

Insights

RICS SUSTAINABILITY REPORT 2023: MORE PROGRESS REQUIRED TO ACHIEVE CARBON NET ZERO GOAL

Jan 22, 2024

SUMMARY

In this Insight, first published in PLC, Freya Scott discusses the RICS Sustainability Report 2023, considers some of the barriers to achieving the carbon net zero goal by 2050 and what can be done to overcome these.

Sustainability and the reduction of carbon emissions are hot topics within the construction industry, with an increasing recognition that as the industry contributes 40% of the world's carbon emissions changes need to be made. However, as set out in the RICS Sustainability Report 2023 (Report), the industry is not making enough progress to reach the carbon net zero goal by 2050.

The Report, which takes onboard feedback from 4,600 professionals across 36 countries, shows that although there is a global desire for green building certification, other factors are seen as less important or too expensive, suggesting a trend toward window dressing rather than a real desire for change.

Concerns about cost and a return on investment are seen as the principal barrier to change, with a focus on profit over improvements. The global trend is a lower priority for occupiers than owners, which the Report suggests demonstrates that green buildings are seen as a "landlord's problem". Instead, RICS proposes:

"joined-up action to cut whole life emissions and embed sustainability from the first designs to the final operations".

On a more positive note, the Report points to the rising demand for sustainable buildings amongst both investors and occupiers around the world, along with an increasing interest in re-usable and recyclable components in construction with gradual moves towards a circular economy.

For more information, see [RICS Sustainability Report 2023](#).

PROGRESS

Following on from trends seen in the 2021 and 2022 RICS Sustainability Reports, there is a growing interest in green real estate. This is demonstrated by a net balance of +44 in the RICS Sustainable Building Index, which the Report suggests signals an increase in occupier and investor demand for "climate-adapted real estate". However, this is a lower increase than the +48 and +55 net balance reading from 2022 and 2021 respectively. As in previous years, growth was led by Europe, which does not include the UK, with around 80% of respondents saying that there was an increase in occupier and investor demand, with the Americas coming last behind UK, Middle East and Africa and Asia Pacific. Around 50% of respondents from the Americas said that there was no increase in investor demand at all.

The Report suggests that government policy may be playing a critical role in driving this trend in Europe, pointing to the Energy Performance of Buildings Directive and the Renovation Wave. These policies aim to reduce carbon emissions and energy consumption across the building sector substantially by 2030 in order to be fully climate neutral by 2050. All new buildings must be zero emission buildings by 2028, or 2026 for public buildings. This compares to much more modest regulation in the US where legislation requires most buildings over 25,000 square feet in New York to meet energy efficiency and greenhouse gas emission limits by 2024.

Similar to last year's report, sustainability features in properties can be seen to impact rents and capital values. However, in Europe only 16% of respondents said there was a significant impact on rental prices, and 27% said there was a significant impact on capital values. Feedback from the Americas, Asia Pacific and the UK was broadly in line with the global picture. Across the Middle East and Africa around 20% report that the green features have a significant impact on rental value and 25% on capital value.

For a discussion of last year's report, see our previous post: ["RICS Sustainability Report 2022: some green shoots?"](#).

VITAL FEATURES OF GREEN REAL ESTATE

Unsurprisingly, the features that respondents reported as being the most important features of a green building for occupiers and investors were regional specific.

In Europe and the UK, energy efficiency, reducing energy consumption and fossil fuel use is an essential aspect for investors and believed to be a high priority for occupiers. Green building certification is also considered to be an essential quality for investors, although less important for occupiers. Reducing embodied carbon in construction and high adaptability and resilience to the effects of climate change was also notably higher than the global average.

In the Middle East and Africa, respondents were more concerned about water efficiency and reducing water consumption for both investors and occupiers. A good indoor environment, air

quality and thermal comfort were also essential components of a green building for occupiers, and still an important feature for investors.

BARRIERS

According to the Report, the main barrier to investors buying green buildings is the high initial costs with almost 60% of respondents citing this as the reason. Lack of evidence of a return and a lack of data and uncertainty around benefits was also seen as a fundamental barrier, most acutely in Asia Pacific and the Americas.

Lack of investor knowledge and expertise was cited by a third of respondents globally, but particularly prevalent in the Middle East and Africa, and Asia Pacific. In the UK and Europe, a lack of common standards and definitions of green buildings was reportedly preventing investment in sustainable buildings across the regions. In the Americas one of the key obstacles appears to be a lack of consumer and occupier demand for green real estate. This is higher than any other region.

CARBON PRICING

The Report considers that carbon pricing – where an explicit price is put onto emissions – is key to achieving decarbonisation by 2050. However, the RICS Global Carbon survey shows that only 11% of respondents state that these mechanisms are used across all of their projects, and 17% report they are being used on most of their projects.

Conversely, about 20% are using them on half or less of their projects, around 30% don't currently implement them but are planning to, and about 25% have no plans to.

Only just over 25% believe that government policies around carbon pricing could be effective or even highly effective in curbing the construction sector's emissions and managing climate risks. This is much higher in the Middle East and Africa where 40% of respondents thought that carbon price regulations could be highly effective or effective.

For more information, see [RICS Whole life carbon assessment for the built environment, 2nd edition, 2023](#).

RECYCLABLES AND RE-USABLE MATERIALS

One of the keys ways that the industry can look to minimise emissions is to adopt circular economy principles by reducing demand for steel, aluminium, cement and plastic. Positively, around 50% of respondents globally state that demand for recyclable and re-useable materials has risen. However, the other 50% have said that there is no change in demand. Regional results are similar to the global results with Europe being the exception standing at around 61% for recyclable and 53% for re-useable materials.

CARBON MEASUREMENT

As with the previous years' reports, over half of respondents take no measurement of embodied carbon on projects. Even where carbon is being assessed, "there is little evidence to suggest that it is having an impact on the choice of materials and components". Many respondents suggested that they would be more proactive in measuring carbon if there was a standard approach, again broadly similar to last year's results.

ESTABLISHED SUSTAINABLE PRINCIPLES

On-site waste management and recycling/re-use of materials is generally very well established, along with minimising impact on biodiversity and natural environment. However, the use of renewable energy and reducing carbon emissions comes at the bottom of the list.

CONCLUSION

The Report suggests that adoption of global standards, such as Whole Life Carbon Assessments for the built environment to assess and reduce emissions over the life cycle of built assets, could have a significant impact on helping the industry to reach net zero by 2050. The International Cost Management Standard is also highlighted as a useful tool that can be used to make crucial decisions in the early stages of a project.

Education and training programmes will need to be developed to assist professionals to apply the latest standards and tools effectively. The Report points to the CIC Climate Action Plan Toolkit's Education and Training Workstream as an example of how this could be successful. For information, see [Embedding Sustainability and Climate Literacy in Education and Professional Qualification: A Construction Industry Council \(CIC\) Toolkit](#).

There is some evidence that the industry is improving circular economy practices globally, but there is much room for improvement which could be achieved quicker with the assistance of digital tools and policy levers. Not only would this help the industry reduce waste, but it would provide "an opportunity to realise greater value from built environment assets".

Carbon pricing has had a limited impact to date, but the Report believes that if it were aligned with complementary policies such as focusing on energy efficiency and minimum energy performance standards it could be key to steering the sector towards decarbonisation.

Finally, government policy must play an important part in creating the right environment to ensure that decarbonisation can take place quickly across the world.

A version of this article was published in [PLC Construction](#) on 16 January 2024.

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