

BMF RESPONDS TO PLANS TO REGULATE PRIVATE RENTALS

The Department for Energy Security & Net Zero (DESNZ) has concluded a consultation to raise minimum energy efficiency standards by 2030 for privately-rented accommodation in England & Wales.

In our last edition, we alerted readers to proposals to raise the required Minimum Energy Efficiency Standard (MEES) to the equivalent of Energy Performance Certificate (EPC) rating of Band C by 2030. The aim is for significant savings in both energy bills and carbon emissions against the statutory fuel poverty target and carbon budgets.

DESNZ Proposals

The main proposals were:

- setting a higher MEES against new, currently unconfirmed, EPC metrics planned for 2026. These new metrics would assess the energy performance of buildings based on (a) fabric performance; (b) smart readiness and (c) the efficiency & emissions of the heating system.
- compelling landlords to spend up to a maximum of £15,000 to meet the MEES 'cost cap' after which they can register a 10-year exemption to continue to let the property if it does not reach this standard.
- applying this higher standard to new tenancies from 2028 - and that all tenancies would be required to meet EPC Band C by 2030 - up from the current level of EPC Band E.

BMF Response

Energy Performance Certificates

The existing regulations require privately-rented homes to meet a standard of EPC E before a property can be let (unless a valid exemption applies). DESNZ is proposing to introduce multiple new metrics to assess the energy performance of buildings as part of EPC reform - namely: (a) fabric performance metric; (b) heating system metric; (c) smart readiness metric; and (e) energy cost metric.

It is sensible to want to identify & adopt alternative EPC metrics - rather than a cost-based metric - because there is a pressing need to have more accurate, reliable and useful EPCs. The Smart Meter Enabled Thermal Energy Ratings programme (SMETERs) provides a more accurate evaluation of a dwelling's real-world fabric performance. We must harness more reliable & detailed data on actual in-use measured performance for this - instead of desk-top calculations & theoretical modelling.

Setting the standard against new metrics

The BMF agrees with DESNZ's preference to compel landlords to meet a minimum standard set against the fabric performance metric - and then a secondary standard set against either (a) smart readiness metric or (b) heating system metric.

Policy must help bill payers to benefit from the best long-term outcome when fabric measures and low-carbon heating work in tandem. A

secondary standard that landlords can select is logical - but care is required when setting this metric - especially on 'smart readiness'. Landlords and tenants ought to have the option of smart measurement to incentivise decarbonisation - namely (a) fabric efficiency via SMETERs or (b) heat pump efficiency via Seasonal Co-efficient of Performance measurement (SCoP).

We reiterated that a MEES policy based on EPC software that uses desk-top calculations & theoretical modelling (SAP or HEM) is sub-optimal. This will perpetuate the practice of recommending measures (insulation or heating) rather than the whole-house approach that delivers the outcomes we all want to see. If designed and carried out properly, a MEES ought to assure landlords & tenants that improvements are beneficial & worthwhile - with good outcomes.

Cost cap

The BMF believes that the £15,000 threshold will be too low for some properties and a more sophisticated method is called for. For example: £15,000 is not enough to pay for a solid wall home upgrade at today's prices. There is a strong argument to have variable cost caps depending on the size, age or condition of a property. We urge careful consideration because setting a cost cap must have regard to the ability-to-pay. There ought to be adequate support for such landlords - and commercially-available financial products are calibrated accordingly.

Implementation timeline

The proposed start dates are for new tenancies from 2028 - and that all tenancies would be required to meet EPC Band C by 2030. This is sensible and welcome to limit disruption for landlords & tenants - and allow our supply chain to prepare.

A higher MEES for privately-rented accommodation has been widely discussed for several years. It ought not to come as a surprise to landlords although it may pose some financial difficulties. Whatever ministers decide, the BMF 'ask' is for a clear, unambiguous and definite timeline. Our members can then plan and prepare to make and stock the necessary materials & products.

Transition from existing EPCs

The BMF wants to see an orderly switch that avoids a last-minute hiatus. But the risk is EPCs that expire during this changeover cause



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a surge in landlords who seek another EPC during 2025 or early 2026 - based on existing arrangements - which is counter-productive.

Taking early action is 'a good thing' to help plan the necessary works and encourage an orderly, structured market. But this poses two risks:

- the overall number & availability of assessors - for whom refresher training may be necessary to familiarise themselves with the intricacies of the forthcoming Home Energy Model (HEM).
- a period of dual compliance will doubtless cause some confusion among local authorities, landlords, letting agents & tenants as everybody adjusts to this new higher MEES.
- Lodging a post-improvement EPC will show compliance with the new standard and provide government and others with updated information to gauge progress on fuel poverty and other targets.

Affordability exemption

The BMF agrees that an affordability exemption could result in the lowest-performing homes being left behind. This un-improved accommodation therefore becomes a 'stranded asset' that steadily depreciates in value over time - consequently making it even more costly to treat in future years.

If an affordability exemption is allowed, DESNZ must explain what it will do with these stranded assets. One option is to offer improvement grants. Another is to consider alternative uses for the property (inc. demolition and building new accommodation). The duration of an exemption is not explicitly stated. The inference is that DESNZ is looking at 10 years.

Conclusion

The BMF is a firm believer in the concept of "fabric first, services second". Work must be done in a logical, sequenced way to optimise the carbon & cash savings and benefits to protect the investment outlay. Such improvements must also deal with (among others) cold spots, thermal bridging and ventilation to avoid damp & mould that can pose significant risk of harm to tenants.

Our adherence to 'fabric first' means less energy ought to be required if insulation of all types is properly fitted. The cheapest energy for cash-strapped families is that which is not used at all. The rationale behind implementing a MEES should be that energy bills do not go up for tenants.