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Helpsheet

Energy Efficiency for Landlords

This helpsheet sets out how landlords of privately rented properties may need to improve the energy efficiency of their properties from 1 April 2020 onwards.

Background

From 1 April 2018, the Minimum Energy Efficiency Standards ("MEES") regulations made it unlawful in England and Wales to rent either a domestic or non-domestic property which requires an Energy Performance Certificate ("EPC") privately to a new tenant (or grant a new tenancy to an existing tenant) if the EPC band is below an E. An EPC tells you how expensive it is to heat a home; it is not an indicator of how carbon friendly the property is.

New legislation from 1 April 2020

From 1 April 2020, it will be unlawful to rent privately a domestic property to an existing tenant (even if no new tenancy has been granted) if the EPC band is below an E.

This rule will also apply for non-domestic property from 1 April 2023.

The landlord will now have to improve the property to a band E EPC, or improve it as much as they can within the expenditure cap set by the Government, which is £3,500 (inclusive of VAT). The landlord can spend the money from his own pocket, or apply for any available government funding opportunities (see below for further information). This cap replaces the current "no cost to the landlord" principle. Any money spent since 1 October 2017 will be counted towards the cap.

To bring the EPC band of a property up to an E some of the suggested improvements are to install double glazing, insulation in walls, roof, floors and low energy lighting. Using mains gas as the fuel type for the property would also help to bring the EPC band up, as this is the most cost-effective fuel type. As mains gas is not available in all areas, some properties have a lower band simply because mains gas is not available. In these properties, landlords would have to look at other measures, such as the above, to improve the EPC band.

Exemption from legislation

An exemption can be applied for where the property is legally required to have an EPC, but it cannot be improved to meet the minimum E rating. If the landlord believes that their property qualifies for an exemption, they can register the exemption on the PRS Exemptions Register. This is a self-certification database.

The exemption only lasts for 5 years, so after that period the landlord will need to try to make further improvements to improve the EPC band to an E.

Exemptions that can be applied for are as follows:

- ***"No Funding" exemption:*** where the recommended measure is not a relevant energy efficiency improvement because the cost of purchasing and installing it cannot be wholly financed at no cost to the landlord (only available for domestic property and, if the landlord has claimed this type of exemption, it will be annulled in April 2020).

- ***"7 year payback" exemption:*** where the recommended measure is not a relevant energy efficiency improvement because the cost of purchasing and installing does not meet the Seven Year Payback test (only available for non-domestic property).

- ***"All Improvements Made" exemption:*** where all the relevant energy efficiency improvements for the property have been made (or there are none that can be made) and the property remains sub-standard (domestic and non-domestic property).

- ***"Wall Insulation" exemption:*** certain wall insulation systems may not be suitable for use in certain situations, even if they have been recommended and meet the funding requirements (domestic and no-domestic property).

- ***"Consent" exemption:*** some energy efficiency improvements (such as solar panels) may require third party consent, for example local authority planning consent, consent from mortgage lenders, other third parties, superior landlords or tenants (domestic and non-domestic property).

- ***"Devaluation" exemption:*** where the market value of the property would fall by more than 5%. The landlord would need to have a report from an independent surveyor who is a member of the Royal Institution of Chartered Surveyors advising that this is the case, to apply for this exemption. However, the landlord would still be required to carry out other improvements that are not covered by the report.

- ***"New landlord" exemption:*** a temporary exemption due to recently becoming a landlord. This would only apply in limited circumstances and the exemption only lasts for six months.

See the HMRC Guidance on PRS exemptions and Exemptions Register evidence requirements for further information on the above exemptions.

Where are we now?

The Government's aims are "to bring all private rented homes up to an EPC band C by 2030, where practical, cost-effective and affordable".

There have been discussions with the Government about whether to move away from using the EPC rating, as the type of fuel that a property uses has such a big impact on

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the rating and not all fuel types are available in all areas, which immediately puts some properties at a disadvantage.

The suggested move would, instead, be towards installing a required set of measures. These discussions are ongoing and so we may see future changes in this area.

Further information

The government has a website where you can find any information on available funding in your area. It also contains information on energy saving and will help you to understand whether your property must comply with the MEES.

The website address is:
www.simpleenergyadvice.org.uk/grants.

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