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# Decarbonising the building sector: work still in progress

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## Summary

**The building sector is responsible for around 40% of global greenhouse gas emissions.** To meet the decarbonisation targets set out by the International Energy Agency (IEA), emissions from the sector must be reduced drastically and

rapidly (-96% by 2050 in the Net Zero scenario). Rigorous changes are needed across the entire value chain, from the decarbonisation of building equipment and materials, through the reduction of construction emissions, to the reduction of emissions associated with the use of buildings throughout their lifecycle.

Companies in the sector have a wide range of tools at their disposal to reduce their emissions. Technology is mature enough for companies to succeed in their decarbonisation, provided that they sufficiently invest in it.

This study shows that construction and real estate companies are beginning to recognise the need for rapid and significant decarbonisation. They are quite mature about the existing solutions for decarbonisation, but they are, unfortunately, largely untapped. The efforts made by stakeholders deserve to be highlighted, but they fall far short of the substantial action they must take to meet the sector's climate targets.

**This study shows that real estate companies' efforts towards energy-efficient refurbishment are particularly insufficient.** Furthermore, emissions from properties leased by these companies are currently far from meeting the targets set by the Carbon Risk Real Estate Monitor (CRREM) – the sector's benchmark<sup>[1]</sup>. **The strategies implemented by these players remain limited and unambitious**, which is delaying the transition of the whole sector. However, companies in the construction and development sector are slightly further ahead, with more detailed strategies that are more conducive to the transition.

Finally, there has been a slight improvement in companies' reporting practices, demonstrating a commitment to transparency; therefore, marking the first step towards implementing relevant transition plans. However, few companies are investing sufficiently in their transition, and very few are doing so without public support (renovation grants, tax credits, favourable financing). Regulation does indeed play a key role in encouraging sector players to align their practices with environmental objectives and to adopt practices that are sometimes unprofitable, particularly when it comes to energy-efficient refurbishment.

**There is a high cost in inaction.** In an increasingly constrained world facing dwindling energy resources, reducing the energy consumption of buildings will be essential. For real estate companies, missing out on this transition could have serious financial consequences, such as a **decline in the value of their assets** or a significant **increase in operating costs**. It is therefore high time that stakeholders moved away from short-term thinking, not only for the success of the sector's transition, but also for their own long-term profitability.

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CRREM is a non-profit organisation established with European funding to develop a decarbonisation standard for the construction industry.<sup>[1]</sup>

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