Of the Art of Procrastinating

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To give you some thoughts, I am presenting you with a reflection based on the Copenhagen Summit where World leaders were in a hurry to do nothing.

The point is, unfortunately, this behaviour is pretty much what we find around asset managers confronted to climate-change impacts on their investments, especially for those dealing with property, and it is also found in councils and housing associations operations.

The Copenhagen debacle

The so-called Copenhagen Summit was indeed a summit, but in hypocrisy. Much was at stake, the odds were not good, and the unfolding as expected: disappointing. Nevertheless, it would seem that world leaders have finally, officially, stated their acknowledgement of climate-change issues as well as their strong commitment to address them... later.

But it is important not to be too pessimistic because the situation really is one of a kind. So far people have focused on national borders and allowed themselves to act within those clearly defined boundaries: “This is my country, and I take charge.” Wars were waged to protect or expand those borders, natural resources were a constant headache and much was done to secure them.

And what’s happening now? We realise we are utterly dependent on resources there is no way we can control or conquer as a nation, and our sake is as much within our own hands as within other’s. Basic things we always took for granted, such as clean air and abundant potable water, uncontaminated food, are vanishing. What an unpleasant situation. Indeed, to mention just a few:

- How can we globally control the quality of air and fight against deforestation in other countries?

- What about the safekeeping of oceans and control of the fishing industry?
- What about CO_2 emissions?
- Who is going to pay for necessary investments in foreign countries allowing mitigating environmental issues located in those countries but affecting the whole planet?
- And assuming we collect the necessary funds, who or what is going to manage them?

That's quite a bit to swallow, and much depends on the political willingness. But financing is crucial, money is scarce, and no country is very much inclined to heavily invest into something that won't offer a payback that could be easily grasped and presented to electors. And who cares about the rain forest anyway when there is not enough food at the end of the day?

Sinking property. Literally.

But World leaders are not the only ones refusing to take action and procrastinating.

Alarmingly, most actors in the property industry are turning a blind eye on climate change and its consequences, and choose to simply ignore what is at stake for its investors and the communities at large. Denying facts and postponing action could border on irresponsibility or incompetency, but our industry is nevertheless in charge of billions from people and companies that trust them, as well as more billions from the government, which means the taxpayers.

Investors of course have their share of responsibility in this situation, because they have the duty, especially pension funds, to give clear guidelines to their investment managers and make sure the communities they represent are safe. Previous editorials already brushed a picture of this situation, but I can't resist to stress one more time how unsettling this behaviour is.

Councils and housing associations are also deeply involved in this situation, although they have to manage at the same time a shrinking budget and growing regulation requirements. It is worth underscoring that some of them have already taken action with regards to sustainability, and have incorporated requirements into their planning consent procedure.

Adjusting to future changes in behaviours

"Energy proofing" buildings in the sense of making them immune to fluctuations in energy prices because they produce their own or need very few to operate, is clearly a wise step to take. Drastically reducing or eliminating uncertainty in business is always good behaviour. Even if a property owner or manager is not convinced by the reality of climate change, or if it doesn't feel involved, it is sound business to make sure its property assets won't be technically obsolete by the time they reach the market.

We can safely assume that in the years to come, tenants will change their behaviours:

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- Fund managers will realise their tenant's willingness to pay a premium for low-energy buildings and their lack of interest for other buildings, new or recent, without these features.
- Councils and housing associations will have to find new ways of delivering, increasing efficiency at all levels, including the energy efficiency of their property portfolios.

And regulations are already in place to make sure all new buildings will be carbon neutral by 2016 in the UK.

What an Endeavour for those like us who want to make things change. Meanwhile let's make sure the consequences and lessons of the Copenhagen Summit do not fall into oblivion.

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