

Minimum Energy Efficiency Standards (MEES)



What is the minimum energy efficiency standard (MEES)?

The minimum energy efficiency standard (MEES) was introduced in March 2015 by the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015. The MEES Regulations originate from the Energy Act 2011 which also contained a package of energy efficiency policies including the Green Deal.

From 1st April 2018, landlords of non-domestic and domestic privately-rented properties within the scope of the Minimum Energy Efficiency Standard (MEES) Regulations must not renew existing tenancies or grant new tenancies if the building has less than the minimum energy performance certificate (EPC) rating of E unless the landlord registers an exemption.

After 1 April 2023, landlords must not continue to let any buildings which have an EPC rating of less than E unless the landlord registers an exemption.

How to comply

Working out if a building and tenancy are caught within the scope of MEES is not always straightforward. MEES does not apply to:

- Buildings which are not required to have an EPC, such as industrial sites, workshops, non-residential agricultural buildings with a low energy demand, certain listed buildings, temporary properties and holiday lets;
- Buildings where the EPC is over 10 years old or where there is no EPC – Although in this case a new tenancy or renewal would trigger an EPC requirement and therefore compliance with MEES;
- Tenancies of less than 6 months (with no right of renewal);
- Tenancies of over 99 years.

Once established that a building is within the scope of MEES the landlord must implement any relevant and cost-effective energy efficiency improvements to raise the standard of the EPC to a minimum rating of E.

Landlords can let a building to which the MEES Regulations apply but which is below the minimum standard if any of the exemptions apply. These are:

- The 'Golden Rule': where an independent assessor determines that all relevant energy efficiency improvements have been made to the property or that improvements that could be made but have not been made would not pay for themselves through energy savings within seven years;
- Devaluation: where an independent surveyor determines that the relevant energy efficiency improvements that could be made to the property are likely to reduce the market value of the property by more than 5%;
- Third Party Consent: where consent from persons such as a tenant, a superior landlord or planning authorities has been refused or has been given with conditions with which the landlord cannot reasonably comply.

Exemptions must be registered on the central Government PRS Exemptions Register. The register is intended to go live on 1 April 2018. Exemptions are valid for five years only and cannot be transferred to a new landlord.

Failure to comply with the requirements of the MEES Regulations by renting out a property in breach of the Regulations carries substantial penalties:

- For a rental period of fewer than three months the penalty will be equivalent to 10% of the property's rateable value, subject to a minimum penalty of £5,000 and a maximum of £50,000;
- For rental periods of greater than three months, the penalty rises to 20% of the rateable value, with a minimum penalty of £10,000 and a maximum of £150,000.

How can ClearLead Consulting help?

Landlords should consider taking early steps to prepare for MEES, including;

- Auditing portfolios to understand which properties are within scope of the MEES Regulations and whether exemptions might apply;
- Understanding how lease terms, break dates, renewals dates and planned refit periods fit with the MEES timetable.

ClearLead Consulting can help landlords to comply with the requirements of MEES, working with landlords to analyse and understand which properties are within the scope of MEES, assessing the risks and produce bespoke action plans for improving the energy performance rating to minimum compliance levels.

ClearLead Consulting are already working with a number of clients to prepare them for the forthcoming changes. We would be happy to discuss the best approach for you and your property portfolio. We can provide a full compliance service, including:

- Advice upon the legislation and its implications for your assets;
- Assess current energy efficiency and energy performance risk across your portfolio and for individual assets;
- Produce a bespoke "MEES Energy Efficiency Plan" for your buildings to implement any necessary energy efficiency improvements, aligned with the building life cycle. This would include:
 - Model EPC rating scenarios based on various improvement strategies – finding the most cost-effective improvement;

- Fully costed, investment-grade proposals for achieving the minimum standards required meeting the seven-year payback test as required by the MEES Regulations.

ClearLead Consulting approach, costs and benefits

ClearLead's recommended approach to MEES compliance is two-stage. Firstly, we will carry out an initial, low cost scoping exercise with you, to understand your portfolio of buildings to understand which properties are likely to be within scope of the MEES Regulations. Once the Scoping Stage is complete, we will move on to the second stage, which is the development of a bespoke MEES Energy Efficiency Plan. This comprises bespoke energy efficiency plans for each building in your portfolio allowing cost-effective improvement and compliance with the MEES regulations.

Want to find out more?

Get in touch with ClearLead's MEES specialists and we'll be happy to talk you through the process.



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