
Setting long-term energy performance standards for the private rented sector in England and Wales

Slides in support of regional stakeholder engagement workshops during the summer of 2019



UK Government has committed to look at a long term trajectory for energy performance standards in the Private Rented Sector (PRS)

Clean Growth Strategy (CGS): *“look at a long term trajectory for energy performance standards across the private rented sector, with the aim of as many private rented homes as possible being upgraded to EPC Band C by 2030, where practical, cost-effective and affordable.”*



Current regulations ask landlords to upgrade properties to an EPC E rating...

Minimum Energy Efficiency Standard (MEES) regulations set a minimum energy efficiency standard of Energy Performance Rating E for domestic private rented properties in England and Wales.



Applies to all domestic private rented sector (PRS) properties which are: a) legally required to have an EPC, and b) let on a relevant tenancy type.

Since 1 April 2018, a landlord may not enter into a new tenancy (including renewal of a tenancy) if the EPC rating is below E (unless an exemption applies). If an existing tenancy began before April 2018, the landlord has until 1 April 2020 to improve the property.

Since 1 April 2019, a landlord of a sub-standard property (below EPC E) may have to self-fund up to £3,500 (incl. of VAT) to bring their property up to standard, or file an exemption if one applies.

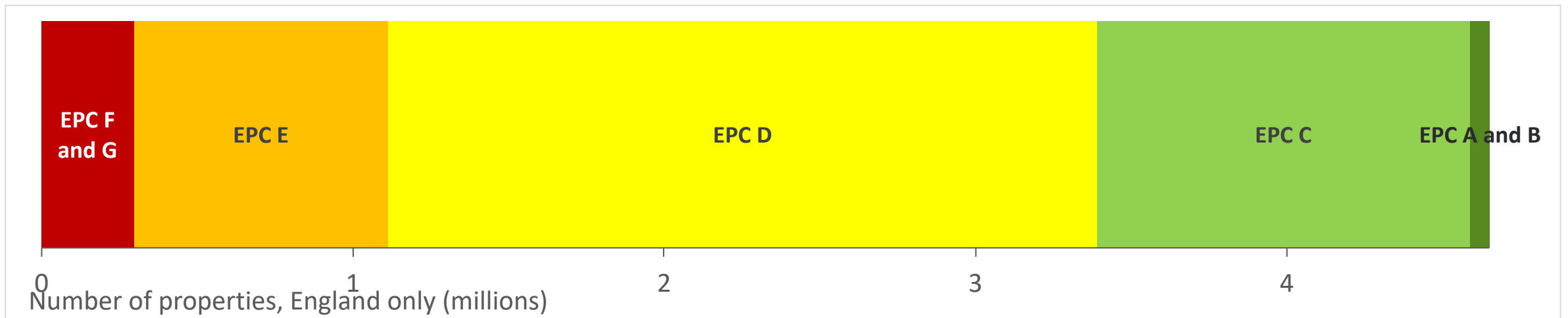


The scale and ambition of setting higher energy efficiency standards is significant...

Around 3.4 million PRS properties have an EPC rating of D or below

19.4% of PRS households are in fuel poverty

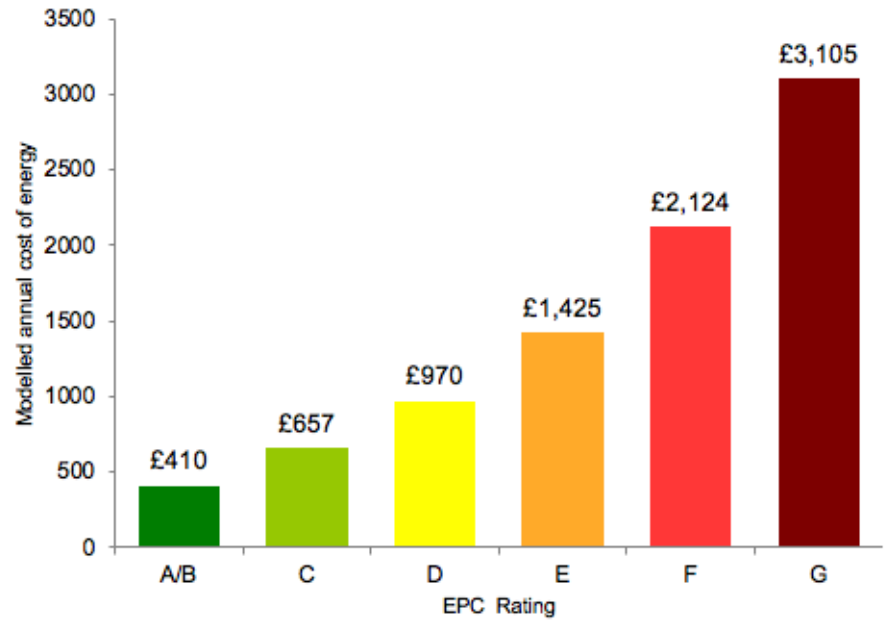
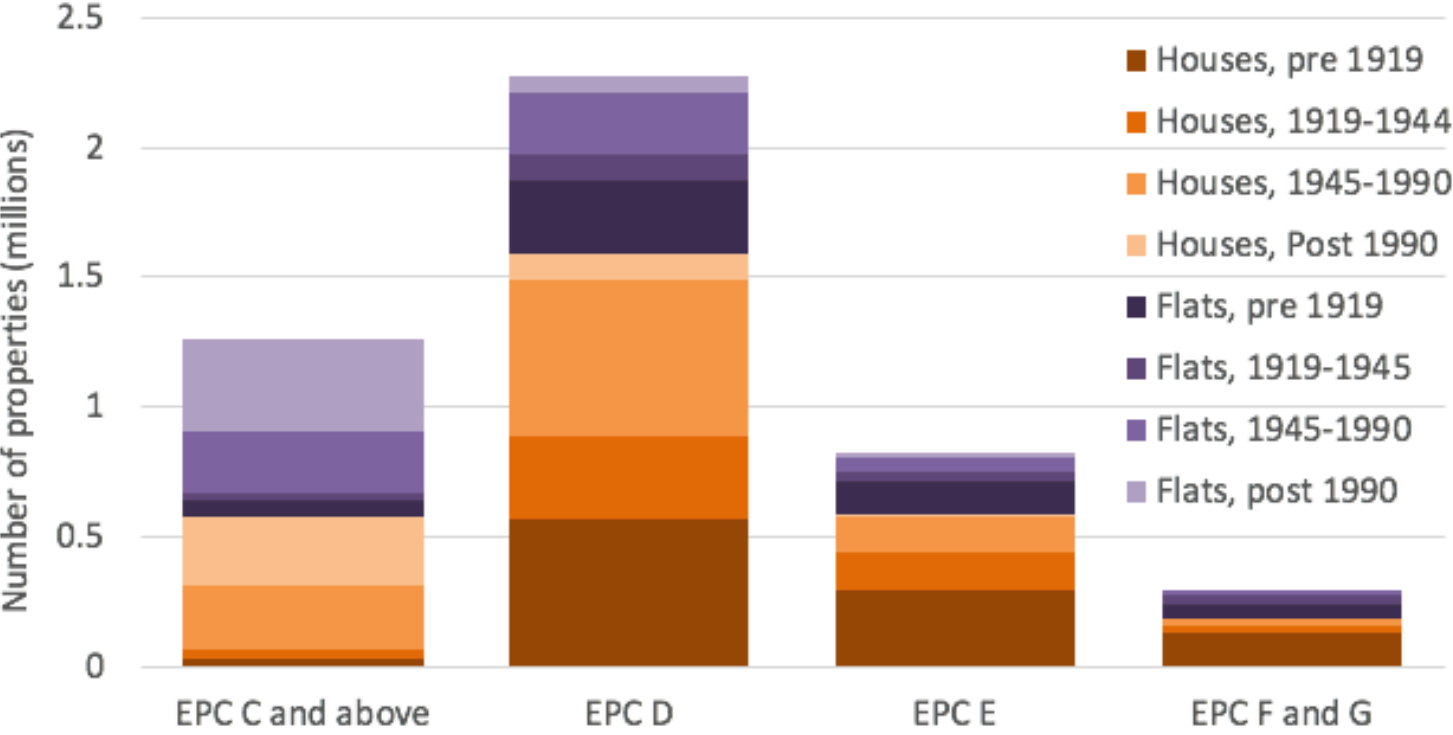
PRS properties below EPC C emit around 13 MtCO₂e annually, equating to around 14% of the whole domestic housing stock



English Housing Survey data (England only)



Almost half of PRS properties have an EPC D rating ... and tend to be costlier to heat

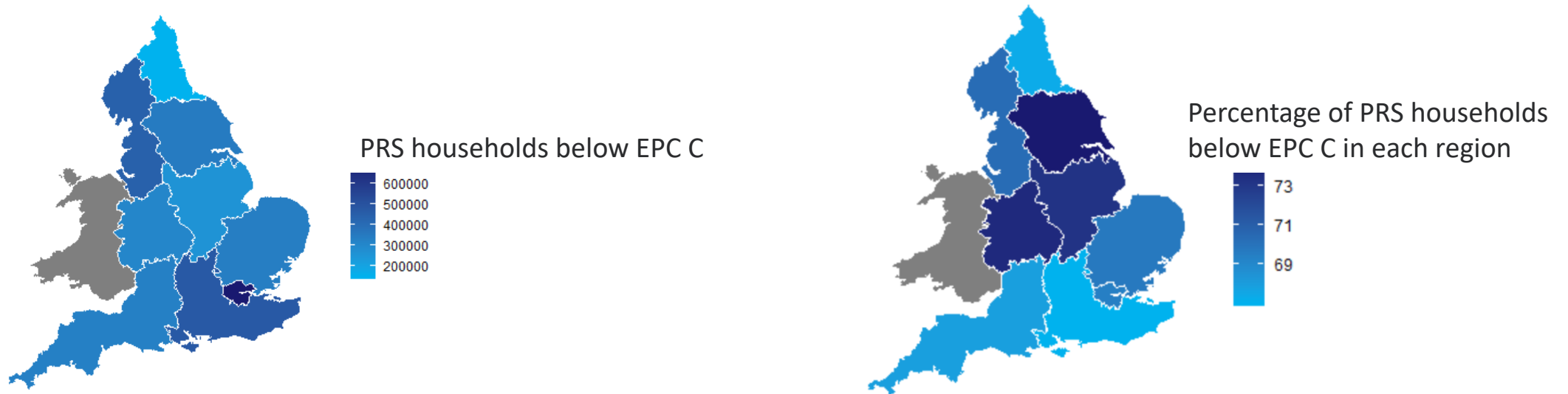


Based on assumed heating pattern using 2016 SAP assumptions.

English Housing Survey data (England only)

...With the level of energy efficiency in the PRS housing stock and the density of properties below EPC C varying across the country

Of the 3.4 million PRS properties below EPC C, over **600,000** are off the gas grid (of these approx. 380,000 properties are in urban areas, 60,000 in towns and fringe areas, and 180,000 in rural areas). 76% of PRS properties in Wales are below EPC C (Welsh Housing Conditions Survey).



Accordingly, in the autumn of 2019 the Government intends to consult on a future trajectory and is exploring options on what level and how fast

There is a strong economic case for improving the worst PRS homes...

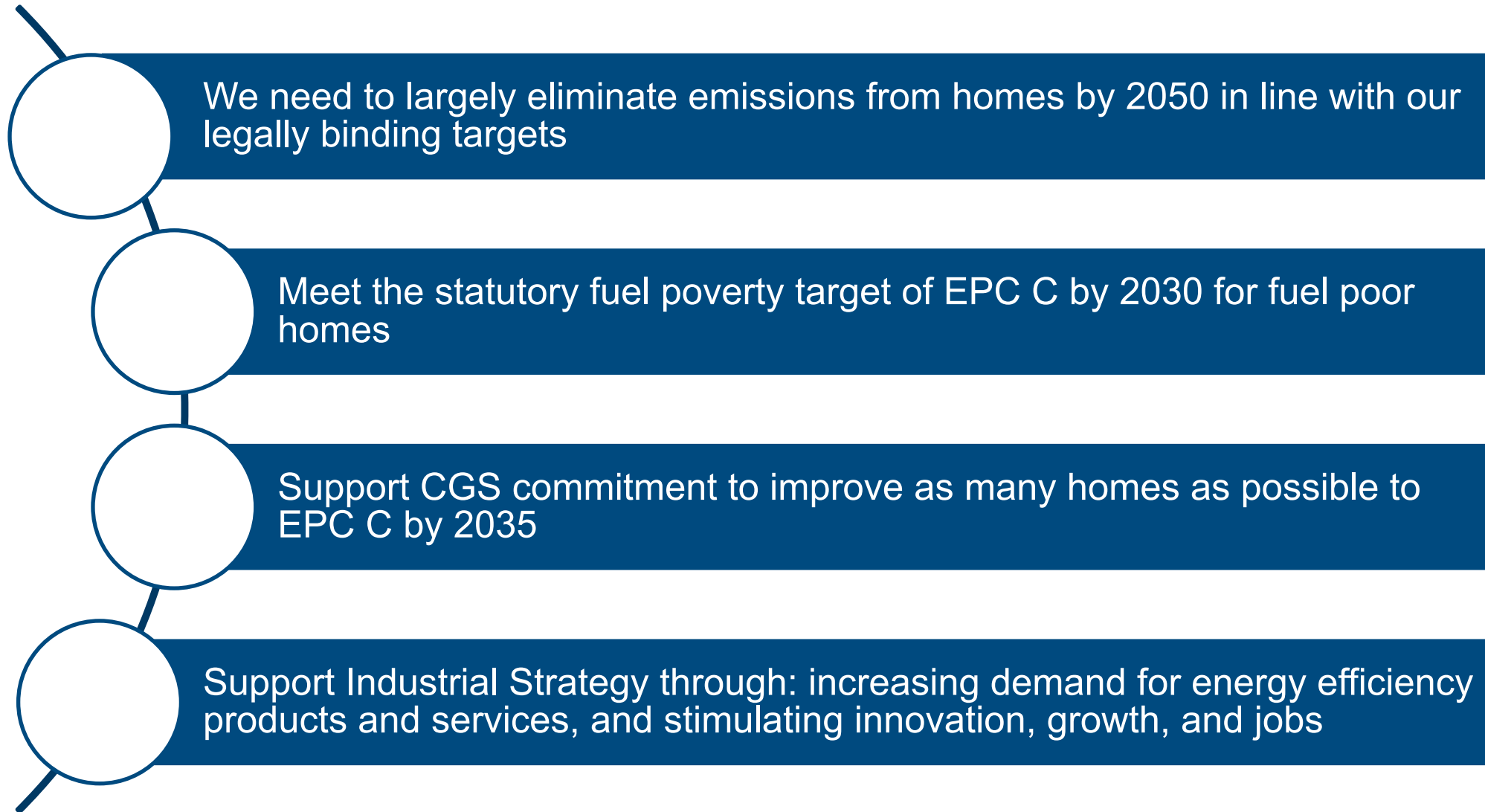
Society – *Lower energy use, freeing up fuel/power/resources to be used elsewhere in the economy; improvements in air quality from lower fuel use; reductions in greenhouse gas emissions*

Landlords – *Investment benefit (Property value uplift: B and C-rated properties have a green sales price premium of five percent compared to D-rated); Business benefit (reduced maintenance costs + shorter void periods)*

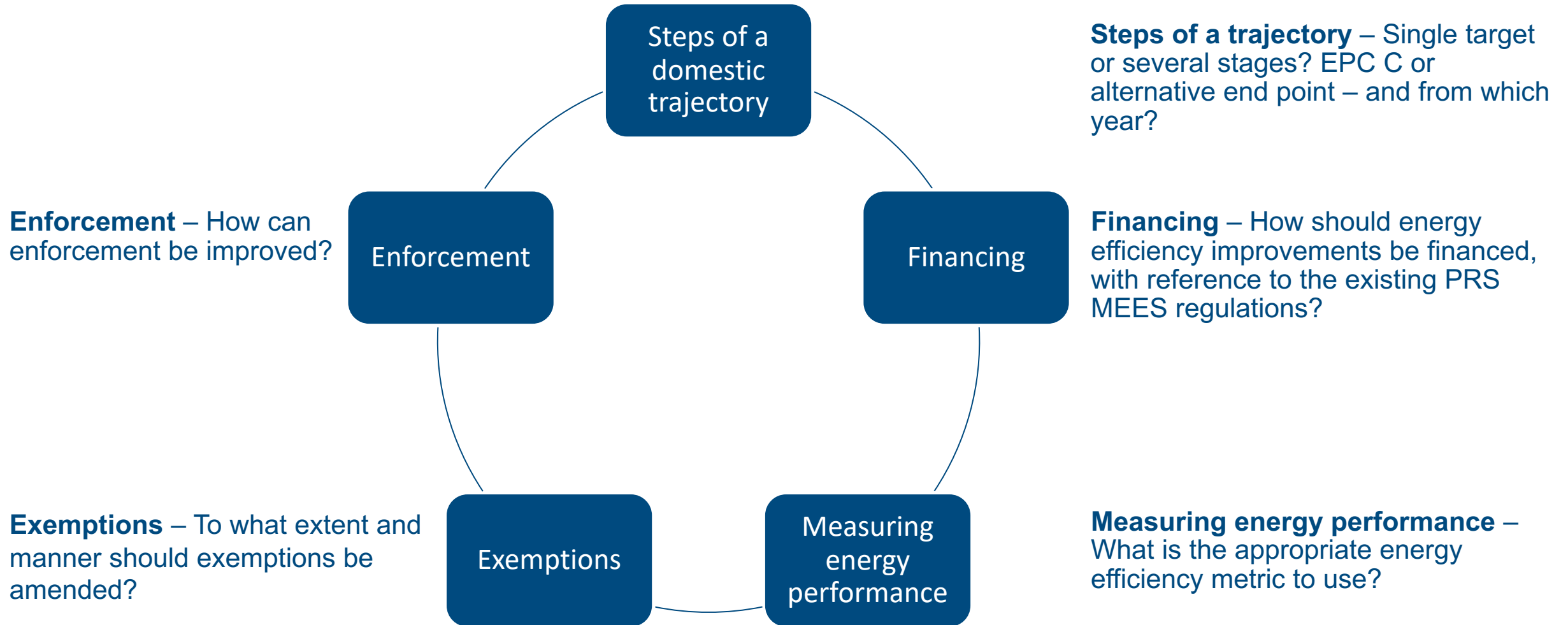
Tenants – *Lower heating costs (the average annual bill for a C-rated home is £657 - compared to an EPC E home which is more than double at £1,425); improved thermal comfort and health as result of warmer homes*



...and supporting wider UK policy objectives



The route to the autumn Consultation requires consideration of a number of key issues...

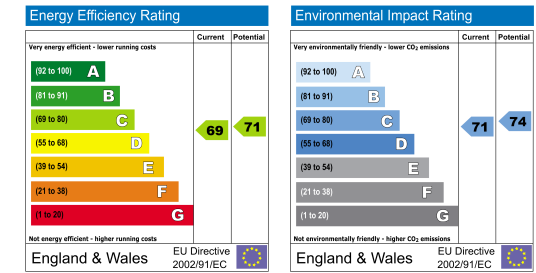


...For example...

Steps of a trajectory – *What is the best way to set the trajectory, in a single step or steps and why? E.g. should we have interim steps of, for example, D by 2025 and then to C by 2030; or should we go straight to C by 2030 or earlier, with new tenancies in scope from, for example, 2025 and all tenancies in scope by 2030?*

Financing – *In the absence of third-party funding (wholly or in part) the current regulations require landlords to self-fund energy efficiency improvements up to a £3,500 (incl. VAT) cap. How could financing be designed and what starting point should be used, e.g. rental income, rental yield, EPCs? Are there other options we should consider?*

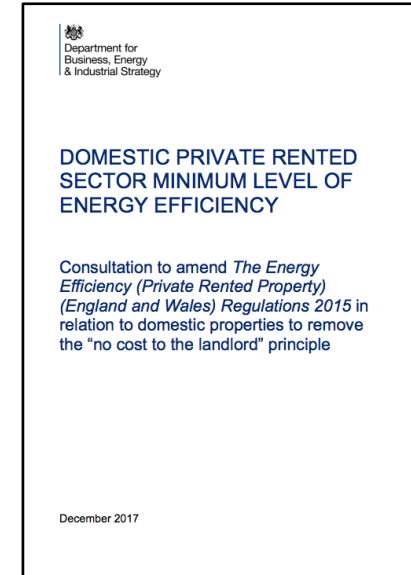
Measuring energy performance – *Should we move away from the current EPC cost metric? Should the EPC Environmental Impact Rating be adopted? How should energy performance be measured?*



Enforcement and Exemptions – *What are your views on how enforcement and the exemptions regime could be improved?*

Subject to demand, we will be running regional stakeholder workshops in England and Wales this summer ('19) to discuss policy options ahead of Consultation this autumn...

- **Cardiff**, 18 June
- **London**, 20 June
- **Oxford**, 27 June
- **Peterborough**, 2 July
- **Manchester**, 10 July
- **Webinar**, 11 July



...If you would like to get involved in these workshops, please email us at:
prstrajjectoryfeedback@beis.gov.uk.

