



BOMA New York Monthly Forum: How to build an action-based ESG program

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New York, NY BOMA New York's highly informative February Monthly Forum, "How to Build an Action-Based ESG Program," was presented by Dailey Tipton, VP, sales and marketing of Evolution Energy Partners (Evolution Sustainability Group). Tipton's timely talk reflected both the evolving growth and corporate adoption of Environmental, Social and Governance (ESG) initiatives and the demand on the part of employees and customers alike for these programs.

Tipton opened with, "Why do we care about ESG?" The overarching answer is that commercial real estate enterprises can drive down energy costs and increase sustainability. In fact, he said, "Anything that can bring about cost reduction can improve sustainability."

Right off the bat, Tipton cited U.S. growth of investments in sustainability from \$8.7 trillion in 2016 to \$17.1 trillion in 2020. Offering a guide to starting a commercial real estate ESG strategy, Tipton advised a founding focus on "the 'E'"—the environmental component, which he said was primarily energy use.

Tipton then polled the forum's webinar attendees with the question, "Does your organization have an ESG strategy?" An overwhelming 79% of real-time respondents answered "Yes," with only 14% answering "No," and the balance replying "N/A."

Until recently, he said, ESG initiatives were almost universally considered as cost centers. “But if we look at the plus side,” he said, “If ESG initiatives are a value to the organization – they stay forever. It used to be something nice to do, but now they are a positive value, and they are starting to drive revenue.”

Addressing the drive to carbon neutrality, or “net zero,” Tipton said that certain industries, such as airline carriers, are locked into carbon-based sources of energy. Their programs, by necessity, must rely in large part on purchasing carbon offset credits. As an example, one of his company’s clients, a tree farm in India, sells their carbon credits to an airline that cannot reduce its consumption of jet fuel as a “carbon offset.”

However, for building owners and managers, he said, an action-based ESG program could begin with a roof-mounted solar photovoltaic installation. He cited an incentive program offered by the District of Columbia that would literally pay a building owner’s energy bill for 25 years after installation.

Any real estate industry action-based program would include, renewable energy generation, energy-intensive metrics, measurement of so-called “embodied carbon,” and an initiative to reduce peak energy demand which, in turn, would reduce emissions.

He confided, “I’ve jumped into the ‘E’, but you can move your ‘E’ activity into your ‘S’ and ‘G.’” In other words, if you can master the ‘E’ component, then you can enter the social and governance areas and help to find a way to halt global warming.

He followed up with a six-step guide:

Assessment: What is material to your enterprise? What moves the needle? What is most important to your organization? What will have the most positive impact, whether it’s regulatory or social impact?

Baseline: At what point do you begin to measure from? Where and how is it measurable?

Goals: Melding ‘E’ with ‘S’ and ‘G.’ Once these topics are prioritized, then assess existing programs, policies, metrics and engagements.

Roadmap: Having everyone in the enterprise aware of the roadmap and being engaged, “not just one person.”

Action: Report and publicize your goals and progress.

Results: Achieving an ESG Rating

For the commercial real estate sector, emission levels, air quality, energy management, ecological impact and earning building certifications are the most important, Tipton said, adding, “If you don’t

know what to measure, these are the relevant points that are important to your stakeholders.”

Addressing all three, E, S, and G, Tipton displayed a graphic which he labeled as the “Achievability Index”. For owners and managers, he pointed out that cybersecurity and compliance, were paramount for governance. For social, it is compliance and workforce diversity, health and wellness. For environmental, it is greenhouse gas emissions, energy efficiency, water management and air quality. “Consider these as impacting each other,” he said. “Don’t just silo your ESG.”

Looking at today’s bright side, Tipton reported that the cost of deploying a solar photovoltaic energy system has declined by 87% since 2010. In addition, wind farms and solar field installations are now less expensive to build today than fossil fuel power plants.

Tipton also cited the social benefits of going green. As an example, his client, a large private university just outside Philadelphia, is now purchasing green power from the Holtwood Hydro-Electric station in Pennsylvania. He said, “It costs more, but it makes the university a green campus. The student body wants it.”

Tipton concluded his presentation with the concept that an enterprise can decrease its operational expenses (OPEX) and increase its Net Operating income (NOI) by investing in an ESG program. “Decrease OPEX, increase NOI = Increased Asset Value.”

Save the date for the next BOMA NY Monthly Forum on March 24th.

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