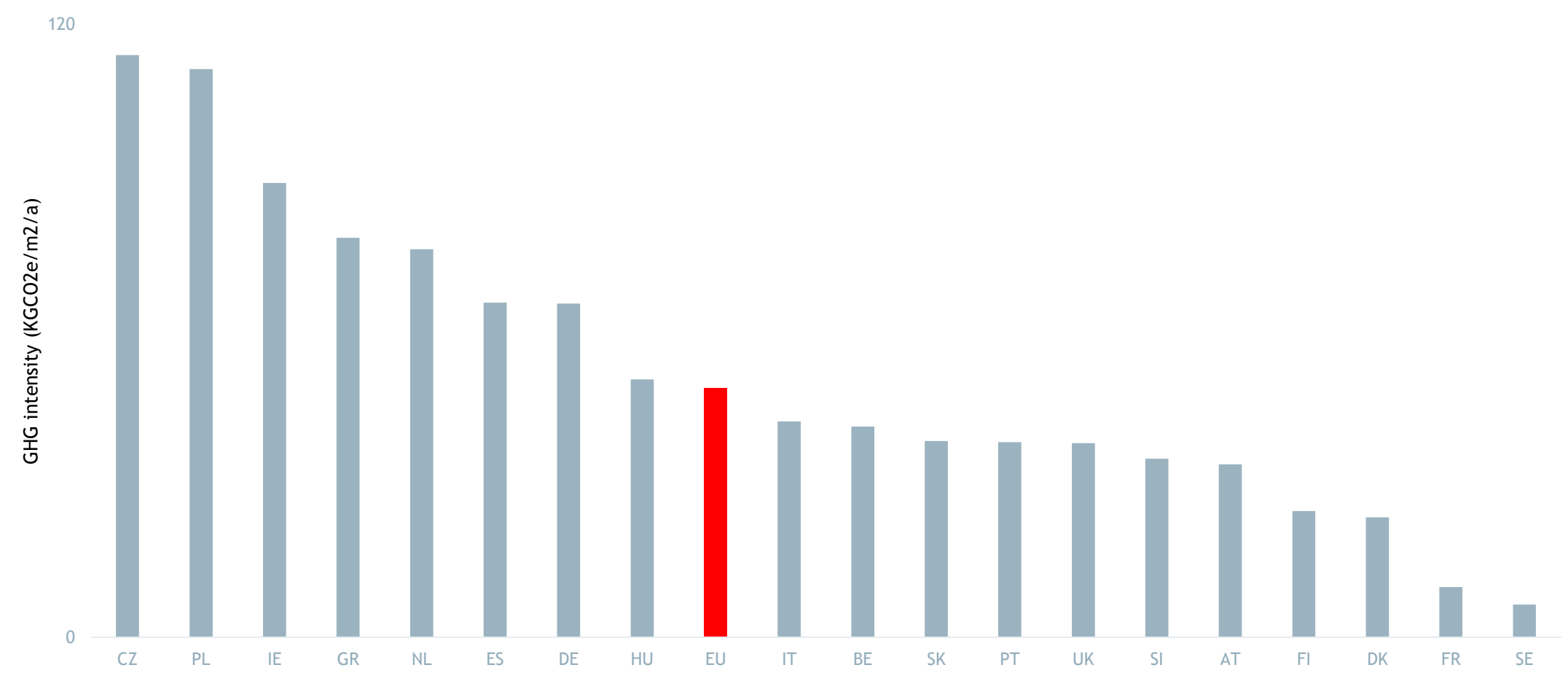
GHG APPROACH MIGHT TRIGGER OTHER TRANSITION RISKS, LIKE CARBON TAX



Sources: CRREM & AEW

GHG INTENSITY VARIES ACROSS COUNTRIES

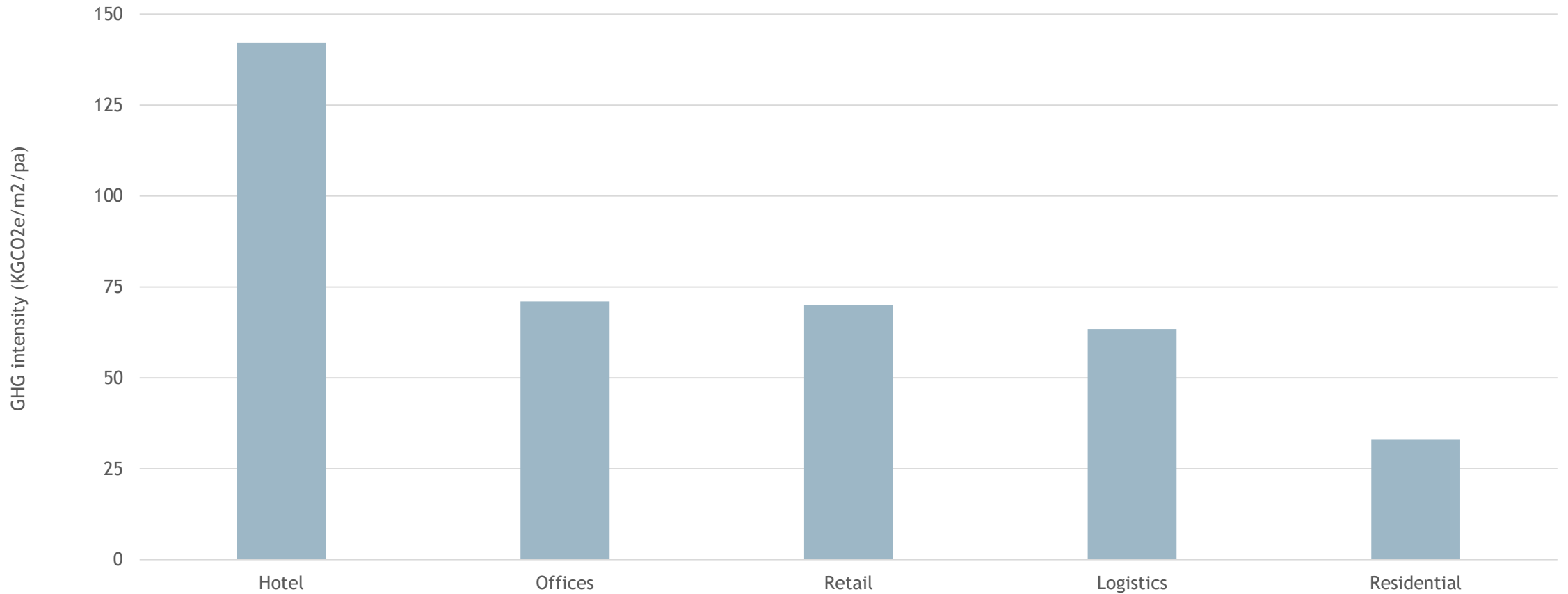
DIFFERENT STARTING POINT PER COUNTRY



Sources: CRREM & AEW

GHG INTENSITY VARIES BY PROPERTY TYPE AS WELL

HOTELS AND OFFICES REQUIRE MOST WORK TO MEET TARGETS

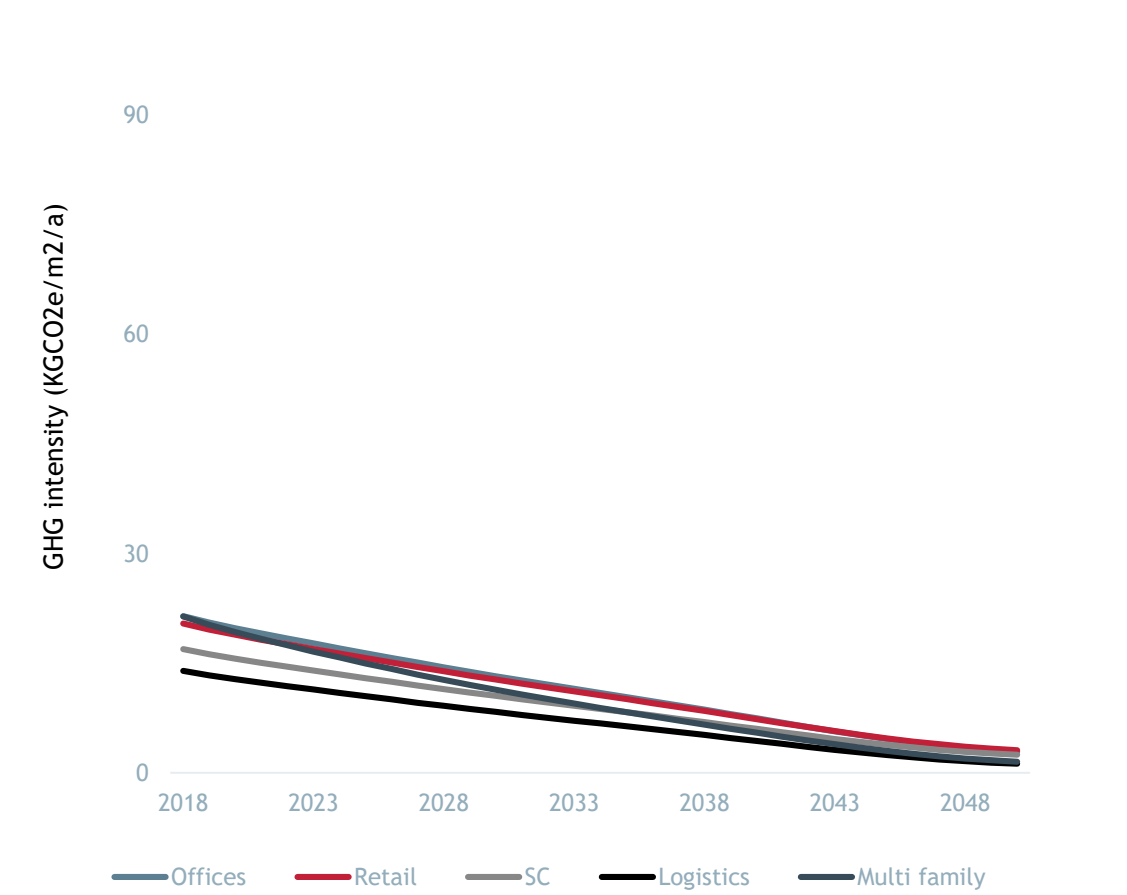


Sources: CRREM, ENTRANZE & AEW

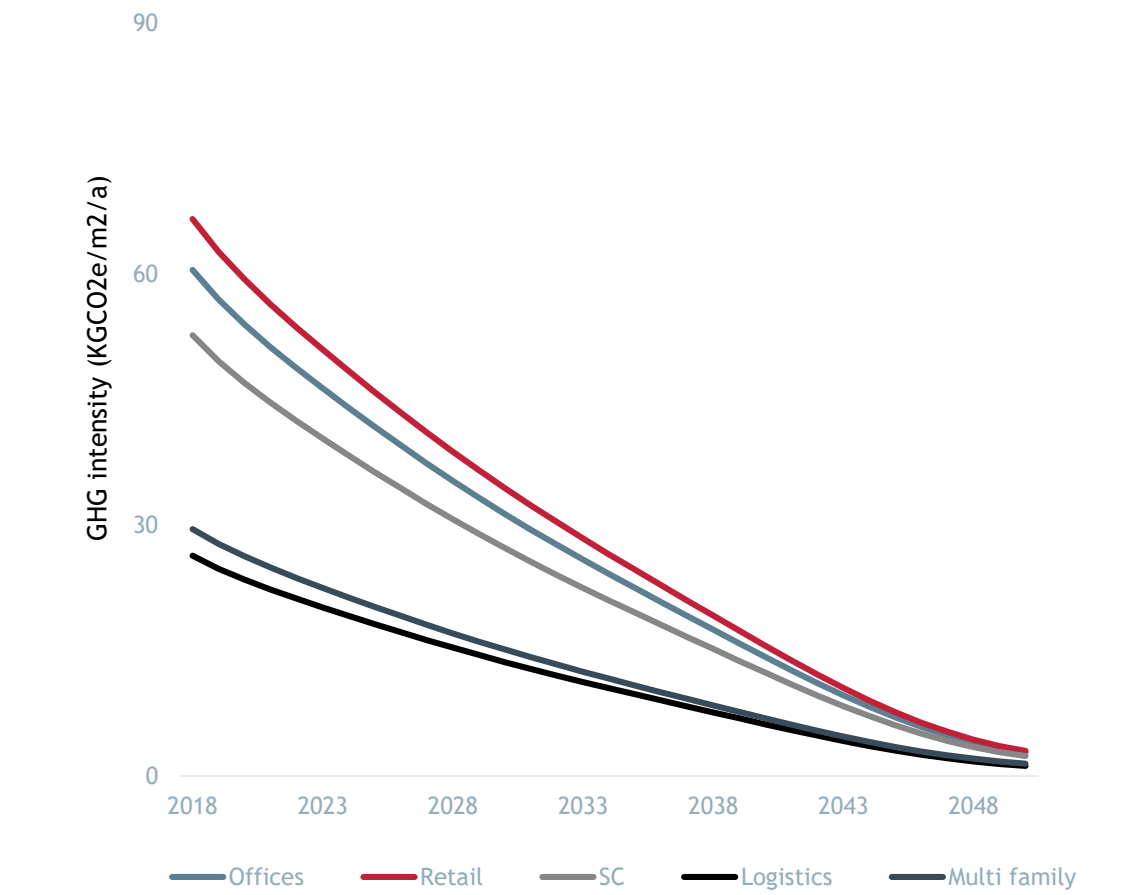
COUNTRY AND PROPERTY SPECIFIC PATHWAYS GIVE CLEAR TARGETS

FRANCE HAS IT EASY, WHILE UK LOGISTICS & OFFICE PATHWAYS MORE CHALLENGING

FRANCE



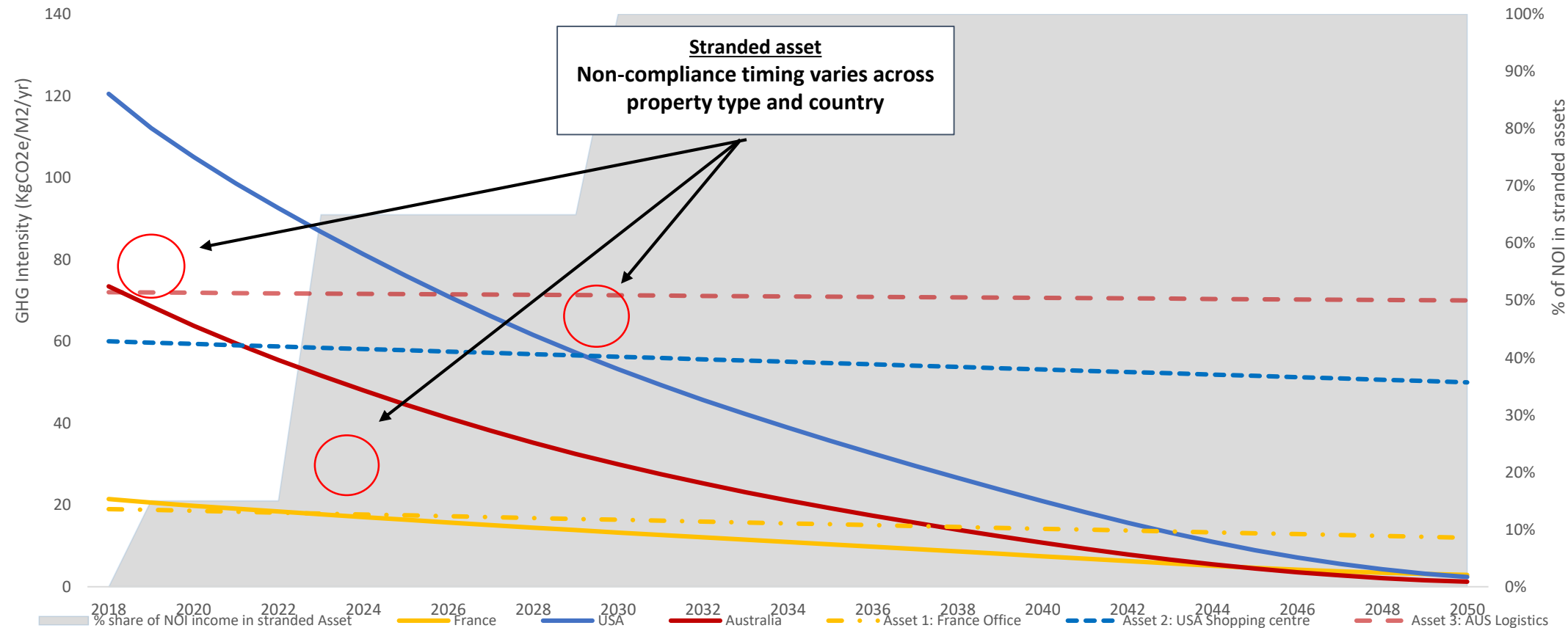
UK



Sources: CRREM & AEW

TRANSITION RISK SHOWS LOSS OF INCOME ACROSS SAMPLE PORTFOLIO

CRREM TOOL TO PRIORITIZE WHERE MOST URGENT GHG ACTION IS NEEDED

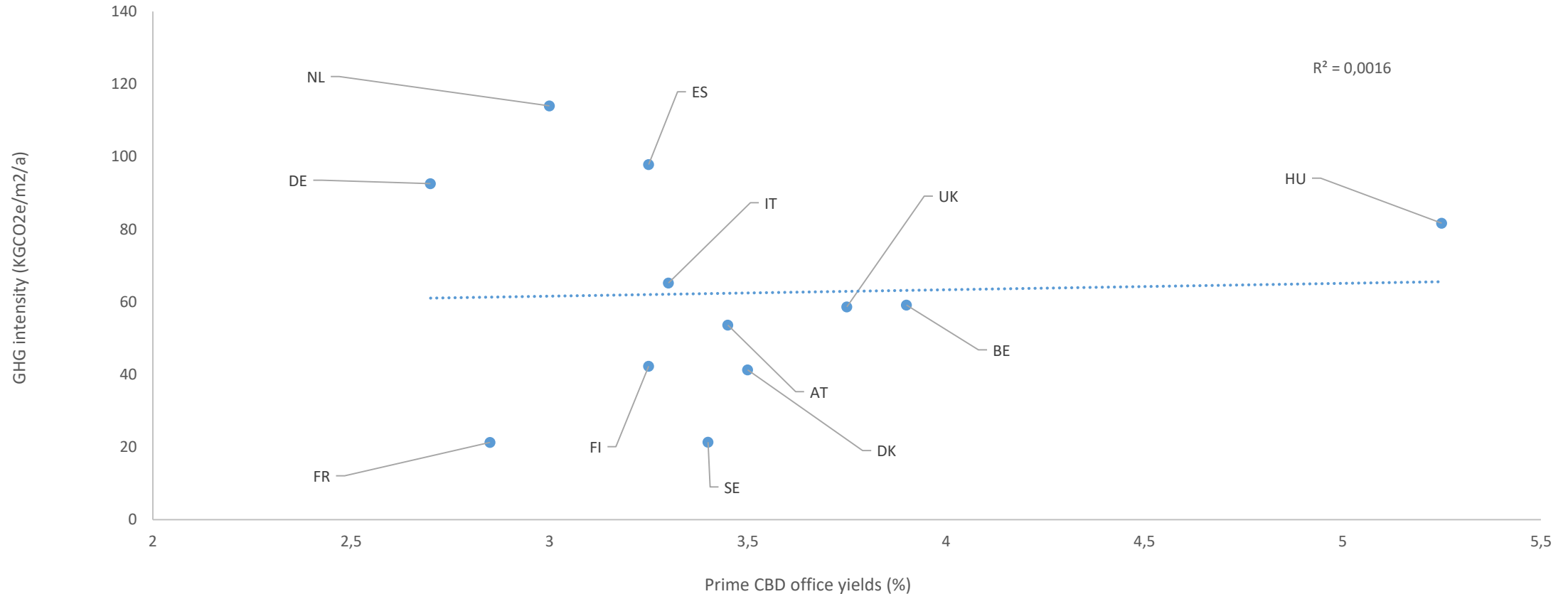


Sources: CRREM & AEW

Note: Actual GHG transition path requirements likely to depend on local law implementation and enforcement

EUROPEAN INVESTORS NOT YET PRICING IN CLIMATE RELATED RISKS

CURRENT PRIME OFFICE YIELDS NOT REFLECTING GHG INTENSITY



Sources: CRREM, CBRE & AEW

KEY VIEWS

KEY VIEWS

BETTER TOOLS TO HELP WITH PRICING AND RISK MANAGEMENT

- INVESTORS NOT YET PRICING IN CLIMATE RISKS, BUT BETTER TOOLS ARE HERE
- MUNICH RE QUANTIFIES PHYSICAL RISKS BASED ON HAZARD MODELS & CLAIMS HISTORY
IDENTIFYING SHORT TERM STRANDED ASSET RISK
- CRREM SPECIFIES NON-COMPLIANCE TRANSITION RISK AS POLICY TARGETS SHIFT FROM ENERGY USE
TO GHG REDUCTION -- ADDITIONAL SOURCE OF STRANDED ASSET RISK IN LONG TERM
- PRICING EFFICIENCY TO IMPROVE WITH ACTIVE RISK MANAGEMENT AND RELEVANT TRAINING