



MINIMUM ENERGY EFFICIENCY STANDARDS

The minimum energy efficiency standards (MEES) will set a required level of energy efficiency which must be met before properties can be let. Initially this level will be EPC rating E.

The MEES were created by the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the regulations). The regulations will apply from 1 April 2018 to the grant of new leases, lease extensions and lease renewals, and from 1 April 2023 to all leases (including those already existing at that date).

PENALTIES

If a landlord breaches the regulations they could face a fine and/or a publication penalty. For a breach lasting for less than three months the fine will be the greater of £5,000 or 10% of the property's rateable value. For a breach lasting for more than three months the fine will be the greater of £10,000 or 20% of the property's rateable value (up to a maximum of £150,000). The publication penalty involves information about the landlord's breach being included on a central register available to the public.

WHAT SHOULD COMMERCIAL LANDLORDS BE DOING NOW?

- Assess their portfolio now to see which properties fall below band E;
- investigate what improvements are available to improve energy efficiency of these properties;
- consider whether any exemptions to the regulations might apply (cost-effectiveness of works, absence of third party consent, devaluation of property) and prepare supporting information for an exemption application;
- consider whether any current lease terms require amending to deal with the regulations, for example:
 - Should the tenant pay for any improvements required under the regulations?
 - Does the landlord have a right of entry to carry out any required improvements?
 - How will rent review provisions be affected?
 - Does the lease contain controls on whether the tenant can apply for an EPC?

WHAT SHOULD COMMERCIAL TENANTS BE DOING NOW?

- Check the EPC ratings of the properties they rent – are any below band E?
- Check what provisions are in their existing leases regarding property condition at the end of the lease term.
- Ensure that landlords are not passing on costs via service charges to make properties MEES compliant.

FIND OUT MORE

For further information, please contact:



LAURA GORMAN
T: +44 (0)1865 813702
E: laura.gorman@penningtons.co.uk