

# UK Government's Net Zero NON-Commitments

In **September 2023** Rishi Sunak announced the government's plans to require residential landlords to upgrade and retrofit properties to a minimum Energy Performance Certificate (EPC) rating of C by 2025, and all private rented sector properties by 2028 have been scrapped.

**That's right, scrapped. Why is this a big deal you might be asking?**

In a LinkedIn post made back in October by Dee Korab a Sustainable Finance Advisor at Zero Fintech, Dee compared the decision to scrap the plans as "like cancelling homework". So, let's work to this analogy as I think it works well. Imagine your old schoolteacher or university lecturer cancelling the assignment they set months ago the night before it is due. Sounds great though right!?

**Well, let's look at the facts or should I say the consequences.**

## The assignment

It's 2015 and your teacher (the UK government) has set you an assignment (made net zero commitments).

The built environment is quoted as being responsible for 40% of the UK's carbon emissions. To pass this Net Zero commitment, residential landlords in the UK are tasked to improve all their residential properties to a minimum EPC C. Two deadlines (assignments) are set:

- 1. Assignment 1, due 2025:** If you want to enter into a new lease, your property must have a minimum EPC C, and;
- 2. Assignment 2, due 2028:** The property must have a minimum EPC C for any existing (remaining) tenancies.

For clarity, EPCs indicate a property's energy efficiency and give a rating from A - efficient to G - inefficient. A "C" rating is therefore satisfactory, but it's no A as your old schoolteacher might say although is still a pass.



## The students

Largely the industry cracked on with the assignment. However, thinking back to your school or university days, students always have very different approaches to assignments. We're only human after all. Some simplified groups of these as follows:

- 1. The Academic:** receives the assignment and then finishes it before it is even due. This group finished both assignments well ahead of time. We all can remember one of these!
- 2. The Motivated:** receives the assignment, makes a start but needs guidance on the trickier parts. They'll likely wait to see what the Academic does.
- 3. The "That's not due for ages":** receives the assignment, reads it, realises it's not due for ages and leaves it. Might forget about it until the deadline rushes up on them.
- 4. The "I'm here because I have to be":** receives the assignment with a groan thinking "not another hurdle" and concludes they don't have to do it and it's someone else's problem. After all, why is trigonometry (net zero) relevant anyway?



## Progress

Wind forward the clock and it's 2024! It's now one year until Assignment 1 is due. What do we do!? How has the class progressed!?

Well, it turns out the class has largely done pretty well. High level statistics from Shawbrook Bank showed that 80% of UK landlords had already prepared for the 2025 EPC regulation. 30% said their properties were already compliant (Academic) and 50% had plans to improve their EPC rating before 2025 (Motivated). 17% are unprepared with no plans to make improvements ("That's not due for ages") and 3% that had not heard of the regulation.

What's that? "I'm here because I have to be" from the back of the class shouts " We need more help! We haven't had long enough! This assignment doesn't even relate to us! This assignment doesn't make any sense!".

"This assignment doesn't make any sense!" seems to be the standout argument from this group. Granted, most people in our industry will acknowledge that EPCs are an incomplete tool. However, is this group actually concerned about the measure, or are they just trying to get out of the assignment?

The teacher might be forgiven for thinking and voicing that it has been eight years since the assignment was set. Why are some students unprepared? Why do some still seem to be unclear? Why have those who are unclear not asked the relevant questions? Why have you not even made a start? Do you not have the right resources to make a start? Do you still not have the right resources after eight years?

Score	Energy rating	Current	Potential
92+	A		
81-91	B		86 B
69-80	C		
55-68	D		
39-54	E		
21-38	F	30 F	
1-20	G		

These questions identify some very real and potential pitfalls to retrofitting, however, they also provide an insight to what can be done to support the students (industry). There are many potential facilitators to retrofitting, such as clearer guides/ industry guidance notes, ensuring a ready supply of materials and suitable contractors, promoting and implementing schemes for training the workforce, provision of funding options such as grants or government-backing of private loans for retrofit and finally exemptions for exceptional circumstances.

For example, if every effort has been made to retrofit all relevant improvements but the property still remains below a certain rating then an exemption might be appropriate.

## Assignment scrapped

**Instead, the teacher decides to scrap the assignment!  
In September 2023, Rishi Sunak announced that Assignment 1 would be cancelled.**

The consequences? Well, the students have just realised the teacher sets moveable deadlines, and if you protest enough from the back of the class or put off the assignment, they'll scrap the assignment altogether. And let's not forget about the real and potentially life altering consequences for all of us, worldwide, should we fail in our duty to achieve Net Zero.

### Minimum EPCs for commercial property? Delayed.

The government has taken a similar approach it seems on Minimum Energy Efficiency Standards (MEES) for commercial buildings. On the 26th of October 2023, the government issued a lengthy response to the Climate Change Committee's July report to Parliament on national progress towards the 2050 Net Zero emissions target. On page 396 is a recommendation that the government should respond to a 2021 consultation on "finalising and implementing" plans for MEES for the non-domestic private rented sector.

The proposed changes to the EPC scheme were to set a minimum EPC target of C by 2027 and B by 2030. These were included in a consultation report titled The Non-Domestic Private Rented Sector Minimum Energy Efficiency Standards - The Future Trajectory to 2030. The consultation ended in January 2020.

I think we would all agree that the commercial property sector responded accordingly. There was a surge in energy efficient focused refurbishments targeting existing stock. The government's response however to the CCC has given the sector pause.

It states: "The proposed timelines within the original consultation will require updating to allow sufficient lead times for landlords and the supply chain." ... and notes that the government is "working hard to review the policy design to ensure it remains

fair and appropriate for landlords and tenants,". As we understand it there is further information coming "in due course".

As with the domestic sector perhaps many in the industry won't be surprised by the government's softening of its deadlines for commercial EPC targets. The government's statement that this will allow more time to develop a 'fair' approach seems reasonable enough, at least on the face of it. It could, however, also be said that such a delay could cause significant problems. In the short term, the construction sector may see refurbishment and retrofit projects slowing or ceasing just at a time when the industry is emerging from a turbulent few years.

Let us not forget either and, as the government has somewhat ironically reminded us, the Net Zero 2050 target is still there, and a legal requirement at that. Without improvements to the energy performance of the UK's buildings, there is very little chance that the class will achieve this goal.

Finally, as we know, the government is exploring options for alternatives to EPCs. Our industry's experts have, for some time, stated that EPCs provide only a theoretical energy use figure, creating a 'performance gap' between a building as designed and as built. It would be better for the environment, building owners and tenants if certification provided a more accurate indication of a building's energy use. This growing opinion has seen the rising popularity of the National Australian Built Environment Rating System (NABERS). NABERS UK is an adaptation of the highly successful rating programme NABERS that operates in Australia. Launched in 1999, NABERS is widely considered to be a world leading environmental performance rating tool for commercial buildings. Will we begin to see this becoming the prevalent measure going forward?

If, however we're simply looking at a delay to EPC upgrades for residential and commercial sectors, then we could be looking at yet more turbulent years in the countdown to 2050.

This has all left many feeling frustrated, Academic and Motivated alike, by the government's recent announcements. Understandably so, given that they have either already completed or at least planned for the retrofit works required to their properties. And who is left celebrating? Left alone, this group won't retrofit willingly but this is exactly why the government needs to keep the deadlines it has set.

**There does however appear to be light at the end of the tunnel!**

The government's scrapping of new EPC minimum requirements seems to have had little impact to date. Despite the current uncertainty, many landlords of large portfolios and Registered Providers of social housing have re-affirmed their commitment to sustainability targets for a number of reasons including; energy bill savings and improved living conditions for residents; existing/future commitments to funders (e.g. sustainability linked loans); funder requirements for minimum C rating (or a plan to achieve a C rating) before properties will be accepted as suitable security; existing business planning based on these commitments; and ensuring the organisation is on-track to achieve net zero by 2050.

The latest beacon of hope it seems has come from the Government itself after they published proposals to simplify how our countries historic buildings are retrofitted to improve their energy efficiency following a review titled 'Adapting Historic Homes for Energy Efficiency: A Review of the Barriers'. By their very nature listed buildings and those located within conservation areas pose further challenges than the standard home due to requirements to preserve their historic character and significance. Listed Building consent is required for any alterations or works that are considered more than just minor repairs. Given that the number of listed buildings and those located within conservation areas make up to over 10% of the UK's housing stock their retrofit is an important step in achieving our net zero by 2050 target.

The review identified five key challenges which were highlighted as planning, industry & planning capacity, skills, information and costs. The review identified that the planning system itself



created delay and formed a major issue faced by historic homeowners looking to retrofit their homes and improve energy efficiency. One proposal following the review, which is now pending consultation, is for the increased use of Listed Building Consent Orders which could give rise to potentially avoiding the requirement to submit time consuming and often extensive and expensive listed building consent applications. The Government also stated that recent revisions to the National Planning Policy framework (NPPF) aim to help make obtaining permission easier as, for the first time, this includes a means of applying significant weight to the need for historic building retrofit when determining applications.

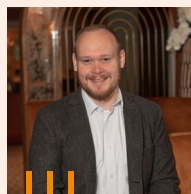
The review went further however and proposed potential reforms to the EPC's themselves to ensure they are 'accurate, reliable and trustworthy' alongside the development of clearer guidance for homeowners on energy efficiency improvements as well as supporting the wider construction industry to better deliver planned retrofitting works.

I've touched on the perceived benefits and requirements of lenders for a C rating but it's important to look at this alongside the, dare I say, flawed method in which EPCs are conducted. At Bird Charles Surveyors we often find that the EPCs we review are often inaccurate in their assessment including a poor understanding of methods of construction and materials which significantly affect the EPC rating. We also regularly see recommendations for double glazing and external wall insulation for listed buildings, or the installation of solar panels on hipped roofs which are already punctuated with dormers, leaving no space for any panels to be installed.

If there is to be a movement towards obtaining C ratings, further training for assessors will be necessary as well as a greater appreciation for the implications of listed buildings and properties in conservation areas. Councils and Government will also need to consider allowing energy saving measures to be implemented for listed buildings, including installing sympathetic double-glazed windows, insulating walls and permitting solar panels on roof slopes that are otherwise hidden from view.

The industry requires certainty on the future of energy saving measures in line with the Government's commitment to achieving Carbon Zero by 2050. A lack of clear policy and timescales, poor training of energy assessors and legislative obstacles affecting older properties are all significant hurdles that will need to be addressed promptly if the industry is to achieve Carbon Zero by 2050. As property prices and rental income will likely be affected by energy ratings, relevant stakeholders should not rest on their laurels but continue to take positive steps to achieve a minimum C rating for their properties to ensure they can both contribute a greener environment but also to help maximise the value and revenue streams of their properties.

The importance therefore of maintaining set deadlines cannot be understated. We, after all, need them so we ALL pass the assignment regardless of which group, we fall into.



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I am a Chartered Building Surveyor with 12 years experience. During my career I have undertaken a full range of building surveying and consultancy services including contract administration, project management, estate management, surveys (condition, building and PPM), new builds, refurbishments and licence to alter across many sectors such as healthcare, education, prisons, offices, landed and charitable estates and high end residential. I've worked both client side and consultancy side having worked for the likes of The Bedford Estates and Knight Frank before joining Bird Charles in May 2023.