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## Royal Institute of British Architects response to the Department for Business, Energy and Industrial Strategy consultation: non-domestic private rented sector minimum energy efficiency standards

The Royal Institute of British Architects (RIBA) is a global professional membership body that serves its members and society in order to deliver better buildings and places, stronger communities and a sustainable environment. We provide the standards, training, support and recognition that put our members – in the UK and overseas – at the peak of their profession. With government and our partners, we work to improve the design quality of public buildings, new homes and new communities.

### **1. Do you have any evidence which can improve the Government's understanding of energy use in the non-domestic building stock?**

The RIBA, CIBSE and University College London, along with a number of other industry stakeholders, have collaborated on a joint collection platform for data on actual energy used in buildings, called Carbon Buzz.

In addition, the Better Buildings Partnership Design for Performance initiative, which includes data from the National Australian Building Environment Rating System (NABERS) performance tool, has a data series of performance energy usage.

Going forward, the RIBA will be collecting the operational energy usage, embodied carbon and potable water usage of buildings designed by our Chartered Practices who have signed up to our [2030 Climate Challenge](#).

Furthermore, all projects submitted to be considered for RIBA Awards from 2020 (around 400 per year) will be required to provide data on operational energy usage and embodied carbon. The information collected will be used as an evidence base for RIBA work.

### **2. It has now been over a year since the minimum energy efficiency standards for the non-domestic private rented sector were introduced. What have been the positives and areas for improvement of their introduction?**

The RIBA welcomed the introduction of the minimum energy efficiency standards in the non-domestic, private rented sector. Energy efficiency standards have driven awareness of the impact of the built environment on climate change to both building owners and occupiers.

A key area for improvement, however, is the inaccuracy of Energy Performance Certificates (EPCs). As EPCs do not look at actual energy performance it is difficult for building owners and tenants to know whether the energy efficiency measures in place are making a positive difference. The

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RIBA recommends that the Government use actual energy performance to measure the energy efficiency of a building.

To measure actual energy performance, the RIBA suggests the implementation of the Display Energy Certificate (DEC) in the non-domestic, private rented sector. DECs are already required in the public sector and this should be extended to the non-domestic private rented sector.

The minimum standards do not go far enough to ensure the UK adequately addresses its climate impact. The RIBA 2030 Climate Challenge sets operational energy targets for non-domestic buildings for 2020, 2025 and 2030. The RIBA suggests that the Government trajectory should align with these targets.

The 2030 Climate Challenge operational energy targets are below:

2020 Target - < 170 kWh/m<sup>2</sup> /y (or DEC C rating)

2025 Target - < 110 kWh/m<sup>2</sup> /y (or DEC B rating)

2030 Target- < 0 to 55 kWh/m<sup>2</sup> /y (or DEC A rating)

**3. Do you agree that 2030 is the appropriate date to set the future trajectory? Does this allow a long enough lead in time for landlords and businesses to plan effectively, as well as providing the energy efficiency market with medium to long-term certainty of demand?**

The RIBA agrees that the date of 2030 is appropriate; this date is challenging but achievable. A short, but achievable date will create pressure to ensure that businesses and building owners take the vital steps needed to create energy efficient buildings. The Enterprise Centre at the University of East Anglia, Norwich has achieved a DEC A demonstrating that the 2030 target is achievable today.

**4. To what extent do you think an EPC B trajectory provides sufficient certainty of demand to encourage suppliers in the energy efficiency market to grow, scale and innovate?**

The trajectory towards EPC B is not sufficient enough to allow the energy efficient market to grow, scale and innovate.

EPC's are not an appropriate measure of energy efficiency. Research has shown that EPC's are incredibly inaccurate at estimating actual energy usage; and it is unlikely that inaccurate information would drive suppliers to innovate. The use of actual energy performance as a measure of energy efficiency – through the implementation of a Display Energy Certificate (DEC) programme – would be more effective. DECs are already used in the public sector and provide a more accurate means to measure energy performance. DECs should be extended to the non-domestic private rented sector.

The trajectory also lacks ambition. We are currently in the midst of a climate emergency and must ensure that the built environment reduces its carbon emissions. The RIBA 2030 Climate Challenge sets operational energy targets for non-domestic buildings for 2020, 2025 and 2030. The RIBA suggests that

the Government trajectory should align with these targets and should aim for a trajectory of DEC A by 2030.

The 2030 Climate Challenge operational energy targets are below:

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2025 Target - < 110 kWh/m<sup>2</sup> /y (or DEC B rating)

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**5. What do you think are the opportunities and challenges of the Government's preferred 2030 EPC B trajectory?**

The Government has a huge opportunity to improve the energy efficiency of the UK's building stock through investment in energy efficiency technologies. This will then result in an upgrade in skills and employment.

However, a key challenge facing the sector is the inaccuracy of EPCs. Because EPCs do not look at actual energy performance it is difficult for building owners and tenants to know whether the energy efficiency measures they employ make a positive impact on climate change. Put simply, increasing the EPC rating of a building does not necessarily increase energy efficiency and reduce carbon emissions.

As mentioned above, the RIBA recommends that the Government use actual energy performance as a measure of the energy efficiency of a building through the implementation of the Display Energy Certificate (DEC) in the non-domestic, private rented sector.

The RIBA 2030 Climate Challenge sets operational energy targets for non-domestic buildings for 2020, 2025 and 2030. The RIBA suggests that the Government trajectory should align with these targets.

**6. We estimate an EPC C trajectory will only bring 42% of the non-domestic PRS building stock into scope of the regulation. Are there any alternative approaches that could complement an EPC C trajectory that would guarantee the necessary action across the remaining stock to drive clean growth and deliver sufficient energy and carbon reductions?**

The RIBA recommends expanding DEC rating requirements from public sector buildings to all existing buildings. This would drive clean growth and reduce carbon emissions. Building owners and users need to be aware of how much energy their building uses before they can work to reduce it.

New York and Australia both disclose the operational energy use for all buildings, the latter has helped the country to reduce operational energy by 70%.

The RIBA welcomes the new consultation on this topic and is ready to support the Government in developing its own position.

**7. Can you identify any issues regarding the current administration of the seven-year payback test which could be improved to support the goals that a tightened regulatory trajectory to 2030 aims to deliver?**

The seven-year payback test is not fit for purpose. It prioritises short term economics of the building owner over long term climate change mitigation strategies. For these reasons, the RIBA recommends that the seven-year payback test is scrapped.

It would instead be useful to include a whole life carbon assessment, which assesses the carbon emissions arising from a project throughout the its lifecycle. A carbon whole life assessment could be used to assess existing assets, during any type of refurbishment, retrofit and fit-out project.

**8. Would a single backstop date in 2030 or phased milestones to 2030 be the more effective method for implementing the trajectory options? Does it depend on the trajectory option? If a single backstop were favoured by the Government, what type of financial and non-financial incentives could encourage landlords to install measures earlier than the 2030 deadline?**

The RIBA recommends the use of phased milestones to achieve compliance compared to a single backstop. A single backstop allows all work to be left until the last possible moment, which can lead to a reduction in quality. Incentives should be given to early adopters of phased milestones.

The RIBA 2030 Climate Challenge sets phased operational energy targets for non-domestic buildings for 2020, 2025 and 2030. The RIBA suggests that the Government trajectory should align with these targets.

The 2030 Climate Challenge operational energy targets are below:

2020 Target - < 170 kWh/m<sup>2</sup> /y (or DEC C rating)  
2025 Target - < 110 kWh/m<sup>2</sup> /y (or DEC B rating)  
2030 Target- < 0 to 55 kWh/m<sup>2</sup> /y (or DEC A rating)

**9. Are there any reasons why any of the current exemptions will be less effective under a tightened trajectory?**

The RIBA does not expect any exemptions to be less effective. However, the RIBA would like to see measures implemented that ensure that exemptions are genuine.

**10. Are there any ways in which the market can overcome situations where the tenant has fit-out requirements and is willing to fund the improvement of the building at the start of the tenancy?**

**11. Are there any unique challenges that the tightened trajectory will pose to SMEs or any individual sector? How could the sector look to overcome that challenge?**

Assuming a phased, ten-year trajectory with a mandatory DEC rating with disclosure, the RIBA does not anticipate any unique challenges that were not faced by other countries (for example, Australia) when moving towards a disclosure of operational energy system.

In addition, this approach provides clarity and transparency for future targets and allows the market to adjust organically.

**12. At this stage we welcome views on how the Government could most effectively improve enforcement of minimum energy efficiency standards under an EPC B or C by 2030 trajectory.**

A fair and effective enforcement mechanism must be established as a matter of urgency.

The RIBA also recommends that the Government should implement and endorse a Post-Occupancy Evaluation (POE). POE is a measure of how the building is performing compared to the expectations of the team that designed and built it. Ensuring that a POE occurs gives the building owner, tenant, architect and builder a chance to understand any areas which are not performing as expected and make changes; this is especially useful regarding energy efficiency. POE is vital to ensuring a building is working as designed and therefore, POE should be included in the Building Regulations.

As mentioned above, the RIBA does not agree with the use of EPCs as a measure of energy efficiency - EPCs do not record the actual energy performance of a building. The RIBA suggests that the Government should look to actual energy performance through the implementation of a Display Energy Certificate (DEC) programme. DECs are already used in the public sector and much more effective at providing accurate energy performance of a building. DECs should be extended to the non-domestic private rented sector.

**13. As illustrative examples, do the costs, bill savings and private payback periods that our modelling assumes for these building types approximate your experience?**

**14. The table lists the costs and benefits we have identified as a result of the proposals. Are there any impacts relevant to your sector or organisation/business (e.g. SME, Civil society organisations) that are missing? If so, can you provide us with any supporting evidence?**

**15. We understand that there are natural void periods when leasing a property, due to finding a tenant and refurbishing a building. Is there any evidence to suggest the proposals are likely to increase void periods and by how long? Please provide as much detail as you can.**

- 16. Under both trajectory options, landlords of buildings below EPC B or C will be required to invest money upfront to improve the energy efficiency of their building. If you are a landlord, what are the key factors that would determine the pass-on cost to the tenant, and the length of time under which you would seek a return on your investment? We anticipate key factors could include: investment cost, bill savings delivered by the measure, payback period of the measure, lifetime of the measure, maintenance costs and market forces. If you are not a landlord, we also welcome any evidence you could provide.**
- 17. Is there a possibility that under certain types of lease arrangements (for example green leases) the costs of improvements might be shared between landlords and tenants?**