

Royal Institute of British Architects

Department for Business, Energy and Industrial Strategy: Improving the energy performance of privately rented homes in England and Wales

The Royal Institute of British Architects is a global professional membership body driving excellence in architecture. We serve our members and society in order to deliver better buildings and places, stronger communities and a sustainable environment. Being inclusive, ethical, environmentally aware and collaborative underpins all that we do.

The RIBA welcomes the opportunity to respond to the consultation on improving the energy performance of privately rented homes in England and Wales.

On 29 June 2019 RIBA Council voted to join the global declaration of an environment and climate emergency, two days after the UK government passed a law to require the UK to end its contribution to global warming by 2050 by bringing all greenhouse gas emissions to net zero.

The climate emergency demands urgent action and leadership by the Government, architects and the wider construction industry. As part of this, the Government must bring forward a National Retrofit Strategy – a long term policy and investment programme for upgrading the energy efficiency of our housing stock.

We welcome the direction of travel signified by many of the measures proposed in this consultation. However, we believe that there is a need for greater ambition on behalf of the Government if we are to significantly improve the performance and reduce the environmental impacts of the built environment.

The RIBA recommends that the Government:

- Implement the alternative policy option – with dual metric target of both Energy Efficiency Rating (EER) Band C cost metric and the environmental impact rating (EIR) Band C carbon metric, with an increased cost cap of £15,000.
- Consider embodied carbon targets to ensure the full carbon impact of a home is measured.
- Include the definition of “fabric first” in legislation to ensure it is mandatory for all retrofitting works.
- Investigate different financial mechanisms to incentivise landlords to improve the energy efficiency of their housing stock.
- Re-introduce the Landlord’s Energy Savings Allowance to allow landlords in the private rented sector to claim for part of their energy efficiency measures against their income tax liabilities.

The RIBA welcome's the Government's ambition to improve the energy efficiency of the private rented sector (PRS). PRS properties are among the least energy efficient in the domestic housing stock, costing over £6bn in energy bills in 2018 and producing greenhouse gas emissions of around 11 megatonnes of carbon dioxide equivalent (MtCO₂e) per annum. The PRS accounts for around 5 million homes in England and Wales, and around 3.2 million of these properties have an Energy Performance Certificate (EPC) rating of D or below. The PRS also accounts for a disproportionate number of fuel poor households.

The RIBA recommends that the Government implement the alternative policy option – with the dual metric target of both Energy Efficiency Rating (EER) Band C cost metric and the environmental impact rating (EIR) Band C carbon metric, with an increased cost cap of £15,000.

The dual target would more than triple the number of low-carbon heating installations by 2030 and reduce the price of energy bills. In addition, the Government's alternative policy option would help address several concerns about EPCs.

EPCs are not fit for purpose but we must best utilise the tools and metrics we have

Understanding how much actual energy a building uses is crucial to identify where, and which, energy efficiency improvements can be made. Operational energy, or energy measured at the meter, captures the actual energy usage of a building. This should be the primary metric for measuring the energy efficiency of a home.

However, the current energy efficiency tool, the EPC, uses the Standard Assessment Procedure (SAP) to calculate the energy efficiency of a building. SAP does not measure operational energy, but instead measures regulated energy. SAP does not take into account unregulated energy sources, and therefore does not provide an accurate measure of the true energy use of a building.

Additionally, inaccurate measurements are often more acute in older buildings, which are required to utilise Reduced Data Standard Assessment Procedure (RDSAP) methodology to calculate a building's energy efficiency. RDSAP does not allow for:

- Variation of air permeability (even when a pressure test has been conducted)
- The inclusion of thermal bridging
- Modelling of mechanical ventilation except using very pessimistic defaults (and high air permeability).

These issues mean that, for existing homes in particular, EPCs are often inaccurate and not an effective measure of the energy efficiency of a building.

In addition, EPCs were not intended to be a retrofit design tool. Because EPCs do not measure operational energy, improving the EPC rating of a building does not necessarily achieve meaningful energy reductions.

Given the concentration of poor energy efficiency amongst older homes, updating both SAP and RDSAP so they better capture the actual operational energy use of a property, is key to improving the energy efficiency of our housing stock.

It was welcome to see that the Government has acknowledged some of the problems with EPCs and consulted on how they could be reformed in 2018. The Government's response to the consultation, published in September 2020, was a step in the right direction by acknowledging that EPCs must better reflect real world performance.

Despite the problems with EPCs, we are in a climate emergency and we must act now, so it is necessary to utilise the tools we have.

For these reasons the Government's alternative policy option, which suggests the dual metric target of both EER Band C cost metric and the EIR Band C carbon metric, should be the standard to improve the energy efficiency of the private rented sector.

Looking at the EER alone, does not guarantee that meaningful carbon emission reductions will be made. Using the EIR, in addition to the EER, will help ensure that a home's impact on the environment, regarding carbon dioxide emissions is reduced.

Whilst this option does not directly measure operational energy, the EIR is more effective than the EER at ensuring that energy efficiency improvements have an impact on reducing actual carbon emissions.

Looking forward, metrics that the consumer can measure against (i.e. meter readings of operational energy) should be the primary measure of energy efficiency of a home.

The cost cap

The RIBA welcomes the increased cost cap for the private rented sector. The current cost cap of £3,500 is low and makes it too easy to gain an exemption from energy efficiency improvement works. However, it is unclear where the Government's £10,000 and £15,000 cost cap suggestions have originated from. It would be useful for the Government to provide the evidence of how the two figures were decided.

Based on the suggested policies, the RIBA recommends the higher of the two cost caps, £15,000, be implemented.

The RIBA believes that the cost cap should be adjusted for inflation. Many landlords increase the rent of their properties on a yearly basis in line with inflation, so the cost cap should reflect this increase.

The Government must consider the impact of embodied carbon

The importance of embodied carbon has not been considered in the consultation. Embodied carbon refers to the carbon emitted from the processes associated with sourcing materials, fabricating them into products and systems, transporting them to site and assembling them into a building. It also includes the emissions due to maintenance, repair and replacement, as well as final demolition and disposal.

There is a risk that landlords may prioritise low-cost retrofitting solutions which may result in choosing readily available products with high levels of embodied carbon. The Government should introduce embodied carbon targets to help ensure that the materials used are not inadvertently damaging the environment. Embodied carbon is critical when considering the carbon emitted from a building as a whole.

Considering embodied carbon will also increase the demand for low carbon materials. This will help stimulate growth in low-emission manufacturing of traditional materials, promote new low carbon products and will also encourage the use of local materials, driving the built environment to source products from the UK, where possible.

Fabric first and whole house retrofits are key to improving the energy efficiency of our housing stock

The RIBA welcomes the Government's suggestion of taking a fabric first approach to retrofitting. The RIBA believes that fabric efficiency should be the primary consideration when designing or retrofitting a home and any method of delivering heat should be secondary.

The RIBA recommends that the fabric first approach is introduced in legislation, where high-level measures could be written into the PRS Regulations, making it mandatory, and the detail provided in accompanying technical guidance. Including the fabric first principle entirely in the guidance would not be mandatory and this creates a risk that landlords may not follow the guidance.

A fabric first approach is key to ensuring that energy efficiency works actually improve the energy efficiency of a property and do not add additional costs to the tenant. For example, it is important that heat pumps are installed in well-insulated homes. This is because the lower the flow temperature of the heat pump, the higher it's efficiency. In a home without adequate insulation, the heat pump will require a higher flow temperature, which will cost more to run and have higher carbon emissions. If fabric first is not mandatory there is a risk that homes will have heat pumps installed without adequate insulation, resulting in unintended consequences.

It was welcome to see the Government recently introduced the Simple Energy Advice (SEA) website, which is the central information resource for energy efficiency advice in England. However, we believe there is a role for more tailored advice through an expanded information hub. This will require additional funding capacity be allocated for the SEA, including expanding the information hub to provide access to trained advisors who can give customers tailored and personalised support. The advice given by the SEA must encourage a "whole house" retrofit plan to homeowners to plan upgrades incrementally in a way that ensures they are improving the energy efficiency of their home. It was positive that a whole house retrofit approach was also included in the consultation.

Timetable for implementation

The RIBA agrees with the Government's preferred policy scenario of requiring 'new tenancies' to reach EER and EIR Band C from 1 April 2025 and 'all tenancies' to reach EER and EIR Band C by 1 April 2028.

We are pleased to see the recognition that there must be a clearly laid out, phased increase in energy efficiency standards for homes in the private rented sector.

Looking toward the 2030s and beyond, it is likely that higher energy performance standards will be required to ensure that that the UK meets its net zero target by 2050. The RIBA supports consulting on raising the cost cap and energy performance standards to reach this target in due course.

Exemptions

The RIBA recognises that there may be a small number of landlords for which the £15,000 cost cap is unaffordable. However, the RIBA recommends the Government investigate different financial mechanisms that will incentivise and support landlords to improve the energy efficiency of their housing stock rather than simply applying for an exemption.

These incentives must form part of a National Retrofit Strategy, and the Government should bring forward policy interventions for landlords that provide low cost finance options. This has been effective in

other countries, such as Germany, and is a key element to helping improve the energy efficiency of our housing stock.

From 2004 until 2007 the Government offered the opportunity for landlords to claim energy efficiency improvements against their income tax liabilities in the form of the Landlord's Energy Saving Allowance (LESA). This afforded each household up to £1,500 in costs for energy efficiency improvements to be claimed against their income tax. As part of the PRS reforms, and part of a National Retrofit Strategy, the Government should reintroduce this policy to provide extra support for landlords required to improve the energy efficiency of their homes.

It was also positive to see that the Green Homes Grant is available to landlords and the RIBA suggests that further funding and grants to support energy efficiency improvements should be brought forward by the Government as soon as possible.

With the above policy suggestions considered, those landlords who the £15,000 cap would still be unaffordable should be able to apply for an exemption. To qualify for an exemption, we suggest it should be based on profit, turnover and property value. Using a combination of all three metrics would reduce the risk of profits being reduced intentionally to qualify.

We suggest that the cost of the exemption cap could be based on a percentage of the average property prices in the local authority or region. A universal cap does not consider regional cost differences of improvement works. This could result in landlords outside of London and the South East selling their property and purchasing newer properties that meet the required EPC standard. This would not improve the energy efficiency of our wider housing stock, just simply move the carbon emissions away from the private rented sector.

Exemptions should be the last resort for those who cannot afford the £15,000 cost cap and the RIBA suggests that the exemptions regime is monitored carefully to ensure that it is not being misused. The RIBA agrees with the consultation proposal that the updated exemption regime should come into force on 1 April 2025 and that the property compliance and exemptions database should be opened six months prior to commencement of exemptions.

When considering listed buildings and those in conservation areas the RIBA suggests a more considered approach.

Listed buildings are often constructed using materials which do not respond to standard EPC assessments. However, buildings in conservation areas are generally more conventional and therefore easier to assess. Therefore, we believe it would be useful to have EPCs on conservation buildings as it would provide an indication of the energy efficiency of the wider housing stock.

However, the RIBA supports the current qualified exemption for listed buildings and those in a conservation area, which states that compliance with certain minimum energy performance requirements should not be undertaken if they would unacceptably alter their character or appearance. Homes in a conservation area could undertake an EPC and then apply for an exemption on the basis that undertaking energy performance improvements would "unacceptably alter their character or appearance".

Consumer protections

The RIBA believes that the Government should incorporate TrustMark into energy performance improvement works.

There is considerable evidence that poor standards of installation, including scams and low quality craftsmanship, has affected the market for energy efficiency improvements. The prevalence of such instances creates two problems that inhibit the ability for England to decarbonise its housing stock.

First, where poor installations have taken place, it will require further energy efficiency improvements to be carried out to enable the retrofitted homes to reach the desired EPC rating. Second, they blight confidence in the energy efficiency improvement sector, and have likely contributed to the lack of demand.

Adequate training and education to ensure competence and skills within the supply chain is key to ensuring energy efficiency measures are installed in a safe and effective manner.

The Government has a key a role to play in ensuring installations meet the highest standards, and that consumers are protected from making substandard alterations to their home. The recent announcement that the Green Homes Grant would only apply for tradespeople who are part of the TrustMark accreditation scheme is a very positive development and we believe this should be extended to include work undertaken in the private rented sector. This will help to provide quality assurance standards when works are being delivered.

However, the Government must ensure that the TrustMark scheme is operating effectively to provide consumers with adequate protection and it does not simply become a tick-box exercise. There is also a risk that tradespeople will arbitrarily inflate their prices to match Government grants. This is something that the Government should be aware of when reviewing the overall effectiveness of the TrustMark scheme.

Compliance

The RIBA supports the Government's suggestion to keep a nationally operated register of compliant and non-compliant households, this would be more efficient to run and easier for landlords with multiple properties to navigate. This should be supplemented by the use of EPC Open Data for PRS enforcement by local authorities.

We agree with the principle of placing a requirement on letting agents and online property platforms to only advertise and let properties compliant with the PRS Regulations, and with proposals to increase the level of financial penalty that local authorities may impose on non-compliant landlords.

The RIBA agrees with the Government's proposal to remove the seven to twenty-one day exemption period on landlords making all reasonable efforts to provide a valid EPC prior to a property being marketed or let. This would result in no circumstances in which a property could be marketed or let without a valid EPC. This will help drive understanding of EPCs and the importance of energy efficiency.

The Government should increase the level of the fixed civil penalty fine for offences under the EPB Regulations. The amount should be higher enough to incentivise landlords to comply.

Enforcement

Energy efficiency standards are only effective if they are being enforced properly. This requires a clear enforcement process, with an emphasis on accurate results through professional expertise. This responsibility sits with local authorities in England and Wales. However, with local authorities severely hampered by funding and capacity constraints, we are worried that these are not being enforced properly. The Government ought to ensure that enforcement is fully funded at the local authority level.

This means either providing a central allocation of funding specifically for building enforcement capacity in local councils, or by overseeing a cost-neutral means of enforcing the standards, such as through the charging of non-compliant landlords.

The RIBA agrees that the Government should seek primary powers to increase the maximum fine level to £30,000 per property for each breach of the PRS Regulations and this should be adjusted for inflation. This amount of money would act as a deterrent for landlords and should be retained by local authorities to support enforcement action.

The RIBA believes that a valid EPC should always be in place while a property is let. This will ensure that homes where an EPC has expired and the tenancy is renewed or a tenant is in situ throughout, will not be excluded from energy performance improvements. In addition, we agree that there should be a requirement for post-improvement EPCs and the cost included in the cost cap.

The Government should introduce powers for tenants to request that energy performance improvements are carried out where a property is in breach.

Enforcement of the energy efficiency of the private rented sector should be coupled with strong enforcement of standards in construction work, such as the use of the TrustMark accreditation, touched upon above.