

## REGULATORY ROUNDUP

### Climate Risk Disclosures — SEC, Congress

The SEC is expected to finally release its delayed climate-change disclosure rule in the first quarter.

The measure is intended to improve transparency for investors seeking to deploy capital in accordance with ESG governance principles but standardized information. Given since the midterms, the rule is responsible for disclosing including greenhouse gas emissions.

CRE Finance Council also reporting package to add water efficiency, energy efficient resiliency — that is, its vulnerability. SEC later decides to include in the disclosure rules, the reporting updates.

“Our message [to policymakers] is that the commercial real estate industry is not just a source of risk, but also a source of solutions for the properties that are vulnerable to wildfires or flood zones, well before ESG was ESG.”

**Jason Rozes**, a **Dechert** attorney working with the CREFC task force, said properties that aren’t upgraded or otherwise protected eventually will become undesirable and/or regulated out of existence.

“Whether or not you believe in the science of climate change, your regulators, your tenants, your borrowers, your investors, your competing lenders — nearly all of them are moving in the direction of sustainability as part of their business,” he said. “Building owners are going to need help to meet these increasing client demands and legal requirements, and so the banks, debt funds, life insurers and other lenders that figure out a way to

provide that capital will have a competitive advantage.”

More cities and states are putting pressure on building owners with measures such as New York’s Local Law 97. Beginning fines against the 50,000 large-carbon emissions. Burki said cities are asking about what the investor perspective whether a fine means, does paying a fine mean it means you have modified standards? Or what if the law is not complied?”

California is proposing in Boston, San Francisco, D.C., and states like Maryland. A program employs a stick-and-carrot approach to facilitate building improvements.

The Inflation Reduction Act, passed by Joe Biden in August, includes incentives for energy-efficient commercial buildings.

**John Burki**, president and chief operating officer of the **Building Owners and Managers Association**, said there is strong support within his community for meeting high efficiency standards.

“Our DNA is high-performance buildings,” he said. “I think the horse is out of the stable on this movement. We are lobbying for rational bars to be set on carbon targets but also a recognition that A-plus buildings are in a wholly different place than B and C ones. We need to invest in them too.”

As part of that initiative, BOMA supports the reintroduction of the Small Business Energy Loan Enhancement Act (H.R. 6921), which would nearly double to \$10 million the size of loans available to improve energy efficiency. ♦

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