

Energy & Climate

Commercial buildings – and the behavioral choices of the tenants and other occupants who live, work, shop, and recreate in them – account for 18% of U.S. primary energy use; 35% of electricity consumed in the U.S.; and 16% of all U.S. CO₂ emissions. Reducing the built environment’s carbon footprint is requisite to minimize and mitigate the health, environmental, and economic risks posed by climate change.

The Biden Administration has ambitious goals to achieve a “net zero” emissions economy by 2050, a 100% carbon-free electric grid by 2035, and to build half a million EV charging stations by 2030. These objectives cannot be reached unless policy makers collaborate with the commercial real estate sector.

Policies that encourage greater investments in clean energy present major opportunities to re-skill the U.S. workforce, re-imagine the technologies that power our buildings – and redress the systemic discrimination borne by “frontline” communities disparately impacted by global warming and legacy pollution.

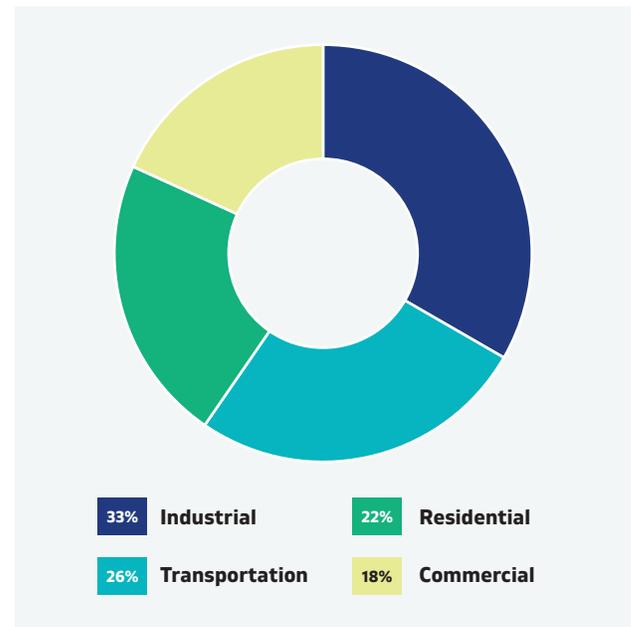
Clean Energy Tax Incentives

The *Build Back Better (BBB) Act* reconciliation bill proposes to re-write sections of the federal tax code to incentivize large-scale private sector investments in clean energy generation, storage, and efficiency. The Roundtable has sought and supports a number of reforms included in the bill thus far, notably:

- » A “direct pay” option to allow entities that cannot generally use tax credits to receive the financial benefit of these incentives.
- » Expanding technologies that qualify for tax credits – beyond solar panels and wind turbines – to also include energy storage, EV charging stations,

Share of Total U.S. Energy Consumption by End-Use Sectors, 2020

Total = 92.94 quadrillion British thermal units



Source: U.S. Energy Information Administration

microgrids, transmission lines, and other clean energy systems.

- » A path for existing building “retrofits” to benefit from the 179D energy efficiency tax deduction.

- » Enhanced credits for solar facilities sited in low-income communities.

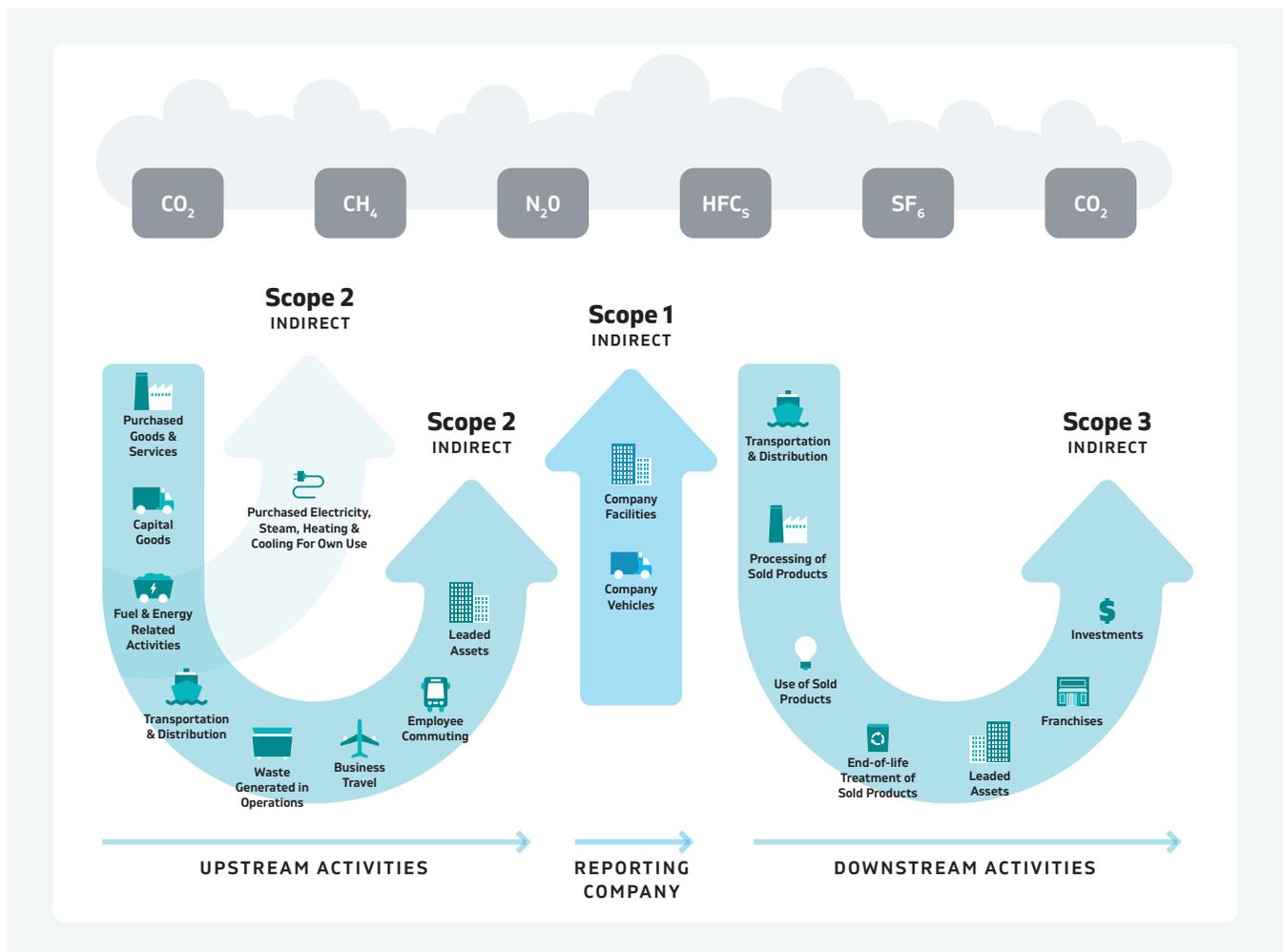
The credits and deductions covered by the *BBB Act* should be further improved to advance the Biden Administration’s climate goals:

- » Provide incentives to help defray some of the costs associated with expensive building “electrification” technologies – like electric heat pumps and

perimeter systems that use electric-heated water and steam.

- » Ensure that property owners can use the EV charging station tax credit in parking lots and garages that cater to their residential and commercial tenants (but are not open to the “general public”).

Overview of GHG Protocol scopes and emissions across the value chain



Source: EPA.gov

- » Allow the proposed 179D “retrofit” deduction to be claimed in the same year the building owner incurs capital expenses and installs energy efficient systems.

Federal Guidance for Local Building Performance Standards (“BPS”)

A growing number of local and state governments are enacting BPS laws that impose requirements on specific buildings to meet energy efficiency and GHG reduction “targets.” The federal government must play a key role here and help establish consistent standards, methods, and data that reflect best available government and industry practices.

Uniformity is critical to avoid a divergent “patchwork” of varying climate laws that unduly complicate building owners’ compliance and regulators’ enforcement. Policy makers should consider the following as they explore and develop BPS laws:

- » Localities should first compile several years’ worth of verified building energy usage data (such as through benchmarking and reporting laws) before



Chairman of the Senate Energy and Natural Resources Committee Sen. Joe Manchin (D- WV) is one of the key Senators who plays a significant role in forging bipartisan legislation in Congress.

they impose substantive requirements on buildings to meet specified levels of efficiency or emissions.

- » National level guidance from the Environmental Protection Agency (EPA) is essential. For example, EPA should recommend “normalized” metrics that states and localities should use when measuring buildings’ energy usage and carbon intensity. It should also expand the functionality of its online “Portfolio Manager” tool so building owners can estimate their assets’ GHG emissions under different operational scenarios.
- » No BPS law should mandate building owners to reduce emissions from sources beyond their control. Building owners should not be held accountable for GHG impacts caused by tenants, or emissions attributable to the kinds of fuels used by off-site electric grids or thermal energy systems.
- » Any BPS law should be joined with financial assistance to help regulated owners defray the capital expenses needed to bring their buildings into compliance.

ESG Reporting Standards

The Securities and Exchange Commission (SEC) is expected in 2022 to develop rules that will require companies within its jurisdiction to publicly report on climate-related financial risks. The Roundtable submitted comments last year in response to the SEC’s initial request for input on climate change disclosures.

The Roundtable recommends:

- » There is no single “one size fits all” archetype for real estate companies to measure and report on climate-related impacts and mitigation, because individual buildings and their “occupant mix” are unique environments. The Commission should be flexible

in contemplating climate reporting and disclosure standards for corporate issuers that develop, own and operate income-producing real estate.

- » The GHG-related metrics that building owners can most accurately measure and quantify arise from their direct and immediate operations of assets they manage and control on a day-to-day basis. In that regard, building owners should not be required to report on GHG emissions attributable to their tenants.
- » The SEC should allow a marketplace of reporting frameworks to thrive, flourish, and evolve. No single reporting framework should be mandated.

Energy Data Issues

The quality and timeliness of federal data regarding energy usage and GHG emissions are essential for building owners to manage and measure the environmental impacts of their assets. The Roundtable encourages federal agencies to continually improve, update, and refine



As the first ever White House National Climate Advisor, Gina McCarthy briefed Roundtable members on the Administration's goals and commitments to combat the domestic and global climate crisis.

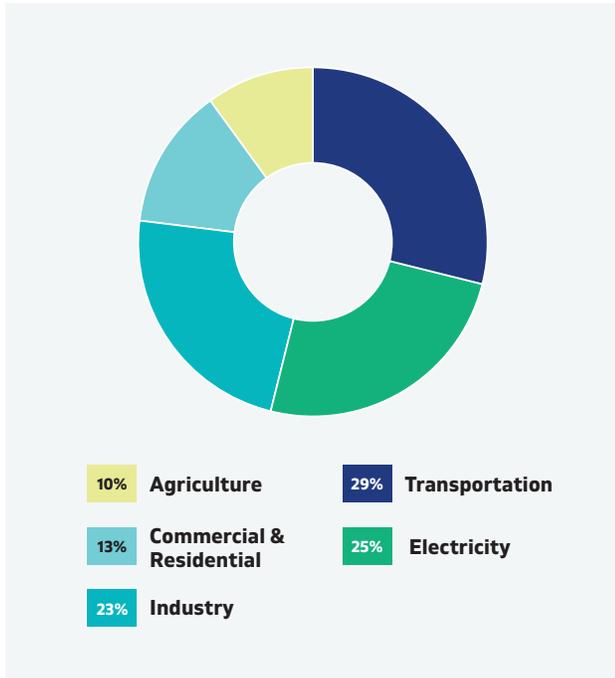
key data sets upon which the real estate industry relies.

- » The Commercial Building Energy Consumption Survey (CBECS), a program of the U.S. Energy Information Administration (EIA), provides the data that EPA uses to generate ENERGY STAR building scores. EIA and EPA should fulfill their obligations under the recently-enacted bipartisan infrastructure law and submit an “information sharing and coordination agreement” to Congress.
- » Rather than waiting to release new CBECS data every 5 (or more) years, EIA should supplement its data with similar building energy usage information collected much more frequently by EPA and a growing number of state and local “benchmarking” laws.
- » The nation’s electric grid is rapidly evolving toward greater reliance on solar, wind, and other renewable fuel sources. EPA’s “eGRID” database is the best national source on the environmental characteristics of almost all electric power generated in the U.S. It must stay current and should provide information regarding the grid’s fuel attributes on at least a yearly, and ideally a monthly, basis.
- » Federal data from eGRID and other sources underpin “carbon factors” used by policy makers and companies. These factors convert various fuel sources, when combusted, to units of carbon emitted. Uniform carbon factors must be released by federal agencies as frequently as possible to guide regulators and the private sector considering site-specific building emissions.

Biden Administration’s “Better Climate Challenge” Recognition Program

In November 2021, U.S. Energy Secretary Jennifer Granholm announced a “soft launch” of the multi-sector

Total U.S. Greenhouse Gas Emissions by Sector In 2019



Source: Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990–2019. U.S. Environmental Protection Agency.

Better Climate Challenge at the COP26 international conference in Glasgow. A “formal” launch is expected in Q1’2022. This new Department of Energy effort aims to recognize U.S. real estate, industrial, and other companies that voluntarily agree to cut their GHG emissions – and share their “best practices” toward achieving emissions reduction goals.

The key element of DOE’s voluntary challenge is for companies to commit to reduce direct emissions

(“scope 1”), and emissions from electricity purchases (“scope 2”), by 50% over 10 years. The Roundtable applauds DOE’s efforts and encourages our members to participate in the recognition program.

Electric Grid Investments in the Bipartisan Infrastructure Law

The Roundtable strongly supported clean energy and grid investments that have become law through the Infrastructure Investment and Jobs Act (IIJA), signed by President Biden in November 2021. Demands from investors and requirements of local regulations increasingly require real estate owners to use zero-carbon sources to power their buildings. As a result, policies to de-carbonize the electric grid have become an emerging priority for The Roundtable. The IIJA should be implemented expeditiously, including its “grid modernization” provisions to:

- » Provide greater authorities to the Federal Energy Regulatory Commission (FERC) to permit the construction of long-distance, high-speed transmission lines needed to carry renewable energy generated in rural areas to our cities and suburbs.
- » Stand-up new grant and loan programs for investments to prevent outages and enhance resilience of the grid to extreme weather events.
- » Permit the Department of Energy to enter into public-private partnerships to decarbonize the grid and construct other clean power projects.