

# Potential significant changes to EPC legislation and setting EPC target to band B

There has been much recent discussion about the changes to EPC legislation and whether tightening the minimum energy efficiency standard of EPC to band 'B' by 2030 for commercial properties would add value. This has been included within proposals put forward by the government and the input into the consultation on the future of the Minimum Energy Efficiency Standards (MEES) on January 7, 2020.

The consensus is that MEES is having a transactional impact on a site by site basis in the market and that achieving a minimum EPC band B target by 2030 is a potentially the right direction. This is expected to apply to 85 per cent of the privately rented commercial stock.

For most properties, in order to achieve an EPC rating band B it would require expensive strategies which may be difficult to implement depending on the lease arrangements and refurbishment cycles of a property and its assets. The government currently estimates that to bring existing commercial buildings up to an EPC band of B by 2030 would cost several billion £s.

With EPC legislation currently, and under the exemption rules, energy efficiency improvements will only be required if they are deemed to be cost-effective, so not all buildings will be expected to meet the target. This would require analysis to work out based on current rating and cost improvement measures. These properties will still be lettable providing that

landlords can prove that the highest rating has been achieved. Carbon Profile has seen since MEES came into force that it has promoted the refurbishment of commercial stock with low EPC ratings and a market awareness of general energy performance improvement. In other properties, based on the current EPC rating that there would be capital works required to improve the EPC rating and building performance and its important to identify these.

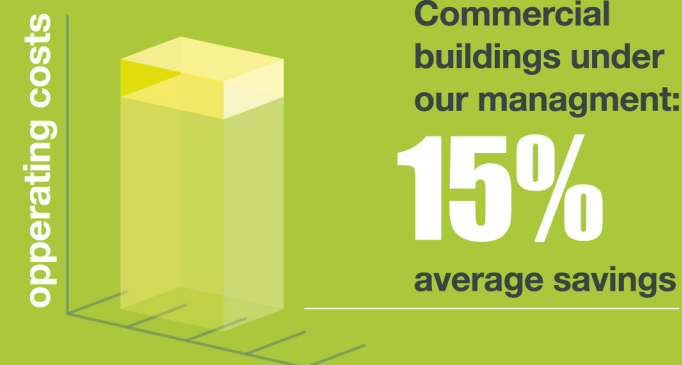
## Key factors effecting EPC ratings in commercial properties:-

**The use of defaults.** Has the assessor used any default values for the EPC calculation? Carbon Profile has been able to improve existing band F or G rated properties to achieve MEES just by ensuring all the correct data has been captured from site and sourcing data from HVAC manufacturers, so no default values have been used, this saving upon any capital works being required.

**Lighting.** Not only the type of lighting but also how the lighting for a building is entered in to the SBEM calculation has a significant impact on the energy rating. Carbon Profile has seen energy ratings improve by a considerable margin from the introduction of LED lamps within buildings. However, ratings can be further improved by entering more

details on the specification of the lamp efficiency or having a full lighting design carried out.

**Building age.** Where u-value calculations are not available for the building fabric the u-values set by Building Regulations upon the time of construction are used. Understanding and having evidence of when the building was constructed can therefore have a substantial impact on the energy rating. There can be a significant difference between building fabric u-values, especially between roof and wall values dating pre 1965 through to 1985. Knowing the true date of construction for the building could improve the rating by over one band and prevent the need for any works being implemented.





## Next Steps:

### STEP 1

#### **Prepare an asset schedule**

Prepare an asset schedule that identifies that EPC status and lease expiry of all properties.

### STEP 2

#### **Ensure up to date and accurate EPCs have been prepared**

Ensure up to date and accurate EPCs have been prepared. Some of our Clients are taking the opportunity to produce up to date EPCs for their whole portfolio. The majority are identifying and carrying out EPC's on the priority assets, e.g. lease expiry by end 2020 with either no current EPC or E, F or G rated, and replacing EPC's where specialist advice has shown that the rating

can easily be lifted. We have consistently seen over the last few years that one of the main reasons for poor EPC ratings is the inappropriate use of assumptions and default values in the original EPC assessment and modelling process. In many cases, just redoing the EPC properly is lifting the property out of the F and G bands.

### STEP 3

#### **Ensure all future EPC's are carried out by an approved assessor**

Ensure all future EPC's are carried out by an approved assessor (we would recommend that this is the same assessor) so that data is all in one place for

future modelling, who will communicate any issues before EPC's are lodged and ensure defaults are minimal.

### STEP 4

#### **Decide what EPC provisions need to be included in future lease agreements**

This might include minimum standards for tenant fit out. Other clients are also considering clauses that explicitly require tenants to maintain minimum EPC

ratings or that prohibit them for preparing and lodging their own EPCs for the property they are occupying.

### STEP 5

#### **Finally, start to plan and implement improvement works on the remaining "high risk" EPC's where ratings have not been improved**

Identify the works required to achieve a minimum D or E rating as soon as possible so that site works can be combined with planned upgrade or refurbishment works wherever possible.

## Sample portfolio Estimated current EPC position based on CP analysis of sites

In a total of 2868 rated properties

