

How the property industry can help to tackle climate change

2 years ago



The following from [Savills UK](#) explores the role of the property industry in tackling climate change – and the takeaways from the last 12 months.

Earth Day this year falls on Saturday 22nd April (2023). A day that should remind all of us of the collective efforts needed to tackle climate change, and challenge us to consider what's been done in the last 12 months and what remains to be done. Since its inception in 1970, Earth Day's mission has been to diversify, educate and activate the environmental movement worldwide. In the movement's own description, "it's time for the world to hold sectors accountable for their role in our environmental crisis while also calling for bold, creative, and innovative solutions." This will require action at all levels, from business and investment to local and national government.

Most recently there has been a series of measures coming out of Westminster supporting environmental efforts across the property sector with key climate and energy action referenced within the UK 2023 Budget, with further detail provided in the Government's later briefed Net Zero Strategy and its Energy Security Plan.

The property industry has a crucial role in supporting the Government's climate ambitions and we welcome these measures. However they are only very preliminary steps on the journey to decarbonising property and creating a credible and comprehensive action plan.

With that in mind, what are the main areas the real estate industry needs to focus on a part of this action plan?

Decarbonising the built environment

In the last 12 months, retrofitting has become front and centre in political debate as we attempt to decarbonise our built environment, influencing public sentiment, policy makers, and property owners and occupier's decision making on whether to rebuild or refurbish their property portfolios. Greater clarity is needed to ensure we make the right choices to reduce embodied and operational carbon across our buildings.

Energy efficiency

When it comes to the cost of energy, the cheapest unit of energy is the unit that that isn't used. So further support mechanisms around energy efficiency and onsite renewables will provide homeowners and businesses with more control over their energy costs and less reliance on utility generated electricity.

In the headlines recently has been news on new minimum energy efficiency standards (MEES) across commercial properties. The standards, with similar regulations for residential properties too, aim to address energy efficiency and reduce use across our built environment. The incentive here is a good one – we all need to get better at measuring and reducing our energy usage, and we expect the way in which we measure and report on this will evolve too.

The scale of the challenge is however significant. Our research shows that almost 70% of UK office stock, if not improved will fail energy standards by 2030 when a minimum EPC rating of B is required. For retail, this rises to more than 90%. As an industry, we are working towards a fabric first approach to our buildings but we need greater standardisation and consistency both in policy making and the planning process. The introduction of the UK Net Zero Buildings Standard later this year will be an important step towards this.

Renewable energy

The announcement of the £20 billion support package in the UK Budget to support the carbon capture and storage industry in the UK will go some way to deliver this infrastructure, which is key to the UK reaching net zero. The Government needs to act fast to ensure that Britain is as attractive a location to invest in carbon capture and hydrogen solutions as the US and EU, with the US in particular currently making it more attractive to develop such plants. More mechanisms are needed to ensure the UK is a global leader in the sector.

We also need to ensure that the development of hydrogen business models is fast tracked. In the UK, we are well placed to capitalise on our renewable energy generation to power our factories and transportation networks with clean hydrogen.

Grid network

The need for substantially greater investment in our grid network is now urgent. The ability to deliver power to new developments is increasingly being impacted by the lack of grid capacity across the country. The problem is exacerbated by the need for housing to be 'net zero ready', therefore not be reliant on gas for heating, which increases the demand for electricity. Moreover, the UK will not be able to speed up the delivery of renewables and meet net zero targets without addressing capacity issues. UK energy security needs to be considered at a system-level to ensure our grid infrastructure is upgraded and resilient to climate risk, including extreme weather like flooding and heat.

Funding

It is clear therefore that we need action both at scale and fast, but all of this comes at a cost. At a global level the U.N. Commission on Trade and Development estimates only half of the annual investment required to meet the Sustainable Development Goals (SDGs) will come from public funds, leaving an annual gap of \$2.5 trillion. Clearly then, private investment has a role to play in addressing these funding shortfalls and drive positive societal change traditionally seen as the remit of the public sector. Greater clarity in relation to policy and legislation will help to attract this much needed inward investment into UK infrastructure to deliver our net zero goals.

Where are the biggest gaps?

Having attended MIPIM this year, it was encouraging to see a space dedicated to net zero in property. The inclusion of this area for the first time recognises the importance of the issue and we would expect it to grow in coming years. There is a strong momentum gathering around the achievement of net zero. This is not just being driven by national / local policy and emerging legislative deadlines, but from organisational commitments which set clear deadlines for the achievement of net zero objectives.

As we work towards more energy efficient and sustainable solutions across the built environment, we also need to integrate social objectives; to preserve and enhance our social fabric and protect existing communities and future generations. The dual objectives of both environmental and social enhancement is that we need to observe the commitment of 'everyone accounted for and everyone accountable.'