RESEARCH REPORT

Regulatory Crosscurrents: US Efficiency Rollbacks Diverge From Sub-National and Global Oversight Tightening

As federal building-efficiency mandates and incentives recede, state, city, and international regimes continue to advance, leaving multi-jurisdiction capital planning without a stable regulatory floor.

Research Department

Building Lifecycle Management Initiative

Executive Summary

In the first week of July 2026, United States federal building-efficiency policy and European Union financial-market oversight moved in opposite directions within days of one another. On July 2, the U.S. Department of Energy (DOE) proposed a rule to permanently curtail its own authority to set new appliance and equipment efficiency mandates, the third federal action affecting building-equipment efficiency policy inside thirty days. On the same date, the European Union's ESG Ratings Regulation (Regulation (EU) 2024/3005) took effect, placing ESG rating providers operating in the EU under direct supervision by the European Securities and Markets Authority (ESMA) for the first time. For facility management (FM) and commercial real estate (CRE) organizations managing portfolios that span U.S. jurisdictions and international markets, these are not isolated headlines. They are two data points in a broader pattern in which federal-level U.S. ambition for building-equipment efficiency regulation is receding while other governance layers, both domestic and international, continue to advance.

This brief synthesizes four regulatory developments tracked across BLMI's industry intelligence scan during the final week of June and first two weeks of July 2026: the DOE's proposed rulemaking to end future appliance and equipment efficiency mandates; the ongoing dispute between DOE and the International Code Council (ICC) over the cost-effectiveness of the 2024 International Energy Conservation Code (IECC); Colorado's legislative softening of its 2026 Building Performance Standards (BPS) interim compliance targets; and the EU's move to bring ESG rating providers under direct ESMA supervision. It places these four signals against a wider backdrop that includes the June 30, 2026 sunset of the Section 179D commercial building energy-efficiency tax deduction, the rescission of federal reference standards at the Department of Housing and Urban Development (HUD), the Department of Agriculture (USDA), and the General Services Administration (GSA), and the continued expansion of sub-national U.S. Building Performance Standards and international sustainability disclosure regimes aligned to the International Sustainability Standards Board (ISSB).

Analysis of these developments yields six findings. Federal deregulation of building-equipment efficiency is a coordinated multi-agency pattern rather than an isolated DOE action. The DOE-ICC dispute marks a departure from three decades of DOE affirming the cost-effectiveness of new energy codes. Federal rollback is not reducing portfolio-level compliance obligation so much as redistributing it to state, city, and international governance layers that continue to advance. Even within the international tightening pole, the direction is not uniform: the EU is simultaneously narrowing corporate sustainability reporting scope under its Omnibus I simplification package while tightening oversight of the market infrastructure that supplies ESG ratings data. Colorado's 2026 BPS softening is a timeline recalibration rather than a retreat, since its 2030 hard compliance deadline is unchanged. And the simultaneous loss of the Section 179D federal incentive alongside rising sub-federal compliance costs is tightening the margin on efficiency-retrofit business cases that FM and CRE capital planners have relied on.

Three pathways can help FM and CRE organizations navigate this divergence: building a living jurisdiction-by-jurisdiction regulatory inventory, reframing retrofit investment cases around operating-cost and risk-hedging value rather than expiring federal incentives, and adopting an internal standards-synthesis posture that aligns portfolio-wide practice to the most stringent applicable requirement rather than the federal floor.

The immediate imperative for capital planners is not to interpret federal rollback as a signal that regulatory obligation is receding across the board. It is to recognize that the regulatory floor has become jurisdiction-specific, and that capital planning built on an assumed stable national baseline, whether that baseline is DOE mandates, tax incentives, or a single code cycle, is now a source of planning risk rather than planning certainty.

Introduction

Commercial real estate and facility management organizations plan capital expenditure on multi-year and, for major retrofits, multi-decade horizons. That planning has historically rested on an assumption that federal U.S. policy provides a relatively stable regulatory and incentive baseline, one that individual states and cities might exceed but rarely contradict, and that international markets, while distinct, move broadly in the same direction as U.S. policy on building energy performance and sustainability disclosure. The first half of 2026 has tested that assumption directly.

This brief examines a cluster of regulatory actions that surfaced across BLMI's industry intelligence scan between early June and mid-July 2026: a proposed DOE rule curtailing future federal appliance and equipment efficiency mandates, an active DOE-ICC dispute over the cost-effectiveness of the model energy code most states reference when updating their own requirements, a legislative recalibration of Colorado's Building Performance Standards timeline, and the EU's extension of direct regulatory supervision to ESG rating providers. Individually, each is a discrete policy development. Read together, they describe a structural condition: federal-level U.S. regulatory ambition for building-equipment efficiency is receding at the same time that other governance layers, sub-national U.S. jurisdictions and international markets alike, continue to hold or advance their own requirements.

Consistent with BLMI's role as a synthesizer of existing industry standards and regulatory developments rather than an advocate for any single policy outcome, this brief does not take a position on whether the federal rollback or the international tightening represents better policy. Its purpose is to equip FM and CRE decision-makers with an accurate, evidence-based picture of where obligation is moving, so that capital-planning and compliance decisions are built on the actual regulatory landscape rather than an assumption of a stable national or global baseline.

Problem Statement and Opportunity

The building lifecycle depends on capital-planning decisions, particularly efficiency retrofits, code-compliance upgrades, and ESG-linked capital allocation, that are made years before the underlying regulatory or financial conditions are realized. Those decisions require a defensible assumption about what the regulatory and incentive environment will look like at the point a project is completed and operating. As of mid-2026, that assumption is harder to make with confidence than at any point in the preceding several years.

At the federal level, the U.S. government has, within a thirty-day window, proposed ending future appliance and equipment efficiency mandates, disputed the cost-effectiveness methodology behind the model energy code that eight states have already adopted, and allowed a federal tax deduction that has underwritten commercial efficiency retrofits since 2005 to sunset for any project breaking ground after June 30, 2026. Taken together, these actions remove both the regulatory mandate and the financial incentive that many efficiency business cases have depended on.

At the same time, the obligation has not disappeared from the portfolio-level perspective. More than fifty U.S. cities already enforce their own Building Performance Standards, more than thirty additional cities

have pledged to adopt them by 2026, and the EU has extended, not relaxed, its regulatory reach into the ESG data infrastructure that increasingly informs green financing and capital-allocation decisions for CRE assets with international exposure. The opportunity, and the risk, is that organizations which read the federal rollback as a signal of broad regulatory retreat will be under-prepared for the jurisdictions, domestic and international, where the opposite is true.

Background and Context

For nearly three decades, under administrations of both parties, DOE's standard practice after each triennial update to the IECC was to affirm that the new code version saved money and energy relative to its predecessor. That pattern changed with DOE's 2026 analysis of the 2024 IECC, which found that nationwide adoption would increase the construction cost of a single-family home by approximately $14,000, add $9.2 billion in annual costs, and generate more than $127 billion in cumulative additional costs compared with the 2006 code baseline. The ICC disputes this analysis, arguing that it excludes the value of the energy savings the code changes generate and that DOE has not disclosed the methodology behind its cost figures. As of mid-2026, eight states (Colorado, Delaware, Illinois, Nevada, New York, North Dakota, Rhode Island, and Utah) have adopted the 2024 IECC in some form.

The DOE-ICC dispute did not occur in isolation. On July 2, 2026, DOE proposed a rule to permanently curtail its own rulemaking authority over appliance and equipment efficiency standards, framed as an update to its testing and standard-development methodology. The proposal does not rescind currently effective efficiency standards for products already in the market, but it would constrain DOE's ability to set new ones going forward. In April 2026, HUD and USDA rescinded their 2024 adoption of the 2021 IECC and ASHRAE 90.1-2019 as minimum code requirements for HUD- and USDA-financed housing. Separately, GSA rescinded its P100 Facilities Standards in February 2025, reducing federal building performance requirements to basic code minimums. These actions follow a March 13, 2026 executive order, titled Removing Regulatory Barriers to Affordable Home Construction, and a related Office of Management and Budget request for information soliciting deregulatory proposals, of which the DOE cost-methodology critique was one identified opportunity.

Layered onto this regulatory context is the scheduled sunset of Section 179D of the Internal Revenue Code, the federal tax deduction for energy-efficient commercial building property. Under the One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, Section 179D does not apply to construction beginning after June 30, 2026. Until that date, qualifying projects could claim a deduction of up to $5.81 per square foot, or between $2.90 and $5.81 per square foot depending on prevailing-wage and apprenticeship compliance. The deduction has been available in some form since 2005 and has been a standard component of commercial efficiency retrofit financial modeling.

On the international side, the EU adopted the ESG Ratings Regulation (Regulation (EU) 2024/3005) in November 2024, with a stated application date of July 2, 2026. The regulation places ESG rating providers operating in the EU under direct supervision by ESMA, requiring authorization, methodology disclosure, and governance safeguards; ESMA is the sole direct supervisor for this regime, with no national competent authority tier. Registration begins August 2, 2026, with an outer deadline of November 2, 2026, and smaller providers (fewer than 50 employees and no more than 8 million euros in annual turnover or balance sheet total) qualify for a lighter registration regime. This action sits alongside,

and in some tension with, a separate EU development: the February 2026 adoption of the Omnibus I simplification package, which narrows the scope of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). Omnibus I raises CSRD reporting thresholds to companies with more than 1,000 employees and above 450 million euros in net annual turnover, exempts companies that began reporting in 2024 from reporting in 2025 and 2026, and caps the information smaller companies in a reporting company's value chain can be required to provide.

Beyond the EU, adoption of ISSB-aligned sustainability disclosure standards (IFRS S1 and IFRS S2) continues to expand. As of April 2026, twenty-eight jurisdictions have adopted the standards on a voluntary or mandatory basis, with twelve more planning adoption, collectively representing more than 60 percent of global GDP according to the ISSB chair. Japan, the United Kingdom, Canada, Australia, Singapore, Hong Kong, South Korea, and Brazil are among the larger markets requiring or implementing ISSB-aligned disclosure, and mandates took effect in Chile, Qatar, and Mexico at the start of 2026.

Analysis and Discussion

Dimension One: The Federal Rollback Is Broader Than Any Single Rule

Viewed individually, the DOE appliance rulemaking, the DOE-ICC dispute, and the HUD/USDA and GSA rescissions could each be read as a discrete, agency-specific policy adjustment. Viewed together, they describe a coordinated executive-branch posture toward building-equipment and code efficiency regulation, one explicitly connected to the March 2026 executive order on regulatory barriers to construction and the related OMB deregulation request for information. For FM and CRE organizations that reference federal standards, DOE efficiency mandates, HUD/USDA financing conditions, GSA facility standards, or IECC/ASHRAE 90.1 code cycles, as a baseline for national portfolio policy, the relevant planning question is no longer whether any single rule changes, but whether the federal reference baseline itself remains a reliable planning anchor.

Dimension Two: Federal Retreat Has Not Softened Sub-National Ambition

The federal rollback has coincided with, rather than slowed, continued expansion of city- and state-level Building Performance Standards. More than fifty U.S. cities already enforce BPS requirements, and more than thirty additional cities have pledged adoption by 2026 under the National BPS Coalition, a trajectory that industry trackers project will bring roughly 60 percent of U.S. commercial square footage under some form of energy performance regulation by 2030. Nine cities have enacted enforcement penalties ranging from $100 per day to $268 per ton of carbon emissions. Colorado's own program illustrates the nuance within this trend: House Bill 25-1269 converted the state's 2026 BPS interim targets from enforceable requirements to non-binding goals, allowed building owners to elect a 2019 baseline year instead of 2021, and moved the annual reporting deadline from July 1 to November 1. The 2030 target, however, is unchanged, and the city of Denver separately pushed its own 2030 target to 2032 in a related 2025

adjustment. The pattern is timeline recalibration in response to implementation friction, not abandonment of the underlying performance obligation.

Dimension Three: International Oversight Is Tightening, But Selectively

The EU's regulatory posture in mid-2026 resists a simple tightening label. The ESG Ratings Regulation extends new, direct supervisory authority over ESG rating providers, a market-infrastructure layer that CRE capital allocators increasingly rely on for green financing and investment decisions, even as global capital markets more broadly lean on third-party ratings whose methodologies have historically been opaque. At nearly the same time, the Omnibus I package narrows the scope of corporate sustainability reporting obligations under CSRD and CSDDD, removing a substantial share of previously in-scope companies from mandatory reporting and delaying first-time reporting for companies that had already begun. The EU is not uniformly tightening or uniformly loosening; it is recalibrating which layer of the sustainability-information supply chain it regulates most directly, shifting emphasis from mandating what companies must disclose toward assuring the credibility of the ratings and data infrastructure built on top of whatever companies do disclose voluntarily or under other frameworks. Meanwhile, the broader international trend toward ISSB-aligned climate disclosure, now covering more than 60 percent of global GDP by economic weight, continues to advance largely independent of the EU's internal recalibration, reinforcing that global sustainability-disclosure convergence is a broader and more durable trend than any single jurisdiction's adjustment.

Dimension Four: The Capital-Planning Consequence

For FM and CRE capital planners, the practical consequence of these crosscurrents is that no single governance layer, federal, state, city, or international, can be treated as representative of the overall regulatory trajectory. A retrofit project financed in part on the assumption of Section 179D eligibility, planned for a jurisdiction that references the 2024 IECC, and reported to investors or lenders using ESG ratings inputs now touches four distinct and independently moving regulatory tracks: an expiring federal tax incentive, a contested federal code-cost methodology, potentially binding state or city BPS obligations, and EU-supervised rating-provider methodology standards. Proponents of the federal rollback point to DOE's own cost analysis, an estimated $14,000 increase in per-home construction cost and $9.2 billion in annual costs attributed to the 2024 IECC, and note that HVAC industry groups have publicly supported DOE's proposed rulemaking as a response to affordability concerns. Critics, represented by the ICC's public response, argue the analysis undervalues long-run energy savings and was developed without a disclosed methodology. BLMI does not adjudicate this dispute; the relevant point for capital planners is that the disagreement itself is evidence that the federal cost-benefit baseline for energy codes can no longer be treated as settled, regardless of which side is ultimately vindicated.

Findings

Finding 1: Federal deregulation of building-equipment efficiency policy in 2026 is a coordinated, multi-agency pattern rather than an isolated DOE rulemaking. DOE's proposed rule to curtail future appliance and equipment efficiency mandates, HUD and USDA's rescission of 2024 IECC and ASHRAE 90.1-2019 as financing-code baselines, and GSA's earlier rescission of the P100 Facilities Standards each reduce federal building-efficiency requirements independently, but they trace to the same March 2026 executive order and OMB deregulation initiative.

Finding 2: The DOE-ICC dispute over the 2024 IECC's cost-effectiveness breaks a nearly three-decade pattern in which DOE affirmed the energy and cost savings of each new model code cycle. Regardless of the dispute's outcome, its existence signals that the federal cost-benefit methodology underlying energy code adoption is no longer a stable, uncontested input for state and local code-adoption decisions.

Finding 3: Federal rollback is not reducing aggregate compliance obligation across FM and CRE portfolios; it is redistributing that obligation to sub-national and international governance layers that continue to advance. More than fifty U.S. cities currently enforce Building Performance Standards, more than thirty more have pledged adoption by 2026, and the EU's ESG Ratings Regulation extends new direct supervisory authority over rating providers used in international green financing.

Finding 4: The international pole of this divergence is itself not uniform. The EU is simultaneously narrowing the scope of mandatory corporate sustainability reporting under CSRD and CSDDD through Omnibus I while extending direct ESMA supervision over ESG rating providers, indicating a recalibration of which layer of the sustainability-information supply chain the EU regulates most directly rather than a simple, one-directional tightening.

Finding 5: Colorado's 2026 Building Performance Standards adjustment (HB 25-1269) is a timeline and baseline-flexibility recalibration, not a retreat from decarbonization obligation. The 2026 interim targets became non-enforceable goals and the reporting deadline moved from July to November, but the 2030 hard compliance deadline remains unchanged, indicating that political friction is being absorbed at the interim-milestone level while the ultimate obligation persists.

Finding 6: The scheduled June 30, 2026 sunset of the Section 179D commercial building tax deduction removes a federal financial incentive that has underwritten efficiency retrofit business cases since 2005, at the same time that sub-federal compliance costs, including Building Performance Standards penalties reaching $268 per ton of carbon emissions in some cities, continue to rise. The combined effect narrows the margin available to justify retrofit investment on federal-incentive terms alone.

Pathways and Options

The following three pathways are not mutually exclusive; larger, multi-jurisdiction portfolios are likely to draw on all three in combination. Readiness varies, and organizations should weigh each pathway against portfolio size, jurisdictional footprint, and existing compliance infrastructure.

Pathway One: Living Jurisdiction-by-Jurisdiction Regulatory Inventory

Description: FM and CRE organizations build, or procure, a living regulatory map tracking Building Performance Standards, code adoption, and disclosure obligations at the federal, state, city, and, for international portfolios, national or EU level, refreshed at defined intervals.

Prerequisites: A dedicated compliance-tracking function or subscription-based tracking service, and centralized portfolio data covering building location, assessed value, code jurisdiction, and benchmarking status.

Benefits: Converts the patchwork's complexity into a manageable inventory and supports a capital-planning cadence set per building rather than a single assumed national baseline.

Barriers: Requires sustained investment; jurisdictional rules change frequently and require ongoing maintenance; larger portfolios may face dozens of distinct regimes simultaneously.

Readiness: Mature and near-term. Multiple commercial tracking services and industry associations already publish Building Performance Standards maps; the barrier is organizational adoption, not technology availability.

Pathway Two: Financial-Operations Reframing of Efficiency Retrofits

Description: Rebuild retrofit investment justification around operating-cost reduction, insurance-cost management, and regulatory-hedging value rather than the now-expired Section 179D deduction or an assumed stable national code baseline.

Prerequisites: Lifecycle-cost modeling capability and a finance function willing to evaluate retrofit return on investment in operating-cost and risk-avoidance terms rather than incentive-capture terms.

Benefits: Retrofit decisions remain defensible as federal incentives and code baselines shift, and the approach aligns with a lifecycle-cost view that connects design-to-decommission accountability rather than point-in-time incentive capture.

Barriers: Requires more sophisticated financial modeling than incentive-capture logic, and savings realization is more gradual and harder to communicate to boards accustomed to tax-driven return framing.

Readiness: Emerging. Early examples of this reframing exist in current market commentary, but it is not yet standard practice across the FM and CRE sector.

Pathway Three: Standards-Synthesis Governance Across the Portfolio

Description: Rather than treating federal rules as the governing baseline, multi-jurisdiction portfolios adopt the most stringent applicable requirement across their footprint, often a city or state Building

Performance Standard, or an EU disclosure requirement for an international portfolio, as the internal standard.

Prerequisites: Executive buy-in to exceed minimum legal requirements in lower-regulation jurisdictions for operational consistency, and data infrastructure capable of applying one internal standard across a heterogeneous portfolio.

Benefits: Reduces the operational cost of tracking dozens of distinct thresholds, provides insulation against future regulatory tightening in currently lower-regulation jurisdictions, and supports a single reporting methodology for investors and lenders who increasingly reference Building Performance Standards or ISSB-aligned metrics regardless of legal mandate.

Barriers: May appear to over-invest in efficiency measures where local law does not require it, inviting internal scrutiny of the incremental cost, and requires sustained executive sponsorship since the rationale is risk management rather than legal compliance.

Readiness: Early. A minority of sophisticated, typically larger, multi-market portfolios have adopted this approach; it is not yet common practice at the broader FM and CRE market level.

Recommendations

1. Commission or update a jurisdiction-level regulatory inventory before year-end 2026. Supported by Findings 1 and 3. Owner: portfolio and compliance leadership. Priority: immediate.

2. Recalculate the business case for efficiency retrofits currently in planning to remove reliance on the Section 179D deduction for any construction beginning after June 30, 2026. Supported by Finding 6. Owner: capital planning and finance. Priority: immediate.

3. Engage the DOE public comment process on the proposed appliance and equipment efficiency rulemaking where portfolio-specific data can inform the cost-benefit record. Supported by Findings 1 and 2. Owner: government affairs or industry association liaison. Priority: immediate, within the 30-day comment window following Federal Register publication.

4. Independently validate, rather than assume, the cost-benefit case for any energy code adopted or proposed in a portfolio's jurisdictions. Supported by Finding 2. Draw on both DOE's and ICC's published methodologies rather than treating either party's figures as settled. Owner: facility engineering and sustainability. Priority: near-term.

5. For international portfolios, confirm which ESG data or rating inputs used in green financing or capital-allocation decisions originate from providers now subject to EU ESMA authorization. Supported by Findings 3 and 4. Monitor for downstream U.S. methodology-transparency expectations that may follow the EU precedent. Owner: capital markets and ESG finance. Priority: near-term.

6. Where a portfolio spans multiple Colorado-style, multi-jurisdiction Building Performance Standards programs, model the 2030 or equivalent hard-deadline target now rather than deferring planning to match a softened interim milestone. Supported by Finding 5. Owner: sustainability and capital planning. Priority: near-term.

7. Adopt a standards-synthesis governance posture for portfolios operating across three or more distinct Building Performance Standards or code jurisdictions. Supported by Findings 1, 3, and Pathway Three. Reduces long-run tracking and compliance overhead relative to a jurisdiction-by-jurisdiction minimum-compliance posture. Owner: executive leadership. Priority: long-term.

Conclusion

The regulatory environment shaping building lifecycle decisions in mid-2026 is not moving in one direction. It is moving in several directions at once, and the direction depends on which governance layer, federal, state, city, or international, is being examined. Organizations that read the U.S. federal rollback as evidence of broad regulatory relief risk being unprepared for the jurisdictions where the opposite is true; organizations that read EU regulatory activity as uniform tightening risk missing the CSRD and CSDDD scope narrowing occurring in parallel.

The more durable pattern is jurisdictional divergence itself. As federal-level U.S. ambition for building-equipment efficiency mandates recedes, and as the federal tax incentive that has supported efficiency retrofits for two decades expires, the governance layers that continue to define practical compliance obligation, sub-national U.S. programs and international disclosure and ratings oversight, are advancing largely independent of federal direction. Capital planning that accounts for this divergence explicitly, rather than assuming a single national or global regulatory trajectory, will be better positioned as these crosscurrents continue to develop.

Glossary

BPS (Building Performance Standard): A municipal or state requirement that existing buildings meet defined energy or emissions performance thresholds by specified dates, typically with reporting obligations and, in many jurisdictions, financial penalties for non-compliance.

IECC (International Energy Conservation Code): A model building energy code published by the International Code Council and updated on a roughly three-year cycle; individual U.S. states and jurisdictions choose whether and how to adopt each edition.

DOE (U.S. Department of Energy): The federal agency responsible for setting national appliance and equipment efficiency standards and for analyzing the cost-effectiveness of model building energy codes referenced by federal housing and facilities programs.

ESMA (European Securities and Markets Authority): The European Union's securities markets regulator, designated as the sole direct supervisor of ESG rating providers under the ESG Ratings Regulation.

ESG Ratings Regulation (Regulation (EU) 2024/3005): EU legislation, effective July 2, 2026, that requires ESG rating providers operating in the EU to obtain authorization from ESMA and to disclose their rating methodologies.

ISSB (International Sustainability Standards Board): A standards-setting body that issues global baseline sustainability disclosure standards, IFRS S1 and IFRS S2, which individual jurisdictions may adopt voluntarily or make mandatory.

CSRD (Corporate Sustainability Reporting Directive): An EU directive requiring in-scope companies to report detailed sustainability information; its scope was narrowed by the 2026 Omnibus I simplification package.

CSDDD (Corporate Sustainability Due Diligence Directive): An EU directive requiring in-scope companies to conduct human rights and environmental due diligence across their value chains; also narrowed by Omnibus I.

Section 179D: A provision of the U.S. Internal Revenue Code providing a tax deduction for energy-efficient commercial building property, scheduled to no longer apply to construction beginning after June 30, 2026 under the One Big Beautiful Bill Act.

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