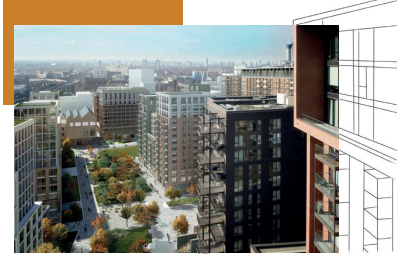
TELFORD HOMES
SHADOW COST OF CARBON PREAMBLE



Shadow cost pricing is a theoretical or assumed cost per ton of carbon emissions and can be a useful tool when considering the potential financial implications of a carbon strategy.

With the shadow cost method, a cost of carbon is calculated within business processes, such as business case assessments, procurement procedures, or business strategy development, to demonstrate the cost of the carbon implications of those business decisions. The resultant cost can then be communicated to stakeholders, as reciprocal 2030 journeys are progressed through projects. Currently, investors' interest in this area of work is fairly nascent, but we are preparing our practices in readiness for increased transparency requirements, through project investment plans - by way of further example corporate disclosures such as TCFD, CDP and the CSRD.

The shadow price of carbon method helps a business understand carbon risk and then prepare appropriately, well before the shadow price becomes a real price. As part of this exercise, it is appropriate to consider numerous options and sources when deriving a shadow cost of carbon, especially when considering the potential future costs.

To inform this work we discussed a series of possibilities with regards to the shadow cost of carbon in the short and long-term and the potential implications of this for Telford Homes (TH)'s 2030 Net Zero Journey.

The shadow cost of carbon has been considered accounting for TH's carbon reduction targets and current performance in line with its 2030 Net Zero Journey. We have reviewed industry projections for potential future scenarios regarding the cost of carbon and the opportunities for offsetting our residual emissions. Industry standards and guidance, such as the UK-GBC Net Zero Framework, would form the test case as to how the potential opportunities conform to the required metrics in attaining Net Zero Carbon.

We have considered both verified and unverified offset opportunities to inform a robust strategy, whereby TH can make an informed decision as to how offsetting and the cost of carbon can impact business plans. As part of our work we have collaborated with a third party specialist and prepared a technical note, which is intended to start the process with developing a robust strategy concerning shadow cost of carbon as part of TH's wider 2030 Journey. This summary preamble is underpinned by a detailed research and development analysis, that is being used to help optioneering and to forecast the medium to long-term impacts and trends of the 2030 Journey. Additionally, we have used a selection of Peer Group companies to compare what is currently being progressed across the sector.

Finally, we have started to develop and detail the potential costs associated with shadow cost of carbon and the potential offsetting of residual emissions in line with TH's Journey to 2030 and Net Zero Carbon.

telfordhomes
A TRAMMELL CROW COMPANY DEVELOPER

building a LIVING LEGACY