



DEPARTMENT FOR ENERGY SECURITY AND NET ZERO

## **IMPROVING THE ENERGY PERFORMANCE OF PRIVATELY RENTED HOMES IN ENGLAND AND WALES**

PUBLIC CONSULTATION: 07 FEBRUARY-02 MAY 2025

The Builders Merchants' Federation is the UK trade association for businesses in the building materials' supply chain. Since 1908, we have represented builders, plumbing & heating, insulation & roofing merchants and manufacturers who make and deliver building materials, home improvement products and renewable energy systems. Our 1,020 members have combined sales over £51.6bn, employ more than 198,000 people and trade from just under 6,500 branches throughout all 4 home nations.

Investing in the thermal & energy performance of homes and other buildings is central to BMF members' businesses. They deliver, on a daily basis, the materials & products that Labour and Conservative ministers have sought advice about over the last 15 years. Merchants earn a living from selling (amongst others) insulation of all types, heating & hot water systems, thermostatic controls, double/triple glazing and draught proofing.

### **DETAILED OBSERVATIONS ON THE CONSULTATION DOCUMENT**

The BMF is an economic trade association that does not stray far into social policy. Apart from general remarks, we confine ourselves to what we know best. Not all questions answered. We are not a technical research organisation but can support contributions & conclusions others will make.

#### **CHAPTER 1: 2025 CONSULTATION**

##### **Energy Performance Certificate (EPC) metrics**

Page 19: 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. Modern living is different to the way that households were run in the past. 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.

The concept of a smart readiness metric is both desirable and important for home-owners to understand whether their home is 'smart ready'. But this ought to go beyond fitting the necessary devices. For example: on cold days, badly or under-insulated homes will doubtless have the heating on for most (if not all) of the day - and lose heat through walls & roofs. Therefore, even with smart meters, heat sensors or other devices fitted, 'load shifting' becomes impossible to do.

Question 1: Do you agree with government's preferred position of using new alternative Energy Performance Certificate (EPC) metrics following EPC reform as the basis for higher Minimum Energy Efficiency Standards for privately rented homes ?

On balance, yes.

### **Government's preferred approach to setting the standard against new metrics**

Page 21: 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 tenants & 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 SCoP.

Question 2: Government would welcome views on options for setting future MEEs against a combination of new EPC metrics. Do you agree with government's preferred approach of having a requirement to meet a primary standard set against the fabric performance metric and then a secondary standard set against either the smart readiness metric or heating system metric, with landlord discretion on which secondary metric their property meets ?

Yes.

### **Alternative approaches to setting the standard against new metrics**

#### Alternative 1: A requirement to meet a standard set against dual metrics of equal weighting

Page 23: the BMF cannot support this option. Landlords must be given concise, unambiguous and easy-to-follow direction on routes to decarbonise their properties that do not result in higher energy bills - or push tenants to either limit the number of hours they have their heating on - or not turn the heating on at all.

#### Alternative 2: A requirement to meet an overarching standard set against all three metrics of fabric performance, heating system, and smart readiness, either through improvements across all standards or through landlords concentrating improvements against one or two standards

Page 24: we note that this option may allow the greatest degree of landlord discretion to prioritise measures within the cost cap - based on their own assessment of what is most appropriate for their properties. However, as the document says, this means the balance between (a) alleviating fuel poverty and (b) decarbonising heating depends on the decisions that landlords take.

The discretion being proposed poses a risk that landlords take the wrong decisions, for the wrong reasons, to help them get the most bang for their buck. The BMF recommends that landlords seek the assistance of trained domestic energy assessors or retrofit co-ordinators.

Question 3: What are your views on the alternative approaches of:

1. A requirement to meet a standard set against dual metrics of equal weighting. The standard would be set against dual metrics including two of the following: fabric performance, heating system and smart readiness.
2. A requirement to meet an overarching standard set against all three metrics of fabric performance, heating system, and smart readiness, either through improvements across all standards or through landlords concentrating improvements against one or two standards.

We cannot support Alternative 1. Alternative 2 requires more attention if it is to be workable.

Question 4: Do you have any alternative suggestions for how government could utilise new EPC metrics as the basis for MEES, such as a single metric approach (e.g. fabric or cost based?) Please provide a rationale with your answer.

No strong preferences. But to re-cap, 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**

Page 24: 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. Larger houses will doubtless involve spending more on them than to treat smaller apartments.

We urge careful consideration of this - setting a cost cap must have regard to the ability-to-pay. Other respondents will doubtless point out that many private landlords have buy-to-let mortgages - or are retired - meaning they may find it difficult to obtain decent loans or mortgage extensions. There ought to be adequate support for such landlords - and commercially-available financial products are calibrated accordingly.

Question 5: Do you agree with government's proposal to increase the maximum required investment for PRS MEES to £15,000 per property and for landlords to be able to register an exemption if expenditure would take them over this figure ? If not, please set out whether you consider a cap should apply and how; and if so, what level you consider the cap should be set at and why (whether this is the 2020 proposal of £10,000 or another figure). Please explain your answer.

On balance, yes.

Page 26: the BMF notes DESNZ's proposal to extend this exemption from 5 to 10 years. We cannot support this, for several reasons, namely:

- it is likely that properties requiring a £15,000+ spend will, in fact, will require significantly much more than that to reach EPC Band C.
- it is tempting to pick a mix of measures that (when taken together) add up to <£15,000 but may not be the correct, logical & complementary set of works that the property requires.
- it does not send the right signal to landlords to improve their properties - meaning tenants run the risk of higher energy bills and/or unsatisfactory living conditions.
- unscrupulous landlords may obtain artificially high estimates to preserve the 10-year exemption from having to do much-needed improvements.

Question 6: Should government extend the exemption period for the cost cap to ten years ? If not, how long do you think the cost cap exemption should last ? Please explain your answer.

No: 10 years is too long to wait. But we recognise that ministers may compromise and settle on a middle way of 7 years instead.

### **Implementation timeline**

Page 26: the BMF notes that 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 the supply chain that we represent 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 & prepare to make and stock the necessary materials & products.

Question 7: Do you agree with government's preferred implementation timeline to require 'new tenancies' to meet the higher standard from 2028 and 'all tenancies' to meet the higher standard by 2030? If not, do you have alternative suggestions ?

Yes.

### **The transition from the EPC E standard and existing EPCs**

Page 28: 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 a surge in landlords who seek another EPC during 2025 or early 2026 - based on existing arrangements - which is counter-productive.

Question 8: Do you agree with government's proposal that, as an EPC reform transition measure, landlords should be able to demonstrate their properties are compliant with the existing standard of EPC E using their past EPC ?

Yes.

#### Encouraging early action

Page 30: 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.

Question 9: Do you agree properties that have an EPC rating of C on EPCs before 2026 should be recognised as compliant with the future standard until their current EPC expires or is replaced? If not, are there alternative options to give landlords the confidence to act before EPC reform takes place ?

On balance, yes.

#### Complying with the higher standard post-EPC reform

Page 30: the BMF wants DESNZ to improve EPCs and instil confidence among landlords & tenants. Other respondents will doubtless say the way that recommendations are currently shown on EPCs are often lacking - or include unsuitable measures. As stated earlier, we recommend that landlords seek the assistance of trained domestic energy assessors or retrofit co-ordinators.

Question 10: Do you agree with government's proposal to require landlords to commission a new EPC before taking action to comply with higher MEES ?

Yes.

Page 30: Other respondents will doubtless point out that current EPCs are inexpensive and ought to be paid for by landlords - and excluded from the cost-cap. But it is logical to encourage landlords to improve their properties rather than see more rentals taken off the market.

Question 10.1: Should the cost of this new EPC be included within the cost cap ?

Yes.

Page 30: 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. It will show tenants that improvements are performing as expected and as promised.

Question 10.2: Should landlords still be required to commission post-improvement EPCs ? If yes, should the cost of the post-improvement EPC also be included within the cost cap ?

Yes and yes.

### **Affordability exemption**

Page 31: the BMF agrees that an affordability exemption could result in the lowest-performing homes being left behind - while the majority of private rentals are improved to meet the new MEES. 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 (page 32) is that DESNZ is looking at 10 years.

Question 11: Should government develop an affordability exemption ? If yes, what eligibility criteria would be the most appropriate for an affordability exemption ? Please indicate which, if any, of the proposed approaches you support or otherwise provide alternative suggestions.

No.

### **Short-term lets**

Page 35: the BMF notes that the MHCLG is consulting on removing certain requirements. Holiday homes on short-term lets are currently not in scope - and do not have to comply with existing regulations. Excluding short-term lets from this MEES would have serious ongoing consequences for rural & coastal communities. The financial pressures faced by people in (among others) Cornwall and Wales who cannot find somewhere suitable to live is a well-documented problem.

Question 12: Should government apply the PRS MEES Regulations to short-term lets ? Please explain your answer.

Yes.

### **Smart Meters**

Page 35: the BMF is not qualified to answer. Other respondents will doubtless point out that increased take-up of smart meters in private rentals is vital for tenants to use smart tariffs. There is a need to boost consumer confidence in smart meters - and clarify who has access to the data. Unscrupulous landlords must be prevented from seeing the smart meter data of their tenants.

Question 13: What actions could government take, including changes to the law to encourage or require smart meters in properties undergoing efficiency upgrades, to increase the number of smart meters installed in the PRS ? Please provide your rationale and evidence for any suggestions for actions you have.

Question not answered.

## Exemptions from meeting the standard

'All relevant improvements made' exemption and 'High cost' exemption

The BMF understands the rationale for these exemptions - but a fresh look at them is necessary - to ensure that the £15,000 cap does not exclude making improvements to solid wall properties.

Property devaluation exemption

We suggest a fresh look because it appears open to fraud. A property is only worth what someone is willing to pay for it. Unscrupulous landlords may seek to tamper with surveyors' valuations.

Question 14: Do you think the current MEES exemptions available to landlords are suitable ?

Question not answered. Other respondents will doubtless make a case for/against each current exemption as described.

Question 14.1: Are there other circumstances, not covered by the current MEES exemptions regime, where you think government should consider making exemptions for ?

Question not answered.

## Letting agents and online property platforms

Page 37: MEES enforcement will (inevitably) add to the workload of local authorities. Many are under-resourced and struggling financially. Other respondents will doubtless make the point that letting agents already have the information they need to ensure the properties they handle are compliant with the new higher MEES.

Question 15: Do you agree with government's preferred position to keep a potential requirement on lettings agents and online property platforms under review whilst the PRS Database is being developed for properties in England ?

Yes.

## CHAPTER 2: GOVERNMENT RESPONSE TO 2020 CONSULTATION

The BMF is not professionally qualified or technically competent to respond to these paragraphs. We did not contribute to the 2020 consultation and therefore we have nothing new to offer.

The Local Government Association and others will doubtless lobby DESNZ & MHGLG ministers to allocate more funds to local authorities to carry out the enforcement. Other respondents will argue for a new levy on private landlords to help to pay for these proposals - and/or to compel them to join a national landlord register.

Question 16: Do you have any new evidence to submit regarding the topics as summarised in Chapter 2 of this consultation ? Please specify which topic you are providing new evidence for.

Question not answered.

Question 17: Is there any additional information or evidence you would like to provide on either the effectiveness of existing PRS regulations 2015 and guidance or interactions with other policies ?

No.

## CONCLUSION

Due to our wide membership, this response strives to balance both insulation companies and heating businesses to offer a 'whole house' approach - not a measures-based one.

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 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.

The BMF acknowledges that energy performance calculated at the design stage is often more optimistic from real-world measured energy performance after occupation: the so-called 'performance gap'. This is a long-standing issue that has to be confronted.

Builders Merchants' Federation  
1180 Elliott Court  
Coventry Business Park  
Herald Avenue  
Canley  
COVENTRY  
CV5 6UB  
(024) 7685 4980  
[www.bmf.org.uk](http://www.bmf.org.uk)