

Focus Issue: CO₂ reduction pathway with reference to CRREM

CRREM is the leading global initiative for setting targets in relation to CO₂ emissions from real estate (“in-use emissions”; scope 1+2) that are compliant with targets under the Paris Climate Agreement. In this regard, CRREM has published regional and property-specific decarbonisation pathways for limiting global warming to a maximum of 1.5 °C or 2.0 °C by the end of the century, which thus also apply to Switzerland. By setting scientifically-grounded CO₂ reduction pathways (Science-Based Targets Initiative, “SBTi”), CRREM has set itself the challenge of assessing risks and uncertainties in relation to the decarbonisation of business properties.

In order to establish whether our CO₂ reduction pathway communicated in 2021 is compatible with the 1.5 °C target, we compared our own reduction pathway with the CRREM decarbonisation pathways. We essentially based the calculation, subject to certain restrictions (see “Emissions factors”), on the assumptions and guidelines contained in the CRREM Risk Assessment Tool V2.04 as well as the corresponding CRREM Risk Assessment Reference Guide V2 from September 2023 (“Reference Guide”). **The modelling contained in these is not identical in all respects to our own assumptions for the currently existing reduction pathway. However, we are continuing to adhere to it without any changes. Assumptions concerning the replacement of heating systems and refurbishment work remain unchanged.**

Definition of surface area

The definition of surface area required by CRREM corresponds to the IPMS 2 gross internal area. This means that the sum total of the surface areas on each storey of an office building is measured up to the relevant internal spatial boundary. IPMS 2 is an internationally recognised standard for defining real estate space, including in particular for office buildings. This standard sets out clear guidelines for calculating office spaces in order to create a uniform and comparable basis for the real estate sector. On average, the surface area determined according to IPMS 2 is around 40% greater than the energy reference area, which is widely used in German-speaking countries.¹

Emission factors

Emission factors for district heating and electricity purchases are linked to the respective reduction pathway for the electricity grid according to CRREM assumptions. This entails an assumption that the decarbonisation of district heating sources operates in parallel to the decarbonisation of the electricity grid. This method is used in accordance with the Reference Guide as heat production and distribution is often dependent upon electricity. Our originally published reduction pathway assumed that emission factors would remain constant. Energy consumption for cooling systems is imputed to general landlord-obtained electricity. Planned photovoltaic systems and their pro rata coverage of electricity consumption and coolant losses from cooling systems are not taken into account within the current pathway. In addition, no modelling has been conducted for the normalisation of extraordinary tenancy arrangements.

Planning period

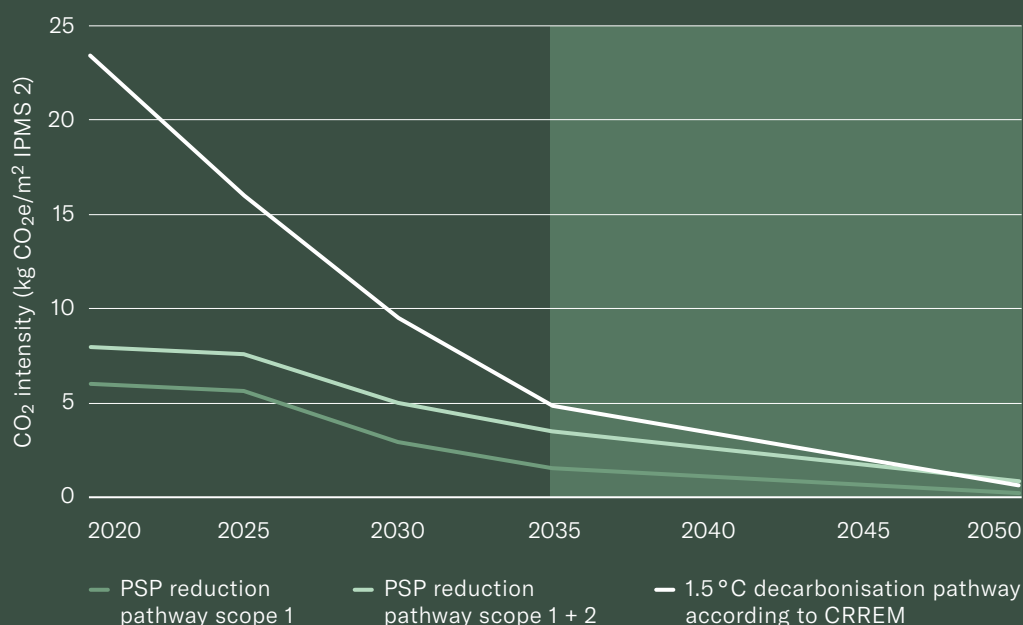
The planned energy renovations and heating replacements along with the corresponding target figures for energy consumption are presented for the current reduction pathway. Acquisitions and disposals are not taken into account. We have modelled the reduction until 2035 in accordance with our investment plan. The further into the future the planning period reaches, the more inaccurate its implementation will be, as we are reliant on third parties for instance as regards connections to lake water cooling and heating networks. The period falling after 2035 is therefore shaded in the following reduction pathway.

¹ Detailed explanations concerning the energy reference area can be found in the delimitations and explanations on the performance measures on page 308.

CO₂ reduction pathway with reference to CRREM

Following the application of the previously described assumptions and restrictions, this results in the following reduction pathway for PSP Swiss Property. The benchmark is the decarbonisation pathway for achieving the 1.5 °C target according to CRREM, based on a pro rata usage allocation of the property portfolio.²

Reduction pathway with reference to CRREM assumptions – PSP vs. 1.5 °C target



As is apparent from the graph, based on the assumptions described, from our current perspective our portfolio is on track to fall below the threshold levels by 2035 that are necessary in order to achieve the Paris climate targets of a maximum increase of 1.5 °C (“**1.5 °C target-aligned**”). An external independent firm has assessed our calculation methodology as comprehensible, taking into account the given assumptions and reservations of PSP Swiss Property.

Net zero target

The net zero target is not only one of the Paris climate targets but is also set out in the “Climate and Innovation Act” approved by Swiss voters in the referendum held on 18 June 2023. From 2050, the quantity of greenhouse gases emitted into the atmosphere by Switzerland should therefore not be any higher than the quantity absorbed by natural or technological carbon capture mechanisms (net zero target). The net zero target is therefore enshrined in law.

We remain focused on our goal of halving specific CO₂ emissions by 2035 compared to 2019. For the years after 2035, we have committed to achieving net zero for operational CO₂ emissions (scope 1, 2 and 3) by 2050.

Priority 2024 We are currently working on incorporating the calculation of anticipated CO₂ reductions directly into the renovation planning tool and dynamically recalculating the reduction pathway in the event of any changes in the schedules for particular projects. In 2024 we plan to complete verification and training in relation to the new solution, followed by its rollout.

² Further explanations concerning the CRREM decarbonisation pathway can be found in the delimitations and explanations on the performance measures on page 308.