# UK construction delays and green finance retreat threaten housing and climate goals



The UK construction sector is grappling with significant challenges that pose serious risks to the nation’s housing supply and economic recovery. Central to the crisis is the delay and blockage of over 150 high-rise building projects, predominantly in London, caused by stringent regulatory requirements introduced after the Grenfell Tower disaster in 2017. Simultaneously, the abrupt dissolution of the global Net Zero Banking Alliance (NZBA) signals a retreat from environmental commitments within the financial sector, complicating efforts to finance sustainable development and meet climate goals. Together, these issues threaten to derail the UK’s ambitious housing targets and jeopardise the transition to a net-zero economy.

Since the establishment of the Building Safety Regulator (BSR) under the Building Safety Act 2022, which was enacted to prevent another tragedy like Grenfell by imposing rigorous safety standards on buildings over 18 meters tall, construction approvals have slowed dramatically. Where approval times once took around 12 weeks, now developers face waits extending up to a year, primarily due to detailed planning requirements and a regulatory culture described as cautious to the point of paralysis. According to industry data, only a handful of high-risk projects have passed the critical Gateway 2 approval stage, with over 90 major new-build schemes languishing in a bottleneck. The regulator’s use of an outsourced model to process applications, understaffing, and a pervasive “fear of culpability” among officials have been pinpointed as key factors exacerbating delays. The knock-on effects ripple through the construction supply chain, with specialist demolition and foundation contractors reporting drying work pipelines, and plant-hire businesses suffering cash flow issues as machinery remains idle.

Economically, the impact is stark. The Construction Plant-hire Association (CPA) highlights that the industry is experiencing its sharpest downturn since the Covid-19 pandemic, with construction firms accounting for 15.2% of all business failures in July 2025. Data from Glenigan reveals a 12% drop in new home starts nationally, with London seeing a dramatic 44% reduction in August alone—putting thousands of jobs at risk and hampering efforts to address the UK’s housing deficit of 4.3 million homes. Smaller developers and SMEs are hardest hit, facing mounting costs from protracted planning delays, rising labour expenses, and fiscal changes such as evolving inheritance tax rules. Industry leaders warn that the combination of extended approval timelines and rising interest rates threatens project viability and deter investors, endangering government commitments to build 1.5 million new homes by the end of the current Parliament.

In response to mounting criticism, the government has signalled potential reforms. A housing committee hearing in May 2025 confirmed plans to issue a regulatory “prospectus” aiming to streamline building safety frameworks by year’s end. The Grenfell Inquiry has advocated for consolidating regulatory oversight under a single construction regulator and introducing a Fast Track Process to expedite project reviews. The BSR itself acknowledges the delays and has pledged to improve processing times with new leadership and enhanced operational resources. Industry representatives urge developers to submit higher-quality designs to aid faster approvals, while calls intensify for a stronger focus on maintaining existing infrastructure as a pragmatic alternative to new builds amid current constraints.

Parallel to these construction woes, the global banking sector has experienced its own upheaval concerning climate and sustainability commitments. The Net Zero Banking Alliance, established in 2021 to unite banks in supporting the Paris Agreement and net-zero emissions goals, ceased operations abruptly in October 2025 after a member vote. This decision followed a cascade of withdrawals by major financial institutions, including prominent US banks that exited following political changes under President Donald Trump’s administration, which favoured fossil fuel development over environmental regulations. Key British banks like HSBC and Barclays left more recently, citing insufficient membership to sustain the alliance’s activities. While the NZBA confirmed that its climate guidance tools will remain publicly accessible, its dissolution marks a significant retreat from coordinated sustainable finance efforts. Experts warn this undermines green investment momentum at a time when the UK’s net-zero transition, reliant on £1 trillion in funding for renewable projects and energy efficiency, needs robust financial backing.

The combined effect of stalled construction projects and faltering green finance imperils not only immediate economic growth but also long-term environmental objectives. With billions of pounds in potential investment frozen and housing development slowed, affordability pressures are likely to intensify, exacerbating social inequalities. The CPA’s leader Steven Mulholland emphasises that while regulation is essential for safety and sustainability, it must be balanced and manageable to avoid choking off growth. The government’s forthcoming reforms and strategies to bolster the BSR’s efficiency will be critical to restoring industry confidence. Additionally, reinvigorating ESG-aligned banking commitments, albeit on a voluntary basis after the NZBA’s collapse, will be vital to ensuring continued capital flows into green infrastructure.

In conclusion, the UK stands at a crossroads where well-intentioned regulatory and environmental advances are colliding with economic realities and political shifts. Accelerated reform of approval processes and clearer, more supportive financial frameworks for sustainable development are imperative. Emphasising the maintenance of existing infrastructure and fostering small and medium-sized enterprises could provide a buffer while rebuilding momentum. The government’s promise of a regulatory prospectus and the introduction of a chief construction advisor offer a pathway to balancing safety, speed, and sustainability. As Mulholland succinctly puts it, “It’s really important that you do have regulation. It’s just about making it manageable.” Facing these intertwined crises with coordinated policy and sustained political will could transform current barriers into opportunities for a resilient and greener built environment in the UK.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://prolificlondon.co.uk/the-uks-construction-crisis-and-net-zeros-collapse-regulatory-roadblocks-and-green-retreats/), [[2]](https://www.reuters.com/sustainability/cop/net-zero-banking-alliance-stop-operations-after-member-vote-2025-10-03/), [[4]](https://www.constructionenquirer.com/2025/01/30/over-800-high-rise-resi-jobs-stalled-by-safety-regulator/)
* 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/), [[6]](https://www.building.co.uk/news/high-rise-decision-delays-caused-by-outsourced-delivery-model-says-safety-regulator/5134156.article), [[5]](https://www.rics.org/news-insights/important-update-building-safety-regulator-pauses-work-on-50-higher-risk-projects)
* Paragraph 3 – [[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/), [[3]](https://www.constructionenquirer.com/2025/02/03/piling-jobs-at-risk-over-safety-regulator-project-delays/)
* Paragraph 4 – [[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/), [[6]](https://www.building.co.uk/news/high-rise-decision-delays-caused-by-outsourced-delivery-model-says-safety-regulator/5134156.article)
* Paragraph 5 – [[1]](https://prolificlondon.co.uk/the-uks-construction-crisis-and-net-zeros-collapse-regulatory-roadblocks-and-green-retreats/), [[2]](https://www.reuters.com/sustainability/cop/net-zero-banking-alliance-stop-operations-after-member-vote-2025-10-03/), [[4]](https://www.constructionenquirer.com/2025/01/30/over-800-high-rise-resi-jobs-stalled-by-safety-regulator/)
* Paragraph 6 – [[1]](https://prolificlondon.co.uk/the-uks-construction-crisis-and-net-zeros-collapse-regulatory-roadblocks-and-green-retreats/), [[2]](https://www.reuters.com/sustainability/cop/net-zero-banking-alliance-stop-operations-after-member-vote-2025-10-03/)
* Paragraph 7 – [[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/)

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## Bibliography

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 functioning 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 logjam is most acute in London and other urban areas, where projects over seven storeys are stalled, creating a ripple effect across the geotechnical, demolition, and construction supply chains.
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.rics.org/news-insights/important-update-building-safety-regulator-pauses-work-on-50-higher-risk-projects> - The Building Safety Regulator (BSR) has issued an update that is likely to impact RICS members in a number of fields, and the construction industry as a whole. Work has been immediately suspended on more than 50 building projects, following the compulsory liquidation of the private registered building control approver AIS Surveyors. The suspended projects are those categorised as higher risk, including high-rise buildings spanning at least seven floors or reaching at least 18 metres in height, and two residential units, or care homes and hospitals.
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/world/uk/britain-investigate-firms-named-grenfell-tower-fire-inquiry-2025-02-26/> - The UK government will investigate the companies involved in the 2016 refurbishment of Grenfell Tower, which used flammable cladding and were partially blamed for the fire that killed 72 people in 2017. These firms, including construction contractors and cladding manufacturers, may be barred from public contracts if found culpable. This decision follows a public inquiry's final report identifying these companies' roles in the disaster. Deputy Prime Minister Angela Rayner emphasized the need for accountability and strict measures, such as a new construction industry regulator and possible jail time or fines for executives violating safety rules.