# UK construction stagnation and collapse of green finance threaten housing and climate ambitions



The UK construction sector is confronting a dual crisis that threatens both housing supply and sustainable development efforts. More than 150 high-rise projects have been stalled due to delays linked to the Building Safety Regulator (BSR), established under the Building Safety Act 2022. This post-Grenfell legislation imposes stricter safety requirements, including the mandate for two escape staircases in buildings over 18 metres tall, but has inadvertently created extensive regulatory bottlenecks. Meanwhile, the sudden dissolution of the global Net Zero Banking Alliance (NZBA), formerly a pivotal player in sustainable finance, signals a retreat from coordinated environmental commitments amid shifting political landscapes, further compounding challenges to green building finance.

The construction delays are stark. Industry data reveals that since the introduction of the new regulatory regime, approval times have ballooned from a pre-Act average of 12 weeks to as long as a year. London is disproportionately affected, accounting for over half of the halted projects, with ongoing impacts across other major cities such as Manchester and Birmingham. These hold-ups have reverberated dramatically through the sector. According to the Construction Plant-hire Association (CPA), developers face "a downward spiral" as equipment and crane fleets remain idle, cash flow tightens, and the sector experiences its steepest decline since the COVID-19 pandemic. August 2025 statistics from S&P underscore this strain, indicating that construction firms constituted 15.2% of all business failures that month. The knock-on effect threatens thousands of jobs and the broader economic contribution of construction, which adds approximately £110 billion annually to the UK’s GDP.

Small and medium-sized enterprises (SMEs) bear the brunt of these delays. Rising labour costs and looming changes to inheritance tax exacerbate the pressure on these businesses, particularly as project financing becomes untenable with prolonged planning and building control approvals. Mark Reynolds, CEO of Mace, highlighted before a parliamentary committee the staggering impact of a two-year period needed for combined planning and building control approval, explaining how this deters investors and inflates interest rates. Unite, a student housing developer, concurs that the Act adds six months per project, squeezing profit margins and slowing supply. Data from Glenigan paints a dismal picture, noting a 12% drop in national new home starts year-on-year and a 44% decline in London, delaying Labour’s target of constructing 1.5 million homes within this Parliament and worsening the UK’s existing shortfall of 4.3 million houses.

The BSR’s stringent oversight, borne out of the vital need to avert another Grenfell tragedy, has led to a cautious culture among its approval officers, attributed to fears of future liability. Steven Mulholland, head of the CPA, described this "fear of culpability" as a major factor slowing the sign-off process. Despite these difficulties, government sources have acknowledged the urgency of reform: new leadership has been appointed to the BSR with a remit to expedite decisions without compromising safety. Initiatives such as a forthcoming prospectus on built environment regulation and proposals to establish a chief construction advisor aim to streamline processes and support SMEs. The BSR spokesperson indicated progress is underway, anticipating a significant reduction in approval times if developers provide high-quality, compliant applications.

The ripple effects extend beyond developers alone, squeezing supply chains and plant-hire companies, many of which face severe cash-flow issues due to unused or returned equipment. The CPA warns that the sector’s paralyzing bottleneck could risk up to £5 billion in investment and threaten 20,000 jobs in London alone. The increasingly fragile health of construction SMEs is highlighted by the alarming number of sector business failures, pointing to a pressing need for government intervention focused on sustaining existing infrastructure as well as delivering new projects.

Compounding construction woes is the dramatic exit of major financial institutions from the Net Zero Banking Alliance. Following the return of US President Donald Trump, who advocated policies at odds with ESG frameworks, a wave of high-profile banks including Goldman Sachs, JPMorgan, Citi, Bank of America, and HSBC have withdrawn from the NZBA. The alliance, which once convened over 130 banks managing $70 trillion in assets to align banking with the Paris Agreement, announced its immediate cessation as a membership organisation, shifting its resources to the public domain. Despite this, some banks like HSBC maintain commitments to net-zero goals independently. The departure of these banks threatens to slow the flow of finance for renewable energy and green infrastructure projects, with green bond issuance in the UK already at £12 billion in 2024 potentially at risk of stagnation.

The collapse of the NZBA and the regulatory gridlock in construction present intertwined economic and environmental setbacks. The construction delays exacerbate the UK’s housing crisis by pushing up property costs and limiting availability, while the retreat from collective ESG banking efforts undermines the financial mechanisms critical to funding the UK's £1 trillion net-zero transition. Industry voices urge a pragmatic focus on maintaining existing infrastructure alongside expedited approvals for new builds to balance immediate housing relief with sustainable development ambitions.

Looking ahead, there is cautious optimism around planned government reforms, such as the introduction of a fast-track approval process and the appointment of a central construction advisor to reduce bureaucratic hurdles. For the NZBA framework, its continued public availability may still provide a reference point for banks to voluntarily re-commit to climate targets. Industry leaders call for “ministerial will” to see these reforms through, emphasising the need to prioritise SMEs and make regulatory compliance manageable without eroding safety standards.

Ultimately, the UK’s construction and financial sectors illustrate the complexity of translating high-level safety and environmental goals into practical and timely outcomes. The legacy of Grenfell and the ambitions of the Paris Agreement remain non-negotiable imperatives, but their implementation requires balanced reforms that preserve economic vitality while protecting lives and the planet. Achieving this balance could transform current crises into opportunities for renewed trust and sustained growth in both the built environment and green finance ecosystems.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://prolificlondon.co.uk/the-uks-construction-crisis-and-net-zeros-collapse-regulatory-roadblocks-and-green-retreats/), [[4]](https://www.constructionenquirer.com/2025/01/30/over-800-high-rise-resi-jobs-stalled-by-safety-regulator/), [[5]](https://www.estatesgazette.co.uk/news/building-safety-regulator-backlog-surpasses-1200-as-delays-deepen-and-approvals-stall/)
* Paragraph 2 – [[1]](https://prolificlondon.co.uk/the-uks-construction-crisis-and-net-zeros-collapse-regulatory-roadblocks-and-green-retreats/), [[3]](https://www.constructionenquirer.com/2025/02/03/piling-jobs-at-risk-over-safety-regulator-project-delays/), [[4]](https://www.constructionenquirer.com/2025/01/30/over-800-high-rise-resi-jobs-stalled-by-safety-regulator/), [[5]](https://www.estatesgazette.co.uk/news/building-safety-regulator-backlog-surpasses-1200-as-delays-deepen-and-approvals-stall/)
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1. <https://prolificlondon.co.uk/the-uks-construction-crisis-and-net-zeros-collapse-regulatory-roadblocks-and-green-retreats/> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/cop/net-zero-banking-alliance-stop-operations-after-member-vote-2025-10-03/> - The Net-Zero Banking Alliance (NZBA) announced its immediate cessation following a member vote to discontinue as a member-based organisation. This decision comes after several leading banks exited the alliance. Despite the shutdown, the NZBA confirmed that the tools and resources it developed over the years—such as the widely-used 'Guidance for Climate Target Setting for Banks'—will remain publicly available. The closure marks a significant shift in the global banking sector's coordinated response to climate change.
3. <https://www.constructionenquirer.com/2025/02/03/piling-jobs-at-risk-over-safety-regulator-project-delays/> - Specialist demolition and foundation contractors are warning of potential job cuts due to work drying up as developers struggle to obtain clearance to commence construction. Since the introduction of the new regulatory framework in April 2024, only a handful of high-risk building projects have cleared the approval system known as Gateway 2. The Federation of Piling Specialists has called on the government to urgently address delays caused by the Building Safety Regulator approval process.
4. <https://www.constructionenquirer.com/2025/01/30/over-800-high-rise-resi-jobs-stalled-by-safety-regulator/> - Frustrated developers warn that the logjam in sign-offs to start building is now threatening to undermine the Government’s housing delivery and growth drive. According to latest figures obtained from a Freedom of Information request, over 90 major new-build projects are stuck in a bottleneck awaiting Gateway 2 design approval to start work. Just 11 new-build jobs are reported to have cleared Gateway 2 checks, although only two of these are understood to have passed through the present checking regime.
5. <https://www.estatesgazette.co.uk/news/building-safety-regulator-backlog-surpasses-1200-as-delays-deepen-and-approvals-stall/> - Determination times for existing buildings have also worsened to 24 weeks, with no improvement seen over four consecutive quarters. In its Q1 2025 performance report, consultancy Fulkers Bailey Russell described the deterioration as 'significant,' adding: 'The BSR is slow to approve remediation schemes, only approving one scheme out of 205 live applications in Q1 2025.' The regulator’s sluggish progress is now creating tangible risk for developers, funders and contractors seeking to move high-rise projects through the planning and pre-construction phases.
6. <https://www.building.co.uk/news/high-rise-decision-delays-caused-by-outsourced-delivery-model-says-safety-regulator/5134156.article> - Delays in handling applications for high-rise building projects by the new Building Safety Regulator are largely due to the outsourced processing model the organisation has adopted, the regulator has said. Speaking to Building, Andrew Moore, head of operations, planning and building control at the Building Safety Regulator (BSR), said it was deploying increasing resources to tackle delays, claiming that wait times for applicants for building control approval were falling.
7. <https://www.reuters.com/sustainability/cop/hsbc-joins-us-peers-leaving-bank-climate-coalition-2025-07-11/> - HSBC announced its exit from the Net-Zero Banking Alliance (NZBA), joining other major global banks such as JPMorgan, Citi, Bank of America, Morgan Stanley, and Wells Fargo, who have also withdrawn in 2025. Despite leaving the alliance, HSBC reaffirmed its commitment to achieving net-zero emissions across its operations by 2050. The bank stated that the NZBA helped establish initial frameworks for emissions reduction, but it now has the necessary foundations in place as it prepares to update its own transition strategy later this year.