

Energy & Climate

Demands from investors, tenants, and other audiences—and dozens of state and local laws that impose benchmarking, energy reduction, and carbon emissions targets on buildings—require real estate owners, developers, managers, and financiers to examine their “energy supply chain.” Roundtable members have successfully strategized for decades to lower energy consumption *on-site* at their buildings. Now, they also routinely look *off-site* to assess whether the electricity they purchase derives from “clean” sources.

Commercial buildings—and the behaviors of businesses, shoppers, patients, and guests who occupy and lease them—account for about 12% of U.S. energy consumption, with homeowners and residential tenants accounting for another 16%. Electricity and natural gas are the predominant sources that power U.S. real estate; coal now fuels less than one percent of commercial assets. While electricity generation from coal has fallen to its lowest

level in over 40 years, and renewable energy provides a far greater percentage of the overall fuel mix for power plants and real estate than just a decade ago, progress must be accelerated to address the risks of climate change. This is why “greening the grid”—to complement more traditional energy efficiency policies—has become a key Roundtable priority.

In this regard, policy makers’ attention toward greater grid electrification and resiliency should move in tandem with incentives for high performance new construction and deep retrofits of existing real estate assets. Strides made in the energy efficiency area are significant. According to the Environmental Protection Agency (EPA):

- » In 2019 alone, more than 260,000 buildings, comprising 24 billion square feet of floorspace, used ENERGY STAR Portfolio Manager® tool to measure and track their energy use, water use, and waste and materials.
- » More than 5,700 buildings earned the ENERGY STAR in 2019, bringing the total to more than 36,000.
- » On average, ENERGY STAR certified buildings use 35% less energy than typical buildings nationwide.

Tenants Put a Premium on Energy Efficiency

	CoStar Group/ USD	CBRE/USD	Eicholtz, Kok & Quigley	Fuerst & McCallister	Pivo & Fisher
Rental Rate Premium	16%	12%	3%	5%	5%
Sale Price Premium	6%	1%	16%	31%	9%
Occupancy Premium	3%	0%	6%	3%	1%

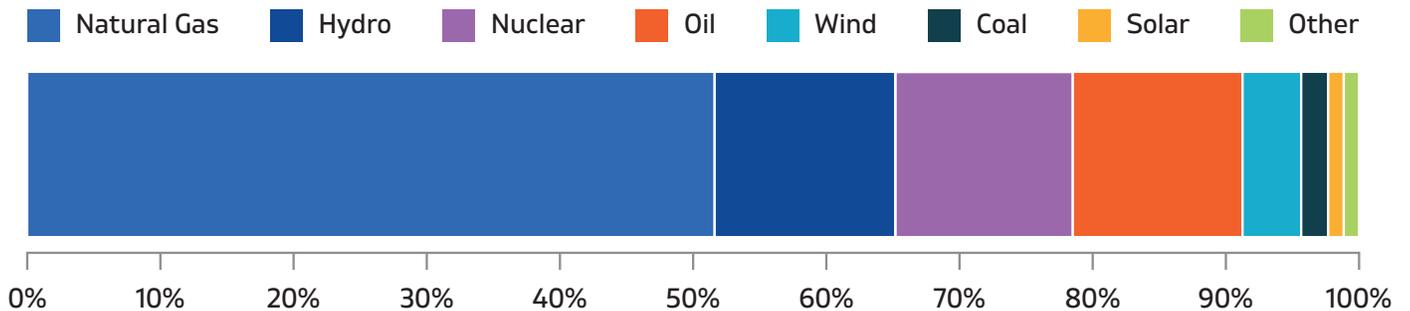
Source: EnergyStar, Benchmarking and Disclosure: Lessons from Leading Cities, based on data from the Institute for Market Transformation

The Roundtable’s energy and climate policy recommendations include the following:

- » Pass the bipartisan *Energy Savings and Industrial Competitiveness (ESIC) Act (S. 2137/H.R. 3962)*. The *ESIC* Act improves the process to develop model building codes that states and localities may adopt to govern new construction and major renovations—with technical assistance, financial support, and cost-effectiveness analyses from the U.S. Department of Energy (DOE).
- » Create meaningful incentives to spur retrofits of older buildings that consume a lot of energy. The U.S. Energy Information Administration (EIA) estimates that more than half of the nation’s buildings were built between 1960 and 1999, with 25% built since 2000. The Roundtable supports an incentive for 10-year accelerated depreciation governing a new federal tax code category of “energy efficient qualified improvement property”—or “E-QUIP.” An E-QUIP cost recovery incentive can motivate building owners to improve aging assets by installing high-performance (and expensive) HVAC, lighting, window, and roof installations that meet “stretch code” specifications.

- » Encourage the Federal Energy Regulatory Commission (FERC) to hasten the electric grid’s transformation by finalizing and implementing its proposed policy to incorporate state-determined carbon pricing rules into wholesale electricity markets. FERC has a vital role to help facilitate the types of long-term market signals that our energy future demands, by fostering a harmonious nationwide system of guidance and standards relating to carbon pricing and measurement.
- » Accelerate market transformation by demonstrating deep decarbonization projects in the stock of federally-owned and leased buildings, and lower the risk to deploy these new technologies by providing low-cost capital and other incentives to private sector building owners.
- » Encourage greater public-private co-investment in grid electrification, repair of leaking pipeline assets, and other energy infrastructure through pilot programs modeled after the successful TIFIA loan platform used to finance surface transportation.

Power Capacity Mix, New York Independent System Operator (NYISO)



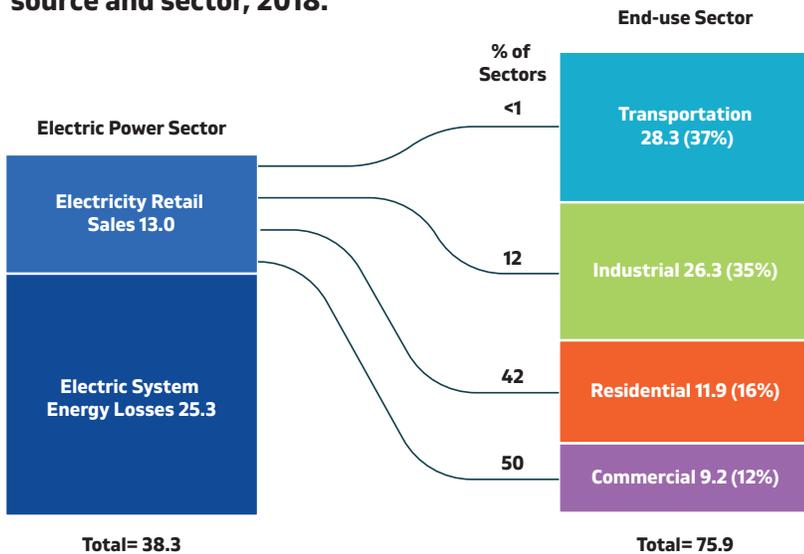
Source: Energy Primer: A Handbook on Energy Market basics (FERC April 2020).

» Leverage and improve existing federal programs and data as consistent models for state and local climate laws. For example:

- The widely-used ENERGY STAR Portfolio Manager tool, housed at the Environmental Protection Agency (EPA), should be the only platform used across the nation to measure a building’s carbon footprint.
- EPA’s ENERGY STAR Tenant Space program should be expanded to encourage more types of commercial building tenants to cooperate with landlords in their shared responsibilities to reduce energy consumption in U.S. real estate.

- EPA’s eGRID database should be the primary information source for policy makers at all levels to convert various fuel sources to emissions for purposes of GHG registries, renewable portfolio standards, and emission reduction mandates.
- The Commercial Building Energy Consumption Survey (CBECS)—the only nationwide government data source on the U.S. commercial building stock and its energy consumption—needs improvement. It takes too long to generate CBECS data, and it will become obsolete unless it better integrates with similar and more current data regularly collected by EPA through its Portfolio Manager function.

U.S. energy consumption by source and sector, 2018.



Source: EIA



Sen. Michael Bennet (D-CO) has supported Roundtable backed policies throughout the years, such as ENERGY STAR legislation and most recently the bipartisan Energy Savings and Industrial Competitiveness (ESIC) Act.

“In a study conducted by the Real Estate Roundtable, respondents reported an increase in costs relative to “healthy building” management practices and protocol. Moreover, any lower building operational costs—due to decreases in occupancy—have been more than offset by increases in costs to implement heightened healthy building practices. The vast majority of respondents have budgeted for these costs increases through the end of 2021—but not beyond.”

Source: “HEALTHY BUILDING PRACTICES AND PROTOCOLS DURING THE COVID-19 PANDEMIC” Survey by Real Estate Roundtable

Healthy Workplaces

Maintaining a safe and healthy working environment has always been a priority for members of The Real Estate Roundtable. The current pandemic requires heightened measures and extra costs—not anticipated a year ago—regarding building disinfection, ventilation, PPE purchases, and workplace re-configuration. The Roundtable supports the temporary payroll tax credit offered in the *Healthy Workplaces Tax Credit Act* (S. 4214/H.R. 7615). It would allow businesses to recover 50 percent of the costs incurred for certain “healthy building” protocols commonly incurred by businesses since the pandemic struck. The tax credit is scaled to provide greater assistance to small- and medium-sized businesses that have been disproportionately impacted by the pandemic. The Roundtable further recommends that the legislation ensure that the credit is available to hotel and other owners that do not directly hire employees and operate under a managed structure.



Sen. Rob Portman (R-OH) introduced the *Healthy Workplaces Tax Credit Act* (S. 4214), that would allow businesses to recover 50 percent of the costs incurred for certain “healthy building” protocols commonly incurred by businesses since the pandemic struck.