The commercial real estate industry is a key stakeholder that must be “at the table” to support energy and climate policies. The commercial sector accounts for 12% of U.S. energy consumption overall; 50% of retail U.S. electricity sales are attributable to the activities of CRE asset owners, tenants, and other occupants. Plainly, our industry plays a critical role in meeting the climate targets that will secure a sustainable future.

America’s commercial and multifamily building infrastructure has become significantly more efficient and reliant on clean power in the last decade. However, further national and global progress to reduce emissions and improve energy independence depends on policies that promote cost-effective energy efficiency and renewable energy building investments. This is particularly the case because the vast majority of standing CRE assets were built before the turn of the century and prior to the advent of modern energy codes.

The Roundtable’s Sustainability Policy Advisory Committee (SPAC) led numerous educational efforts to inform policymakers on the inefficiencies associated with adopting prescriptive emissions and reporting mandates. “One size fits all” climate regulations on buildings must be avoided because they typically fail to account for tenants’ consumption behaviors, regional differences in the fuel mix that powers the electric grid and district energy systems, and other variables beyond the ability of CRE owners, managers, and financiers to control.

The Roundtable continues to advocate for national guidelines, standards, and data to aid the economy’s transition toward decarbonization.

U.S. Energy Consumption By Source & Sector, 2020

\[ U.S.\ Energy\ Information\ Administration,\ U.S.\ energy\ consumption\ by\ source\ and\ sector,\ 2021. \]
Clean Energy Technologies & Tax Incentives

The Roundtable continues to support policies that promote cost-effective investments to optimize building energy efficiency, increase the nation’s supply of renewables, and decarbonize the electric grid.

Key Roundtable-backed provisions were included in the green energy tax title of the Build Back Better (BBB) Act passed by House Democrats. These include a “direct pay” option to support clean power investments by commercial building owners who are not structured to take advantage of tax credits. The House-passed BBB Act also includes reforms long advocated by The Roundtable to improve the 179D tax deduction for existing building retrofits and to allow REITs to more fully claim the incentive for efficient new construction and rehabs.

In November, The Roundtable sent a letter to congressional tax writers urging even further BBB Act improvements. Our additional recommendations would increase the scale and deployment of low- and zero-carbon technologies in commercial and multifamily infrastructure to help slash GHG emissions and meet national climate goals. Should the BBB Act (or some scaled-back version) attract more support in the Senate, The Roundtable has assembled the policy case for further improvements:

• Amend the tax code’s depreciation rules to allow for accelerated cost recovery of heat pumps and other expensive building electrification and “high performance” components;

• Allow the EV Refueling Property Tax Credit to incentivize the installation of charging stations in affordable rental communities, apartments, office parks, and other private multi-tenant environments;

• Reform the investment tax credit to support building energy storage (including thermal energy storage) projects; and,

• Further improve proposed 179D amendments so the deduction may be claimed by a building owner in the same year that high-efficiency equipment is installed and more closely timed with capital expenditures.

The Roundtable has long opposed foisting Davis-Bacon’s federal prevailing wage and other mandates upon private building clean energy projects that are not “public works.” The added incremental costs of Davis-Bacon compliance would more than offset any modest value of tax incentives that might induce high efficiency or renewable power installations. The Roundtable will continue to educate policymakers that injecting extraneous labor law standards into the tax code will undermine the very climate policy goals that clean energy incentives are intended to achieve.

SEC Proposed Climate-Related Disclosures

In March 2022, the SEC released a proposed climate risk reporting rule unprecedented in scope and complexity. It would require all companies registered with the SEC to report, measure, and quantify material risks related to climate change in their registration statements and periodic filings. The Roundtable released a comprehensive fact sheet that summarized the proposal (and its potential implications for the CRE industry) a day after its release by the SEC. The Roundtable also conducted a survey to collect feedback from members regarding the existing practices of real estate companies to assess and quantify climate-related risks across their portfolios. A SPAC task force was convened to help formulate our policy response to the SEC.

These efforts culminated in detailed comments filed with the Commission in June. The Roundtable’s letter set forth our policy positions summarized as follows:

• No registrant should be required to report on GHG emissions from sources they do not own, or from operations they do not control. In this regard, commercial building landlords should have no reporting mandate regarding emissions attributable to tenants’ business operations.
• The SEC should foster uniform national standards to quantify GHG impacts. To that end, the Commission should provide a “safe harbor” when registrants properly calculate emissions using tools and data developed by the U.S. Environmental Protection Agency (EPA) and other federal agencies.

• The proposed rule’s directive that registrants should report on Scope 3 emissions “if material” is a back-door mandate and should be dropped. Registrants usually lack access to emissions data possessed by third parties in their value chain and companies should be under no mandate—in text or in effect—to undertake Scope 3 reporting.

• The SEC’s proposal would call upon many registrants to file emissions disclosures with the Commission twice. The SEC should only require a single filing per fiscal year, after a company has all of the data it needs to quantify its emissions as accurately as possible.

• The Commission should abandon its prescriptive “one percent” threshold for disclosing financial impacts from “physical” and “transition” risks. Instead, it should follow its own recent Regulation S-K reforms for “materiality-focused” and “principles-based” descriptions of risks from floods, droughts, rising sea levels, and other similar events.

The SEC is expected to issue a final rule within the next year. The Roundtable will continue to advocate for meaningful and sensible disclosures of climate-related financial risks as this matter continues to evolve.

Encouraging Voluntary Federal Standards and Guidelines

Emissions reduction mandates for buildings have been adopted, or are under consideration, by a number of cities and municipalities across the U.S. A SPAC priority has been to encourage the development of voluntary federal-level standards, data, and guidelines to try and get these localities “on the same page” with their requirements. The Roundtable’s goal is to try to minimize a conflicting patchwork of local requirements that render compliance difficult—if not impossible—for CRE companies with nationwide portfolios.

We have taken significant steps to encourage the creation and adoption of national-level energy and GHG emissions data and calculation tools, including:

• Securing avenues for congressional oversight as part of the bipartisan infrastructure law, and at the urging of The Roundtable, to improve the quality and integrity of the federal Commercial Building Energy Consumption Survey (CBECS). CBECS is the only random-sample federal data set that collects information on energy consumption in U.S. buildings.
• Urging the Environmental Protection Agency (EPA) to create an emissions calculator to help building owners estimate historical, current, and future GHG emissions from their assets. EPA debuted a prototype of its new calculator for SPAC at our Annual Meeting in January. The tool has the functionality to help owners measure GHGs for compliance with local “building performance standards” and the SEC’s anticipated climate risk reporting rule.

• Convening a SPAC technical working group exploring federal-level “carbon factors” issued by EPA’s Center for Corporate Climate Leadership. The effort elevated our industry’s understanding of the federal data set that reports on the carbon impact of virtually all electric power generated in the U.S., known as the Emissions Generation Resource Integrated Database (eGRID). Our examination has prompted SPAC members to urge EPA to more frequently update and release eGRID data to reflect the evolving fuel sources that power the nation’s electric grid.

U.S. DOE’s Better Climate Challenge

In November, the Department of Energy (DOE) announced a “soft-launch” of the multi-sector Better Climate Challenge (BCC) at the COP26 international conference in Glasgow. This effort by the DOE aims to recognize U.S. real estate, industrial, and other companies that voluntarily agree to slash their GHG emissions—and share their “best practices” toward achieving emissions reduction goals. The intent is to encourage private and government owners of buildings and industrial plants to cut their GHG emissions in half. Our support for the voluntary challenge has prompted DOE to recognize The Roundtable as an inaugural BCC “ally” at the program’s official launch in March.

Healthy Workplaces Coalition

The COVID-19 pandemic magnified the need to continue improving the health and safety of our workplaces; however, more support is necessary to expedite and encourage these investments. The Roundtable has advocated for legislation that would provide proper incentives. Recently, we joined more than 30 national organizations, industry leaders, and trade associations to form the Healthy Workplaces Coalition—a group focused on improving the health and safety of workplace facilities with federal assistance. The coalition will educate policymakers on the importance of investing in physical workplaces, as well as the role that public policy plays in the transition to the future of work.