



RICS sustainability report

2023



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2023

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1 Foreword

This year's sustainability report is a wake-up call to our industry. We are making progress but not enough to reach net zero by 2050. Indeed, the picture is one of an industry reluctant to pursue a lower-carbon future.

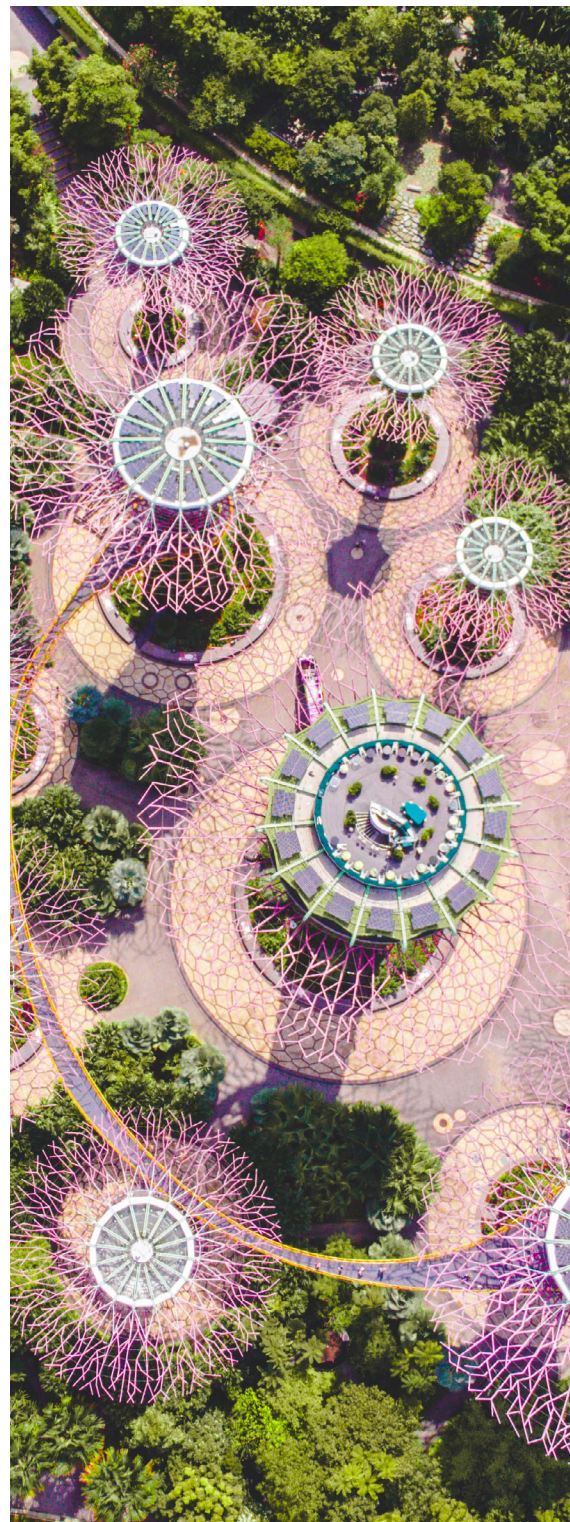
The built environment contributes 40% of the world's carbon emissions. We cannot tackle global emissions without substantially reducing embodied and operational emissions from buildings and infrastructure.

The investment sector's appetite for green building certification such as BREEAM shows that this part of sustainability is recognised and valued. While there is significant commitment to energy efficiency, other measures are seen as less important than a certification, suggesting the desire is more for esteem than real change.

Overall, respondents cite concerns about cost and ROI as the principal barrier to change, rather than lack of knowledge or understanding. This focus on profit over principles is increasingly out-of-step with the commitments of other sectors, governments and societies. If we do not volunteer to do more and faster, we may find ourselves forced, with less choice about the steps we take.

Comparatively lower importance placed on sustainability actions by occupiers also suggests that, for many, green buildings are seen as a 'landlords' problem', whereas we need joined-up action to cut whole life emissions and embed sustainability from the first designs to the final operations.

Even so, there are hopeful signs in this report. Demand for more sustainable buildings has continued to rise among both investors and occupiers in every world region surveyed. The challenge now is to translate this positive sentiment into further positive action. There is an increasing catalogue of good practice on which we can draw for inspiration.





There is also more interest in reusable and recyclable components in construction, a personal focus for me, suggesting that pioneering professionals are taking steps to think through the building lifecycle and are moving towards a circular economy.

With other RICS surveys flagging concerns over materials shortages in some regions, there is a real opportunity to reduce waste, increase reuse and recycling, and make more efficient use of available materials to the benefit of the bottom line as much as the environment.

RICS' Whole life carbon measurement will be at the heart of this. What we can measure, we can then manage – understanding the scale and scope of emissions is a key first step. However, all built and natural environment professionals have a role to play. Sustainability is much wider than carbon emissions, and RICS will continue to support professionals through our range of standards, existing and in development.

I believe that the 2050 target for net zero is still within reach, if we commit to pursue it wholeheartedly. We create buildings that inspire awe. We deliver infrastructure projects of mind-boggling scale. We continually reshape whole cities and landscapes. This opportunity of a better future is in our grasp. We need only apply our proven imagination, energy and professionalism.

Tina Paillet
President Elect
RICS

2 Executive summary

RICS [Global Commercial Property Monitor \(GCPM\)](#) and [Global Construction Monitor \(GCM\)](#) are leading indicators of market conditions in the built environment sector. In Q2 2023, alongside the regular set of questions, participants were asked their opinion on key issues relating to sustainability and climate change in the sector. Nearly 4,600 professionals operating across 36 different countries responded.

Following on from the 2021 and 2022 reports, this publication explains how the climate crisis is shaping trends and practices. There are some signs of progress, particularly in respect to growing interest for green real estate. The analysis suggests that government policy may be playing a critical role in driving this trend.

However, there are fundamental barriers that may be discouraging investment in sustainable buildings, including high initial costs, lack of evidence of a return and uncertainty around benefits.

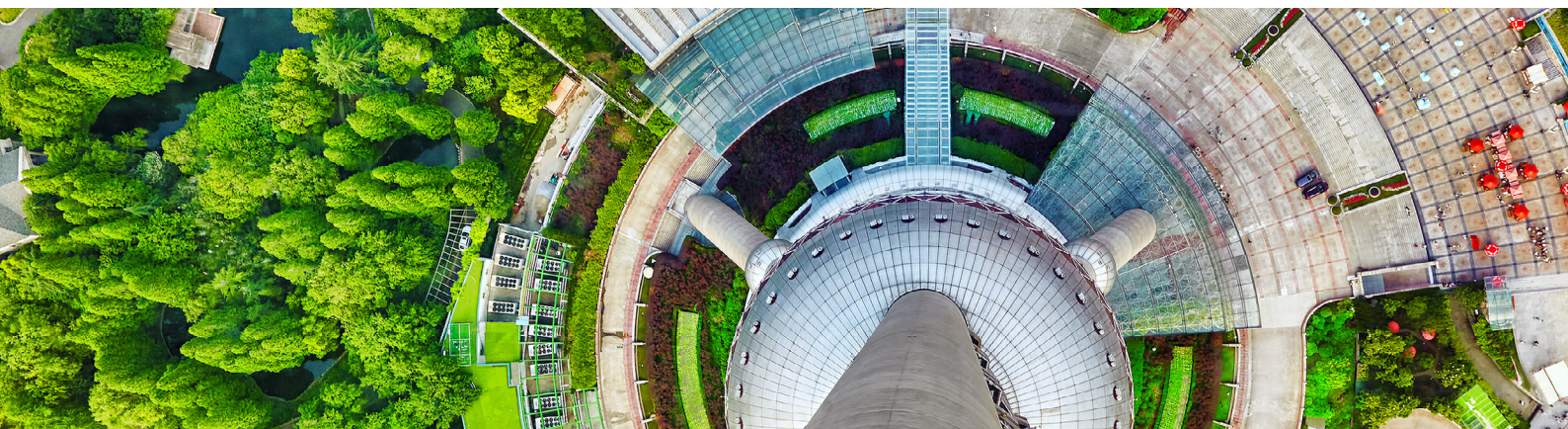
Feedback from professionals indicates that the construction sector could be making some headway towards addressing its waste problem. Onsite waste minimisation, recycling and re-use of materials after demolition is seen as an established practice by a considerable proportion of contributors globally.

In addition, a fair share of respondents see demand for recyclable and re-usable materials rising relative to other materials and components.

Progress is still lagging on the issue of measuring and mitigating carbon emissions. A substantial share of construction professionals state that they do not measure carbon emissions across projects. Adoption of global standards, such as the [Whole life carbon assessment \(WLCA\) for the built environment](#), 2nd edition could be instrumental in supporting professionals to assess and reduce emissions expected to be emitted over the life cycle of built assets.

Education and training programmes will be critical to help professionals build competencies needed to use the latest industry standards, reduce carbon emissions and tackle wider climate challenges.

Government policy will play a key role in steering action. It is up to policymakers to provide clarity and set out a roadmap for the built environment sector that establishes targeted regulatory interventions, short- and long-term targets focusing on decarbonisation, and building resilience to the negative effects of climate change.



3 Global commercial property sector

The RICS Sustainable Building Index signals a rise in demand for green buildings

In 2023, the index posted a net balance of +44, signaling an increase in occupier and investor demand for climate-adapted real estate. Net balance is calculated by the proportion of respondents reporting a rise in demand minus the proportion reporting a fall.

This follows net balance readings of +48 in 2022 and +55 in 2021 respectively, suggesting that appetite for green buildings is continuing to rise across the globe.

The up-tick was noted across all regions covered in the survey with demand growth in Europe (net balance of +73) leading the UK, Middle East and Africa, Asia Pacific, and the Americas (Figure 1).

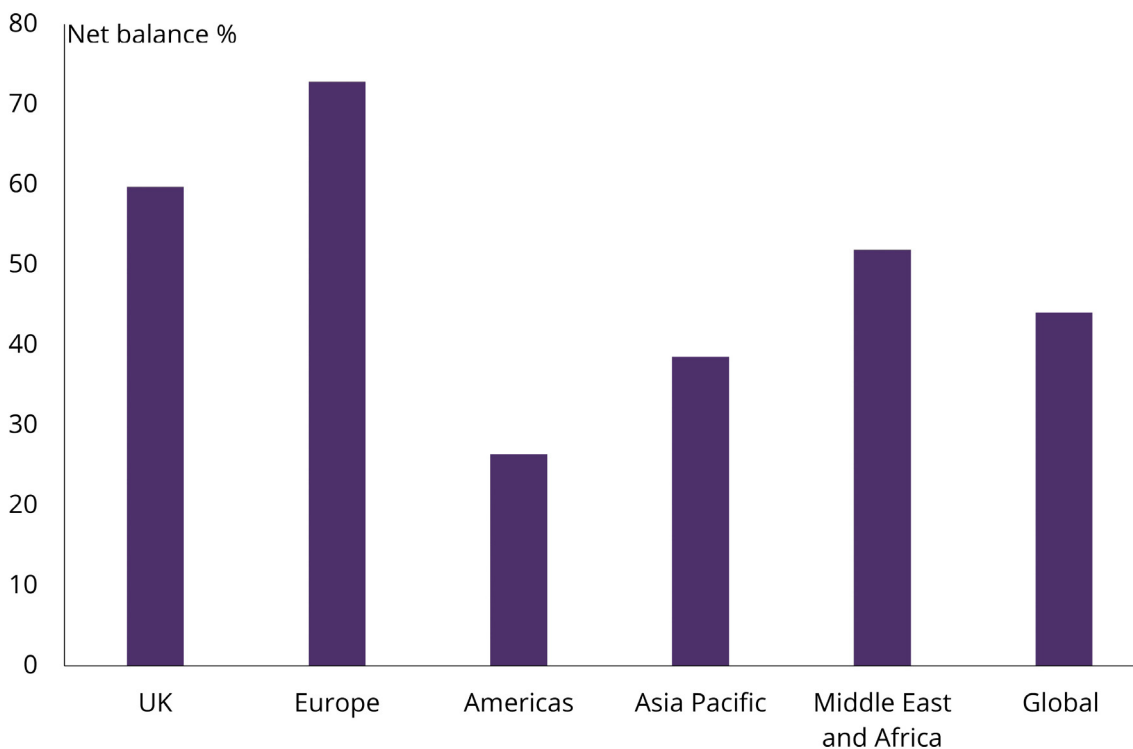


Figure 1 RICS Sustainable Building Index

Demand for green real estate is reportedly rising across all regions with Europe leading the way

More than half of respondents globally report that occupier demand for green and sustainable buildings has increased over the last 12 months (Figure 2). The greatest share (around 42%) note a modest rise, while around 11% see a significant pick-up.

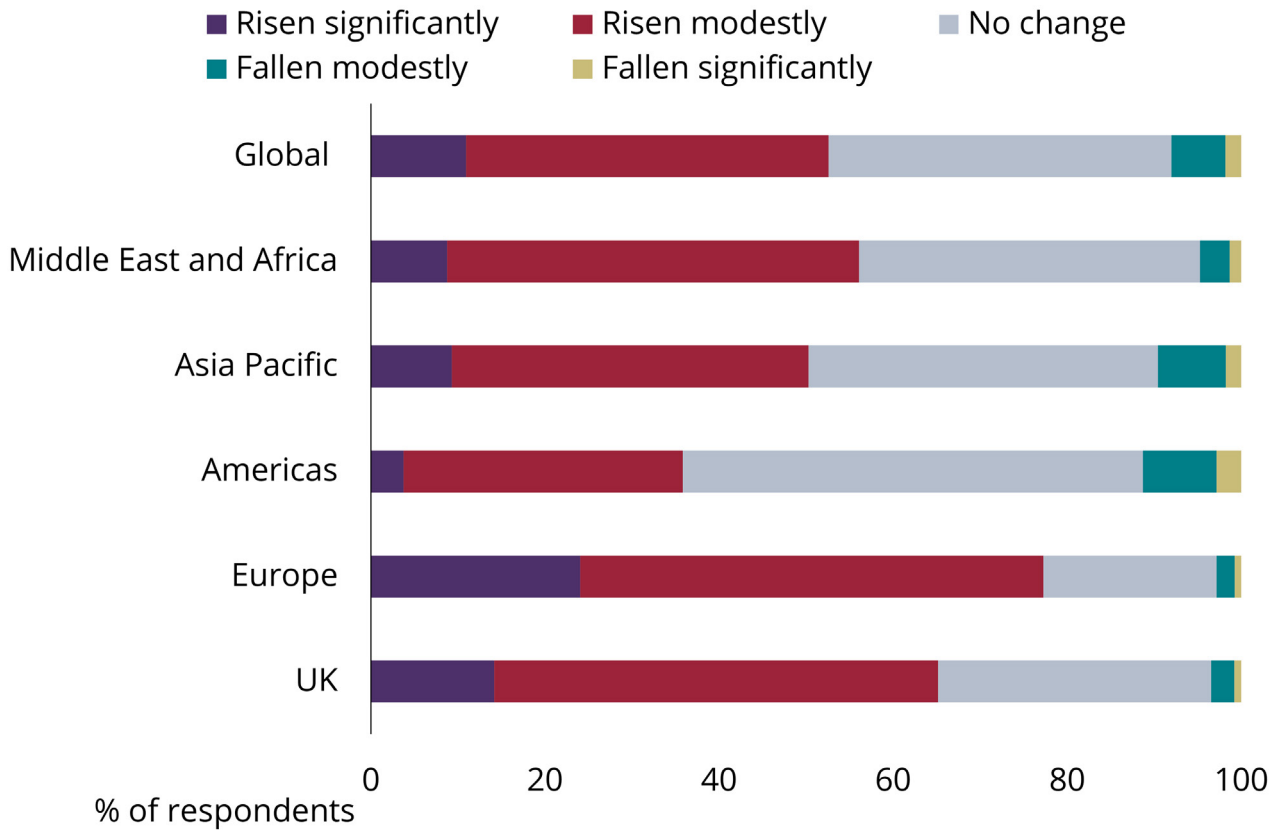


Figure 2 Change in occupier demand for green/sustainable buildings in the last 12 months

Across Europe, almost 80% of contributors see occupier demand rising for green real estate in the past year. This is higher than in any other region. Even so, most (around 54%) point to only a modest rise, while roughly a quarter report a significant shift.

Across the UK, roughly two-thirds of respondents see a rise in occupier appetite, however just under half see a modest pick-up while only around 14% note a significant increase.

Feedback points to broadly similar trends on the investment side of the market. Almost 40% of survey contributors globally report a modest increase in investor demand for green buildings in the last 12 months. Meanwhile, nearly 15% note a significant rise in investor appetite (Figure 3).

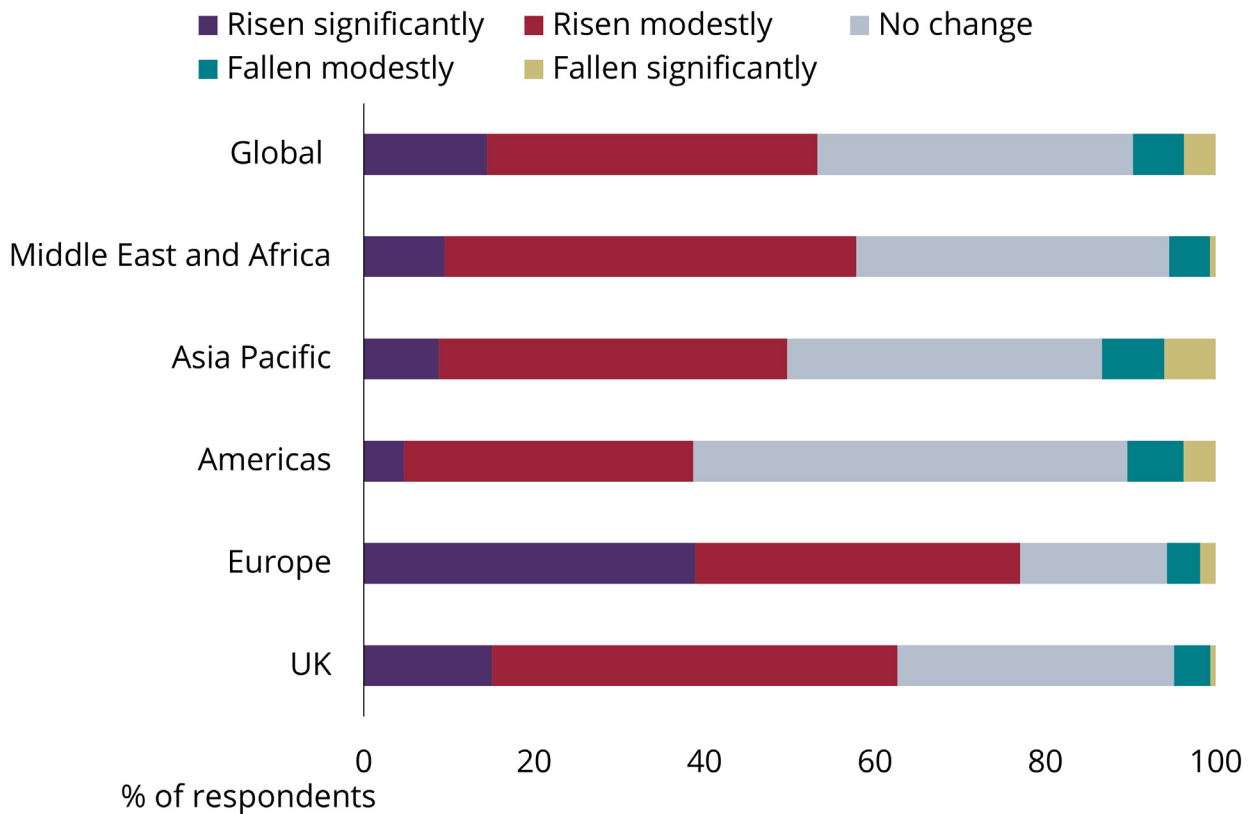


Figure 3 Change in investor demand for green/sustainable buildings in the last 12 months

A significant share of respondents (around 80%) across Europe report an increase in investor interest for green and sustainable real estate. This is broadly similar to the feedback from the 2022 and 2021 surveys.

Across the UK and Middle East and Africa around three-fifths of contributors suggest that investor demand for green buildings has risen to some extent in the past year. This is closer to 50% across the Asia Pacific.

Investor demand across the Americas appears to be lagging behind other regions. The share of respondents seeing a pick-up in occupier and investor demand for green buildings in the last year is just under 40%. In fact, around one-third point to only a modest rise while just 5% note a significant increase. Significantly, around half of respondents based across the Americas state there is no change in occupier and investor demand for green buildings in the past year. This is greater than the global average of around 40%.

Only around 10% of respondents globally report that occupier interest for green buildings has fallen over the past 12 months while just 8% report a decline in investor appetite.

Government regulations appear to be having an impact

The slightly more robust European numbers could be in response to the ambitious policies set by the European Commission, including the Energy Performance of Buildings Directive and the Renovation Wave. The policies aim to reduce carbon emissions and energy consumption across the building sector substantially by 2030, ready to be fully climate-neutral by 2050. Furthermore, legislation approved this year requires all new buildings to be zero emission by 2028. For public buildings the deadline is 2026.

A wave of green building standards and certifications have been developed and adopted by countries across the Middle East.

The government of Singapore continues to make strong advances towards greener buildings. Mandatory environmental standards have been raised for new and existing buildings. The target is for 80% of all buildings (by gross floor area) to be green certified by 2030. As of the end of 2022, close to 55% of Singapore’s buildings have been green certified.

The Biden-Harris administration appears to be taking measures to cut carbon emissions across federal buildings. Some progress is also visible across the United States with most buildings over 25,000 square feet in New York required to meet energy efficiency and greenhouse gas emissions limits by 2024. Meanwhile, national energy codes designed across Canada aim to maximise energy efficiency in buildings as well as make sure health, safety and performance standards are met.

Sustainability features of a property can impact rents and capital values

Participants were asked to indicate to what extent green and sustainability features of a building impact rents and capital values in their country. On a scale from 1 (green features having no impact at all) to 5 (green features having a significant impact), around two-thirds of respondents globally selected a rating of between 3 and 4 (Figure 4). Judging by this response, sustainability features of a building appear to have a fairly strong impact on rents and capital values.

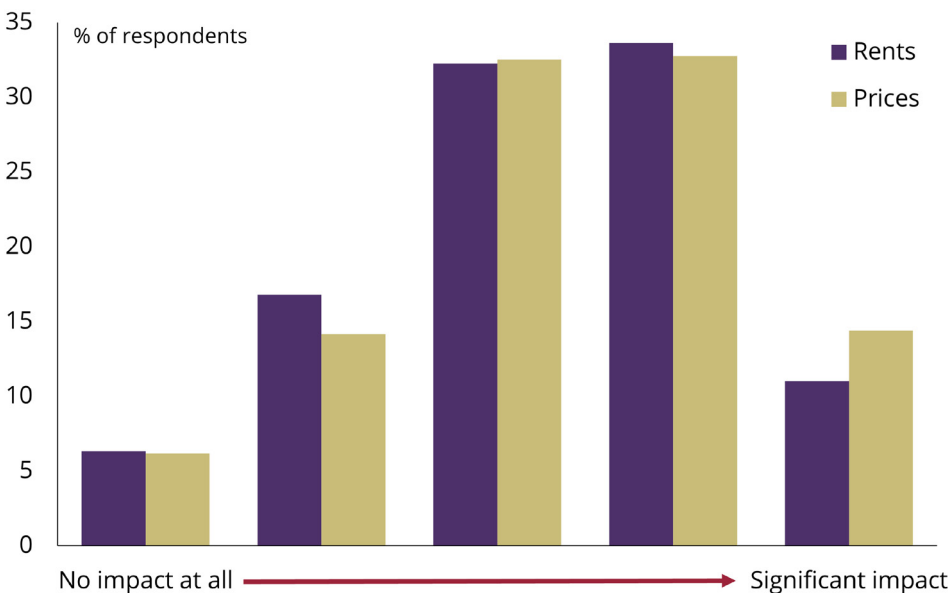


Figure 4 Impact of green and sustainability features on rents and prices

Only around 6% of contributors globally suggest that green features have no impact at all on rents and prices.

Feedback from the Americas, Asia Pacific and the UK is broadly in line with the global picture. Across the Middle East and Africa, around one-fifth of contributors report that green features of a building have a significant impact on its rental value. The share of respondents across the region stating these types of features have a significant impact on the building’s capital value is higher, standing at around a quarter.

Similarly, across Europe, around 27% of professionals believe green features have a significant impact on a property’s capital value. In comparison, the share of respondents stating that green features of a building significantly influence its rental price stands at around 16%.

Energy efficiency, low energy consumption and fossil fuel use seen as a vital feature of green real estate

To determine what the most important features of a green building for occupiers and investors are, professionals were asked to rate aspects of the green building from a scale of 1 (not important at all) to 5 (essential). Energy efficiency, reducing energy consumption and fossil fuel use is at the top of the list. Around 30% of contributors globally believe this is an essential feature for investors. A fraction lower (28%) state this is a vital feature for occupiers (Figure 5).

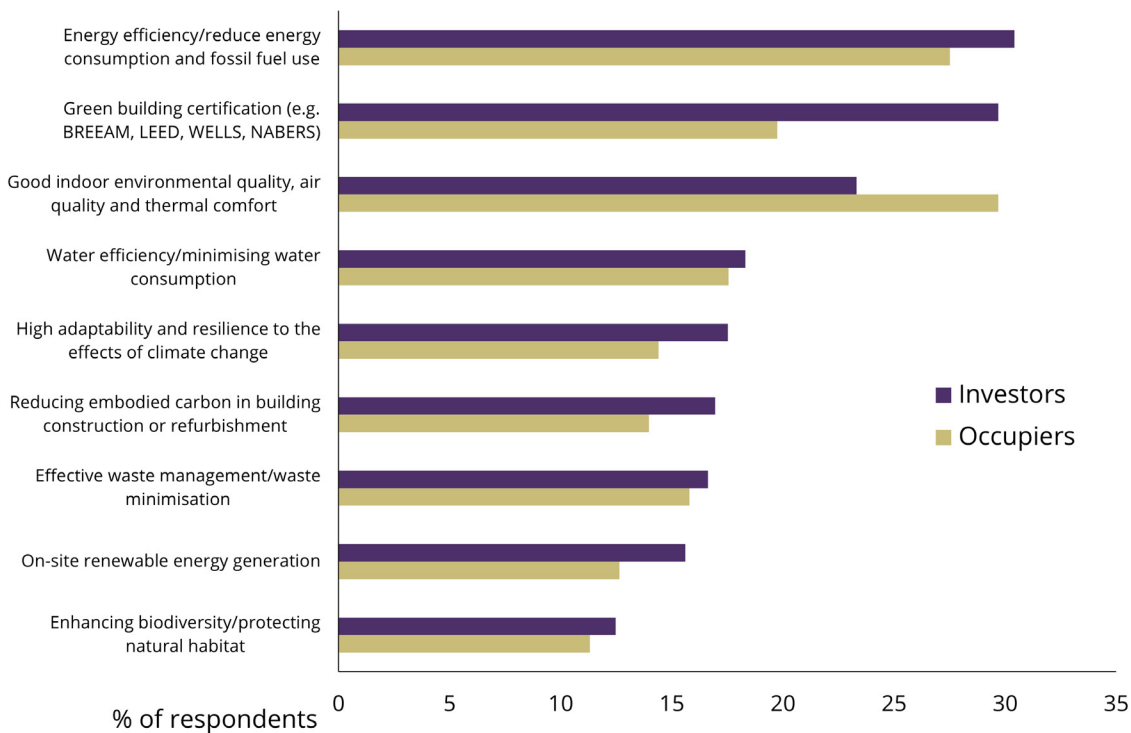


Figure 5 Share of respondents suggesting green features are essential or very essential

Green building certifications are also high on the agenda for market participants. Around 30% of professionals globally report that having green building certification (such as BREEAM, LEED, WELLS, NABERS) is an essential feature of a sustainable building for investors. In comparison, around one-fifth of contributors state this is a key feature for occupiers.

A growing body of research [including a study by Knight Frank](#) suggests that green-rated buildings are subject to a market premium compared to non-rated buildings. This could help explain the strong interest in green certifications by market participants. For investors in particular, acquiring a green-rated building could mean higher financial market returns and greater interest from occupiers.

Adaptability and resilience to the effects of climate change is seen as a vital feature of green buildings for investors by around 18% of global participants. Around 14% note it to be an essential aspect for occupiers.

Just under one-third of global contributors note that good quality indoor environment and thermal comfort is an essential feature of a green building for tenants. In comparison, around 23% feel this is an essential facet for investors. Around 18% of global respondents state that water efficiency is an essential characteristic for both investors and occupiers.

Effective waste management, reducing embodied carbon in construction and onsite renewable energy regeneration are seemingly less vital, with just 15% of contributors globally stating that these are essential features of a green building for market participants. An even smaller share of contributors (around 11%) point to enhancing biodiversity and protecting natural habitat as an essential feature.

Water efficiency is seen as high priority for occupiers and investors across Middle East and Africa

Regional results tell an interesting story. Almost half of contributors from Europe report that energy efficiency, reducing energy consumption and fossil fuel use is an essential feature for investors, and around 43% believe it to be an essential feature for occupiers. In addition, around 54% of professionals from the region state that green building certifications is an essential aspect of a sustainable building for investors, while just under a third state that it is an essential aspect for occupiers.

In addition, just over a quarter of Europe-based respondents state reducing embodied carbon in construction and high adaptability and resilience to the effects of climate change is an essential aspect of a green building for investors. This share is notably higher than the global average of around 18% in these categories.

Around 40% of contributors across Middle East and Africa suggest that water efficiency and reducing water consumption is an essential feature of a sustainable building for occupiers and investors. This comes as no surprise given water scarcity challenges across the region. Furthermore, around 37% of respondents in the area report a good indoor environment, air quality and thermal comfort is an essential aspect of a green building for occupiers, while around 35% believe it to be an important feature for investors.

Interestingly, just over a third of contributors from the region report that effective waste management and waste minimisation is a vital feature of a green building for occupiers and investors. This share is significantly higher than the global average of around 16%.

In addition, the share of contributors stating that reducing embodied carbon in building construction and refurbishment is an essential feature of a green building for market participants is higher in the Middle East and Africa (standing at around a quarter) than the global average of around 15%.

High costs and lack of evidence of a return on investment seen as a key barrier for green real estate investments

High initial costs are seen as one of the principal barriers preventing investors from acquiring green buildings by almost three-fifths of global respondents. A substantial share of professionals (around 40%) believe that lack of evidence of a return on investment and uncertainty, as well as lack of data around benefits of acquiring green buildings, is a crucial issue. In addition, just under a third of global respondents cite lack of investor knowledge, awareness and expertise about green real estate as a key obstacle (Figure 6).

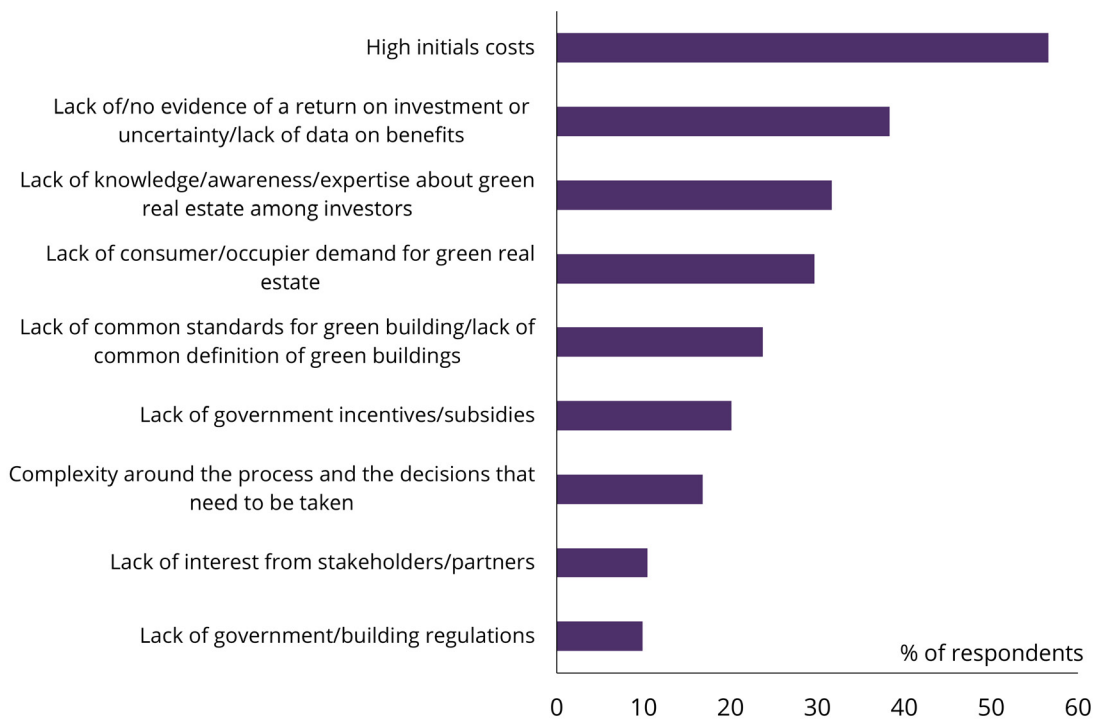


Figure 6 Barriers inhibiting investment in green/sustainable buildings. Contributors were asked to select up to three principle barriers inhibiting investors from acquiring green/sustainable buildings.

Meanwhile, lack of government regulation and interest from stakeholders and partners are placed at the other end of the scale. Only around 10% of global respondents select these factors as principal barriers to green real estate investment.



Lack of common standards and definitions of green buildings reportedly preventing investment in sustainable buildings across Europe and UK

Significantly, nearly a third of professionals across the UK and Europe state that lack of common standards and definition of green buildings is a key obstacle. This could be in response to calls for further development of mandatory energy performance standards across Europe. This is seen as a critical step towards helping national governments improve energy performance of buildings and meet the ambitious targets of the EU Green Deal.

In the UK, clarification and clarity on new energy performance certificates (EPC) standards for commercial real estate is considered essential to boost investment into energy efficiency measures and create greener buildings.

More than half of the professionals across the Middle East and Africa suggest that lack of knowledge and expertise among investors is a critical problem. This is also seen as a key barrier by more than a third of respondents across Asia Pacific.

In addition, nearly 40% of contributors across Asia Pacific and the Americas state little evidence of a return on investment, uncertainty and lack of data around the benefits of acquiring green buildings as impeding investment in green real estate.

Critically, more than two-fifths of professionals across the Americas state that lack of consumer and occupier demand for green real estate is a key barrier preventing investors from acquiring sustainable buildings. The share of contributors stating this is markedly higher across the Americas than it is in any other regions covered in the survey.

4 Global construction sector

Carbon pricing is currently not applied extensively across construction projects

CO₂ emissions from the built environment sector remain at an all time high. The sector is still not on track to achieve decarbonisation by 2050. Carbon pricing – referring to initiatives that put an explicit price on emissions – can help incentivise decarbonisation. The RICS Global Construction survey was used to gain further understanding on whether these initiatives, namely internal carbon pricing, carbon tax, emission trading systems (ETS) and command and control policy, are currently being adopted across the industry.

Just under half of global respondents state that carbon pricing is being implemented

across their organisation to some degree. However, only around 11% state that these mechanisms are being applied across all projects, while around 17% report they are being applied across most projects (Figure 7).

At the same time, almost one-fifth of contributors globally state carbon pricing is being applied across their organisation for around half or less than half of projects. Meanwhile, around 30% state that currently their organisation does not implement such tools but is looking to apply them the future. Around a quarter state they do not use carbon price mechanisms and are not looking to do so in the future.

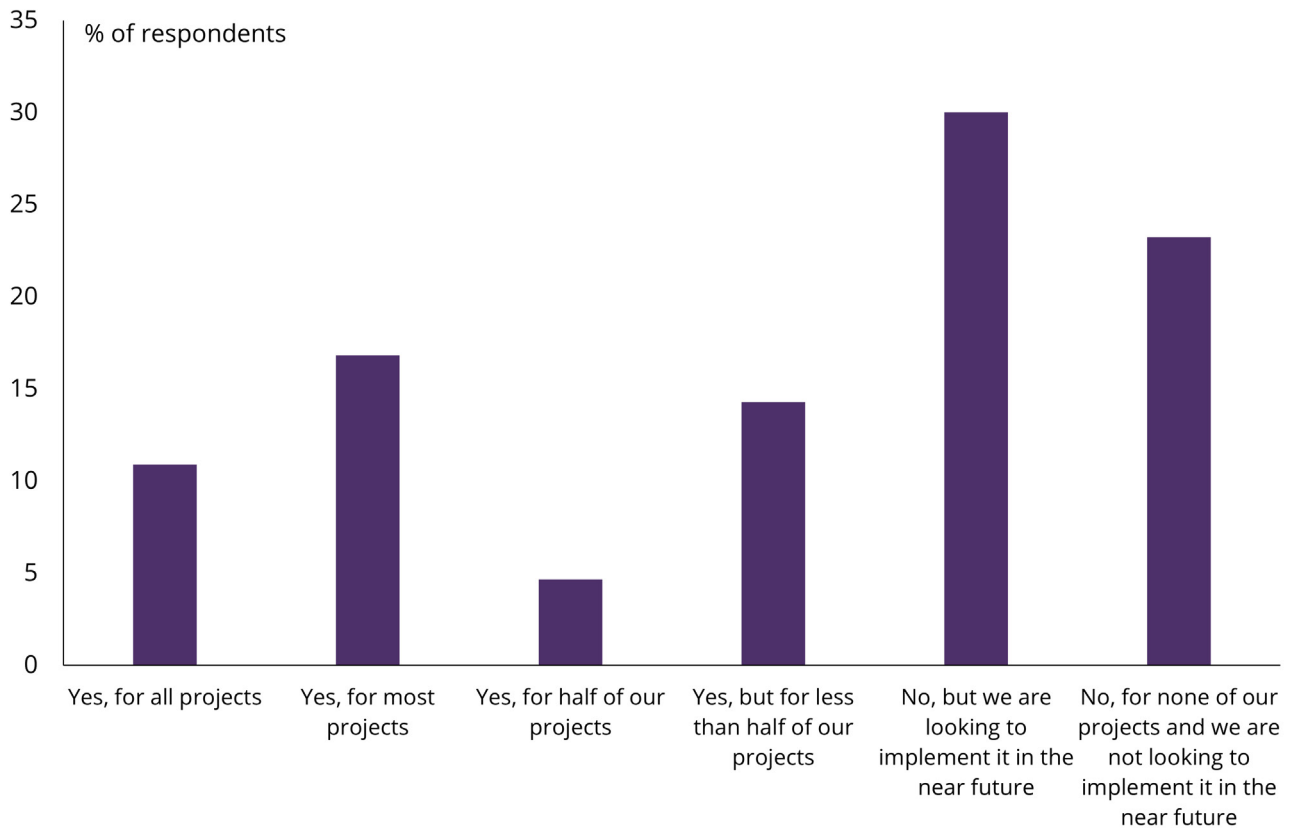


Figure 7 Does your organisation currently apply and/or implement carbon price mechanisms to manage climate risks and reduce its carbon footprint?

Results from the five broad regions (UK, Europe, Asia Pacific, Middle East and Africa and the Americas) are more or less similar to the global averages. Just under half of contributors across all five regions state that their organisation implements carbon pricing in some capacity. At the same time, an equally significant share (between 50-60%) report that these mechanisms are currently not being applied across any of their projects.

Globally, just over a quarter of respondents believe government policies around carbon pricing could be effective or even highly effective in curbing the construction sector’s greenhouse gas emissions and managing climate risks (Figure 8).

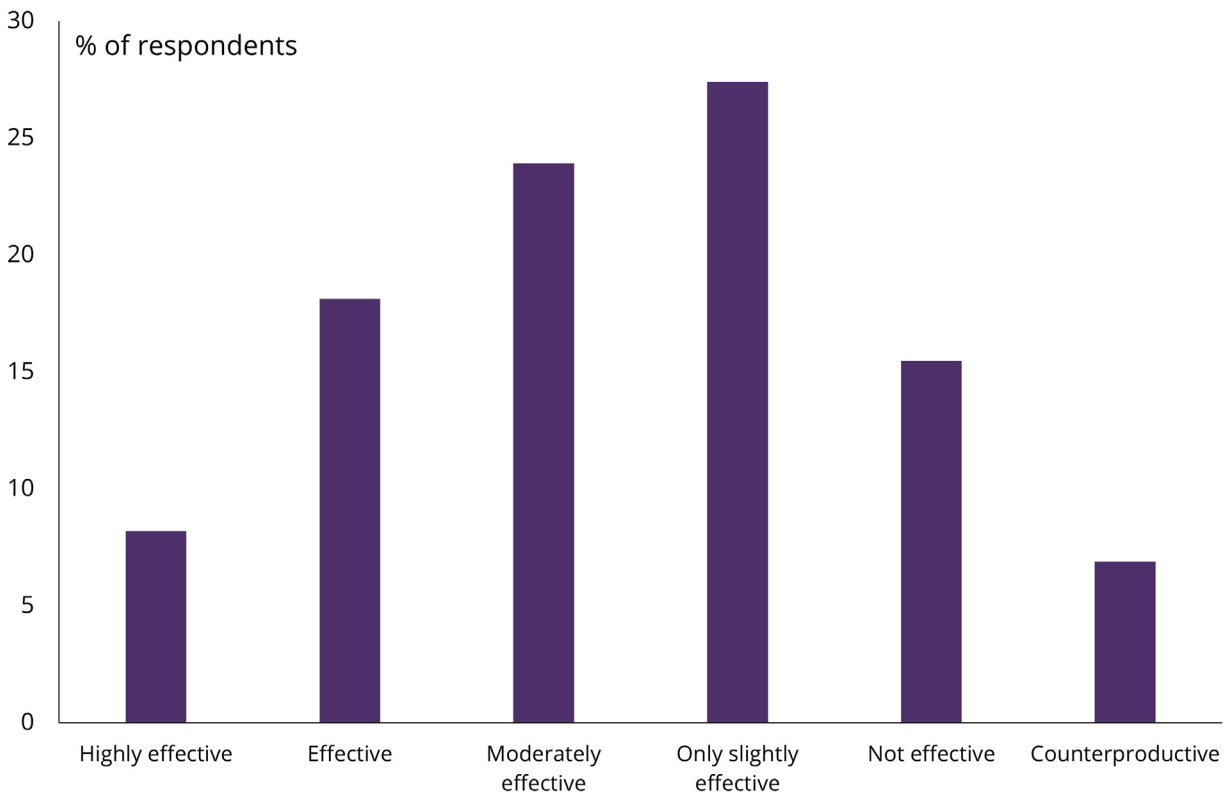


Figure 8 In the area you operate in, how effective do you think government carbon price regulations and policies (such as carbon tax, emission trading systems (ETS), command and control) can be to help reduce the construction sector’s greenhouse gas emissions and manage climate risks?

Even so, around half of global contributors state that carbon price legislation can only be modestly or slightly effective in reducing emissions. Around 15% suggest that any such policies would be ineffective in reducing carbon pollution while around 7% believe they would be counterproductive.

Responses vary across regions. Across the Middle East and Africa, around 40% of contributors suggest that carbon price regulations can be highly effective or effective in reducing emissions and managing climate risks. For this category, this share is higher in the Middle East and Africa than in any other region.

The proportion of respondents noting that government policies around carbon pricing could be highly effective or effective is between 25–30% across the Asia Pacific and Europe. In comparison, around one-fifth believe this to be the case across the Americas while just 15% of contributors in the UK deem carbon pricing as a highly effective or effective policy tool for reducing emissions and managing climate risks.

Demand for recyclable and re-useable materials has risen in the past year according to a notable share of contributors

The sector must also look to adopt circular economy principles to minimise emissions and resource depletion. Research by the [Ellen MacArthur Foundation](#) points out that a circular economy could reduce emissions from building materials by 38% over the next 30 years by reducing demand for steel, aluminium, cement and plastic.

Roughly 50% of respondents globally state that the demand for recyclable and re-useable materials has risen over the past 12 months relative to other materials and components. However, most (around two-fifths) suggest that demand has risen modestly while just 7% note a significant pick-up (Figure 9).

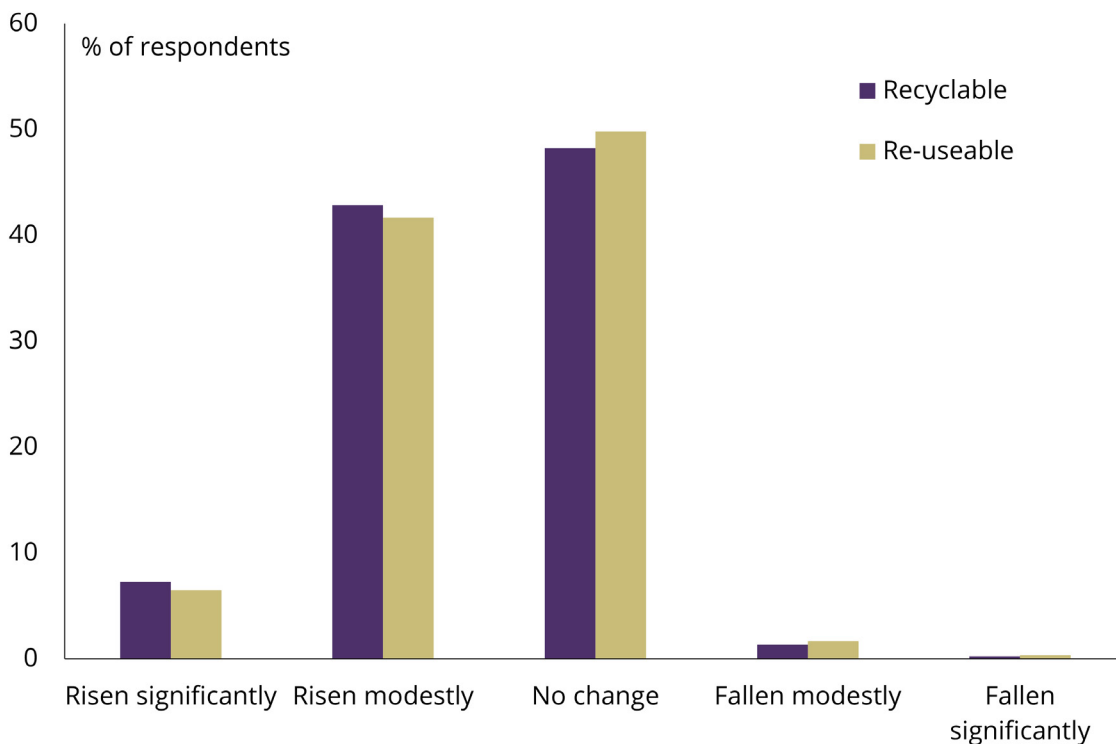


Figure 9 How has the demand for recyclable/re-useable materials and components changed in the last 12 months, compared to other materials and components?

Even so, a significant proportion (around half) report no change in demand for recyclable and re-useable materials in the past year. The share of contributors noting a fall in interest for such materials is negligible.

Regional results are more or less similar to the global results with Europe being the exception. The share of contributors across Europe seeing a rise in demand for recyclable and re-useable materials in the past year is slightly higher than the global average, standing at around 61% (for recyclable) and 56% (for re-useable) respectively.

Professionals are still not meaningfully implementing carbon measurement practices across projects

Similar to the 2022 and 2021 reports, construction sector professionals were asked to give insights around embodied carbon assessment across projects. The 2023 results show that around 43% of respondents globally report they take no measurement of embodied carbon on projects (Figure 10).

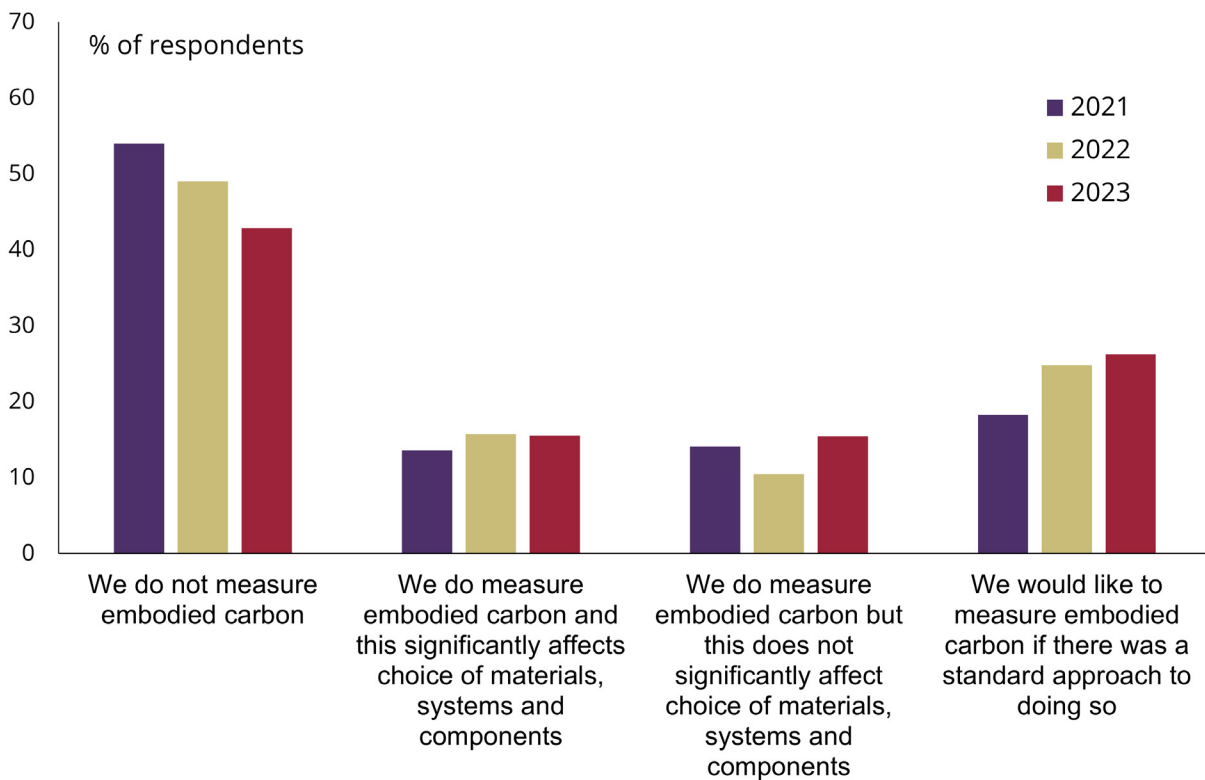


Figure 10 Currently, do you measure embodied carbon emissions on your projects and, if so, how significantly does this affect the choice of materials, systems and components?

Even if carbon is being assessed, there is little evidence to suggest that it is having an impact on the choice of materials and components.

Only around 16% of global respondents suggest they measure carbon across projects and use this to guide their selection of materials and components. This follows the same pattern as feedback to the 2022 and 2021 surveys.

Just over a quarter of contributors globally state they would like to measure carbon if there was a standard approach in doing so. This is broadly similar to last year’s results.

The regional results are similar to the global average. The largest share of professionals across all regions (around 45–50%) report that they take no measurements of carbon across projects. However, feedback from Europe is slightly more encouraging. Although 38% of contributors from the region state they take no measurement of carbon across projects, around one-fifth report they do assess embodied carbon, and this does affect their choice of materials and components. This share is higher in Europe than in any other region covered in the survey.

Most contributors see waste minimisation, recycling and re-use as an established practice in the sector

Participants were asked to categorise principles of sustainable construction from ‘very well established’ to ‘no progress has been made’ in their respective regions.

Onsite waste minimisation, recycling and re-use of materials after demolition appears to be at the forefront. Just above half of contributors globally state these practices are very well established or established across the sector (Figure 11).

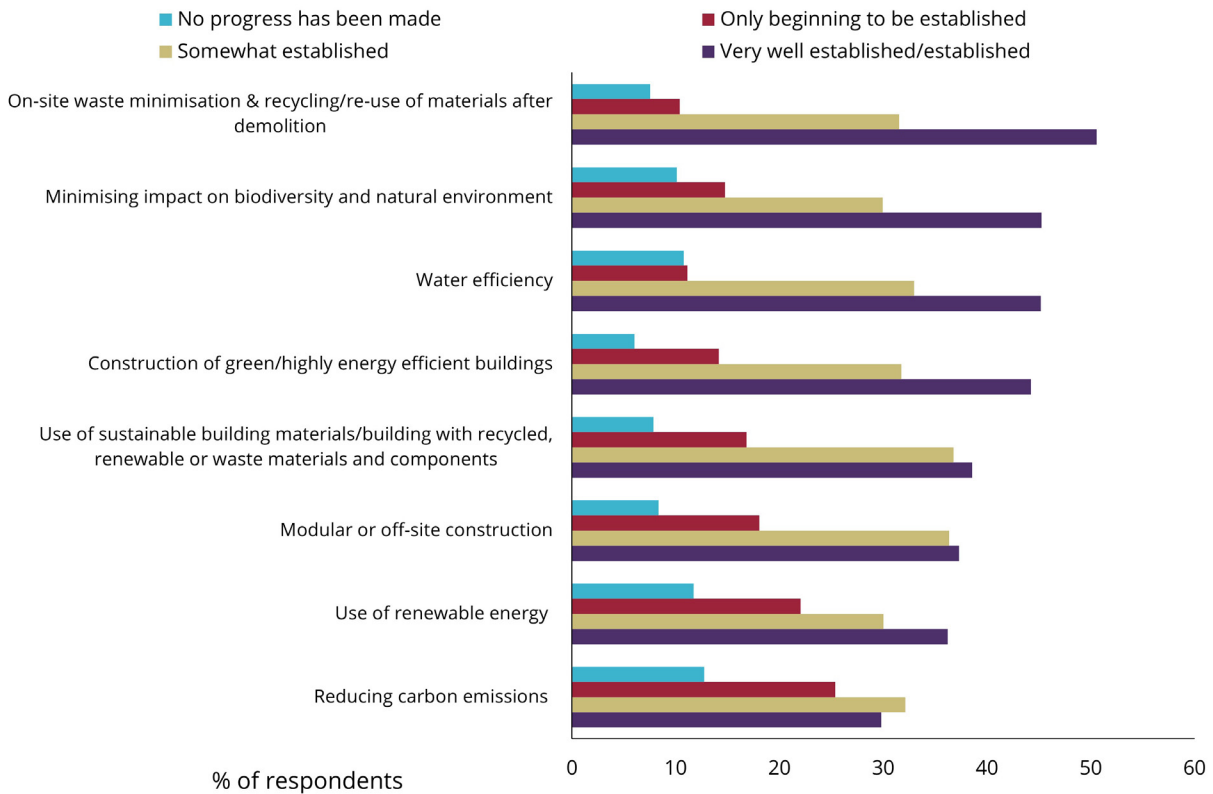


Figure 11 In the areas you operate in, how established are the following sustainable construction principles across the sector?

This is followed by water efficiency and minimising impact on biodiversity and the natural environment. Around 45% of contributors globally see these factors as established or very established practices in the sector. A broadly similar share also point to construction of green and highly energy efficient buildings.

Meanwhile, around 39% globally suggest use of sustainable building materials and building with recycled, renewable, or waste materials and components is an established or very well established principle.



In comparison, decarbonisation is towards the other end of the scale. Around 30% of global contributors state that reducing carbon emissions is an established or very well established practice in the area they operate in. This is the lowest share in this particular category. Around 32% of global respondents suggest that mitigating emissions is somewhat established while around a quarter state it is only beginning to be established.

Close to two-fifths of contributors in the UK suggest that reducing emissions is an established principle across the sector. However, this trails behind other practices such as onsite waste minimisation, recycling and re-use of materials after demolition and minimising impact on biodiversity. The picture across the Americas is broadly similar.

Across Europe, onsite waste minimisation, recycling and re-use after demolition in addition to construction of green buildings are towards the top of the list with just under two-thirds of contributors seeing these as established or very well established practices across the region. This is followed by use of renewable energy with just over half of respondents indicating this to be an established or very well established principle.

Across the Middle East and Africa and Asia Pacific, water efficiency is seen as an established or very well established principle by a substantial share of contributors (around 57% and 40% respectively). In comparison, the share of respondents pointing to reducing carbon emissions as an established or very well established practice is much lower, standing at around 32% in the Middle East and Africa and 23% in Asia Pacific.

5 Conclusions and recommendations

Decarbonisation remains the top priority for the sector, adoption of global standards could have a significant impact

Global emissions from the built environment still stand close to 40% making it a vital sector to decarbonise to achieve goals of the Paris Agreement. Climate action pathways by the [UN-backed Marrakech Partnership](#) suggest that the industry needs to reduce its emissions by 50% by 2030 if it is to reach net zero by 2050. Within this, embodied carbon must be reduced by at least 40% across the sector by 2030.

To achieve this, the measurement of carbon emissions across the whole life cycle must become common practice. Global standards and practical guidance for construction professionals and stakeholders can provide support. [RICS' Whole life carbon assessment \(WLCA\) for the built environment](#), 2nd edition is a comprehensive global standard that professionals can use to estimate and reduce embodied, operational and in use emissions over the life cycle of new build and existing built assets. Professionals can use WLCA alongside their national and regional frameworks.

The [International Cost Management Standard \(ICMS 3\)](#), a global framework for cost and carbon reporting for all built assets, is also a vital tool to facilitate decarbonisation. Professionals can use this standard to assess construction costs against costs of reducing carbon. This can be used to make crucial decisions in the early stages of a project.

[A number of case studies](#) show that professionals are incorporating sustainability and green initiatives across projects.

- Across various cities in India, Knight Frank has taken significant steps to assess scope 1, 2 and 3 greenhouse gas emissions linked to its offices by identifying carbon hotspots across the value chain. Consequently, a series of measures have been devised to mitigate emissions including maximising use of natural lighting across offices, incentivising employees to use electric vehicles and green procurement in supply chains.
- A team of RICS chartered surveyors and Registered Valuers at JLL have worked with a multinational investor with a portfolio in five different European countries to develop a decarbonisation strategy. In particular, the risks and opportunities of this strategy on asset values were examined. The team developed a 'business as usual' case and compared this with a 'decarbonisation' approach to understand the potential impact on asset values within the portfolio. The result showed that if decarbonisation initiatives are not taken into account and environmental, social and governance (ESG) factors are ignored, the future risk to asset values can be substantial.

- A research study by RICS members has examined the infrastructure needs of all indigenous communities in Canada. These communities are disproportionately impacted by flooding, wildfires and droughts. The severity of these impacts is only likely to increase with climate change. The research analysed data from a geographic area of approximately 9.98 million square kilometres and estimated the capital and operating costs required to close the infrastructure gap by 2030. The research also recommends key infrastructure needs for the region. Meaningful collaboration with a range of public and private stakeholders and indigenous peoples played a big part in the success of this study. The research highlights how partnerships and dialogue between local communities, government and industry can help to broaden knowledge and generate solutions to climate challenges

Education and qualifications are a key piece of the puzzle

Education and training programmes linked to sustainable practices will have to be developed to assist professionals in applying the latest standards and tools effectively. The CIC Climate Action Plan Toolkit's [Education and Training Workstream](#) establishes what success could look like in this area. The toolkit suggests that sustainable practices and climate literacy need to become central across the industry and integrate directly with technical and professional practices. In the long run, professionals should be able to fully apply sustainability principles and achieve net zero carbon emissions across all projects.

Emphasis must be placed on improving circular economy practices - digital tools can help

Feedback to the RICS Global Construction survey and analysis by [World Business Council for Sustainable Development](#) (WBSCD) suggests that some attention has shifted towards the adoption of circular economy practices across the industry. However, there is room for improvement. The built environment is still one of the largest consumers of natural resources and a big producer of waste.

[Estimates by the European Commission](#) suggest that construction and demolition account for more than a third of all waste produced in EU. [A critical study](#) by Arup and the Ellen MacArthur Foundation stresses that adopting circular economy approaches is an opportunity to realise greater value from built environment assets. Policy levers such as [circular public procurement](#) can help. Planning policies covering specific requirements around demolition, construction materials and the proportion of recyclable and re-useable materials in projects can also make a big difference.

Digitisation is a key enabler. Digital tools can help professionals collect, store and share crucial information about materials and products. Technical characteristics of specific building components and other relevant data can be recorded using building information modelling (BIM) and building passports. Furthermore, digital platforms can also promote data sharing and collaboration between stakeholders across the value chain. This could help also address the issue of fragmentation across the industry.

Carbon pricing can be effective in steering the sector towards decarbonisation, but it should be aligned with other policies

To date, applying carbon pricing mechanisms to the construction sector has been a particularly challenging task due to the highly complex and fragmented nature of the construction value chain. In spite of this, there are examples of [carbon pricing initiatives being adopted](#) across the industry. Significantly, [carbon pricing mechanisms can be better designed](#) to influence behaviour in the early stages of the project specifically and in turn reduce emissions along the life cycle.

As a policy mechanism, carbon pricing is seen as a powerful tool to reduce emissions while driving innovation and raise revenue. However, [analysis by RICS](#) and the [Construction Pricing Leadership Coalition](#) suggests that carbon pricing initiatives are likely to be more effective if they are aligned with other complementary policies such as those focusing on energy efficiency and minimum energy performance standards.

The EU's [Emissions Trading System 2 \(ETS 2\)](#) scheme for transport and building emissions comes into effect in 2027 and can potentially help drive decarbonisation across the buildings life cycle and shift demand towards energy efficient buildings.

Regulators must set targets and develop strategies and roadmaps that map out a pathway towards a net zero and resilient built environment sector

Government policy will play a critical role in facilitating a stable environment to ensure decarbonisation can take place at scale and to increase resilience of the built environment to the negative effects of climate change

- Setting science-based national targets focused on decarbonisation and climate resilience. This should be accompanied by sector roadmaps that lay out critical steps needed to achieve these targets. Where appropriate, consider carbon pricing as a policy instrument to reduce emissions across the sector.
- Mandating embodied carbon assessments for all construction projects. Encourage adoption of global standards such as RICS' WLCA and ICMS 3 to help provide a clear methodology for carbon life cycle measurement and reporting. Attention should also be placed on developing training programmes to ensure professionals are equipped with the necessary skills and knowledge to meet these new requirements.
- Develop public-private partnerships to close key information and data gaps. These partnerships should focus on embedding circular economy practices across industry and advocate for the adoption of digital technologies to create a platform where critical project-level data can be shared.
- Set minimum energy performance/efficiency standards for commercial real estate to create a stable environment and provide clarity for occupiers and investors. Draw up policy incentive frameworks to increase investment in green and sustainable buildings and infrastructure.

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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