

NEWS BRIEF

Presented by **Crendon Insurance Brokers Ltd**

Minimum Energy Efficiency Standards Are Coming

On 1st April 2016, the first phase of the new minimum energy efficiency standards (MEES), found within The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015, will come into force for England and Wales.

The regulations are part of the government's strategy to improve the energy efficiency of rented commercial and residential buildings. The government estimates that 18 per cent of privately let commercial buildings are below minimum energy efficiency standards, and that about 1 million residential tenants pay as much as £1,000 extra per year due to poorly insulated homes. Industry insiders expect that these regulations will have a significant impact on landlords, property owners and tenants.

What are the changes?

Under MEES, properties will be evaluated and receive an Energy Performance Certificate (EPC) rating from A to G—'A' being the most energy efficient and 'G' being the least energy efficient. A rating of 'E' is the minimum level of acceptability.

What should landlords and property owners do?

Beginning in April 2018, it will be a criminal offence for landlords to grant new leases of properties—including renewals and extensions—rated 'F' or lower. If the property's energy rating is not raised, the landlord faces substantial fines.

If you are a commercial/residential landlord or property owner that lets space, prepare your property by following these four steps:

1. Identify any property with an EPC rating lower than 'E', and create a plan to raise its rating.
2. Review existing leases to identify whether you reserve the right to access the property in order to carry out improvement works. Also, identify whether the cost of renovations to

bring the property into compliance is your responsibility or the tenants.

3. Obtain existing tenants' consent to begin MEES renovations. Your obligation to bring the property into compliance may become void if you cannot receive tenants' consent.
4. For leases that extend beyond 2023, include clauses that allow you to perform ongoing renovations in order to remain compliant with MEES and ideally recoup costs from tenants.

What should tenants do?

As a tenant of a commercial or residential property, MEES will affect your current and future leases. To prepare, follow these three steps:

1. Review your lease to identify clauses relating to MEES costs, like who pays for them and whether they require your consent. Avoid any obligation to repair, reinstate or yield up the property to a minimum EPC rating.
2. Check the property's EPC rating to identify whether it will need renovations by visiting <https://www.epcregister.com/reportSearchAddressTerms.html>.
3. For new leases, be aware of restrictions that limit tenants' use of the property in order to maintain an EPC rating—ensure the lease is flexible enough to meet the needs of your business. Also, include a provision that absolves you from paying for MEES upgrades.

Although the regulations do not introduce punitive measures until 2018, prudent property owners and landlords may want to start the upgrade process now to ensure its success. For more compliance news, contact **Crendon Insurance Brokers Ltd** today.



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