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Insights

RICS SUSTAINABILITY REPORT 2022: SOME GREEN SHOOTS?

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In recent years there has been recognition within the UK construction industry of the importance of the reduction of carbon emissions.

Major standard forms have responded to market demand and made provision for carbon reduction provisions, for example, JCT's sustainability provisions, NEC's Option X29 and FIDIC's Climate Change Charter. In addition, organisations such as The Chancery Lane Project, BREEAM and NABERS, to name but a few, have set up sustainability certification systems and much guidance has been published on how the elusive net zero carbon targets can be achieved (for example, see the March 2022 King's College report, "Procuring Net Zero Construction", based on research led by Professor David Mosey, Darya Bahram, Dr Roxana Vornicu and Dr Paolo Ettore Giana and part funded by the Society of Construction Law. The point being: the carbon reduction tools are there if parties wish to use them.

This is why the 2022 edition of the RICS Sustainability Report (Report) is so timely. Building on the 2021 edition, the Report offers the first year of trend line analysis by drawing on the expert opinions of around 4,000 professionals across four broad world regions: the Americas, Asia Pacific, Europe, and the Middle East and Africa.

The Report asks what the keys to accelerating decarbonisation in the built environment are and aims to help professional practitioners as well as regulators and policymakers with vital insights into the issue.

This blog takes a closer look at the Report.

KEY FINDINGS

Key findings from the Report include the following:

- Demand for green buildings continues to rise globally but the Report highlights a modest up-tick in growth as opposed to a significant pick-up. This impacts both rents and prices with non-green real estate assets being subject to a brown discount.

- Majority of respondents note a rise in climate risk assessments by investors on their built assets. This suggests that climate issues are rising up the agenda and could influence the behaviour of key market players.
- Professionals are beginning to embrace digital technologies to complete sustainability-related analysis for their projects to assess energy needs and costs but not to reduce embodied carbon or measure impact on biodiversity.
- The lack of established standards, guidance and tools is seen as the most fundamental barrier to reducing carbon emissions.
- The Report also highlights high costs or low availability of low carbon materials and skill shortages as challenges.

RISING DEMAND FOR GREEN BUILDINGS

Pick-up in demand for green building is reported across all four regions with Europe outpacing the other regions. 55% of contributors globally note the occupier demand for green or sustainable buildings has risen over the past 12 months. On the investment side of the market, around 40% report a modest increase in investor appetite. This pick up in investor demand is again most pronounced across Europe with 80% of respondents reporting an increase in demand. This could be the result of government policies such as the European Commission's ambitious Green Deal with an interim target to reduce emissions in the building sector by at least 60% by 2030.

The Report also indicates the presence of a market premium for green buildings and close to 50% of global respondents report a brown discount (non-green buildings being subject to reductions in rents and prices).

On a national level, results from France and Germany are worth mentioning with around 40% of respondents noting a significant increase in appetite for climate risk assessments on buildings in the past year. In the UK, only 14% report the same and around 43% report a modest increase instead.

EMBODIED CARBON AND LIMITED USE OF DIGITAL TOOLS

Digital technology is transforming the global construction sector but the Report highlights that digital tools and processes are used in a limited way for completing environmental and sustainability assessments on projects. Only 47% of respondents report using digital tools to complete such assessments on all or most of their projects and 45% report using the tools on less than half or none of their projects.

Instead, digital technology is predominantly used to measure and reduce energy needs and costs and analyse renewable energy options. Only 15% of respondents state that digital tools and

processes are used to assess and reduce embodied carbon across projects. The Report points to a lack of industry advancement on the measurement of embodied carbon with only 16% reporting that they both measure embodied carbon and use these assessments to guide their selection of materials and components. Similarly, the majority of respondents (72% globally) state that they make no measurement of operational carbon across the lifecycle of their projects.

DECARBONISATION TOOLKIT

When asked to select the principal barriers that are preventing the sector from reducing embodied carbon emissions, around 50% of professionals identified lack of established standards, tools, databases, benchmarks and guidance as a key obstacle. The second more pressing issue highlighted was high costs or low availability of low carbon products, materials and components.

Based on its findings, the Report concludes that the development of a “professional decarbonisation toolkit” is required to meaningfully address the issue.

The construction industry has already made progress. First, the International Cost Management Standard provides a globally consistent method for carbon whole lifecycle reporting for buildings. Second, the Built Environment Carbon Database is a tool which allows professionals to log essential data on different types of construction projects to give estimates of how much carbon has been emitted during construction, as well as with future maintenance, energy use and demolition emissions. Third, RICS publishes Whole Life Carbon Assessment for the Built Environment which is a UK-based whole life carbon assessment methodology for calculating carbon across the sector.

One of the key messages from the Report is that such tools, databases and standards need to continue to evolve in a collaborative way. Collaboration, knowledge and data sharing across the industry, led by professionals with adequate knowledge of climate and environmental issues and supported by regulatory interventions, will be crucial for accelerating decarbonisation.

FINAL THOUGHTS

The conclusions of the Report are unsurprising.

Wholesale adoption of carbon reduction commitments is not going to happen overnight but that is not to say it won’t eventually happen. The green shoots are there. Certainly in the UK there is a clear trend towards sustainability being increasingly valued and entrenched in market practice. This can only be a positive thing.

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