Benefits and Pensions MONITOR Meetings & Events WEBINAR

Getting to Net Zero Emissions:

What Will It Take and How Will We Get There?

The *Benefits and Pensions Monitor* Meetings & Events 'Getting to Net Zero Emissions: What Will It Take and How Will We Get There? – sponsored by Fiera Real Estate – brought together Jessica Pilz, Global Head of ESG at Fiera Real Estate, with Tony Pringle, Principal and Co-founder of Quinn and Partners, and Eric Chisholm, Principal P.Eng, at Purpose. The moderator was Jag Singh, Director of ESG at Fiera Real Estate.

In a wide-ranging discussion they discussed how reducing global greenhouse gas emissions has become the existential call to action of the 21st century, sharing insight as to how leading jurisdictions, like the United Kingdom, are mitigating emissions and the implications to business.

The UK and Europe are often seen as leading North American decarbonization efforts. What trends and regulations are we seeing there?

Jessica Pilz: Europe and the UK have made significant strides when it comes to setting net zero carbon targets and introducing new regulations which ensure progress is being made.

That said, many UK politicians have expressed that a net zero carbon target of 2050 is too soon. However, a lot of organizations are lobbying for the continued commitment towards these areas and I'm hopeful Europe will continue leading the charge.

But it's going to be interesting to see how the UK government's commitment evolves.

Is climate change too immense a threat to shift the focus to social or governance parameters?

Tony Pringle: A recent article in the Financial Times said the carbon footprint fixation is getting out of hand and there's a need to think more broadly. It is an opinion, but it does bring to the forefront the idea that climate change is the most material risk as it will not only be happening, but that there will be transition risks and opportunities associated with it and the consequences will be very large.

On the regulations front, the Task Force on Climate-Related Financial Disclosures (TCFD) regulation is coming to North America and, in Canada, crown corporations are already on the record for acting on TCFD so climate reporting requirements are increasing.

Looking at regulations specific to real estate, cities like Toronto, Vancouver, and Calgary require all new buildings to be net zero by 2030, so it's coming very soon.

Are financial returns at odds with decarbonization?

Pringle: If you look at the empirical evidence, it shows that companies and investors that do focus on material ESG risks and manage those actually do see outperformance or, at worst, neutral financial impacts. An NYU Stern metastudy of studies on ESG climate found of companies that have climate programs, 71 per cent experienced either positive or neutral impacts on financial returns.

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>
> – *Jessica Pilz*

Eric, your firm is often brought in to help organizations identify the tactical opportunities related to decarbonization within real estate. What are some of the challenges as it relates to decarbonization?

Eric Chisholm: Our biggest challenge is time – what we think about time, how we measure it, and how we relate to it.

However, our benchmarks are wrong. They are based on what's gone on in the past. When we say, here's what rental rates we can command, it is based on the past. Looking to what's going on ahead of us means we must think differently.

And we need to remind ourselves that zero is the goal when it comes to carbon emissions. Things actually get a lot simpler because each project that we work on either fits on a path to a 90 per cent plus change or it doesn't and we should walk away from it.

What's creating the business case towards decarbonization?

Chisholm: First, the public is now understanding that solutions exist. It's not a pipe dream. Solutions are here and they're just not being adopted at a fast enough pace.

Public awareness is also skyrocketing. We're experiencing impacts of climate change. Now firsthand we're seeing increased wildfires, floods, heat waves, and famines. There is no better wakeup call than direct experience to lead us to say we must do something about this.

Tied to that, wealth is now increasingly being held by those young enough to expect they will experience some of the worst climate impacts for a meaningful portion of their lives. For them, this is an investment in their experienced future, not just their financial future.

Looking into your crystal ball, where will we be in five years?

Chisholm: Optimistically, we're going to see the majority of real estate holdings taking action because they are obliged to from personal commitment or commitments from investors, tenants, and regulators.

Pessimistically, we're going to see a market consensus start to emerge around how we recognize and value asset progress and we won't spend as much time thinking 'am I holding the asset long enough to reap the rewards' because the benefit will transfer.

Pringle: In five years, every company and real estate investor will have to report on climate. That will just be mandatory. You'll have to be reporting in line with the TCFD and your Scope 2 emissions in real estate will extend to at least Scope 3 for tenant operations.

Pilz: In five years' time, there'll be an even more common acceptance that decarbonization is just a way of doing business.

But, that said, I also believe that the G (governance) should come first in some ways as it really defines the ability of a business to succeed in this area and many businesses are actually starting to get this

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