

# Royal Institute of British Architects

Department for Business, Energy and Industrial Strategy:  
Introducing a performance-based policy framework in large  
commercial and industrial buildings in England and Wales  
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The Royal Institute of British Architects is a global professional membership body driving excellence in architecture. We serve our members and society in order to deliver better buildings and places, stronger communities and a sustainable environment. Being inclusive, ethical, environmentally aware and collaborative underpins all that we do.

The RIBA welcomes the opportunity to respond to the introducing a performance-based policy framework in large commercial and industrial buildings in England and Wales and phase one - industrial offices above 1,000m<sup>2</sup> consultations.

On 29 June 2019 RIBA Council voted to join the global declaration of an environment and climate emergency, two days after the UK Government passed a law to require the UK to end its contribution to global warming by 2050 by bringing all greenhouse gas emissions to net zero.

The climate emergency demands urgent action and leadership by the Government, architects and the wider construction industry. The RIBA welcomes the Government's intention to introduce a performance-based policy framework for buildings. Overall, the proposed policy is robust; however, we believe that there is a need for greater ambition on behalf of the Government if we are to significantly improve the performance and reduce the environmental impacts of the built environment.

The RIBA recommends that the Government should:

- Design the performance-based policy with the intention to extend to all commercial and industrial buildings in the long-term
- Set out a clear timetable for implementation to allow all sectors to prepare and to reach out net zero targets
- Ensure incentives are adequate and use public sector procurement to drive performance improvements
- Introduce a mandatory tenant rating (for tenants over 1,000m<sup>2</sup>)
- Start to shift from using EPCs to performance-based ratings when making building owners improve energy efficiency through Government policy

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## Introducing a Performance-Based Policy Framework in large Commercial and Industrial Buildings in England and Wales

**Question 1: Do you have any evidence which supports, disputes, or could add to, the evidence presented by the Government in this chapter? In terms of the evidence presented in this chapter, do you support the Government's analysis?**

The RIBA welcomes the Government's intention to introduce a performance-based policy framework for buildings. The RIBA has repeatedly called on the Government to introduce such a framework and continues to highlight that Energy Performance Certificates (EPCs) are not fit for ensuring energy efficiency reductions, a tool for which they were not designed.

Whilst the Government's intention is positive, it's disappointing to see its plan only covers buildings that are over 1,000m<sup>2</sup> in size. Whilst these buildings equate to a significant proportion (53%) of energy used by commercial and industrial buildings, categorising buildings simply by size is arbitrary and fails to account for other key considerations.

The RIBA recommends that the Government undertakes further research to assess the types of buildings which fit into the large (over 1,000m<sup>2</sup>) category. It should consider for example – how many of the buildings, in different sectors, over 1,000m<sup>2</sup> can make significant carbon reductions? How many of these buildings are considered historic or within a conservation area? Such factors can result in the buildings being more difficult to adapt, and ultimately cause unnecessary delay to simple changes being made to smaller buildings.

It is important the Government does not overlook, even at this stage, the many opportunities in smaller commercial and industrial buildings – where significant carbon savings could be made through low-cost optimisations or behavioural adjustments.

Overall further research into the energy efficiency and usage of the building stock and different sectors should guide which buildings are included in a performance-based policy, rather than an arbitrary size definition.

The Government should design this policy with the intention to extend to all commercial and industrial buildings in the long-term.

**Question 2: Do you support the rationale set out in this chapter? If so, are there any changes you would make or considerations you would add to the rationale the Government has set out? If not, could you please explain why, providing evidence where possible.**

The RIBA supports the rationale for moving towards a performance-based approach for buildings, something the RIBA has long been calling for.

In the *Strategy Paper*, the Government indicated the sort of reductions required might be, across the commercial and industrial building stock, approximately 30% less energy used in 2030 than was used in 2015. The *Introducing Performance-Based Ratings in Commercial and Industrial Offices above 1,000m<sup>2</sup> in England and Wales – Phase one of the introduction of a national performance-based policy*

*framework consultation* states that the Government will clarify this target later in the year. The RIBA welcomes the commitment to providing further clarity on this target to ensure we are on the path to net zero.

In addition, the RIBA would like to see a clear timeframe for the onboarding of all non-domestic buildings into the policy framework and clear incentives and requirements for improving performance ratings which will provide clarity for building owners and tenants.

**Question 3: Do you support the Government's proposal to underpin a performance-based policy framework with a rating that looks to modernise the DEC, in the ways set out above? If so, are there any changes you would make or considerations you would add to the proposal? If not, could you please explain why, providing evidence where possible.**

The RIBA supports the proposal for the performance-based policy framework which modernises and goes beyond the Display Energy Certificate (DEC). The DEC has been a useful tool for organisations to understand their energy usage. However, DEC's do not make easy comparisons between similar buildings and they do not drive energy efficiency improvements. These issues must be addressed in the performance-based policy framework to ensure it is effective.

The RIBA welcomes the Government's suggestion that the benchmarks should be established in collaboration with the industry and updated and reviewed regularly and the ambition to include embodied carbon in the framework in the future.

**Question 4: The Government proposes that, as a first step, building owners and single tenants should be required to obtain an annual performance-based rating, and disclose that rating online. Do you support this proposition? If so, are there any changes or amendments you would make to the proposal? If not, could you please explain why, providing evidence where possible.**

The RIBA supports the proposition that as a first step, building owners and single tenants should be required to obtain an annual performance-based rating, and disclose that rating online.

**Question 6: Should the Government:**

- Allow owners of buildings above 1,000m<sup>2</sup> to use their annual performance-based rating to satisfy their existing regulatory obligation to present a valid EPC before a building is sold or let. As set out above, under this option the Government would continue to collect data about fabric and service improvements. Where prospective buyers or tenants want information about the building fabric and services, EPCs can be obtained on a voluntary basis.
- Continue to require owners of buildings above 1,000m<sup>2</sup> to present a valid EPC where the building is sold or let, recognising that the EPC and a performance-based rating assess different things, and can collectively provide a better level of information about the building than either rating would in isolation.

Please outline your preferred option and your reasoning, providing evidence where possible. Please set out any changes or amendments you would make to the options, or if you would favour a different option. An appraisal of the benefits and risks of both options, providing evidence where possible, would help inform the Government's decision making.

The RIBA believes that building owners should be allowed to use their annual performance-based rating to satisfy their existing regulatory obligation to present a valid EPC before a building is sold or let. The EPC does not provide the actual energy usage of a building; this is key to reducing the carbon impact of the built environment.

**Question 7: Recognising that the Government has committed to review the threshold for each sector, do you consider 1,000m<sup>2</sup> to be a sensible starting position for determining which buildings should be required to obtain annual performance-based ratings?**

Whilst the Government's intention is positive, it's disappointing to see its plan only covers buildings that are over 1,000m<sup>2</sup> in size. Whilst these buildings equate to a significant proportion (53%) of energy used by commercial and industrial buildings, categorising buildings simply by size is arbitrary and fails to account for other key considerations.

The RIBA recommends that the Government undertakes further research to assess the types of buildings which fit into the large (over 1,000m<sup>2</sup>) category. It should consider for example – how many of the buildings, in different sectors, over 1,000m<sup>2</sup> can make significant carbon reductions? How many of these buildings are considered historic or within a conservation area? Such factors can result in the buildings being more difficult to adapt, and ultimately cause unnecessary delay to simple changes being made to smaller buildings.

It is important the Government does not overlook, even at this stage, the many opportunities in smaller commercial and industrial buildings – where significant carbon savings could be made through low-cost optimisations or behavioural adjustments.

Overall further research into the energy efficiency and usage of the building stock and different sectors should guide which buildings are included in a performance-based policy, rather than an arbitrary size definition.

We are also concerned that many offices over 1,000m<sup>2</sup> will only require base ratings because they are multi-tenanted, resulting in large amounts of office energy use unaccounted for.

The Government should design the performance-based policy with the intention to extend it to all commercial and industrial buildings in the long-term.

**Question 8: Should the Government consider expanding the performance-based rating to cover factors such as water, waste and indoor air quality? What do you consider would be the benefits of this approach? Would there be any drawbacks?**

The RIBA welcomes the Government's ambition to include factors such as water, waste and indoor air quality in the performance-based policy in due course. The RIBA believes that all buildings must be sustainable, safe and contribute to the health and happiness of the people that live in and use them; measuring the further factors suggested is a positive step to ensure this.

In addition, the [RIBA 2030 Climate Challenge](#) calls on RIBA Chartered Practices to meet net zero whole life carbon by 2030 by setting targets for operational energy, embodied carbon, potable water usage and

health and wellbeing metrics such as indoor air quality. It is positive to see these metrics being considered by the Government.

**Question 9: Has the Government identified what you consider to be the right objectives for a successful delivery model?**

The RIBA believes that the Government has identified the right objectives for a successful delivery model. We would like to see some further information on compliance, incentives and penalties.

The RIBA welcomes the Government's proposal that the benchmarks are agreed, and any updates made, with the explicit involvement of sector specific and wider industry experts.

**Question 10: Do you support the Government's proposal that the annual rating should not be accompanied by recommendations for improving the rating? If so, are there any changes you would make or considerations you would add to the proposal? If not, could you please explain why, providing evidence where possible.**

The RIBA supports the Government's proposal that the rating system should not include recommendations from the ratings administrator, but for the market to supply this function. We agree that it would be difficult for the Government to give bespoke advice or recommendations on how to improve the performance of a specific building. However, continuing to develop these skills within the private sector could help create jobs and a green economic recovery from the coronavirus pandemic.

However, the Government has a key role to play in ensuring consumers are protected from misinformation or scams that could cost both the organisations and the environment. The Government's proposal will only be as effective as the regulation that underpins it.

**Question 11: Do you support the Government's proposal that exemptions should be limited to a relatively few buildings? Are there any grounds for an exemption that you feel are appropriate, which the Government has not considered? Ahead of the findings from the Government's research project we also welcome views on how the requirement to obtain and disclose an annual rating could be enforced most effectively.**

The RIBA supports the Government's proposal that exemptions should be limited to a relatively few buildings. We are in a climate emergency and we must address the carbon emissions from the built environment, and this means must include as many buildings as possible in the performance-based policy.

However, energy efficiency standards are only effective if they are being enforced properly. This requires a clear enforcement process, with an emphasis on accurate results through professional expertise.

**Question 12: Are there any considerations you would like to add to the Government's analysis of the factors that are likely to drive improvements in ratings? Do you support the Government's proposals to improve ratings from day one?**

The RIBA supports the Government's proposal to improve ratings from day one – built environment responsible for 40% of carbon emissions and we must work to reduce these as soon as possible.

The Government should commit to only occupying buildings with a high rating. Making that commitment would send a clear message to the market that lower-rated buildings must improve or risk being unlettable.

**Question 13: Do you consider that linking a clear financial incentive, or disincentive, to annual performance-based ratings would be an effective way to drive improvements in those ratings?**

The RIBA agrees that linking a clear financial incentive or disincentive would be an effective way to drive improvements. However, financial disincentives must be sufficient to have an impact. If penalties are too low this could result in low compliance.

Once the policy is introduced, the Government should review the impact and uptake of the proposals regularly to ensure it is achieving the desired outcomes.

**Question 14: What do you consider would be the impact of the incentives and interventions that have been suggested? Are there ways you think those incentives or interventions could be made more effective? Are there other incentives or interventions that the Government has not considered here, which you believe would be more effective at ensuring ratings improve over time?**

The RIBA welcomes the incentives suggested but is concerned that these do not go far enough to ensure that buildings improve their rating. We are concerned that the Government has placed too much reliance on the reputational element of improving the performance of a building. Whilst the “softer interventions” included in the consultation should be pursued, the RIBA believes we need more “stick” approaches to ensure buildings improve their performance.

Therefore, the RIBA welcomes the Government's suggestion of introducing minimum standards across the entire stock. The Government has a key role to play in setting ambitious standards to ensure we meet our climate commitments and preserve the planet for future generations. The minimum standards could increase over time to ensure that the building stock continually improves.

In addition, the Government should commit to only occupying buildings with a high rating. Making that commitment would send a clear message to the market that lower-rated buildings must improve or risk being unlettable.

**Question 15: Do you agree with the Government's assessment and preferred approach? Please provide evidence or case studies, where possible, in your response.**

The RIBA welcomes the proposal of a tenant rating for multi-tenant spaces in offices; however, we believe this should be mandatory, rather than voluntary. We are concerned about the number of office buildings for which only base ratings will be required because they are multi-tenanted. Therefore, a mandatory tenant rating for tenancies over 1,000m<sup>2</sup> should be introduced alongside the base and whole buildings rating.

The RIBA agrees that Kilowatt hour Electricity Equivalent (kWh<sub>e</sub>) should be the metric used for a performance-based rating system. This metric is widely understood and aligns with the one used by NABERS UK.

The RIBA does not recommend using primary energy or carbon emissions as the metric for the performance-based rating system. Primary energy is a complex metric with factors that change over time and it will become less relevant as the electricity grid decarbonises. Primary energy also favours gas over electricity, going against heat decarbonisation objectives. Carbon emissions may reduce as the grid decarbonises, inadvertently inflating a buildings rating without actually improving the buildings energy efficiency.

**Question 16: Do you agree that flexible energy use should be a core component of the rating? What is the best way, technically, to reflect flexible energy use in the rating structure?**

The RIBA agrees that flexible energy use should be a core component of the rating as it can do a great deal to optimise the use of renewable energy from wind and solar systems.

Whilst accounting for flexible energy use in a performance-based policy framework is not without its challenges (as alluded to in the consultation), we believe it should be considered sooner rather than later, as it is central to delivering a low carbon grid and ultimately achieving the goal of net zero carbon. Embedding flexible energy use into the performance-based approach will ensure there is a strong incentive to apply it in building design and operation.

**Question 17: Do you agree with the Government’s preferred option to use a star rating format? Are there any formats which the Government has not considered that you believe could be more effective?**

The RIBA agrees with the Government’s preferred option of a star rating format. However, one key issue with a star rating system is that it could be unclear what is considered the “best” rating. For example, if a rating is 4 stars – it is unclear what the possible highest score achievable is. For example, NABERS UK has six stars, whereas, NABERS has seven stars. This issue could be elevated by a strong promotional campaign, highlighting what is considered “good”. In addition, as pictured in the consultation and shown below, showing the potential through blank stars will also help demonstrate what “good” looks like.



The RIBA recommends against using decimal points or “half stars”. The aim of the performance-based policy is to drive energy efficiency improvements and reduce the carbon impact of the built environment. half stars may encourage building owners or users to do this very slowly to reach the next “half star”.

**Question 18: The Government welcomes feedback on the considerations outlined above. What are the key factors that the Government should consider in determining fair and effective rating benchmarks and a fair and effective rating scale? Where possible, please provide evidence, or case studies, to support your feedback.**

The RIBA agrees with the tabulated methodology suggested in the consultation. NABERS uses a tabulated methodology based on a benchmark factor which allows for greater control defining the value of the individual rating bands.

A key aim of the performance-based policy framework is to encourage improvements over time, particularly for buildings with a low rating. The RIBA agrees with the principle that adjustments could be made to the lower end of the scale to make it easier for poorly rated buildings to improve their rating faster than those with high ratings.

**Question 19: Subject to the outcome of this consultation, the government will work with the ratings administrator, and with industry experts, to tailor the framework appropriately to each sector. At this stage, the Government welcomes any additional feedback on the high-level technical considerations outlined in this chapter, especially where there may be key considerations that we may have not addressed, or not been able to cover.**

**Where possible, it would be helpful if you could provide evidence and case studies to support your response.**

A key concern is the lack of timeframe for implementation of the performance-based framework for non-office buildings and buildings less than 1000m<sup>2</sup>. We require a clear timetable for implementation to allow all sectors to prepare and to reach out net zero targets.

The consultation proposes that site visits only take place once every four years, unless there is a ‘fundamental change’ to the building. Further clarity on what is considered a ‘fundamental change’ and how this would be monitored and enforced would be welcomed.

Whilst it is sensible to apply the whole building rating when there are single tenants, they should not be held fully responsible for the rating, as there may be systems that they are unable to control. This is especially important if financial incentives or disincentives are introduced. It is important, therefore, that a whole building rating can be broken down into a base rating and tenant rating, if required.

## Introducing Performance-Based Ratings in Commercial and Industrial Offices above 1,000m<sup>2</sup> in England and Wales – Phase one of the introduction of a national performance-based policy framework

**Question 20:** The Government's approach for implementing annual performance-based ratings in commercial offices over 1,000m<sup>2</sup> follows the approach outlined in the strategy paper. Are there any considerations specific to the office sector, that are not covered elsewhere in this paper, that the Government should be taking into account? Please provide evidence where possible.

The RIBA has no further specific considerations not taken into account elsewhere in this document.

**Question 21:** To resolve instances where the Private Rented Sector (PRS) Minimum Energy Efficiency Standards (MEES) overlap with the requirement to obtain and disclose annual performance-based ratings, do you favour:

- the 'hybrid option' as has been set out by the Government
- the 'hybrid option' with amendments. If so, please state the amendments you like to see made
- the 'do nothing' option
- a different option to resolve this issue

The RIBA's preferred option is the hybrid option set out by the Government. This option favours improving the buildings fabric and services whilst also measuring the actual energy use of a building, which is key to reaching net zero.

The RIBA believes that going forward the Government should start to shift from using EPCs to performance-based ratings when making building owners improve energy efficiency through Government policy.

**Question 22:** Do you consider that there should be any other exemptions applied specifically to the office sector?

The RIBA does not consider there should be any specific exemptions for the office sector.

**Question 26:** Do you favour:

- Option one as set out by the Government, or option one with amendments. If the latter, please state the amendments you would like to see made
- Option two as set out by the Government, or option two with amendments. If the latter, please state the amendments you would like to see made
- A different option to resolve this issue.

The RIBA believes that option 2 should be the approach taken by Government. We agree that it is a more pragmatic approach and should help avoid loopholes.

**Question 27: Is the approach taken to define the energy associated with a base building rating, including the interpretation of additional services added by a tenant, suitable to achieve an accurate and fair base rating?**

The RIBA agrees with the Government's proposed approach.

**Question 28: Is the approach taken to define the energy associated with a whole building rating suitable to achieve an accurate and fair rating?**

The RIBA agrees with the Government's proposed approach.

**Question 29: Do you support the Government's proposal for resolving boundary disputes? If so, are there any additional considerations or amendments you would make to the proposal? If not, do you consider that a different approach would be more effective? Please provide evidence and case studies to support your reasoning, where possible.**

The RIBA welcomes the proposal of a tenant rating for multi-tenant spaces in offices; however, we believe this should be mandatory, rather than voluntary. We are concerned about the number of office buildings for which only base ratings will be required because they are multi-tenanted. Therefore, a mandatory tenant rating for tenancies over 1,000m<sup>2</sup> should be introduced alongside the base and whole buildings rating. This is integral to ensuring we understand the energy use from our building stock and key to reaching net zero.

We are concerned that a voluntary approach lacks incentives for tenants to improve their energy efficiency if penalties only fall to landlords.

**Question 32: Subject to the outcome of this consultation, the Government will work with the ratings administrator, and with industry experts, to tailor the framework appropriately to the office sector. At this stage, the Government welcomes any additional feedback on the high-level technical considerations outlined in this chapter, especially where there may be key considerations that we may have not addressed, or not been able to cover.**

**Where possible, it would be helpful if you could provide evidence and case studies to support your response.**

The RIBA would welcome clarity on when offices below 1,000m<sup>2</sup> will be onboarded into a performance-based rating scheme.