



The Real Estate Roundtable

**Comments from
Nareit® (www.reit.com) and
The Real Estate Roundtable (www.rer.org) on the
Draft “Building Sector Science Based Target Setting Guidance” (May 15, 2023)
Released by the Science Based Targets Initiative (SBTi)
Submitted July 14, 2023**

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INTRODUCTION

Nareit® and The Real Estate Roundtable (“Nareit/RER”) submit these comments regarding the May 15, 2023 draft of the “Building Sector Science Based Target Setting Guidance” (the “draft Guidance”) from the Science Based Targets Initiative (SBTi).

Nareit/RER members are publicly-held and privately-owned companies that own, develop, finance, manage, and service all types of income producing real estate.¹ They provide the homes where we live, offices where we work, medical buildings where we heal, cell towers to let us communicate, laboratories where we invent, facilities where we store personal and business items, and hotels where we vacation with family and friends. Businesses lease space and employ their workers in our members’ shopping centers, data centers, and warehouses. Investors seek out our members’ assets for their efficiency and sustainability features to support pensions and retirement funds. The commercial real estate industry is integral to a productive, functioning global economy.

A number of our members set science-based targets for their companies to measure and report on programs to reduce emissions across their real estate portfolios. In 2022, 87% of the 100 largest publicly traded U.S. REITs reported on carbon emissions and 73% reported on carbon targets. Investors, tenants, employees, and government bodies seek this information to understand the climate impacts posed by building assets. The methods and approaches offered by SBTi in its draft Guidance, specifically directed to the buildings sector, are of keen interest to Nareit/RER members.

Unfortunately, key elements of SBTi’s proposal, if finalized, are unworkable and unattainable for our industry. The draft Guidance would impose mandates to set emissions targets over sources and operations beyond our members’ control, in a way that is inconsistent with generally accepted GHG Protocol guidelines and at odds with approaches taken in other economic sectors. SBTi’s methods would compel building owners, developers, and financiers to establish targets that are unachievable and based heavily on estimates as opposed to actual, concrete, and actionable data.

SBTi’s draft Guidance relies on speculative reporting that will not give useful or reliable information on climate impacts to investors or regulators. Disclosures to securities and banking commissions require third-party attestations, yet there is not one uniform standard for accountants and other service providers to verify a company’s GHG emissions based so heavily on assumptions and estimates. SBTi’s framework exposes the real estate industry to potential legal consequences for the publication of factually unsupported findings.

Companies should not be expected to set emissions targets without a feasible compliance pathway – a circumstance the draft Guidance would create – and then include those targets in filings with government agencies that can impose fines and penalties for potentially misleading disclosures.

We further note that the companies that own, develop, and finance real estate who commit to science-based targets – and underwrite the investments to achieve them – are significantly under-represented on SBTi’s advisory group that produced the draft Guidance. The best policy is informed by practice, and SBTi’s process should take

¹ Through the properties they own, finance and operate, REITs help provide the essential real estate we need to live, work, and play. U.S. REITs own approximately \$4.5 trillion in gross assets across the U.S., with public U.S. REITs accounting for nearly \$3 trillion in gross assets. In addition, approximately 150 million Americans live in households that benefit from ownership of REIT stocks through their individual shareholdings, their 401(k) retirement plans and other investment funds (<https://www.reit.com/data-research/data/reits-numbers>).

into account the feedback from buildings owners with the experience and understanding of what is feasible for the building sector to achieve.

Our industry wants to work with SBTi and its partner organizations – the CDP, United Nations Global Compact, World Resources Institute, and World Wildlife Fund. We share the objective to develop meaningful and attainable science-based targets – based on available, accurate, and high-quality data – so the building sector can play its role to help reduce temperature rise in alignment with the goals of the Paris Agreement. We aim for a constructive dialogue so that SBTi can continue to provide a valued resource and building owners are not forced to look elsewhere for other target-setting strategies that align with climate science.

In collaborative spirit, Nareit/RER summarize our priority issues with the draft Guidance as follows:

1. A requirement to use **only** the location-based GHG accounting method for in-use operational emissions is untenable for real estate owners across the industry.
 - a. It removes the ability for building owners to meet their own and their tenant’s power needs with clean, renewable energy, which is essential to achieving Paris-aligned carbon emission reductions in the near-term.
 - b. Abandonment of the market-based method would also diverge from well-accepted GHG accounting standards and approaches used by various stakeholders, regulatory authorities, and the wider economy, in corporate reporting across all sectors.
2. Prescriptive across-the-board mandates with no allowances or exceptions based on portfolio-specific conditions will preclude most real estate companies from alignment with SBTi, namely:
 - a. the near-term total ban against new fossil fuel installations for heating and cooking, starting in 2025; and
 - b. the requirements to quantify and assess all GHG emissions of buildings in operation, including tenant energy use, embodied carbon, and fugitive emissions.
3. SBTi instructs the building sector to set emissions targets aligned with pathways created by the Carbon Risk Real Estate Monitor (“CRREM”). SBTi must be aware that these pathways do not accurately represent carbon intensity of various grid regions, projections on renewable energy, or building energy use. Nareit/RER members and other building sector stakeholders look forward to continuing engagement with SBTi and CRREM directly on these data and methodology issues regarding CRREM’s decarbonization curves.

EXECUTIVE SUMMARY

Location-Based vs. Market-Based GHG Accounting

- SBTi’s proposal to abandon the “market-based” method for GHG accounting would render its building sector guidance unattainable for our industry, and create market confusion about a real estate company’s “Paris alignment.”
- Restriction of GHG accounting to only the “location-based” method will discourage real estate companies from using SBTi’s standard. It is out of step with the GHG Protocol and other CRREM-affiliated NGO

guidance²; U.S.,³ state, and local government programs and regulations; does not reflect the reality of current grid conditions and utility supply markets; and unfairly singles-out buildings compared to other sectors.

- Abandonment of the “market-based” method would deprive building owners of the only real opportunity they have to address the carbon intensity of grid-supplied electricity through clean power purchases that increase overall supplies of renewable energy.
- **Requirement of only the “location-based” method sets an unachievable standard for real estate, puts economy-wide net-zero ambitions at risk, and disincentivizes investments in clean energy. Final building sector guidance should support the standard practice to allow target-setting using either the location-based or the market-based approach. Nareit/RER emphasize that this is a priority issue to support our members’ continued interest in SBTi’s target-setting protocols.**

Unworkable Categorical Mandates

The following prescriptive, across-the-board mandates in the draft Guidance allow no exceptions based on portfolio-specific conditions. They will preclude many real estate companies from aligning with SBTi due to issues with their practical application.

- **Fossil Fuel Ban Starting in 2025:** A categorical portfolio-wide ban on new fossil fuel installations for heating and cooking, starting in 2025, is not practical. It will not work in all cases, for all buildings, considering all climate zones, use types, sizes, or other variables. Owners would disserve the residents, businesses, and other occupants of their buildings as heating fueled by natural gas combustion is frequently necessary as a back-up, at minimum, to ensure the safety and well-being of residential and commercial tenants in northern climate zones during the winter. This proposed ban appears to single-out the building sector to require compliance in less than 18 months. SBTi should encourage electrification but allow for exceptions based on market- availability of equipment and cost-effectiveness of technologies.
- **“Whole-Building” Approach and Tenant-Based Scope 3 Emissions:** Buildings and their ownership do not emit carbon or use energy. Occupants of buildings consume energy to support the myriad reasons why people and businesses use structures. Building owners do not control energy use in leased spaces. Tenants typically dictate those terms contractually in a lease, many of which have long durations, so it is difficult to include new tenant energy usage requirements until those leases expire. Whole-building energy data is not widely available from utilities, and tenants’ consumption and behaviors are self-controlled. Because owners typically lack operational control and access to energy use and emissions data in leased spaces, SBTi should not establish an across-the-board mandate that the “whole building method” must be used when setting science-based targets. Nor should SBTi categorically require owners to set Scope 3, Category 13 targets for “downstream leased assets.”
- **Embodied Emissions Mandate:** Lack of available and useful data, and cost-effective low-carbon building material alternatives, are significant hindrances for real estate stakeholders to undertake Scope 3 targets

² GRESB, PCAF and CRREM, [Technical Guidance for the Financial Industry](#) (v. 1.0 March 2023).

³ See US-EPA website, [ENERGY STAR NextGen for Commercial Buildings](#).

for “embodied emissions.” Developers, owners, and financial institutions have no control over manufacturing processes for construction products and materials. Regulatory efforts are underway by the U.S. Environmental Protection Agency (“US-EPA”) to develop a holistic and durable embodied emissions strategy. Until that, or an equivalent, effort runs its course, SBTi should establish no mandate on “new construction” to set Scope 3 targets for embodied emissions because the building sector needs sufficient access to standardized data on embodied carbon, and sufficient choices to purchase low-carbon materials to meet market demand. Moreover, SBTi must recognize that low-emissions materials generally cost more than other carbon intensive options. SBTi should not support any process for setting embodied emissions targets based on the amount of a company’s procurement spending.

Issues with CRREM Pathways

- SBTi should acknowledge that there are known limitations to the CRREM pathways which are currently being addressed in North America through an inclusive stakeholder process. The “CRREM North America Project,” led by CRREM, ULI, and Lawrence Berkeley National Lab (“NA Project”), aims to extend science-based “curves” for U.S. assets by utilizing data available on regional-level grid carbon intensities, and appropriate building energy use intensities by asset type. SBTi should be coordinating closely with this Project.
- The CRREM EUI pathway methodology is flawed because it conflates site energy use with source energy use. Its EUI curves represent a function of projections for future energy mix from the grid – not building performance – and therefore are not a true measure of a building’s energy efficiency. Adjustment to CRREM’s methodology is needed to demonstrate that a property’s site energy consumption is on track to support 1.5 degree-aligned scenarios.

Foster Standardized GHG Resources

- As SBTi endeavors to set a global standard, it must recognize that different countries develop different policies geared to help real estate assets within *their* borders reduce emissions. EU-based standards might not translate to assets in North America, and building programs developed in the United States might not be relevant to real estate in the EU.
- As a global framework SBTi should develop building sector guidance in a manner that allows companies to request approval for their GHG targets when using certain standardized and broadly-accepted GHG resources. SBTi’s efforts should not create an additional set of standards that do not at least consider the body of work that already exists.
- Insofar as buildings in North America are concerned, this means SBTi should engage with US-EPA to understand the standard climate-related tools and data it has developed to: track buildings’ energy consumption; measure GHG emissions; convert fuels and electricity using published and updated emissions factors; set local energy and emission reduction targets; and provide widely-used classifications of standard building typologies and geographic units keyed to electric grid subregions. Any final SBTi Guidance for buildings should allow companies to use US-EPA’s resources as much as possible when they set science-based targets.

**COMMENTS FROM NAREIT® AND THE REAL ESTATE ROUNDTABLE
REGARDING THE MAY 15, 2023 DRAFT OF THE SBTi
“BUILDINGS SECTOR SCIENCE BASED TARGET SETTING GUIDANCE”**

Submitted July 14, 2023

(1) Location-Based vs. Market-Based GHG Accounting

SBTi’s rejection of the “market-based” approach is counter-productive. It would slow the pace of grid decarbonization. It would dissuade Nareit/RER members from clean power procurements and inhibit the building sector’s ability to influence the production of renewable offsite energy supply. It would single-out building owners from other sectors, set a different standard for landlords and tenants, and render economy-wide net-zero ambitions more theoretical than reachable. Final building sector guidance should support the standard practice to allow target-setting using *either* the location-based *or* the market-based approach.

- Nareit/RER strongly disagree with the draft Guidance’s directive that “companies shall *only use the location-based accounting approach*” to calculate and track emissions.⁴ Final guidance should reject this aspect of the draft. SBTi should instead continue the long-standing practice, endorsed by the GHG Protocol, CRREM-affiliated NGOs, governmental bodies, and other corporate reporting programs, for companies to rely on *both* “location-based” *and* “market-based” emissions accounting.
 - In March of 2023, SBTi consulted with GRESB, PCAF and CRREM to produce technical guidance support, “Accounting and Reporting of GHG Emissions from Real Estate Operations,” to complement PCAF’s Global GHG Accounting and Reporting Standard for the Financial Industry.⁵ This document summarizes the GHG Protocol view recognizing the accepted benefits of market-based reporting methods, as follows:
 - “Drawbacks to financial institutions of relying on location-based emissions only: does not account for active renewable energy procurement via the grid, *which is invariably a part of any net-zero initiative, framework, or commitment for real estate.*” (emphasis supplied)
 - “Benefits to low-carbon transition: Incentivizes use of/switch to low carbon energy options (including both on-site and off-site renewable energy) by landlord and tenants, which theoretically *incentivizes utilities and power generators to build/supply more renewable energy.*” (emphasis supplied)
 - The U.S. Energy Department’s “Better Climate Challenge” supports companies to reduce GHG emissions across their building or plant portfolios by at least 50% over 10 years. The Challenge supports REC purchases (but not “offsets”) to meet program requirements for Scope 2 emissions. US-DOE endorses companies participating in its Challenge to calculate emissions under both location- and market-based factors.⁶

⁴ SBTi draft Guidance at p. 36.

⁵ GRESB, PCAF and CRREM, [Technical Guidance for the Financial Industry](#) (v. 1.0 March 2023).

⁶ See <https://betterbuildingssolutioncenter.energy.gov/climate-challenge/about>.



- US-EPA’s proposed ENERGY STAR “NextGen” label for low-carbon buildings, expected to be released to the marketplace later this year, will require buildings to consume a certain percentage of renewable energy. In addition to on-site renewable energy, EPA intends to permit off-site green power procurement as an element to achieve NextGen recognition.⁷
- Disallowance of the market-based approach would effectively mean building owners may only influence the carbon intensity of its energy supply through on-site measures. Of course, not all buildings can install renewable facilities within property boundaries. Physical, design, and permitting limitations restrict significantly the capacity to install on-site renewable generation and storage measures. It is widely understood that cities are the most efficient and sustainable locations to deliver energy, services, and conduct business. Therefore, buildings in dense urban environments – the exact locations where SBTi should favor transit-oriented development and adaptive re-use of existing assets – are penalized under the draft Guidance. As the world urbanizes increasingly, SBTi should encourage expanded access to grid-supplied renewable energy for building owners in cities because dense downtown buildings cannot support extensive solar arrays and similar technologies.
- Disallowance of the market-based approach ignores the realities of current U.S. grid conditions. According to US-EPA’s eGRID data, over 60% of the U.S. electric grid nationally depends on fossil fuel combustion; those percentages range much higher in certain regions.⁸ Building owners neither own nor control – in financial or operational terms – regional electric grids or district energy systems. The only real means they have to influence energy supply fuel mixes is through their procurement power. The draft Guidance is counter-productive because it would eliminate a crucial private sector strategy for companies to contract for clean power investments to reduce their own, and in turn the overall grid’s, carbon intensity.
- SBTi disavows market-based accounting because it perceives “a risk of double-accounting of renewable energy use.”⁹ However, this is a risk that applies to all scope 3 emissions. A more reasonable approach would be for SBTi to support programs that reduce these risks through improved tracking and certification of RECs. For example, US-EPA recently announced it will use *Inflation Reduction Act* funds from Congress to improve Portfolio Manager with more accurate REC tracking functions to prevent double-counting.¹⁰
- SBTi’s appears to have singled-out the building sector. SBTi should not impose location-based accounting requirements only in building industry-specific guidance. This would create market confusion by imposing different standards for real estate than the wider economy. Building owners, their tenants, utilities, and the communities in which they are located will need to work together to accurately account for and reduce their respective Scope 1, 2, and 3 emissions, and SBTi should not take away the market-based solutions currently in place to do so. Since 2014 energy customers have voluntarily procured 68 GW of clean energy, with a record breaking 16.9 GW of clean energy announced 2022.¹¹

⁷ See https://www.energystar.gov/sites/default/files/asset/document/Proposed_NextGen_certification_1.pdf.

⁸ See <https://www.epa.gov/egrid/power-profiler#/>. For example, due to a recently de-commissioned nuclear facility, natural gas now accounts for 90% of the fuel mix in the New York City region.

⁹ SBTi draft Guidance at p. 35.

¹⁰ US-EPA, “ENERGY STAR Update” to the Sustainability Policy Advisory Committee (SPAC) of The Real Estate Roundtable, (presented June 14, 2023) (slide deck available from RER on request).

¹¹ See <https://cebuyers.org/deal-tracker/> Clean Energy Buyers Association (CEBA).



(2) Fossil Fuel Ban in 2025

SBTi's proposed categorical portfolio-wide ban on new fossil fuel installations for heating and cooking starting in 2025 is not practical. It will not work in all cases, for all buildings, considering all climate zones, use types, sizes, or other variables. Building owners would disserve the residents, businesses, and other occupants of their buildings by committing to an outright fossil fuel ban, considering that heating fueled by natural gas combustion is frequently necessary as a back-up, at minimum, to ensure the safety and well-being of residential and commercial tenants in northern climate zones during the winter. SBTi should encourage electrification but allow for exceptions based on market-availability of equipment and cost-effectiveness of technologies.

- The draft Guidance would require building owners to publicly commit to a portfolio-wide ban on new fossil fuel installations for heating and cooking starting in 2025.¹² This is an impractical mandate. It fails to consider the different energy needs of building occupants, how energy is used in certain high-intensity building types, varying climate zones that necessitate high heating demands, paramount concerns to enhance grid resilience, and feasibility based on a building's size or density.
- The proposed fossil fuel ban appears to single-out the building sector. SBTi should explain whether its guidance for companies in other sectors likewise imposes a similar categorical prohibition on fossil fuels in all situations, by 2025, with no exceptions.
- Last December, the U.S. government – the largest owner of buildings in the U.S. with over 300,000 assets – released a federal building performance standard (“Federal BPS”) to progress toward the Biden Administration’s goals for net zero emissions by 2045 across all federal facilities.¹³
 - The Federal BPS “promotes deep energy retrofits and strategic equipment replacement ... to meet emission and energy reduction goals,” and supports *“holistic approaches that consider cross benefits where efficiency can facilitate electrification, and vice versa.”*¹⁴
 - Notably, the Federal BPS recognizes that *“full decarbonization may not be practicable today”* considering variables such as a building’s use, size, and climate zone. The Federal BPS allows for a “prescriptive pathway” for compliance that considers “practicable electrification.”¹⁵ *“Market availability”* of electrification equipment and *“cost-effectiveness”* are key to defining the term “practicable electrification” for purposes of the Federal BPS.¹⁶

¹² SBTi draft Guidance at p. 29.

¹³ See The White House, [Federal BPS “Fact Sheet”](#) (Dec. 7, 2022).

¹⁴ Federal BPS at p. 3, available at <https://www.sustainability.gov/pdfs/federal-building-performance-standard.pdf>.

¹⁵ *Id.* at p. 9 (“The prescriptive pathway recognizes that, for certain space heating and water heating loads, system configurations, or climate zones, *full decarbonization may not be practicable today*. For example, an agency may replace a small-sized, gas-fired packaged rooftop unit with an all-electric air-source heat pump, but *in cold-climate zones, a dual fuel, gas-electric option may be justified*”) (emphasis supplied).

¹⁶ *Id.* at App. 2, pp. 18, 20 (“*Larger furnaces/air handling units (AHUs) may not have direct heat pump equivalents*. Heat pump replacement of larger capacity furnaces/AHUs may have space constraints (i.e., mechanical closet size).”)

- Nareit/RER strongly encourage SBTi to reconsider the total fossil fuel ban by 2025 for new installations in its guidance. It is one of the key reasons that will deter building owners from deploying SBTi’s methods and prompt their resort to other standards. We recommend that SBTi move in the direction of proposing a “prescriptive pathway” for buildings similar to what the U.S. government offers in the Federal BPS.

(3) “Whole-Building” Approach and Tenant-Based Scope 3 Emissions

Buildings and their ownership do not emit carbon or use energy. Occupants of buildings consume energy to support the myriad reasons why people and businesses use structures. Building owners do not control energy use in leased spaces. Tenants typically dictate those terms contractually in a lease, many of which have long durations, so it is difficult to include new tenant energy usage requirements until those leases expire. Whole-building energy data is not widely available from utilities, and tenants’ consumption and behaviors are self-controlled. Because owners typically lack operational control and access to energy use and emissions data in leased spaces, SBTi should not establish an across-the-board mandate that the “whole building method” must be used when setting science-based targets. Nor should SBTi categorically require owners to set Scope 3, Category 13 targets for “downstream leased assets.”

- The draft Guidance directs that companies “shall” quantify and assess all building operational emissions “irrespective of ... organizational boundaries or control.”¹⁷ SBTi proposes a one-size-fits-all “mandatory requirement” for target-setting purposes that a building’s operational emissions must include energy consumption from both “landlord *and* tenant-controlled spaces.”¹⁸ The draft Guidance would similarly require owners to set Scope 3 targets for “downstream leased assets” in *all* cases.¹⁹
- These broad categorical mandates do not account for the wide-variety of building uses, or fairly reflect the nature of the tenant-landlord relationship. The mandates also ignore that owners’ frequently lack access to whole-building energy data from utilities. RER and Nareit[®] have written repeatedly on these obstacles in comment letters to the U.S. Securities and Exchange Commission,²⁰ the U.S. Treasury Department,²¹ and US-EPA,²² among others. We incorporate those perspectives here.
- Building owners do not control tenants’ activities or energy use in leased spaces, nor do landlords generally have access to tenant utility meter or submeter data – unless a given tenant decides to give the owner access to that information. SBTi should impose no mandates on owners to use a whole-building approach or report on Scope 3 tenant-based emissions.

¹⁷ SBTi draft Guidance at pp. 28-29 (building sector); *id.* at 31 (financial institutions).

¹⁸ *Id.* at p. 34.

¹⁹ *Id.* at p. 43.

²⁰ RER [letter to US-SEC](#) (June 10, 2022); [Nareit letter to SEC](#) (June 17, 2022)

²¹ RER [letter to US-Treasury](#) (June 30, 2023).

²² RER [letter to US-EPA](#) (Jan. 18, 2023).

(4) Embodied Emissions Mandate

Lack of available and useful data, and cost-effective low-carbon building material alternatives, are significant hindrances for real estate stakeholders to undertake Scope 3 targets for “embodied emissions.” Developers, owners, and financial institutions have no control over manufacturing processes for construction products and materials. Regulatory efforts are underway by US-EPA to develop a holistic and durable embodied emissions strategy. Until that, or an equivalent, effort runs its course, SBTi should establish no mandate on “new construction” to set Scope 3 targets for embodied emissions because the buildings sector needs sufficient access to standardized data on embodied carbon, and sufficient choices to purchase low-carbon materials to meet market demand. Moreover, SBTi must recognize that low-emissions materials generally cost more than other carbon intensive options. SBTi should not support any process for setting embodied emissions targets based on the amount of a company’s procurement spending.

- The draft Guidance states that developers, “first owners/purchasers,” and financiers “shall set a scope 3 target covering the upfront embodied emissions of new buildings.”²³
 - The patent problem is that these building sector stakeholders do not typically have information on embodied emissions in construction materials. If anyone possess that data, it is held by product manufacturers and is not consistently available when buildings are designed, or at the time when materials are selected and procured.
 - The SDA pathway guidance only concerns upfront embodied emissions (A1-A5). For companies who have existing buildings within their portfolio and are meant to report on embodied emissions there is no guidance or timeline for when thorough guidance will be published for embodied carbon emissions in the use (B1-B5) or end of life (C1-C4) stages. This will create confusion and disorder with companies’ reporting methods.
- Yet, SBTi imposes no responsibility on materials manufacturers to provide embodied materials to parties downstream in their value chains. SBTi plainly acknowledges: *“manufacturing industries are not “included as intended users of this guidance.”*²⁴ SBTi rather places the onus on building owners by recommending, “[c]ompanies should collect high-quality data from suppliers and other value chain partners for scope 3 activities.”²⁵ There is no mandate, however, that guarantees manufacturers must supply any such data in their possession, “high-quality” or otherwise, to owners and developers.
- This is not practical guidance for real estate companies expected to demonstrate how they will meet ambitious climate targets. To encourage the building sector to adopt embodied emissions targets, SBTi should direct construction materials manufacturers to take the responsibility to help our sector obtain the very data it needs to perform Scope 3 reporting and reduction.

²³ SBTi draft Guidance at pp. 28, 42-43.

²⁴ *Id.* at p. 17.

²⁵ *Id.* at p. 38.



- In addition, intensity conversions based on spend are inherently flawed. Cost is not an indicator of impact or carbon footprint. There is no scientific or data-based way to justify this approach. Certain low-carbon materials and alternative construction practices cost more than their higher carbon counterparts.
- SBTi should consider the major work-in-progress by US-EPA on embodied emissions through investments provided by the *Inflation Reduction Act*.²⁶ Any SBTi building sector guidance should take into account the timeline and deliverables for EPA’s three-pronged embodied emissions strategy to:
 - help manufacturers and policymakers prioritize what construction materials and products should benefit from improved data for embodied emissions measurement, standardization, transparency, and reporting;²⁷
 - develop new grant and technical assistance programs to help businesses calculate and report construction-related embodied emissions through Environmental Product Declarations (EPDs);²⁸ and
 - develop a new EPA carbon labeling program for construction materials and products with substantially lower embodied greenhouse gas emissions.²⁹

(5) Issues with CRREM Pathways

- It is widely accepted that the CRREM pathways in North America do not accurately reflect energy efficiency, renewable energy, or carbon emission regulations and policy at the local, state and federal levels. In this regard, SBTi must acknowledge the relevant work underway by the “[CRREM North America Project](#)” led by CRREM, ULI, and Lawrence Berkeley National Lab (“NA Project”).
 - The NA Project aims to align science-based “curves” for U.S. assets by utilizing data available on regional-level grid carbon intensities, and appropriate building energy use intensities by asset type. SBTi must align its efforts with the CRREM-ULI-Berkeley Lab Partners to provide consistency for owners in North America seeking to measure Paris alignment for real estate portfolios.
 - The NA Project Partners have convened numerous commercial real estate stakeholders over a multi-month working group process.³⁰ They have taken into account – *from the outset* – the spectrum of perspectives from commercial real estate owners, developers, and financial institutions. Respectfully, the “NA Project” is pursuing a more inclusive and collaborative stakeholder input process compared to SBTi’s efforts to this point.³¹

²⁶ US-EPA website, [Inflation Reduction Act Programs to Fight Climate Change by Reducing Embodied Greenhouse Gas Emissions of Construction Materials and Products](#).

²⁷ [US-EPA webinar and slide deck](#) (March 2, 2023)

²⁸ [US-EPA webinar and slide deck](#) (March 22, 2023).

²⁹ [US-EPA webinar and slide deck](#) (April 19, 2023).

³⁰ “Throughout 2023, the partners will collect feedback from the real estate industry to enhance the pathways’ utility by incorporating the most reliable and updated regional data sources and features specific to the United States and Canada.” See [CRREM website](#).

³¹ See *infra* notes 49-51 and accompanying text.



- The NA Project will deliver a “scientifically independent report” and a “draft product” that “will propose a set of *more granular curves*” for building “decarbonization pathways that translate the efforts of limiting global warming to 1.5°C.”³² Likewise, SBTi’s Guidance identifies the “need to offer the building sector *more granular pathways* reflecting building typology and geography ...”³³
- The NA Partners announced their project *in March*. SBTi released their draft Guidance *on May 15* – with no mention of the concurrent CRREM-ULI-Berkeley Labs initiative. This is confounding because CRREM – a partner in the NA Project – is also described by SBTi as one of the partners with whom it collaborated to “develop” its draft Guidance.³⁴
- SBTi’s proposed categories do not capture all real estate asset types because CRREM’s pathways are not available for all building typologies. SBTi’s Guidance provides for “separate emissions pathways for available [building] typologies,” but it does not offer an alternative approach for buildings that lack an emissions pathway. The commercial building sector represents a wide variety of use types and SBTi’s sector Guidance should offer options for all product categories.
 - To promote clarity and consistency, SBTi should use US-EPA ENERGY STAR’s building classifications – the most comprehensive categorization of asset types (of which we are aware) for purposes of energy and emissions tracking in real estate. ENERGY STAR categorizes “18 broad categories and, within those, more than 80 choices for building type.”³⁵
- SBTi’s draft Guidance recommends that companies publicly commit to portfolio-wide energy efficiency improvements in-line with CRREM’s energy-reduction pathways. However, the CRREM EUI pathway methodology does not measure site energy use independent of energy source as most people understand these EUI metrics.
 - While the EUI pathway starting point is based on a Regional Median Building EUI by Type, the shape of the curve/rate of reduction and the EUI target/leveling point are based on available carbon budget until 2050 according to IEA and IPCC, downscaled to CRE and regional carbon pathways. This means that the EUI curves represent a function of regional-specific projections for future energy mix – not building performance – and therefore CRREM’s curves are not a measure of energy efficiency.
 - Because the EUI reduction pathway does not consider actual or modeled building energy use, the pathway set forth may not be technically feasible considering existing technologies and methods.
 - Our members agree that science-based targets should require portfolio-wide energy efficiency improvements – however, only to the extent they take into account the technical maximum potential building energy efficiency, derived from national energy benchmarking data or a modeled “high performance” building for its asset class. This would demonstrate that a property’s site energy consumption is on track to support a 1.5-degree aligned scenario.

³² See ULI Americas website, [CRREM North America Project](#) (emphasis supplied) (includes slide decks and presentations of working group discussions).

³³ SBTi Guidance at p. 8 (emphasis supplied).

³⁴ SBTi’s draft Guidance states that “the sectoral pathways, accompanying tool *and this [G]uidance*” itself were “developed ... in technical partnership” *with CRREM* and four other organizations. *Id.* at p. 5.

³⁵ See https://www.energystar.gov/buildings/benchmark/understand_metrics/property_types.

(6) Foster Standardized GHG Resources

Support for standardized emissions measurement and tracking tools must be a priority to yield consistent science-based compliance pathways for the building sector. In the United States, and many other regions globally, there are conflicting energy and climate standards from local, state, and federal programs. SBTi's efforts should not create an additional set of standards that do not at least consider the body of work that already exists. This means SBTi should engage with US-EPA on existing standard tools and data that: track buildings' energy consumption; measure GHG emissions; convert fuels and electricity using published and updated emissions factors; set local energy and emission reduction targets; and provide widely-used classifications of standard building typologies and geographic units keyed to electric grid subregions. Any final SBTi Guidance for buildings should allow companies to use US-EPA's resources as much as possible when they set science-based targets.

- The draft Guidance states: "Targets must be modeled using the latest version of methods and tools *approved by the initiative*."³⁶ SBTi should "approve" climate policy tools already widely adopted in the buildings sector to support uniform, consistent, and efficient corporate efforts to inventory GHGs and set reduction targets.
- For properties in the U.S. and Canada, SBTi's Guidance should expressly support resources developed by US-EPA, particularly through its ENERGY STAR commercial buildings program.³⁷ For example:
 - **Energy Benchmarking and Consumption Metrics:** "Portfolio Manager" is the secure online software used by 25% of U.S. commercial space to measure buildings' energy use and costs.³⁸ Portfolio Manager provides owners with "access to more than 100 different metrics about [building] performance"³⁹ that can be compared to an asset's past consumption, similar buildings, or a reference performance level.
 - **GHG Emissions Calculator:** ENERGY STAR also offers a Buildings Emissions Calculator for commercial properties to "[b]aseline annual emissions, track changes over time," and forecast emissions based on "anticipated changes in energy use, fuel mix, green power, and emissions factors."⁴⁰ EPA designed its emissions calculator "to be consistent with the Greenhouse Gas Protocol developed by the World Resources Institute and World Business Council for Sustainable Development."⁴¹
 - **Standardized Geographies:** The draft Guidance acknowledges that a building's "emissions profiles" "are greatly influenced by their geographic locations."⁴² In the U.S., SBTi should reflect geographies based on the 27 sub-regions⁴³ established by EPA's Emissions & Generations Resource Integrated

³⁶ SBTi draft Guidance at p. 9 (emphasis supplied).

³⁷ <https://www.energystar.gov/buildings>.

³⁸ <https://www.energystar.gov/buildings/benchmark>.

³⁹ https://www.energystar.gov/buildings/benchmark/understand_metrics.

⁴⁰ https://www.energystar.gov/buildings/resources_topic/portfolio_manager_building_emissions_calculator.

⁴¹ https://www.energystar.gov/buildings/benchmark/understand_metrics/how

⁴² SBTi draft Guidance at p. 24.

⁴³ eGRID subregions map (Feb 2023) available at: https://www.epa.gov/system/files/images/2023-01/eGRID2021_SubregionMap.png.

Database (“eGRID”). eGRID is the most comprehensive U.S. government source “on the environmental characteristics of almost all electric power generated in the United States.”⁴⁴ eGRID sub-regions should provide the geographies for grid-specific conditions in the U.S. relevant to SBTi pathways.

- **Standardized Emissions Factors – including eGRID factors:** EPA’s GHG Emission Factors Hub provides companies with a regularly updated and easy-to-use set of default emission factors for GHG reporting.⁴⁵ The Hub’s most recent version (March 2023) includes updates to emission factors for on-site stationary combustion, eGRID factors for purchased electricity, mobile combustion, upstream and downstream transportation, business travel, product transport, and employee commuting. While Nareit/RER strongly oppose the Guidance’s proposal to disallow market-based GHG accounting,⁴⁶ SBTi should encourage users to default to eGRID factors⁴⁷ under the location-based method – as well as all of the other carbon coefficients developed by US-EPA.
- Corporate reliance on EPA’s reporting and measurement tools is critical given the proliferation of climate-related building regulations designed by dozens of state and local governments in the U.S. The Biden Administration’s “National Building Performance Standards Coalition”⁴⁸ includes over 40 governors, mayors, and county leaders who have committed to adopt laws to reduce emissions and decarbonize buildings by Earth Day 2024. Building owners, managers and financiers with nationwide portfolios face an impossible compliance task should these jurisdictions adopt varying measurement standards and tools. The problem will be exacerbated if these laws misalign with SBTi’s guidance. US-EPA’s resources are a common denominator for all of these disparate regulatory initiatives and SBTi should support them enthusiastically.

(7) **SBTi’s Stakeholder Process**

The advisory group that produced the draft Guidance significantly under-represents the companies that own, develop, and finance real estate who commit to science-based targets – and underwrite the investments to achieve them. The best policy is informed by practice, and SBTi’s process should take into account the feedback from buildings owners with the experience and the understanding of what is feasible for the building sector.

- SBTi’s stakeholder process reflects a wide disconnect between who was seated at the table in developing the draft Guidance – and who is operationally, legally, and financially responsible to implement the Guidance.
 - Representatives from academia and environmental NGOs comprise most of the 32 entities that comprise the Expert Advisory Group that was “selected and invited” by SBTi to develop the draft Guidance.⁴⁹
 - The group also heavily represents third-party asset managers, building rating groups, architects/designers, and real estate consultants – all of whom stand to gain financially from SBTi’s Guidance because owners

⁴⁴ See <https://www.epa.gov/egrid>.

⁴⁵ <https://www.epa.gov/climateleadership/ghg-emission-factors-hub>.

⁴⁶ See *supra* notes 4-11 and accompanying text.

⁴⁷ Table 6 at https://www.epa.gov/system/files/documents/2023-03/ghg_emission_factors_hub.pdf.

⁴⁸ See <https://nationalbpscoalition.org/>.

⁴⁹ SBTi draft Guidance at p. 5.



and developers retain them to help establish corporate programs and implement strategies to set and meet their science-based targets.

- By our count, SBTi’s advisory group included just three (3) companies that own or develop real estate.⁵⁰ Only one of them lists North American properties on their websites. Yet, owners and developers are the primary “intended users” of the draft Guidance. Indeed, SBTi acknowledges that owners and developers bear ultimate responsibility for “financing of project,” “regulatory compliance,” “authority over property management,” “authority over tenant relations,” legal compliance,” “operational control,” and “legal ownership.”⁵¹

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⁵⁰ *Id.* at p. 6 (namely, Aldar (based in Abu Dhabi), Simon Property Group (based in the United States), and Swire Properties (based in Hong Kong).

⁵¹ *Id.* at pp. 19-20.