



Energy Performance Certificates

All owners or occupiers of commercial buildings should now be aware of the timetable set out for Energy Performance Certificates (EPC) contained in the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007.

Since the 6th April this year those selling, letting or constructing buildings over 10,000 msq will have already had to acquire an EPC and the obligation will be imposed in respect of buildings in excess of 2,500msq from the 1st July and virtually all others from the 1st October.

If the building is a “roofed construction having walls, for which energy is used to condition the indoor climate” then an EPC will be required. An EPC will also be required from the contractor where a property is modified to have a different number of parts designed to be used separately and the fixed services for heating, hot water or air conditioning are changed.

There are a few exceptions including places of worship, temporary buildings, buildings to be demolished and those of less than 50 msq. Also of particular note to those with farm and industrial buildings will be the exception given to industrial sites, workshops and non-residential agricultural buildings with low energy demand (for instance storage facilities or where energy is only used temporarily to germinate plants).

For the vast majority of buildings however the seller or landlord will need to provide an EPC.

EPCs are prepared by accredited assessors with the intention of indicating how energy efficient a building is and contain a rating from A (most efficient) to G (least efficient). The certificate will be accompanied by a recommendation report as to how best to improve the building's energy performance. Each EPC will last for 10 years.

Contractors will need to issue the EPC within 5 days of completing the works to a building and the buildings control certificate for the works will not be issued until the EPC has been supplied to the owner. By the time they are contractually bound, Sellers, including those transferring existing leases, and landlords granting leases, must have provided the prospective buyer or tenant with an EPC.

Where a building, such as an office block, is divided and then let in separate parts the landlord will need to provide a separate EPC for each part that has its own heating or ventilation systems. If however there is a common system for the whole building the landlord will have the choice of providing a building-wide EPC or an individual one for each part.

The EPC must be provided free of cost to the prospective buyer or tenant. Landlords of buildings with multiple lettings may consider recouping the costs of providing EPCs through the service charge however careful examination of the terms of the leases will be required as tenants are likely to object to this.

Those providing an EPC are recommended to retain a copy and note of the certificates unique reference number as Trading Standards, who are to enforce the EPC regime, can request evidence of compliance for up to 6 months after a transaction.

Not providing an EPC where required could be expensive with a range of penalties from £500 to £5,000.

It is by no means clear that, come October, there will be sufficient numbers of accredited assessors to meet demand. The government is allowing the market to decide the cost of providing EPCs however early indications are that its estimate of between £250.00 to £2,000.00 were woefully inadequate.

Sellers and landlords should consider as early as possible their forthcoming disposals to ensure that transactions are not delayed or even lost due to the EPC requirements. In particular paperwork and plans relating to buildings should be collated for the assessor and provision made for the costs of obtaining EPCs.

In the background of the EPC regulations is the government's Kyoto target of a nationwide reduction in emissions of 50% by 2050. It is estimated that non-domestic buildings count for around 20% of all carbon dioxide emissions in the UK alone.

While the government currently states that EPCs are primarily designed to protect the consumer it does not take a huge leap of imagination to see that at some point taxes could be increased or financial penalties imposed on energy inefficient buildings if Kyoto targets do not look like being met.

We all recognise the benefits of energy efficiency. The potentially significant savings for businesses are reinforced by the constant headlines relating to the rising costs of energy. While the market will decide, sellers and landlords may find that the information contained in EPCs is increasingly examined by prospective occupiers and energy efficiency becomes a notable factor in negotiation of the price or rent.

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