

**DTI Sustainable Construction Strategy**  
**Stakeholder Event 7 March 2006**  
**SDC Business Commissioner Presentation**

We welcome this opportunity for engagement in the review of the Government's Sustainable Construction Strategy. We consider this to be an indication of DTI's commitment to good governance which is one of the five guiding principles of the Government's UK Strategy for Sustainable Development.

The 2006 Summary, on which the consultation is based, provides a clear reminder, if one were needed, of the sheer breadth of what is involved in the remit of transforming construction. We welcome the fact that Government and the construction industry have recognised the need for change in priorities, policies and processes.

And we particularly welcome the ambition and leadership demonstrated by industry, in the Sustainability Forum's "targets and vision for Sustainable Construction" that is the corner-stone of the consultation document.

Success in any business is measured not only by the performance in the year, the "bottom line", but also by the quality of the assets it has invested in, the "balance sheet". Enhancing those assets provides the sound foundation for the future performance of the business.

What we are addressing today is what will make UK plc successful in its investment in the built environment, representing £100s of billions of new and upgraded Fixed Assets over the next 10 years, including refurbishment as well as new build.

If we get this right, UK plc's balance sheet will be enriched with built assets that are in line with the "Targets and Vision for Sustainable Construction". Success will mean that these assets will underpin the future performance of UK plc in vital areas of sustainable development :

- Living within Environmental Limits
- Ensuring a Strong, Healthy and Just Society
- Achieving a sustainable economy

In view of the Energy Review currently underway, I would particularly highlight the opportunity for a radical improvement in energy efficiency of buildings through new build and, even more, through investment in enhancing existing built assets.

The Energy Efficiency Innovation Review published in December highlights cost-effective carbon savings that can be delivered by 2020 – of some 7.5 million tons of carbon from housing and 4 million tons of carbon from buildings in business and the public sector. The scale of these targets must make them a priority in the Government's review of its Climate Change strategy. For the construction industry, enabled by Government, to deliver this level of energy efficiency in our built assets would represent a truly colossal contribution to sustainable development.

This is just one of the prizes if our investment in the built environment is successful. However, if we get this wrong, if we fail to realise the vision and targets of Sustainable Construction

- there will be unnecessary depletion of natural resources, burgeoning waste issues and a built environment that detracts from social cohesion and personal well-being, with all the costs that imposes across the economy.
- we will burden the public sector with costly inefficiency, the private sector with uncompetitiveness and private individuals with increased risk of fuel poverty.
- we will have impaired both the “bottom line” and the “balance sheet” of UK plc for future generations – and that is not sustainable development.

This is why we welcome the commitment from the construction industry and government to improving and delivering the Sustainable Construction Strategy.

Now is the time for change – both in professional analysis and public perception, the challenges of meeting environmental limits, ensuring a strong, healthy, just society and achieving a sustainable economy are becoming more pressing.

Now we have a unique opportunity to accelerate change, because government’s role as client in the ongoing programme of capital investment offers direct leverage to deliver market transformation. This will result in a thriving environment for innovations in supply chains, products and services that will themselves be key enablers for more sustainable development in all sectors of construction.

Now the business case for change is firmer, as businesses increasingly find opportunities for wealth creation by engaging with the change and focusing on the market openings it creates. If we get this right, UK companies will have internationally competitive skills. Skills honed by successfully delivering on the challenges of an ambitious programme of sustainable construction across UK plc.

The case for change has been made, but we need a coherent structure for delivery in order for the change to be actually realised. This must include clear ownership of these goals and commitment to realistic plans for their delivery, with rigorous monitoring and evaluation.

The SDC’s critique would be that the industry’s vision will not be delivered on the basis of current progress and policies. The strategy needs to accelerate progress across all areas, but particularly on climate change, materials, whole life value, water efficiency and design/construction quality.

Change will be delivered by industry, and enabled by Government. We are interested to understand today what further intervention by Government may be necessary. We have endorsed the industry’s vision for Sustainable Construction, included in the 2006 Summary, but we think Government needs to be clearer about owning the goals in the vision, and planning how best to enable their achievement.

The 2006 Summary is a reminder of the immense complexity of the “design and supply chain” that delivers UK plc’s built Assets.

In the construction industry, we seem to be continually rediscovering the benefits of working coherently across traditional boundaries. Earlier engagement across the supply chain identifies opportunities for better design, more efficient delivery and an end result that more fully realises the client’s objectives. In order to meet the challenges of the vision for Sustainable Construction, the industry needs to deploy innovation that is holistic and on a “through-supply chain basis”. As

industry, we need to further develop the networks and fora, the tools and, above all, the will to think and act coherently in these key areas of development.

However, it is a matter of concern that, within Government itself, accountability for major elements of investment in the built environment and the tools to influence sustainable outcomes are so dispersed across a plethora of departments. Experience of delivering strategic change would identify this as a substantial risk to the delivery of Sustainable Construction. For example, where investing in making a new or existing building more sustainable results in lower revenue cost as a sound financial return on an increment in capital cost, can we count on Government to make the correct business decision and invest? Or again, where there are major untapped opportunities for public procurement to deliver on sustainability, will there be not only the joined up thinking required but also commitments backed up by monitoring across Government?

Adding to this the essential roles of local government and Government agencies, the entire involvement of Government in making construction sustainable is in need of focus, consistency and leadership. And it is to the DTI that we look for the coordination of this step change, so critical to ensuring that industry is enabled to deliver.

To illustrate this with just one specific example, the UK seems to be in want of a “joined up” approach to construction research. With one of our principles of Sustainable Development emphasising the need to develop and implement policy on the basis of strong scientific evidence, it is clear that the currently fragmented research relating to sustainable construction urgently needs the framework and strategic coherence that DTI could provide.

In concluding, I would recommend this review to take on the challenge of including tangible milestones from the early stages of a strategic plan. What I envision is that the Sustainable Construction Strategy should include commitments to beacon achievements that are both time-specific and ambitious – perhaps relating to demonstrating the deliverability of zero-carbon buildings. Such milestones would galvanise industry and government, indeed all parts of government that have accountability for built assets, to commit to accelerating their contribution to Sustainable Construction. Within the coordinated framework that we are calling for, these committed milestones would play an important part in the Government Encouraging, Enabling, Engaging and Exemplifying sustainable development.

With Government delivering on this, the construction industry can realise its vision for Sustainable Construction and thus industry and government together will be getting it right for the Bottom Line and the Balance Sheet of UK plc.

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Questions and comments should be sent to:

**Elizabeth Pomeroy**  
Senior Policy Analyst, Sustainable Buildings

[Elizabeth.Pomeroy@sd-commission.org.uk](mailto:Elizabeth.Pomeroy@sd-commission.org.uk)