

FACT SHEET

MINIMUM ENERGY EFFICIENCY STANDARDS

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The introduction of The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 has established a minimum level of energy efficiency for privately rented property (both domestic and non-domestic) and are usually referred to as the Minimum Energy Efficiency Standards (MEES). This factsheet contains information relating MEES in respect of both domestic and non-domestic property and the actions to consider when a property does not comply.

What are the Minimum Energy Efficiency Standards (MEES)?

The Regulations were introduced to improve inefficient and substandard buildings, and to reduce carbon emissions as well as energy demand and consumption.

The requirement to comply with MEES is triggered when a domestic or non-domestic private rented property is legally required to have an Energy Performance Certificate (EPC). MEES are being introduced in three stages;

The first stage took effect on 1 April 2018, making it unlawful to let, renew, or extend the lease of a non-domestic private rented property with an EPC rating of F or G, in which case it is necessary to improve the property to obtain a minimum EPC E rating before it can be let, or the lease renewed or extended. In some limited cases it may be possible to register a temporary exemption.

The second stage was introduced on 1 April 2020 when it became unlawful to allow the continued occupation of a non-compliant domestic private rented property.

The third stage was introduced on 1 April 2023 when it became unlawful to allow the continued occupation of a non-compliant non-domestic private rented property.

The penalty for breaching MEES regulations is as much as 20% of the rateable value of the property with a maximum penalty of £150,000 for non-domestic property.

What is an Energy Performance Certificate (EPC) and how do I obtain one?

An EPC is required in most cases whenever a property is built, sold or let, and consists of a rating certificate ranging from A (most efficient) to G (least efficient) and a recommendations report which suggests measures for improving its energy efficiency.

Recommended works may typically include extra insulation, improved heating and/or cooling systems, and more efficient lighting.

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EPCs are commissioned from accredited providers who inspect the property, note its construction and services, and make certain assumptions to generate a certificate. A list of accredited providers is available from the register at: <https://getting-new-energy-certificate.digital.communities.gov.uk/>

EPCs remain valid for 10 years but as Building Regulations and standards improve, the criteria for EPC ratings have also become more stringent so that properties with historic EPC ratings may be reassessed as less efficient. Existing EPC ratings for properties in England and Wales may be obtained from the EPC register at: <https://find-energy-certificate.digital.communities.gov.uk/>

There are limited exemptions from the requirement for an EPC which include: places of worship, listed buildings (where compliance with the minimum energy performance requirements would unacceptably alter it), industrial sites/workshops/agricultural buildings that don't use much energy and detached buildings with a floor space under 50 square meters.

Outside of the scope of MEES:

Properties that are not required to meet the minimum standard for MEES include:

- 1) Buildings that are not required to have an EPC ('Excluded Properties'), these exemptions are summarised above.
- 2) Short-term lettings for 6 months or less, unless the tenancy agreement contains provision for renewing the term or extending it beyond 6 months.
- 3) Long-term lettings of 99 years or more.
- 4) Buildings where an EPC is no longer valid (over 10 years old) or where there is no EPC unless the requirement for a new one is triggered.
- 5) Temporarily exempt properties. In certain limited circumstances it may be possible to claim a temporary exemption of up to five years. Exemptions must be evidenced and registered by Suffolk Life or Curtis Banks as owner and include:
 - Relevant energy efficiency improvements. This applies if all recommendations have

been undertaken and the property remains substandard. The exemption lasts five years after which the landlord must try again to improve the property's EPC rating.

- Seven-year payback. Improvements will only be required where the recommended measures achieve an energy efficiency payback of seven years or less.
- Special provisions for wall insulation. The regulations recognise that certain wall insulation systems cannot, or should not, be installed on particular properties.
- Third Party Consent. This applies when it has not been possible to improve the energy performance rating due to a tenant, superior landlord, mortgagee or planning authority refusing to give consent or giving consent with conditions which cannot reasonably be complied with. This exemption is for a maximum of 5 years or until the end of the lease, whichever occurs first.
- Devaluation. This applies where making the efficiency improvements would result in a reduction of more than 5% in the market value of the property, or of the building of which it forms part. The exemption is valid for 5 years only.
- Exemption due to recently becoming a landlord. A 6 month exemption is available where a person has either recently become a landlord by purchasing a property; granted a lease due to a contractual obligation; when a new lease has been created by operation of law, by a court order or granted under Part 2 of the Landlord and Tenant Act 1954.

PRS Exemptions Register

Qualifying exemptions must be registered in the name of the Landlord by or on behalf of the Landlord, by an appointed agent, on the national Private Rented Sector Exemptions Register.

The effect of MEES

Whilst the regulations are still in their infancy there remains uncertainty over their effect on property values, lettings, rent reviews, lease renewals and sales.

What happens if a property is sub-standard?

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If the property has an EPC rating of F or G, a new letting or the renewal of an existing lease may not be possible unless it is improved or an exemption registered.

Our Building Works Team will be able to deal with the administration of improvement works and can be contacted by email to
E.developingproperty@curtisbanks.co.uk

Unless agreed to the contrary with current or future tenants the costs of MEES compliance is likely to fall on the landlord and therefore our investors' SIPP funds.

The Future

Future tightening of the MEES is expected further to government consultations which have taken place since 2019. The future trajectory for the non-domestic energy efficiency standards (MEES) is expected to be EPC B by 2030 with an interim step to C by 2027. Further consideration should therefore be given to potential future changes.

Further information

Detailed information on Minimum Energy Efficiency Standards can be found on the Government's website at:

<https://www.gov.uk/government/publications/the-private-rented-property-minimum-standard-landlord-guidance-documents> (domestic) or:

<https://www.gov.uk/government/publications/non-domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance> (non-domestic).

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

Contact details

If you'd like to speak to us about anything on this fact sheet, please contact our Property Technical Team on:

T 01473 296 848

We may record and monitor calls. Call charges will vary.

E mees@curtisbanks.co.uk

Important points to consider