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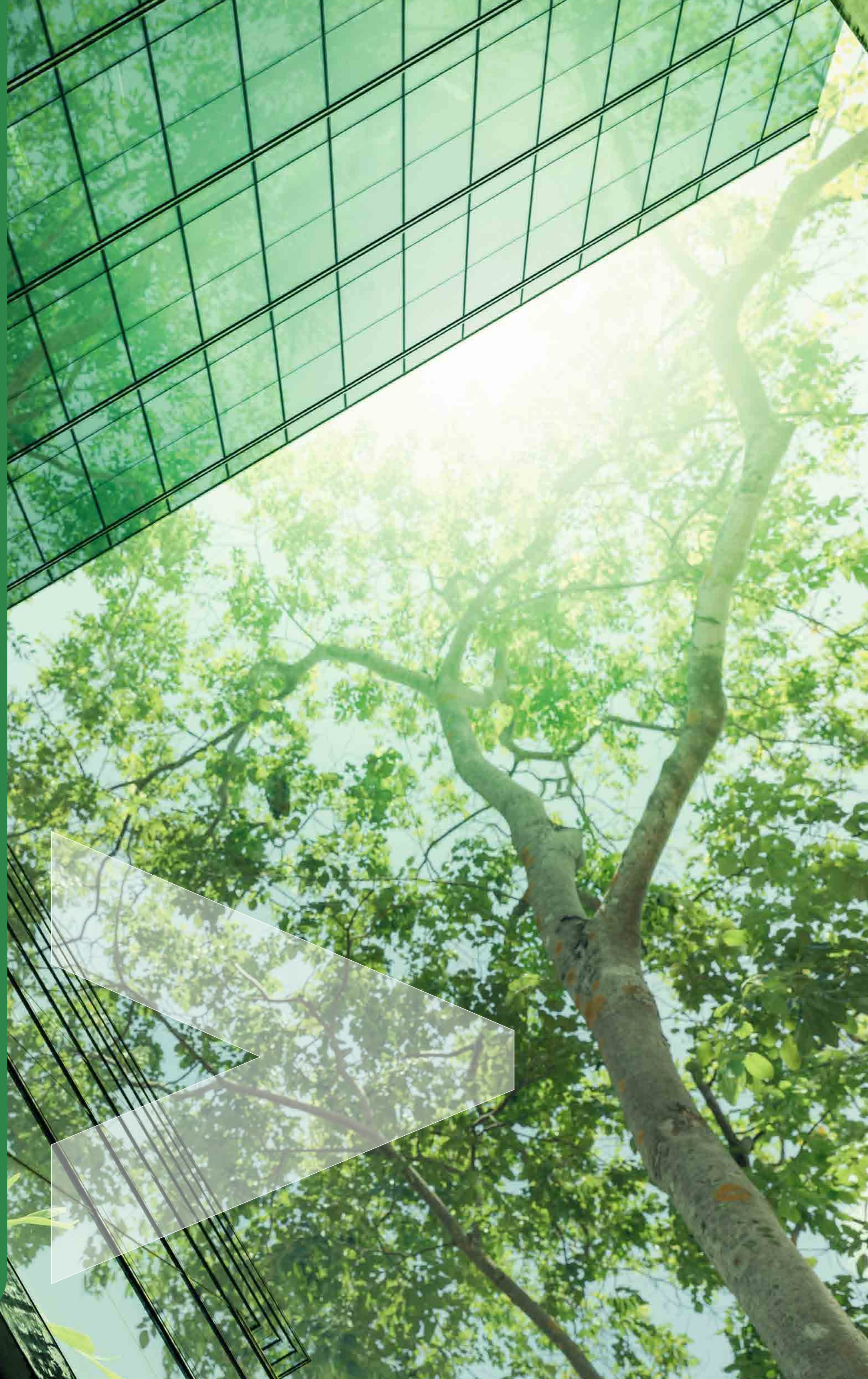
SETTING THE STANDARD ON SUSTAINABILITY

THE PANEL

Richard Boyd, senior programme manager, built environment, Laudes Foundation
James Drinkwater, head of built environment, Laudes Foundation
Peter Fisher, director, Bennetts Associates
Susan Freeman, partner, Mishcon de Reya
Guy Grainger, global head of sustainability services and ESG, JLL
Emma Harvey-Smith, director, Green Finance Institute
Ana Klein, partner and head of ESG, Maples Teesdale
Melanie Leech, chief executive, British Property Federation
Gilbert Lennox-King, co-founder and chief executive, Construction Carbon
Andy Mercer, head of ESG, UK and EMEA, Colliers
Kevin Mofid, head of logistics and industrial research, Savills
David Partridge, governance board chair, UKNZCBS
Julia Skeete, senior associate principal, Skidmore Owings & Merrill
Chair: Liz Hamson, editor-in-chief, *BE News*



It is an initiative that has the potential to be transformative. Once finalised, it is hoped the UK Net Zero Carbon Buildings Standard (the Standard) will enable everyone in the industry, including occupiers, to measure that their built assets are net zero carbon and in line with the nation's climate targets and international obligations.

While much work remains to be done, the initiative has already attracted the backing of key industry bodies from across the built environment, including BBP, BRE, the Carbon Trust, CIBSE, IStructE, LETI, RIBA, RICS and UKGBC.

However, the UKNZCBS team remains in listening mode. As a result, *BE News* and David Partridge, chair of UKNZCBS's governing board, convened a roundtable discussion at this year's MIPIM in order to take soundings from some of the sector's leading experts. Here we share the edited highlights of what was a lively, wide-ranging debate.

QUESTION: What value do you think the Standard will have?

LEECH: What I think is great about this is that it involves the whole built environment sector coming together and setting the agenda. It involves not only saying what we think the Standard should look like but also holding ourselves to account. If we don't do that, then at some point the government will define it for us. We're making it easy for the government to say 'actually, there is a standard, the industry is prepared to hold itself to account and we don't need to invent it'. That's a real opportunity for us to get ahead of the curve.

If you can get leaders to really set the pathway others will follow

Guy Grainger

Left to right, top to bottom: Gilbert Lennox-King, James Drinkwater, Emma Harvey-Smith, Andy Mercer, Melanie Leech, Ana Klein, David Partridge, Richard Boyd, Julia Skeete, Liz Hamson, Peter Fisher, Susan Freeman, Kevin Mofid and Adam Branson

GRAINGER: I'm working with progressive market leaders on a global level and they're saying that it's brilliant to get actual owners of real estate and real estate lenders involved. If you can get leaders to really set the pathway others will follow. You don't need that many. When you look at other industries that have done it, like fashion, they have managed to galvanise around certain key areas that are not competitive and it didn't take many companies to do it. It's way easier for enterprises to do it than it is for regulators and governments. We should take the lead.

HARVEY-SMITH: Retail banks deal with thousands of mortgage transactions every day. Despite their challenges and shortcomings, EPCs are simple, scalable, and easily available. A net zero standard will need to have these features, if it will be widely adopted by the retail banking sector.

QUESTION: Given how many other building standards already exist, is it really necessary to come up with a new one?

BOYD: I guess everyone will be familiar with the Science Based Targets initiative and CRREM. Both are partners of ours and

Melanie Leech

David Partridge

Ana Klein

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>
> *Ana Klein*

they are known, particularly CRREM, for the operational pathways they published and many in real estate have adopted those. We know they are working on embodied carbon, to turn that into a whole-life-carbon pathway. It's important that we keep talking to each other, so we're not working in silos.

PARTRIDGE: If we can be completely collaborative and open, all that's going to happen is that gradually people are going to be filling in bits and pieces and getting closer and closer to where we are. I think that is going to be the thing that really makes it stick. At the end of all of this, I imagine that we will publish a massive Venn diagram showing how everything fits together. The other thing is that if you're an international investor, you will ultimately want to get to net zero across your entire portfolio of investments. We could get to the point where this goes beyond the UK and beyond real estate.

QUESTION: How would the Standard be used in practice? Could it make transactions easier?

KLEIN: I think anything that standardises makes legal negotiations easier. One of the key challenges we have with either lease agreements or development agreements is always about trying to balance up the parties and what they want to achieve and what they're willing to do. The huge issue is that you have a landlord that is very sustainable but then you have occupiers who come along and they're not on the same page and they're not interested in maintaining standards. So, I think anything that standardises has to be a good idea.

LENNOX-KING: We basically set up our business a couple of years ago because we were aggravated that there wasn't an accessible, standardised way to do whole-lifecycle assessments. The big developers do that all the time but with small projects there is not really an incentive for them to do it just yet. It's actually not that complicated.

QUESTION: Is there a concern that while the big built environment players may be coming together to back the Standard, the occupier market may not hold the same values?

MOFID: In the logistics space, the big developers and developer-owners are crying out for more standardisation. Ultimately, it will improve the liquidity of


Julia Skeete


Kevin Mofid


Peter Fisher


Gilbert Lennox-King, Emma Harvey-Smith and Andy Mercer


James Drinkwater

their assets, potentially pricing and so on. The big stumbling block is with the occupier community. There is a will and a desire to measure carbon as much as possible, but the ability to bring the occupiers and tenants on that journey is quite difficult.

FREEMAN: Obviously, some of the occupiers that come along are more sustainable than the developer. They want to know everything is absolutely sustainable and they are willing to pay for it. But then there are lots of occupiers who aren't that bothered and are actually more cost driven.

QUESTION: Does that mean there will need to be much closer collaboration between property owners and managers and tenants?

GRAINGER: There are a lot of office managers who just hand over the keys and wait for five, 10, 15 years before engaging again. It's the same with the leasing and legal processes. That's going to change. Managers are not trained on engagement. They're not paid on engagement. This is why systematic changes are needed. I think it is the responsibility of enterprises and businesses to upskill people.

> ***The big stumbling block is with the occupier community***
>
> *Kevin Mofid*

QUESTION: Does all this mean that there needs to be much better communication both within and outside the industry?

MOFID: It goes back to this point about awareness. We've been toying with the idea of commissioning new research on logistics and so on and actually the conclusion that we're reaching is if we're going to spend any money, we want to spend it on marketing and disseminating the message, spending good money to get in people's inboxes and to get in people's social-media feeds.


Guy Grainger


Richard Boyd

DRINKWATER: I do think that if you're looking at this hitting the 'long tail', so the 90% of industry, then I think having people upfront around the table looking at how this lands and how you communicate it is important.

QUESTION: Is there a danger that embodied carbon is forgotten about if a building changes hands?

MERCER: If you commissioned a building, clearly you're responsible for the embodied carbon that's been commissioned. But what about if you move into a building and leave when it's one year old or two years old? How do you as an organisation account for that embodied carbon? I think we need to clear up that potential accounting loophole where the building can change hands, and then the embodied carbon disappears - only it doesn't.

QUESTION: Is there a role for carbon offsetting in the Standard?

PARTRIDGE: This is an area we are exploring. In construction it's almost impossible to get to absolute zero. So, what we're doing at the moment is some top-down work that is trying to define the amount of carbon that theoretically can be generated by the built environment and still be consistent with staying below one and a half degrees [warming] and then you'll have to offset that with proper market mechanisms.

GRAINGER: Is there a cap on offsets that we can think about? At JLL, we put a 5% cap. So, we can't offset more than 5% [of our emissions] and it comes in in 2040, which I campaigned for because I'm in a position of influence. Personally, I don't want any offsetting in our business.

SKEETE: Offsetting isn't a simple solution. The debate around investing in existing forests versus new ones has been going for ages, for example. Most forests can't theoretically sequester carbon forever. So what are we going to communicate when we say when you can offset? Where and what is the evidence? Otherwise, people will think they can just trade [carbon] away.

FISHER: I thought the UKGBC work on this was very good. It was based on the Dutch model and I thought it was really, really good to give you a minimum number that was very clear on offsets. It is really important that they are genuinely carbon removals and not merely avoiding additional carbon. There's some really interesting stuff in genuine carbon removal. □

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