

Minimum Energy Efficiency Standards (MEES) – A post-Brexit analysis

On 23 June, the UK took a momentous decision, as 52% of the population voted 'leave'. Speculation on the consequences Brexit may have on UK environmental policy is rife, predominantly because many policies were introduced as a result of EU Directives.

One such example is the Minimum Energy Efficiency Standards (MEES) - scheduled for implementation from 1 April 2018 – which makes it **unlawful to lease domestic or commercial properties with an Energy Performance Certificate (EPC) band of 'F' or 'G'**. There's a clear incentive for landlords to act quickly and spread the cost of energy efficient improvements over time.

EPC's were themselves introduced in response to an EU directive. What impact therefore will Brexit have upon MEES? With the impact of MEES likely to be significant, we aim to address this question and the broader MEES impacts.

What is MEES?

Under MEES, from **1 April 2018**, all new lettings and lease renewals for domestic and commercial properties must have an EPC rating of 'E' or better. From **1 April 2020 (domestic)** and **2023 (commercial)**, MEES extends to all existing leases. **Read more about MEES in our guide [here](#).**

How will this impact landlords?

If properties are not rated 'E' or above by the compliance dates, landlords will strand their assets, lose out on revenue and face a significant fine. **With 20% of commercial properties in the 'F' and 'G' bands¹**, and 29% of domestic properties within the 'E', 'F' and 'G' bands, many properties are at serious risk². **By acting soon, landlords can spread the cost of improvements and ensure that properties can still be leased beyond April 2018.**

Estimates suggest **MEES will cost around £1,500 per home** with subsequent savings of £400 per year on energy bills³. For landlords, it is important to think long term - MEES offers a number of benefits. Research shows that 'E' and 'F' rated dwellings sell for 6% more than 'G' rated alternatives, whilst 'D', 'C' and 'A/B' rated dwellings sold for 8%, 10% and 14% more respectively². Another study found that 2/3's of buyers would **pay more for an energy efficient home⁴**.

It has been demonstrated that as homes become more energy efficient, they are void for less time; Sustainable Homes estimate that **'B' rated homes are void for 31% less time than homes in the 'E' and 'F' bands⁵**. Similarly, band 'A' properties spent 30% less time in arrears than 'G' rated properties. In summary, a short-term investment by landlords, the medium to long term benefits are significant.

How will this impact tenants?

MEES poses risks for tenants. If a landlord has to undertake improvements to address a properties low EPC band, this could cause disruption to a tenants' daily routine. Depending on the contractual arrangement in place,

¹ Knight Frank - http://www.knightfrank.co.uk/resources/commercial/brochure/energy_standards_factsheet.pdf

² DECC - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207196/20130613_-_Hedonic_Pricing_study_-_DECC_template_2_.pdf

³ UK Green Building Council - <http://www.ukgbc.org/news/minimum-energy-standards-will-cost-landlords-less-%C2%A31500-home-and-save-tenants-%C2%A3400-year-energy>

⁴ Tyndall Centre - <http://www.tyndall.ac.uk/sites/default/files/twp155.pdf>

⁵ Sustainable Homes -

http://www.sustainablehomes.co.uk/hubfs/Documents/Rent_Arrears_Research_2015/Touching_the_Voids.pdf?t=1467712972069



landlords may seek to pass the cost of improvements onto tenants through a variety of means, such as increased service charges or rent.

What does Brexit mean for MEES?

The early signs are that it will be 'business as usual'. The government has already reiterated its "commitment to acting on climate change" and recently confirmed ambitious emissions reduction targets of 57%, by 2032, as part of the fifth carbon budget.

MEES itself was not mandated by European law, rather MEES resulted from recommendations by the Committee on Climate Change. EPC's however were a key policy instrument of the EPBD. It is feasible, albeit unlikely, that if EPC's were abolished, the UK would require a new method for ranking energy efficiency within buildings. It is our view that given MEES was introduced voluntarily, **it is unlikely MEES will be impacted by Brexit.**

What should you do next?

There is a clear incentive to take action now to avoid stranding your assets as a landlord or suffering disruption and increased costs as a tenant.

If you let or rent space within a building, and have concerns that your property sits within the lower EPC bands, give us a call and we will help you to identify the risk to your portfolio and how to mitigate it.

Have any questions? Contact us today

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