Session DP C 6.3: The Business Case for Resilient Buildings

Date and Time of Session: Friday, 1 October 2010, 13:00 – 14:45

Short description of the session topic and the objective of the session

Topic: developing a financial framework for investment in retrofitting (climate proofing).

Objective: to determine if climate mitigation / adaptation options for buildings can not be just a cost factor, but provide opportunities from a business perspective

Session Agenda and Main Speakers

Session chair: Mark Watts, Director, ARUP / C40 UrbanLife, programme director, United Kingdom

Main speakers:
Making the business case for building retrofit – Chris Jofeh, Arup, UK

Most exciting insight, moment or outcome

When CJ announced that lawyers in the UK treat climate change as a foreseeable problem. This means that engineers are liable for the potential/resulting impacts which creates a real business case/urgency to incorporate climate mitigation and adaptation measures.

Main conclusions, themes, insights or messages

- **CJ**: Retrofitting goes beyond the typical energy saving measures; it changes the way a company operates and touches upon many aspects. The gain (both financial and in sustainability) is in the operation of a building instead of in the initial construction phase.
- **CJ**: Sustainable buildings create value since workprocesses are optimized (productivity). This value is way beyond the initial investment costs and is therefore profitable. An increasing number of actors (companies) acknowledge this.
- **JX**: Public private partnerships are 'natural' vehicles fort he incorporation of sustainability issues because they embrace a long term perspective instead of quick gains.

Key phrases or quotes

- **JX**: Political will is critical in public private partnerships along with long term commitment;
- **CJ**: In the UK lawyers now say that climate change is relatively foreseeable. This gives a liability issue for the engineers! So, there's a drive to really implement retrofitting measures;
- **JX**: Public private partnerships are difficult because of trust issues between partners. Regardless of scale, many PPPs take a similar effort. So, larger project are better since effort and costs are relatively less.

1.
Transcript
Chris Jofeh is discussing the attractiveness (market) for retrofitting buildings. This is first of all an engineering challenge; scientists provide the background but engineers in the end have to deliver it as actual projects. Chris is convinced that our future cities are similar to current (so no utopian visions) except for the fact that sustainability will play a much bigger part than right now. Yet, there is currently only a downwards spiral perceivable: although the UK has committed itself to Kyoto, current CO2 emissions are only on the rise. In terms of natural hazard impacts he notes that during catastrophes it's mostly the 'systems' that collapse: a cascading set of failures including financial arrangements to provide aid and relief.
Arup has published a set of 'user guides' for retrofitting buildings. An important aspect in retrofitting is that projects are often perceived from the initial investment costs. Chris poses that one has to create 'value beyond cost saving' ; the (obvious) energy saving measures will only provide 20% of the reduction in CO2. Important is therefore to 'integrate' sustainability into the building lifecycle. This is also sensible since the ratio for building initiation costs and operation are 1 to 10. The 'value' of sustainability for a company is estimated in the order of 200 to 1 (Public value, enterprise value, investment value, market value). Especially the enterprise value (e.g. productivity) is now slowly recognized as being positively influenced by a 'sustainable approach'.

2.
Transcript
Julia X focuses on public private partnerships (PPP) and their role in getting large retrofitting schemes off the ground; this focuses on the scale and financing in which retrofitting really makes a business. Meridiam focuses on long term equity financing and investment as a business for pension funds and the insurance industry. This encompasses a financial prospect combined with a social agenda: improving social services and sustainability. Meridiam only invests in public project by setting up PPPs. These are robust; even during the financial crisis PPP projects attract EUR 300 billion in the EU. Generally a Local Joint Venture is started in which different partners from the public and private sector take place. One of the attractive assets of PPP is that depth is cheaper than equity (normal projet financing): 5% to 14%. Furthermore, because of the uncertainties in the financing market, many investors seek 'safe havens'. PPPs provide a structure to invest in retrofitting now instead of waiting for government investments, tax reductions, policy, etc.