

# EmiratesGBC 2023 Congress Briefing

## *Pathway to COP28: The Role of Sustainable Built Environment in Accelerating Climate Action*

### **Panel 6: Green Finance for Sustainable Built Environment**

The aim of this panel discussion is to explore the role of green finance in advancing sustainable development in the built environment, focusing on innovative financing solutions and strategies. By bringing together experts from various sectors, we aim to drive dialogue, inspire collaboration, and accelerate the adoption of sustainable practices in the built environment through effective financial mechanisms.

In the panel discussion titled "Green Finance for the Built Environment," the panelists highlighted the pivotal role of the financial sector in attaining the Net Zero target. They also explored various financial mechanisms to facilitate the private sector's transition towards Net Zero. Examining the necessity of finance in achieving Net Zero and how the financial sector needs to evolve to meet this requirement, the panel pointed out, specifically, within the real estate sector, substantial investments are required by 2030, with additional investments needed by 2050. Banks should aim to achieve net zero in financed emissions by 2050, meaning that all loans extended by them in 2050 should align with net-zero targets. That being mentioned, banks have already made significant strides in sustainable finance, having extended billions in investments toward sustainability in recent years.

Furthermore, the panel reflected on how green finance is pivotal in incentivizing and accelerating the adoption of sustainable practices in the MENA region. Green finance offers several avenues of support, including backing renewable energy projects, promoting energy efficiency in buildings through new construction or retrofits, and motivating building owners to pursue green certification systems to get incentivized finance rates. Moreover, governments can further the agenda for green finance by allocating a portion of their annual budgets to dedicated funds that directly align with policies that foster sustainability, and research and development efforts are vital in discovering and implementing new technologies that can contribute to the goal.

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However, these endeavors require substantial investment, with trillions of dollars projected to be necessary between now and 2050. Furthermore, the panel emphasized that investors worldwide are increasingly scrutinizing organizations' ESG portfolios and sustainability reports, seeking sustainable investment opportunities and diverting from unsustainable ventures. Thus, highlighting the potential of green finance, the panel shared the findings of a study conducted by a business consultancy firm in the MENA region. According to the study, if appropriate mechanisms are established, the study projected opportunity for \$3 trillion in investments and the creation of one million additional jobs by 2030.

Talking about Green Sukuk and sustainability-linked loans, the panel shared that pursuing Green Sukuk shifted sustainability initiatives from an optional choice to a necessity, revolutionizing their operations. Green Sukuk can be issued for green-certified buildings that are LEED gold and above or equivalent standards, while the use of proceeds can be used for efficiency measures such as energy efficiency, water efficiency, and renewable energy projects. Throughout the discussion, the panelists acknowledged that challenges were encountered during the launch of the green banking initiative, and it was discovered that organizations were relatively less mature regarding government and social sustainability than environmental sustainability. However, the panelists viewed this as an opportunity to address the gaps and embarked on exercises and gap analyses to improve in those areas.

Shifting the conversation to the role of the circular economy in attaining Net Zero goals in the UAE, a representative from the board of directors of the UN Global Compact, highlighted the resource-intensive nature of the real estate and built environment sector, which accounts for a substantial share of global waste generation and greenhouse gas emissions. The transition to a circular economy was identified as a crucial step in decarbonizing the sector and addressing material flows and waste. Transitioning to a circular economy can be costly, with the need for research and development, and for circular products, and substantial investments. The financial sector was identified as having a profit-oriented mindset and a preference for quick returns on investment, making it difficult to demonstrate the long-term benefits of circular economy projects. Additionally, there is a lack of mechanisms to assess and analyze data that could convince the financial sector of the future value of circular buildings. The panel urged the financial sector to be patient in seeing financial returns and emphasized the importance of a thorough assessment process within the financial sector, particularly in understanding the building values and life cycles of materials used in construction projects. Furthermore, regulations were also highlighted as a vital aspect of promoting the circular economy. The government was called upon to provide subsidies and incentives, while central banks were encouraged to regulate banks under their jurisdiction to prioritize circular economy projects, because, by lowering the value of linear economy models, banks would be discouraged from investing in projects that do not align with circular principles.

The panel discussion concluded by elaborating on how green finance mechanisms can be tailored to foster the adoption of circular economy principles. They shared that the real estate sector accounts for 13% of global GDP and 12% of employment and is responsible for half of global emissions. While the focus on net zero and decarbonization often centers on constructing new sustainable buildings, as a result, it was pointed out that by 2050, over 50% of existing buildings will still operate without adhering to the Net Zero principles. This necessitates a shift towards retrofitting and transforming the existing building stock into more carbon-neutral and circular economy structures. The panel also reiterated the need for deep retrofitting that can bring significant changes to carbon emissions. The scale of this endeavor requires substantial financial investments, extending beyond traditional banking services. To address this, the panel emphasized the need for diverse financial mechanisms and business models involving multiple stakeholders. To explain further, various financial models were discussed, including energy-as-a-service, where technology providers or equipment manufacturers invest in retrofitting receive a monthly subscription fee, providing customers with efficient buildings while generating returns on investment. Another model mentioned was the involvement of Energy Service Companies (ESCOs) that invest in retrofitting directly or through third-party banks.