 <b>Regulatory Policy Committee</b>	<b>Opinion</b>	
<b>Impact Assessment (IA)</b>	Proposed Changes to Part L of the Building Regulations 2013	
<b>Lead Department/Agency</b>	Department for Communities and Local Government	
<b>Stage</b>	Final	
<b>IA number</b>	DCLG/0086	
<b>Origin</b>	Domestic	
<b>Expected date of implementation (and SNR number)</b>	1 October 2013 (SNR 6)	
<b>Date submitted to RPC</b>	14/06/2013	
<b>RPC Opinion date and reference</b>	26/07/2013	RPC11-CLG-1130(3)
<b>Overall Assessment</b>	<b>GREEN</b>	
<p><b>RPC comments</b></p> <p>The IA is fit for purpose. The key issues raised in our previous Opinion (03/06/2013) have been addressed, and, supported by additional information provided by the Department, the ‘One-in, Two-out’ assessment can now be considered robust. The additional information provided by the Department should be included within the IA to ensure the basis of assumptions is clear.</p>		
<p><b>Background (extracts from IA)</b></p> <p><b>What is the problem under consideration? Why is government intervention necessary?</b></p> <p>Reducing carbon emissions from the built environment is essential for the UK to meet its Climate Change Act targets. Appropriately designed performance based Building Regulations can help to achieve this if the market would not make these changes of its own accord. Market failures include the cost of climate change not being fully reflected in energy prices, lack of information about energy efficiency opportunities and limited incentives to make improvements. Action at the point of build can ‘lock in’ efficient design, reducing energy/heat demand and future retrofit costs. Regulation also has a role in setting energy efficiency standards where owners decide to carry out building work to existing properties.</p> <p><b>What are the policy objectives and the intended effects?</b></p> <p>To deliver cost effective abatement at the point of construction and when building work is carried out, through changes to Part L of the Building Regulations, contributing to demanding targets to reduce carbon emissions and to help reduce energy costs. The changes for 2013 should achieve cost effective abatement in the construction of new buildings and stimulate fabric focused learning and innovation as the basis for more demanding future policies. Changes in standards for the existing stock where building work is carried out, including replacement services such as cooling and lighting, can also achieve cost effective abatement and savings on energy bills.</p>		

### **Comments on the robustness of the OITO assessment**

The IA is fit for purpose. The IA says that the proposal is a regulatory measure that is in scope of 'One-in, Two-out' (an 'IN'), although the *"net benefits to business overall are significantly higher than the net cost to business so the IA is in effect zero for One in Two Out purposes"* (paragraph 1.43). Based on the information presented in the revised IA, along with supplementary information provided by the Department, this assessment can now be considered to be robust.

### **Comments on the robustness of the Small & Micro Business Assessment (SMBA)**

The proposals regulate business but come into force before 1 April 2014 and therefore the SMBA is not applicable. However, the IA does provide a detailed assessment of the likely impacts on small businesses, and now sets out the justification for seeking a waiver from the micro-business moratorium (paragraph 1.46).

### **Quality of the analysis and evidence presented in the IA**

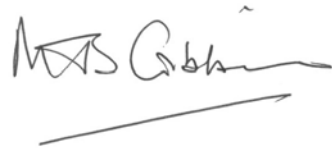
The majority of issues raised in our previous Opinion (03/06/2013) have been addressed. In particular, the calculations for the net impacts on business have now been set out more clearly, and the basis of several assumptions has been explained. It is also now clear that the IA includes the transitional costs within the net impact.

In addition, upon request the Department has provided additional information relating to the assumed energy performance of new buildings, relative to design stage performance. It appears that not all new homes will achieve design stage energy savings, contrary to the assumption in the IA. The industry has committed to ensuring 90% will meet these standards by 2020.

However, the Department has explained that this approach has also been taken for the baseline, the 2010 building standards, so there is likely to be a similar level of underperformance within the baseline also. The estimated net impact of the proposal is explained to be robust on this basis. Based on the information provided, and the apparent lack of evidence to indicate exactly what actual performance would be, this approach appears to be reasonable. The additional information provided by the Department should be included within the IA to ensure the assumptions, and basis for them, are clear.

In addition, the IA now provides a clear justification for why the energy savings in non-domestic buildings are direct benefits to business. This is explained to be because the *"conservation of fuel and power"* is the direct purpose of the policy change (paragraph 2.98). These savings are not a result of a behavioural change as the *"fabric standards for walls, floors and other elements would be locked in to the construction of the building. It would not be possible to alter these without a major refurbishment"* (paragraph 2.98). Further, *"where a building has been constructed specifically for a specified client who will both pay for the construction costs and occupy the building then the impact of both the extra cover costs and the energy saving benefits will fall on the same business"* (paragraph 2.102).

**Signed**

A handwritten signature in black ink, appearing to read "Michael Gibbons". The signature is written in a cursive style with a long horizontal stroke at the end. There is a small mark above the 'i' in "Gibbons".

**Michael Gibbons, Chairman**