The Real Estate Roundtable

Real Estate's Role in Unleashing America's Energy Dominance

Energy

Summary

President Trump's executive order on "Unleashing American Energy" and priorities announced by U.S. Environmental Protection Agency (EPA) Administrator Lee Zeldin and Department of Energy (DOE) Secretary Chris Wright emphasize the same principles: cutting energy costs, pursuing an "all of the above" strategy for American energy abundance, strengthening the nation's electric grid, streamlining federal permitting processes, and fostering innovation in artificial intelligence (AI).

The House Bipartisan Task Force on AI released a December 2024 report underscoring that America's economic and national security depend heavily on a robust and modernized power grid. Our nation needs enough energy to meet growing electricity demands driven by AI, advanced manufacturing, electric vehicle adoption—and to power our buildings. US-DOE projects that data centers will consume up to 12 percent of U.S. electricity by 2028, primarily to meet AI and cloud computing needs.

The U.S. commercial real estate industry has a central role to play in achieving the country's energy and economic goals. With energy demand surging, real estate is a critical partner to support energy investments, increase energy efficiency, and deliver energy savings across the economy.

Key Takeaways

- Avoided energy use—or "nega-watts"—represents the **most cost-efficient strategy** for strengthening U.S. energy security. Building upgrades that reduce power demand save consumers money, support grid reliability, and free up energy use for more energy-intensive facilities like AI data centers and manufacturing.
- **Grid reliability is essential**. With surging electricity demand from AI and other key sectors, it is crucial to expand grid capacity and invest in long-distance transmission. Federal permitting reform is critical to speed up energy infrastructure projects.
- **RER supports a national "all of the above" energy strategy** that invests in building efficiency, grid modernization, faster permitting, and innovation across all energy sources.

Background

U.S. Energy Demand, Grid Reliability, and Real Estate's Role

- A 2024 assessment authorized by Congress to assess grid capacity highlighted the "critical reliability challenges" needed to satisfy "escalating energy growth," as retiring power plants age out of service. The report also noted the need to accelerate construction of transmission projects to bring electricity to the nation's cities and suburbs.
- Patchwork efforts in states and localities across the country to mandate building performance standards (BPS) have also raised concerns about electricity availability, as requirements for greater electrification further increase power demand.
- In President Trump's address to a joint session of Congress in March 2025, he emphasized the administration's focus on reducing energy costs: "A major focus of our fight to defeat inflation is rapidly reducing the cost of energy… That's why, on my first day in office, I declared a national energy emergency… It's called 'drill, baby, drill.'"
- A recent report from the Center for Strategic & International Studies warns that while AI is digital, its biggest hurdle is physical infrastructure. The report explores using President Trump's energy "emergency" declaration to fast-track permitting and urges a stronger DOE role in accelerating nuclear projects.

- North America's data center sector doubled its construction supply in 2024 to a record 6,350.1 megawatts (MW), underscoring the increasing power demands of AI-driven computing, according to CBRE's latest North American Data Center Trend Report.
- Buildings account for nearly 40 percent of U.S. energy consumption and over 70 percent of electricity use, making the real estate sector an important stakeholder in grid modernization and energy efficiency investments.
- In April 2025, the Trump administration released an executive order titled, "Strengthening the Reliability and Security of the U.S. Electric Grid" in response to the unprecedented surge in electricity demand.

Recommendations

Strengthen Grid Reliability and Expansion: Electricity demand is surging. Lawmakers must encourage investments to support quick, cost-effective, and reliable power.

- The real estate industry—with appropriate policy support—can help bring stability to the grid by investing in power purchase agreements and market-based measures like renewable energy certificates (RECs) that help finance energy infrastructure.

Invest in Building Efficiency: Reducing energy use in buildings—"nega-watts"—is the lowest-cost pathway to achieving U.S. energy dominance.

- Federal tax incentives, voluntary standards, and public-private programs should prioritize scalable commercial energy retrofits.
- Policies encouraging building efficiency will save families and businesses money on utility bills, create jobs, and attract investors seeking to park capital in well-managed and profitable real estate assets.
- Congress and DOE should support power purchase agreements to finance upgrades to existing building stock.

Embrace "All of the Above" Energy Creation: America must lead across all energy technologies to unleash our country's energy dominance.

- Congress and DOE should expand R&D and commercialization pathways for natural gas, nuclear, geothermal, hydropower, battery storage, solar, wind, hydrogen, and carbon capture and storage (CCS). The U.S. cannot afford to cede leadership in developing any of these technologies to China or other competitors.
- Energy tax credits (e.g., 179D, 45L, 48, and 45X) and direct pay/transfer provisions under the Inflation Reduction Act (IRA) must be implemented in ways that work for REITs and real estate partnerships.

Streamline Permitting Reform: Federal policy can help modernize and speed up the lengthy, burdensome permitting process for new energy projects.

- Federal laws like the National Environmental Policy Act (NEPA), and orders from the Federal Energy Regulatory Commission (FERC), must emphasize streamlined approvals for energy generation projects.
- Policies must also support creation of long-distance, high-speed transmission lines to carry electricity over long distances and across state lines to our nation's population centers.

The Real Estate Roundtable

Corporate Sustainability Disclosures

Energy

Summary

Regulations in the U.S. and abroad seek to require companies to publicly disclose climate-related risks on their finances, operations, and assets. Some of these rules are proving more durable than others. While the Trump administration has rescinded Biden-era federal climate disclosure rules from the Securities and Exchange Commission (SEC), state governments and international regulators are advancing reporting regimes that could have major implications for U.S. real estate companies.

Key Takeaways

- Scope 3 emissions—such as tenant energy use or embodied carbon in building materials—**are not under the direct control of real estate owners and should remain voluntary**.
- The SEC's climate disclosure rule is on hold and not expected to advance during the current administration.
- California's climate disclosure laws (S.B. 253 and S.B. 261) will begin taking effect in 2026, requiring large companies doing business in California to report emissions and climate-related financial risks.
- The European Union has postponed compliance dates for its Corporate Sustainability Reporting Directive (CSRD) and has narrowed its scope substantially. In February 2025, the European Commission adopted a package to apply the CSRD only to the largest companies (more than 1000 employees), and to lessen Scope 3 reporting requirements on emissions from smaller companies in a reporting company's value chain. Large U.S. companies with EU operations may still face disclosure requirements when the CSRD goes into full effect.

Background

Federal, State, and International Rules

- Emissions are generally defined under three categories—Scope 1, 2, and 3 emissions.
    - Scope 1 emissions are direct emissions from sources owned or controlled by a company, such as boilers or vehicles.
    - Scope 2 emissions are indirect emissions from purchased electricity, steam, heating, or cooling consumed by the company.
    - Scope 3 emissions include all other indirect emissions in a company's value chain, such as emissions from suppliers, tenants, and the production of building materials.
- Biden-era rules from the SEC would have required registered companies to disclose "material" climate-related financial risks in 10-K filings. This included Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions. Scope 3 disclosures were part of a draft rule but ultimately not included in the final rule.
- The Trump administration has withdrawn the Biden-era rule.
- A vacuum of federal climate reporting rules means "progressive" states are taking up the issue.
    - California enacted S.B. 253 and S.B. 261 in 2023. S.B. 253 requires companies doing business in California with annual revenues greater than $1 billion to report global Scope 1, 2, and 3 emissions, with disclosures ramped up over time. S.B 261 requires California businesses with annual revenues greater than $500 million to more generally disclose climate-related financial risks and measures to mitigate them.
    - The California Air Resources Board (CARB) is now developing rules to implement both laws, with filings scheduled to start in 2026. CARB has vowed to relax enforcement regarding the first Scope 1 and 2 reports under S.B. 253 only, currently due in 2026.

    - Similar bills have been introduced—though not enacted, and not in effect—in Colorado, Illinois, New Jersey, New York, and Washington state. Please do not consider this an exhaustive list.

- The European Commission recently announced simplified requirements under its Corporate Reporting Sustainability Directive (CRSD). The latest announcement reportedly removes 80 percent of companies from the CRSD's regulatory scope and limits the types of information large companies and banks must request from smaller companies in their supply chains regarding Scope 3 emissions.
- In its original form, CRSD would apply broadly to U.S. companies with EU subsidiaries and U.S. companies with listed securities on EU exchanges. The European Parliament has delayed CRSD implementation by two years (until June 2026) to give companies more time to prepare.

Recommendations

Clarify Emissions Reporting Boundaries: Real estate companies do not control most Scope 3 emission sources, thus they should not be mandated to publicly report these emissions. Disclosure should remain voluntary.

- Owners and developers do not control operations in tenant spaces or manufacturing processes for construction materials.
- Reporting requirements should reflect these operational boundaries and not penalize real estate companies for emissions outside their control.

Improve Data Access for Voluntary Scope 3 Reporting: Policymakers can encourage voluntary Scope 3 reporting by helping building owners and developers capture valid and reliable data from supply chain sources.

- Governments should develop policies for utilities to provide building owners with tenant space energy data.
- Similarly, government agencies should create a uniform system of "product declarations" for manufacturers to disclose embodied carbon in materials purchased by developers and owners.

Align Reporting Timelines Across Jurisdictions: Any reporting cycles should be consistent across varying disclosure regimes, based on when companies collect and verify valid climate-related data within a fiscal year.

- No framework should require companies to issue a first report based largely on estimates, and then another report later based on collected and verified data, within the same fiscal year.

The Real Estate Roundtable

Energy Tax Incentives for U.S. Real Estate

Energy

Summary

The Trump administration and congressional Republicans are committed to major tax code reform. Elimination and phase-down of Biden-era clean energy tax credits, signed into law in the Inflation Reduction Act of 2022 (IRA), will likely be achieved by the Republican majority.

For a description of the Biden-era IRA energy tax incentives important to commercial real estate, see RER's fact sheet here. For a description of the changes to IRA clean energy incentives proposed in the House Republican bill marked up by the Ways & Means Committee on May 14, 2025, see RER's fact sheet here. The situation is very much in flux. It is unclear which, if any, IRA tax incentives survive current tax reform discussions taking place in the spring-summer of 2025.

As long-term investment decisions are being made and real estate projects are already underway, uncertainty around the future of these tax incentives poses significant risks. **RER encourages that any potential phase-down of IRA energy incentives take place over a number of years. Existing projects that have begun construction and are relying on these credits must be permitted to continue using them until the projects are completed.**

Key Takeaways

- **Tax incentives that are most used and best promote an "all of the above" energy strategy should be preserved**. Several IRA provisions directly benefit commercial and multifamily buildings—including incentives for retrofits, solar and battery systems, and residential construction.
- Reports show that repealing the IRA could result in nearly 790,000 job losses, decrease GDP by more than $160 billion in 2030, and increase consumer energy costs by $6 billion annually by 2030.
- Many of the most impactful clean energy investments are occurring in Republican-held districts—79 percent of current clean power capacity and 77 percent of new additions are located in GOP districts.

Background

Inflation Reduction Act Energy Tax Incentives

- A number of the IRA's changes to the federal tax code may help the U.S. real estate sector reduce energy usage and emissions, particularly:
    - A deduction to help make commercial and multifamily buildings more energy efficient (Section 179D)
    - A credit to encourage investments in renewable energy generation, storage, grid interconnection, and other "clean energy" technologies sited at buildings and other facilities (Section 48)
    - A credit to incentivize EV charging stations (Section 30C)
    - A credit to incentivize energy-efficient new residential construction and major rehabs, including multifamily (Section 45L)
- The IRA ties full "bonus" incentives to compliance with prevailing wage and registered apprenticeship rules. These standards are often difficult to meet on private real estate projects, particularly those in markets with limited union labor availability. Treasury and IRS rules have added complex recordkeeping burdens that deter participation.
- The IRA allows many energy tax credits to be "transferred" to unrelated third parties for cash. This is particularly useful for REITs and partnerships that lack tax liability. However, administrative barriers remain, especially for "mixed" partnerships with both tax-exempt and for-profit owners, which often face reduced credit values.

Recommendations

Preserve Tax Incentives That Work: Many of the IRA's energy tax credits support energy savings and job creation in ways that align with private-sector capital flows. Congress should preserve the provisions that are working—particularly those that promote scalable building energy solutions.

- In particular, Section 48E and Section 45L tax credits support real estate investment and increase the deployment of distributed energy, solar, storage, and high-efficiency technologies in commercial and residential buildings across the country.
- These investments also help to reduce grid stress, which is especially important given surging electricity demand from AI, data centers, and electrification.

Protect Projects Already Underway: Many energy projects are already in progress with IRA incentives baked into their financial models. Unwinding these credits retroactively—or changing eligibility rules mid-construction—would destabilize markets, strand capital, and increase financing costs for real estate owners. Congress must provide certainty for current projects.

- Credit availability should be preserved for projects that have commenced construction or entered into binding financial agreements in reliance on IRA incentives.
- "Transition rules" should provide safe harbors for in-progress projects, ensuring they are not penalized by future legislative or regulatory changes.
- Any repeal or modification should be forward-looking only, with carveouts that respect prior investment decisions and avoid sudden, retroactive cost shocks.

Fix Barriers That Limit Real Estate Participation: Davis-Bacon prevailing wage and registered apprenticeship (PW/RA) requirements are limiting the ability of real estate owners to access the IRA's most generous "bonus" credit rates—especially in markets where unionized building trades are scarce or unavailable. Without changes to these labor standards, some energy upgrades and retrofit projects may not move forward.

- PW/RA rules should be relaxed, waived, or scaled for building retrofit projects under a certain size or budget threshold.
- DOE or IRS should consider alternate "good faith effort" pathways for real estate owners who cannot access sufficient numbers of certified apprentices or wage data.
- Federal agencies should release more timely guidance, digital tools, and market-specific clarity on how to comply with labor requirements in real estate contexts.
- Compliance burdens must be realistic for retrofit and clean energy projects that provide significant public benefits but may not involve large construction workforces.

Retain Credit Transferability: IRA provisions allow taxpayers to "transfer" certain credits to unrelated third parties. This policy enables more energy project deployment by REITs and other real estate owners who generally have no appetite to benefit from tax incentives.

- Congress should keep the "transfer" provisions, which support investment.
- Treasury/IRS should enact rules to optimize credit "transfer" benefits for mixed partnerships with for-profit and not-for-profit owners.
- IRS should ensure that allocations of credit and proceeds in a partnership context are treated as valid, non-taxable partnership transactions.

The Real Estate Roundtable

Building Performance Standards: Federal, Local, and NGO-Driven

Energy

Summary

The federal ENERGY STAR program must be preserved as a voluntary, non-regulatory public-private partnership. Proposed budget cuts and agency staff reorganizations from the Trump administration indicate that it may eliminate the program. Commercial, residential, and manufacturing stakeholders all rely on the program heavily and are united in advocating for its preservation.

Meanwhile, a number of progressive cities and states (map) have enacted building performance standards (BPS) mandates—with widely varying rules on emissions, electrification, and compliance timelines. The regulatory specifics vary from jurisdiction to jurisdiction—making compliance exceedingly complex and expensive. To help bring consistency to the nationwide "patchwork" of BPS regulations, **RER has developed a peer-reviewed policy guide outlining 20 key considerations for any jurisdiction adopting a BPS law.**

In addition, non-governmental organizations (NGOs) have developed their own BPS-type standards and climate accounting frameworks—chief among them the Science Based Targets Initiative (SBTi) and the World Resources Institute's Greenhouse Gas (GHG) Protocol. These NGO standards increasingly influence both regulatory policy and private capital markets. Many real estate lenders and equity investors have adopted SBTi and GHG Protocol frameworks to align with their ESG investment principles.

Key Takeaways

- **Voluntary, non-regulatory federal guidelines like ENERGY STAR recognizing "high performance" real estate remain critical.** These programs help quantify energy savings, attract capital, place less strain on the grid, and promote innovation in U.S. buildings.
- More than 330,000 buildings—representing nearly 25 percent of U.S. commercial building floor space—utilized EPA's Portfolio Manager software last year.
- ENERGY STAR-certified buildings achieve an average of 35 percent less energy usage compared to similar non-certified buildings. The program has saved businesses and families nearly $200 billion in utility bills since 1992, including $14 billion in 2024 alone
- States and cities are adopting BPS mandates that often impose rigid electrification or net zero emissions targets. These laws vary significantly and frequently penalize buildings already recognized as high-performance assets under federal programs.

Background

Building Performance Standards

- No federal agency has authority from Congress to regulate private sector buildings through a national building performance standard (BPS).
- State and local governments are increasingly adopting BPS laws that impose energy and climate performance mandates on real estate.
- These laws typically set annual limits on how much energy buildings can use and how much greenhouse gases (GHGs) they can emit, with an ultimate goal of reaching net zero emissions around 2050.
- Failing to meet local BPS requirements can result in fines and penalties on buildings.
- The Trump administration's April 8, 2025 Executive Order on "Protecting American Energy from State Overreach" reflects the administration's view that "American energy dominance is threatened when State and local governments seek to regulate energy beyond their constitutional or statutory authorities."

Recommendations

Defend ENERGY STAR: Programs like EPA's ENERGY STAR and "NextGen" certified buildings and DOE's Better Buildings initiative signify "high performance" real estate and are critical to unleashing America's energy dominance.

- **ENERGY STAR helps "unleash American energy dominance" aligned with President Trump's priorities.** It is key to the "all of the above" national energy strategy because it is the main U.S. government program focused on avoiding energy waste. It provides the federal standard to use all energy resources efficiently regardless of fuel source.
- ENERGY STAR is a **voluntary federal program**. It is a non-regulatory public-private partnership. It is embedded in how residential and commercial owners operate buildings and has supported the commercial real estate industry for more than 30 years.
- ENERGY STAR has always been **widely bipartisan**. On multiple occasions, big majorities of Congress during both Republican and Democratic administrations have authorized and funded the program.
- U.S. commercial building owners use ENERGY STAR to save money and earn profit. For RER, ENERGY STAR is all about the "business case" for energy efficiency. The program has saved families and businesses:
    - $200 billion in utility bills since inception; and $14 billion in energy cost savings in 2024 alone.
- ENERGY STAR assists real estate companies in helping their **renter families and business tenants lower their utility bills.** It gives owners the tools to effectively quantify and communicate how much energy tenants use in the spaces they lease.
- ENERGY STAR **improves grid reliability**. It quantifies how buildings can free-up capacity on the electric grid needed to grow AI, crypto markets, and U.S. manufacturing.
    - ENERGY STAR certified buildings—including data centers—use 35 percent less energy compared to similar buildings in their asset class.
    - In 2024, ENERGY STAR helped buildings and plants save kWh equal to about 92 percent of all electricity used in the state of Florida in a single year.
- The U.S. real estate industry needs ENERGY STAR to attract investment capital—especially from overseas. We use ENERGY STAR to push back against unrealistic "net zero" requirements from Europe and elsewhere.
- We need ENERGY STAR to **counter state and local laws that ban natural gas in buildings**. If ENERGY STAR is not preserved, we lose a major tool to protect against "state and local regulatory overreach" identified by the Trump administration's Executive Order. In fact, RER has worked with DOE and EPA to structure ENERGY STAR to **allow** highly efficient use of gas appliances in buildings.
- It is critical to **keep Portfolio Manager up and running** to avoid regulatory chaos. If Portfolio Manager goes away, commercial and residential building owners would have no consistent, standard tool to comply with the "patchwork" of state and local building laws.
    - 330,000 buildings—or 25 percent of U.S. commercial floor space—use Portfolio Manager.
- HUD-financed buildings rely on ENERGY STAR as a **contractual obligation in multifamily mortgages**. Apartment owners get a reduction on HUD-required mortgage insurance—up to 40 basis points—by using Portfolio Manager.
- Real estate is **aligned with the manufacturing sector**. We support ENERGY STAR with the appliance-side of the program, and are pursuing joint advocacy to Congress and the federal agencies.

Ensure Fair and Reasonable BPS Laws: States and localities should ensure their building performance mandates reflect the 20 points raised in RER's peer-reviewed policy guide, which provides extensive guidance and detailed stakeholder input.

- Chief among these points: US-EPA and US-DOE guidelines should offer compliance pathways with state/local BPS laws. Uniform federal criteria can bring rationality and consistency to the chaotic "patchwork" of BPS regulatory mandates across the country.

- No city or state BPS law should fine or penalize a "high performance" building recognized by US-EPA or US-DOE partnerships.
- Policymakers must also consider how BPS regulations impact key points such as:
    - Affordability and supply of housing for low-income and working class families;
    - Availability of debt, equity, and incentives to pay for all of the retrofit projects induced by BPS laws;
    - Reliability of local grids to provide electricity, if power infrastructure is strained by all of the extra loads caused by building electrification;
    - Achievability of goals to reduce overall emissions, if the community's electric grid relies heavily on fossil fuels; and
    - Accessibility of market-based programs (e.g., RECs) to purchase clean power to help achieve an "all of the above" energy strategy.

Increase Federal Oversight on BPS Mandates: The U.S. government should not award federal grants to induce states and localities to enforce BPS regulations on the real estate industry.

- Our system of federalism gives states and localities the right to develop BPS laws. If a jurisdiction chooses to do so, its laws should not be supported by U.S. taxpayer-funded grants resulting in costly, burdensome regulations.
- The U.S. government should not award BPS grants for local laws levying fines on buildings that the U.S. government itself lauds as "high performers"—such as through the US-EPA ENERGY STAR program.
- Congress should oversee federal BPS grant awards and examine how states and localities are spending this money supported by U.S. taxpayers.