CoreNet Global UK Chapter

Research Briefing
Energy Act 2011

20th March 2013

Another piece of dull legislation? Or something that could prove business critical?
Wednesday 20 March 2013, JLL, Warwick Street, London W1B 5NH

This early morning Research Briefing reported on a study of the Energy Act 2011, a little publicised piece of legislation which, in five years' time or maybe even earlier, will have a major impact on all property: residential and commercial.

Sponsored by SEGRO jointly with CoreNet's UK Chapter, **Dr Rob Harris** of Ramidus has examined the potential implications of (and how CREs are proposing to deal with) this Act which, on or before 1st April 2018, will prevent the letting of any building with an Energy Performance Certificate (EPC) rating of less than E. Any buildings rated F or G will, by law, have to be upgraded to improve their energy efficiency to a point where they once again become legal. And from April 2016 it will be unlawful for landlords of residential property to unreasonably refuse requests from occupiers to improve the energy performance of their buildings.

Introducing the briefing **Kate Dean** of SEGRO made the point that as this new legislation applies equally to landlords and occupiers it had been thought important to discover what strategies, if any, were being adopted to ensure building compliance.

Explaining that the Act is part of a global commitment to reducing CO2 emissions, Dr Harris indicated that DECC is currently on the way to consulting about secondary legislation/enabling regulations in view of the lack of understanding of the significant implications for property owners and occupiers. In carrying out this survey Ramidus contacted 50 organisations and interviewed 22 occupiers responsible for some 45million square feet of office, industrial, and retail premises. The results show a startlingly low awareness of the Act. Half of the sample had completed none, or only a limited number, of the required EPCs. Most had no planned programme or were largely depending on lease events. This lack of preparation was put down to poor publicity or the long lead time involved, a long lead time now substantially shortened. Among those in the know, the Green Deal, aimed at providing finance towards upgrades, is generally regarded as irrelevant. And this from a group of generally well-informed individuals.

Miles Keeping, of Deloitte Real Estate, described the difficulties of working the interface between government and clients, some of whom still believed that the new legislation would 'never happen' or that it would not apply to them. There is a question he said over the continuation of leases - would landlords be able to continue to let non-compliant buildings in an on-going lease after 'D' day? He also pointed out problems with the Green Deal, notably the expense, which an advertised finance rate of 7% pa is very much on the high side. He commented on the suggestion that there may be 'swathes of property' which risk being abandoned and whether a minimum energy performance is in fact what should be required rather than minimum energy usage.

Finally **Darren Coppins**, head of sustainability at Chapman Bathurst also questioned the reliability of EPCs and their appropriate use, commenting that the results of the survey resonated with his own clients. Lots of landlords and occupiers he said were pushing for the right EPC levels - but not enough of them, a clarification well provided by the report.

Summing up Kate Dean emphasised the poor awareness of the Act and the need to start a real debate and thanked JLL for their kind hospitality.

Copies of the survey are available here.

Dr Harris's presentation is available here.

AV Sutherland