

Future Buildings Standard

Lead department	Ministry of Housing, Communities and Local Government
Summary of proposal	The proposal is to introduce the Future Buildings Standard (FBS) through secondary legislation amending the Building Regulations 2010 for new non-domestic buildings and the Building Regulations 2024. Buildings built to the FBS will not require any retrofit work to achieve zero carbon emissions in use, once the electricity grid is fully decarbonised. The FBS applies to England only.
Submission type	Impact Assessment – 17 November 2025
Legislation type	Secondary legislation
Implementation date	2026
RPC reference	RPC-MHCLG-25104-IA(1)
Date of issue	16 February 2026

RPC opinion

Rating¹	RPC opinion
Not fit for purpose	The IA quantifies substantial impacts, including an equivalent annual net direct cost to business (EANDCB) of £52.5 million and a net present social value (NPSV) of £874 million, which alongside the large number of businesses likely affected places a higher bar on evidential sufficiency expected of a final stage IA. While the IA provides a structured narrative on options development and a rigorous assessment of the preferred option, key elements on small and micro business exemption trade-offs and comparative appraisal across viable packages remain insufficiently evidenced.

¹ The RPC opinion rating is based only on the robustness of the rationale, options identification (including SaMBA) and justification for preferred way forward, as set out in the [Better Regulation Framework guidance](#). RPC ratings are fit for purpose or not fit for purpose.

RPC summary

Category	Quality ²	RPC comments
Rationale	Green	The IA sets out the problem and a market-failure rationale for intervention and links the proposal to statutory net zero commitments. The IA identifies key barriers and explains why action at the point of build can avoid costly retrofit. The IA would benefit from quantifying more clearly the remaining gap and mapping each market failure to specific policy design features.
Identification of options (including SaMBA)	Red	For such a high impact measure, the final stage IA must demonstrate a detailed consideration of exemption as the default for the small and micro business assessment (SaMBA). This must include the magnitude of benefits sacrificed and cost incidence, or a clearly evidenced explanation of why this is not possible, and a sufficiently transparent, evidenced basis for rejecting exemption. The discussion of non-legislative options is too high-level and should clearly demonstrate why non-regulatory alternatives have been rejected.
Justification for preferred way forward	Red	The IA provides a well-quantified appraisal of the preferred option against the counterfactual and includes sensitivity analysis. However, the final selection of the preferred option relies primarily on an insufficient narrative comparison rather than a detailed quantitative appraisal across a shortlist of viable do-something packages.
Regulatory Scorecard	Satisfactory	The IA presents monetised welfare impacts and business metrics clearly and provides narrative on non-monetised impacts and variation by building archetype for the preferred option. The IA should provide stronger evidence for qualitative claims on competition and innovation and justify statements on household and wider impacts.
Monitoring and evaluation	Satisfactory	The IA sets out a monitoring and evaluation plan with a post-implementation review (PIR) within five years and proposed research questions and data sources and recognises attribution challenges. The IA should clarify

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

governance, resourcing and milestones and how evaluation will test the theory of change alongside concurrent policies.

Response to initial review

As originally submitted, the IA was not fit for purpose for the following reasons:

1. The IA had not considered the exemption of small and micro businesses (and/or medium-sized businesses) and had not assessed the trade-offs from exemption.
2. The IA had not considered alternatives to regulation with sufficient worked-through evidence.
3. The IA had provided insufficient justification for discarding options from the longlist and selecting the shortlist.
4. The IA contained a very limited set of shortlist options, with insufficient justification.
5. The IA contained insufficient appraisal to support the selection of the preferred option.

The Department has made significant improvements and has now:

1. Expanded the options narrative, including a non-legislative option in the longlist and consultation-led revisions to the preferred specification and transitional arrangements.
2. Added qualitative small and micro business and medium-sized business (MSB) material, including discussion of enforcement and avoidance risks for exemptions.

However, the IA remains not fit for purpose. The IA does not provide an adequate evidence-based assessment of the impacts of exempting small and micro businesses (SMBs). For example, the IA should present an indicative, proxy-based assessment of the exemption trade-offs (including foregone benefits and distribution of costs), or clearly evidence why such analysis is not feasible. In addition, the Department must strengthen its appraisal of the full range of viable 'do-something' packages including provision of comparative NPSVs.

Summary of proposal

The Ministry of Housing, Communities and Local Government (MHCLG) is proposing to introduce the Future Buildings Standard (FBS) through secondary legislation amending the Building Regulations 2010 for new non-domestic buildings and the Building Regulations 2024. Buildings built to the FBS will not require any retrofit work to achieve zero carbon emissions in use, once the electricity grid is fully decarbonised. The FBS applies to England only.

The IA describes the FBS as a 'zero-carbon ready' standard, meaning new buildings constructed to the Standard should not require retrofit work to achieve zero carbon emissions in use once the electricity grid is fully decarbonised.

The IA states that the policy is delivered through a performance-based ‘notional building’ approach, in which developers’ designs must meet the same level of energy and carbon performance as a reference specification. The notional building includes improved fabric standards, low-carbon heating (including heat pumps for side-lit spaces and electric heating in top-lit spaces), enhanced lighting efficacy and heat recovery, and solar PV coverage equivalent to 40% of foundation area for most building types, with an exemption for higher-risk buildings.

The Department notes that the package also includes wider technical and legislative amendments, including guidance on energy efficiency for lifts, escalators, moving walkways and external lighting, and sets out transitional arrangements intended to support industry adaptation. The IA describes a 12-month period between legislation being laid and coming into force, followed by a 12-month transitional period, with separate arrangements for higher-risk buildings that reflect the Gateway process managed by the Building Safety Regulator.

The Impact Assessment (IA) includes 6 longlist options considered by the Department prior to consultation:

- Option 1 (Do maximum): Proposed notional building specification for new buildings including solar PV coverage equivalent to 40% of the foundation area for side-lit buildings and 75% for top-lit buildings
- Option 2 (Do minimum): Proposed notional building specification for new buildings including solar PV coverage equivalent to 20% of the foundation area for side-lit buildings and 40% for top-lit buildings
- Option 3: Notional building specifications as per either option 1 or option 2, with 18-month transitional arrangements composed of a 6-month period between the laying data of the Future Buildings Standard regulations and publication of full technical specification and the regulations coming into force, followed by a 12-month transitional period
- Option 4: Notional building specifications as per either option 1 or option 2, with 24-month transitional arrangements composed of a 12-month period between the laying data of the Future Buildings Standard regulations and publication of full technical specification and the regulations coming into force, followed by a 12-month transitional period
- Option 5: Business as usual approach retaining existing 2021 energy efficiency standards for buildings
- Option 6: Non-legislative options designed to encourage and enable developers to construct buildings to higher energy efficiency standards, without mandating this through the building regulations

Following consultation, option 6 was eliminated and options 1, 2, 3, 4, and 5 were progressed to the shortlist stage, alongside a new option. The Department developed a new option as the preferred option. This new option is similar to option 1, but with a reduced PV requirement in the notional building for top-lit buildings and an exemption for Higher-Risk Buildings (HRBs) from a solar requirement. In addition, the lighting efficacy standards were lowered to a more cost-effective level.

For the preferred option, the IA provides a central NPSV estimate of £874 million, between a low of £699 million and a high of £1.0 billion over the full appraisal period of 70 years.

The IA includes an estimated EANDCB of £52.5 million and business NPV of -£452.1 million.

Key impacts include:

- Benefits of carbon emission savings of £2.0 billion and improved air quality of £71 million
- Costs of capital, maintenance and replacement of £800 million and increased energy bills for occupiers of £362 million
- Total carbon savings of 11.8 metric tonnes of carbon dioxide equivalent (MtCO₂e)

Rationale

Problem under consideration

The IA states that climate change is a major challenge and links the policy to the UK's legal commitment to achieve net zero greenhouse gas emissions by 2050, with interim targets set through carbon budgets. It notes that non-residential buildings account for around 30% of buildings-sector emissions and argues that improving standards for new non-domestic buildings can contribute to emissions reduction by locking in lower-carbon design and technologies. The IA also states that retrofit can be around 66 to 80% more expensive and more disruptive than meeting higher standards at the point of build.

The Department notes that the 2021 uplift to Part L, which is the section of the Building Regulations that sets out energy performance requirements for new non-domestic buildings, delivered meaningful improvements but was designed as a transitional step towards the Future Buildings Standard. The IA frames the problem as the risk that, without further intervention, new buildings will continue to be built to standards that are not compatible with a pathway to 'zero-carbon ready' performance, increasing future retrofit need and slowing progress towards carbon budget delivery. The IA also notes uncertainty in energy use patterns for non-domestic buildings, affecting estimates of impact. The IA should clarify the intended contribution from the new-build non-domestic segment over relevant periods and how this informs objectives and options.

Argument for intervention

The IA sets out a rationale for intervention based on market failures and barriers, including split incentives, negative externalities, imperfect information and coordination problems, and credit constraints and lock-in. The IA explains why action at the point of construction can be more effective than later retrofit and why Building Regulations are the primary mechanism for setting national minimum standards. It also notes that some market segments already meet higher standards driven by client demand, but argues this is not sufficient for whole-scale delivery. The IA

should tighten the link between each market failure and the specific design features of the preferred package.

The IA describes how the policy sits alongside other measures affecting the energy system and building decarbonisation and argues these measures and information-based tools do not themselves raise standards or avoid lock-in. The IA also highlights wider claimed benefits, including supporting supply chains and future retrofit of existing buildings through increased familiarity with low-carbon technologies. The IA should explain more explicitly how the evidence supports the intervention logic and how interactions with local electricity networks and heat networks affect feasibility, costs and timing.

Objectives and theory of change

The IA includes the following ‘SMART’ objectives:

- New non-domestic buildings built to the FBS will be zero-carbon ready by default, with the FBS implemented as soon as is reasonably possible whilst giving the sector adequate time to adjust.
- Regulated operational energy use from new non-domestic buildings will be reduced.
- Grid-connected non-domestic buildings will contribute more on-site renewable generation.
- Energy costs for occupants will be more predictable.
- New non-domestic buildings will be high-quality and comfortable.
- New non-domestic buildings will be cost-effective, affordable, practical and safe.

The IA states that these objectives are measurable principally through monitoring uptake of the FBS and provides a theory of change linking regulatory activities, guidance and compliance tools to industry adaptation and emissions reductions. The IA should clarify how the objectives are used to generate and filter options in the longlist.

The IA states that the objectives are achievable and realistic because the policy builds on established compliance routes and earlier uplifts, and time-bound because adoption is expected to increase as transitional arrangements conclude, with the vast majority of completions expected to be compliant by 2031. The objectives remain largely qualitative in the magnitude of change sought for some outcome variables. The IA should strengthen the ‘SMART’ framing by specifying measurable indicators for key outcomes and setting out how these will be used in appraisal and evaluation.

Identification of options (inc. SaMBA)

Identification of the ‘longlist’ of options

The IA states that the longlist comprises alternative notional building specifications and alternative transitional arrangements, alongside a counterfactual and non-

legislative approaches. The IA describes how modelling and engagement were used to identify specifications that balance delivery of objectives with practicability, and notes that transition lengths were chosen to reflect precedent and to balance early carbon savings with the sector's capacity to adjust.

The IA would be improved by setting out in more detail the process followed for identifying the options longlist, with full consideration of a variety of regulatory and non-regulatory options to address the problem under consideration and the underlying causes justifying intervention, in a structure similar to the Green Book's strategic options framework filter. The IA would benefit from considering international evidence of the impact of equivalent measures and interactions with other policy interventions.

The IA gives no consideration to options that would exempt SMBs and MSBs from the scope of the proposals while still achieving most of the SMART objectives. The Department does, however, provide explanation for non-consideration of exemption in section 13, which is commented on in the SaMBA and medium-sized business assessment section below.

Consideration of alternatives to regulation

The IA includes a non-legislative option and provides a high-level rationale for why voluntary approaches would be unlikely to secure consistent take-up or guarantee delivery of the policy objectives. The IA also notes that Building Regulations are a tried-and-tested mechanism for setting minimum standards and that intervening at the point of build avoids reliance on later retrofit. However, the IA should go beyond this high-level rationale by providing a worked-through assessment of standard alternatives to regulation and explaining for each how it would be expected to influence behaviours. Where these options are not taken forward from the longlist the IA should show, on an evidenced basis, why they were rejected.

The IA would benefit from providing clearer evidence on the extent and nature of engagement with affected sectors that informed the rejection of alternatives, and should draw on relevant evaluations or international experience where available. Where conclusions on alternatives rest on assumptions about likely uptake, feasibility, compliance or enforcement, the IA should set out how those assumptions were tested and what evidence supports them.

The IA should also explain explicitly why the non-legislative option is judged insufficient relative to the stated objectives, risks and deliverability constraints, and how that judgement informed the decision to proceed to a shortlist consisting of only regulatory options.

Justification for the shortlisted options

The IA explains that it uses Critical Success Factors (CSFs) to narrow the longlist to a shortlist and to support the selection of a preferred way forward. It presents RAG ratings against the 'SMART' objectives and CSFs for each of the six longlist options, with explanations for each rating. However, the 'SMART' objectives are not specified with sufficient precision, which makes it difficult to assess transparently how well

each option meets them and weakens the robustness of the longlist appraisal. In addition, the quality of the explanations justifying individual RAG ratings is uneven, as some ratings are supported only by assertion rather than by clear logic or evidence. The IA does not clearly explain how the CSF and objective-level assessments have been combined to discard longlist options and select the shortlist, and therefore does not provide a consistent, transparent or well-evidenced justification for the options taken forward.

The shortlist includes the business-as-usual option, the ‘do minimum’ option, the preferred option, and the two transitional arrangement options. Green Book guidance details that a shortlist should consist of at least four options unless sufficiently justified: the preferred option, a ‘Business as Usual’ benchmark; a viable “do-minimum” option that meets minimum core requirements to achieve the objectives identified; and at least one viable alternative option. In this IA, the option labelled “do minimum” (option 2) is, in substance, a viable alternative option involving a material change in scope, rather than a minimal adjustment to current policy. As a result, the shortlist does not fully adhere to the Green Book guidance and does not clearly identify the smallest change that would still achieve the stated objectives. The IA could strengthen this section by explicitly stating the true ‘do-minimum’ alternative in this context that would meet core requirements in relation to the objectives.

The Department’s appraisal recognises that different technical specifications and transitional timelines produce different profiles of costs and benefits. The IA’s quantified analysis highlights that carbon savings are a major benefit, while financial costs include higher capital, maintenance and replacement expenditure and higher energy bills associated with low-carbon heat. The shortlist discussion should more clearly distinguish which impacts are intrinsic to the preferred specification and those that are primarily driven by transition speed and implementation assumptions. The IA would benefit from describing how the shortlisted options compare on the key trade-offs in deciding on the preferred way forward, including delivery risks, timing of benefits and distributional effects.

SaMBA and medium-sized business assessment

The IA identifies that micro, small and medium-sized businesses in scope include contractors, developers, architects and building services engineers, and it provides indicative counts by size band for key sectors. It also discusses potential disproportionate adjustment challenges for smaller developers and describes mitigations such as design flexibility, retention of familiar methodologies and longer transitional arrangements.

However, for a high impact measure, the final stage IA’s SaMBA is not adequately evidenced against the principle of default exemption. The IA states that there is insufficient data on the share of non-domestic buildings constructed by SMBs and MSBs and therefore it has not been possible to quantify how much of the intended benefits would be sacrificed under a firm-size exemption. Given the scale of the measure and the default-to-exempt principle, the IA must provide the required evidence-based assessment of the impacts of exempting SMBs. For example, an indicative, proxy-based assessment of benefit sacrifice and cost incidence together

with a plan to test the key assumptions with stakeholders, or a clearly evidenced explanation of why such analysis cannot reasonably be undertaken.

The IA also argues that firm-size exemptions would be difficult to enforce, could be exploited (for example by larger businesses splitting into smaller businesses to fall below any threshold), and would create a more complex compliance environment for building control, while adding to the stock of buildings requiring later retrofit. These are relevant considerations, but they require stronger evidential support, including evidence of likely avoidance risks and enforceability challenges in practice. The IA must set out how it has tested these claims, including any consultation evidence, and must explain how the decision not to exempt is proportionate given the distribution of costs and benefits.

More broadly, the IA must also provide a clearer assessment of how impacts differ by firm size, including which groups face higher relative costs and how far proposed mitigations would address those impacts in practice.

Justification for preferred way forward

Appraisal of the shortlisted options

The IA provides a well-quantified appraisal of the preferred option relative to a Part L 2021 counterfactual and includes sensitivity analysis on key assumptions, with key assumptions driving changes in costs and benefits compared to the Consultation Stage IA included in Appendix D. The IA also provides some narrative explanation for why the original consultation options were not taken forward and why a revised preferred package was developed. In particular, the consultation-led development of a revised lower-cost specification for top-lit buildings, comprising a reduced solar requirement and lower lighting efficiency standards, is a good example of using consultation evidence and economic analysis to improve deliverability and reduce costs while maintaining achievement of policy objectives.

However, for a high impact measure, the final stage IA must provide a clear comparative assessment across a shortlist of viable do-something packages. It is not sufficient that the final IA refers to monetised appraisals of the maximum and minimum options included within the consultation IA. It must set out, in a consistent way, how the main cost drivers, emissions impacts, risks and timing differ across the shortlisted options, in order for it to be sufficient to support the selection of the preferred option over other viable shortlisted options.

The IA reports a central NPSV of £874 million and reports a business EANDCB of £52.5 million and a business net present cost of £452.1 million and explains that impacts vary materially by archetype and that non-domestic energy modelling is uncertain. The IA must set out how the NPSV, and the key modelling assumptions underpinning it, vary across the main alternative packages considered. It must present comparable results (or indicative ranges) for all shortlisted options, not just the preferred package. Where monetisable metrics alone are insufficient to support a balanced judgement on relative value for money, the IA must explain how the

department distinguished between options using wider quantitative or qualitative evidence.

The IA also identifies non-monetised impacts, including grid reinforcement and redesign costs, and uses sensitivity tests to illustrate how results change under alternative assumptions. Given the scale of this measure, the IA must be explicit about the thresholds at which these uncertainties could change option ranking and should provide bounded estimates or scenarios for key non-monetised impacts where feasible, setting out clearly how variations in these factors could affect the relative performance of the shortlisted options.

Selection of the preferred option

The IA states that the preferred option was selected because it offers a high-ambition pathway to zero-carbon ready buildings while addressing feasibility concerns raised during consultation, and it exempts higher-risk buildings from solar requirements due to roof-space and safety considerations. For a measure of this scale, the final stage IA must set out the key risks and uncertainties associated with each viable shortlisted package and explain how these have been weighed alongside the quantified impacts in selecting the preferred way forward. This should include a clear explanation of how these factors influenced the choice between options.

The IA states that 24-month transitional arrangements are the shortest feasible timeline that still provides adequate time for the sector, including small and medium sized-enterprises, to adapt, and it notes the potential for a temporary increase in applications under previous standards. The IA must provide firmer evidence to support the selected transition length and must quantify, at least illustratively, how alternative transition profiles would shift costs, benefits and objective delivery over time. It must also explain how these transition choices affect the comparative appraisal across viable packages, including whether different transition lengths could materially change the relative performance or ranking of the shortlisted options.

Regulatory Scorecard

Part A

Total impacts including non-monetised and distributional impacts

The IA reports the preferred option's monetised welfare impacts, including a positive net present social value of £874 million relative to the Part L 2021 baseline, with monetised benefits dominated by carbon savings valued at £2.0 billion and a further £71 million of air quality benefits, and provides sensitivity analysis. These figures suggest that, on the IA's central estimates, the social benefits outweigh the monetised costs, with the distribution of costs and benefits depending on who bears higher upfront costs and who experiences energy cost changes over time. The IA also highlights non-monetised impacts such as grid reinforcement and redesign costs and notes uncertainty in non-domestic energy use patterns. The IA should provide clearer justification for the treatment of key non-monetised impacts, including

whether bounded estimates or scenarios would be feasible and proportionate given the scale of impacts.

Impacts on business including non-monetised and distributional impacts

The IA reports business impacts including a business net present cost of £452.1 million, including £16.3 million of administrative costs and £355.4 million of policy costs, offset by £80.3 million of benefits, and an EANDCB of £52.5 million. The IA explains that there is variation by building archetype in capital and energy bill impacts and notes that most costs fall on developers and business occupiers, with exclusions for public buildings for the purpose of estimating the EANDCB. The IA states that there is no pass-through of costs to households in the estimates. The IA should justify incidence and pass-through assumptions more clearly and explain how potential indirect effects on consumers, public sector delivery and rents have been considered, even if these are assessed as uncertain or limited.

Impacts on households, individuals or consumers including non-monetised and distributional impacts

The IA records household impacts as not applicable and provides very limited explanation. The IA should provide a clear explanation of why household impacts are expected to be neutral, including any plausible indirect channels, and should ensure distributional impacts are discussed consistently with the business impacts and SaMBA assessment. This should be set out in sufficient detail to support effective scrutiny.

Part B

Business environment

The IA states that performance-based standards can promote innovation and flexibility and may reduce market concentration, while noting that the overall impact will depend on the UK's comparative advantage, international standards, and global market prices. The IA should include stronger supporting evidence for these claims, or present them more cautiously, with a clear distinction between effects that are expected and those that are more speculative. The IA should also provide a proportionate assessment of the competition and innovation impacts of this measure, going beyond a brief reference, to set out the main channels through which it is expected to affect market entry, concentration and technology deployment.

Trade and investment

The IA states there are no major trade and investment impacts and references possible innovation benefits and EU trajectories. The IA should provide clearer evidence of which sectors are exposed to trade impacts and how the scale of any competitiveness effects has been assessed, and it should distinguish between general observations about innovation and substantiated innovation impacts specific to this proposal.

Natural capital and decarbonisation

The IA describes how the preferred specification sets higher energy performance standards and consequently reduces emissions. The IA should ensure that the decarbonisation narrative links clearly to the quantified results included elsewhere in the IA, including key assumptions about emissions factors, and that it explains any non-monetised environmental effects that could be material to decision-makers.

Monitoring and evaluation

Monitoring and evaluation

The IA sets out a monitoring and evaluation plan structured around process, impact and value for money evaluations and proposes use of Energy Performance Certificates lodgements data alongside other sources and stakeholder engagement. The IA includes proposed research questions across the evaluation types and commits to a post-implementation review within five years of implementation. These elements provide a basis for evaluation planning. The IA should specify clearer metrics and milestones for monitoring during the transition period and early implementation, including how specific data will be used to test whether objectives are being met.

The IA recognises that there will be attribution challenges in conducting evaluation because of concurrent policies and external factors. The IA suggests the evaluation could adopt mixed-methods and theory-based evaluation approaches to strengthen causal inference. The IA should set out a clearer evaluation design for how attribution will be established and how evidence will test the theory of change, including how it will separate effects of the FBS from other policy and market developments.

The IA states that the Department expects evaluation may continue beyond the initial PIR and that resourcing is reliant on departmental budgets. The IA indicates that outcomes may vary by geography, developer size and building archetype. For a high impact measure, the IA should clarify governance and resourcing arrangements for the evaluation programme, including decision points, responsibilities and triggers for earlier review where monitoring indicates risks or unintended consequences.

Regulatory Policy Committee

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