

Case study | A Path to Decarbonisation for the Listed Property Sector

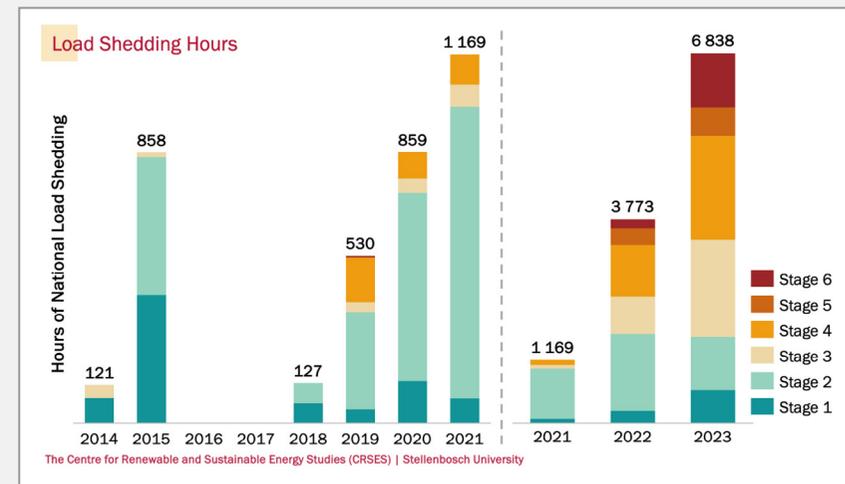
In South Africa, the built environment directly contributes ~7% of the country's total direct CO2 emissions. When considering indirect (scope 2) emissions from electricity use and embodied emissions from materials such as steel and cement, the sector's share rises to between 25% to 30% of total emissions. The sector also accounts for roughly ~34% of electricity demand, and in the context of constrained electricity supply in South Africa, reducing this demand further supports the case for renewable energy initiatives. Additionally, without a concerted effort to transition to cleaner energy and improve energy efficiency, emissions from buildings could rise by up to 127% by 2050, driven by urbanisation and housing demand.

Fortunately, the South African listed property sector has been at the forefront of the transition to a low-carbon economy through targeted decarbonisation, renewables and energy efficiency strategies.

Initial efforts focused on operational efficiency, including retrofitting and upgrading existing assets with energy efficient products by, for example, fitting energy efficient LED light bulbs as well as monitoring of energy usage.

Intensive "loadshedding" during 2022 and 2023 accelerated the move towards renewable energy and self-generation, especially through solar photovoltaic (PV) systems.

South Africa Loadshedding Hours (2014 to 2023)

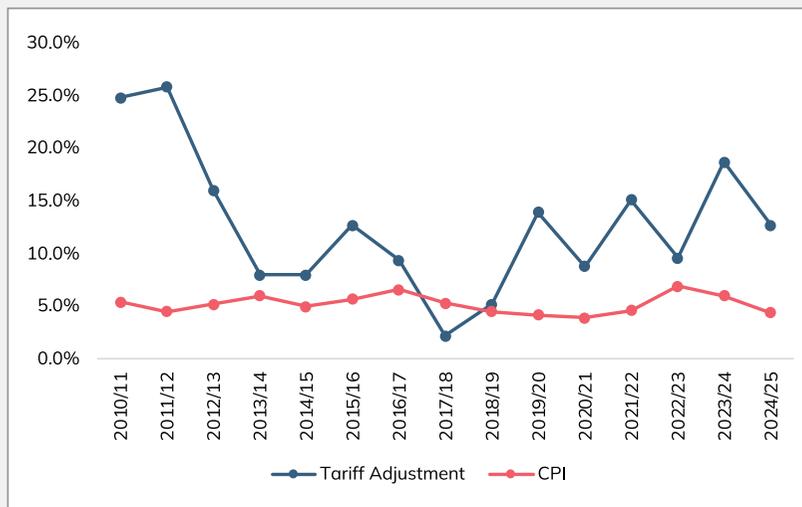


Source: Eskom 2024, NERSA 2023

During and indeed after the loadshedding crisis was largely resolved, a transition to renewable energy alternatives was necessitated by the growing cost of non-renewable back-up systems (such as diesel generators) as well as unsustainable increases in electricity prices.

According to the South African Property Owner's Association (SAPOA), in 2023, electricity costs, which includes the cost of diesel for generators, was the fastest growing of the operating costs at 45% y/y, translating into a 3.4% contribution to the overall growth of 11.8%.

Eskom's Annual Average Price Adjustment (per financial year)



Source: Eskom

Because of the renewables thrust, capital expenditure towards energy systems has picked up and continues to make up a large portion of investment. Two of our investee companies, Growthpoint and Redefine are listed Real Estate Investment Trusts (REIT) and have focused on green buildings in recent years.

Growthpoint has invested more than R1 billion in solar energy locally and has recently acquired a 30% stake in the operational Boston Hydroelectric plant. Additionally, certain listed property companies like Resilient and Equites have intentions to increase production of energy from renewables to 55% and 39% of their consumption in the future, respectively. Redefine properties, among others, is also participating in a pilot project in the City of Cape Town where they will be constructing a 6MWP rooftop solar plant on one of their large distribution centres to wheel the energy to two of their retail centres in the city.

An illustration of disclosed renewable energy as proportion of total energy requirement as well as planned capacity contribution contribution

