

## **Response to the consultation on reforms to the Energy Performance of Buildings regime.**

### **About the Building Societies Association**

The Building Societies Association (BSA) represents all 42 UK building societies, including both mutual-owned banks, as well as 7 of the largest credit unions. Building societies have total assets of almost £525 billion and, together with their subsidiaries, hold residential mortgages of over £395 billion, 24% of the total outstanding in the UK. They also hold £399 billion in retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 40% of all cash ISA balances. With all their headquarters outside London, building societies employ around 52,300 full and part-time staff. In addition to digital services, they operate through approximately 1,300 branches, holding a 30% share of branches across the UK.

### **Executive summary**

The BSA welcomes the government's consultation on reforms to the Energy Performance of Buildings regime and proposed measures to improve understanding and energy performance management of buildings.

Our members are committed to supporting consumers in decarbonising their homes and play a significant role in the green mortgage market. The BSA is supportive of the government's vision for a framework that provides accurate information about energy performance and reflects the needs of wider users.

However, while we are supportive of reform, the proposals outlined in the consultation must be carefully considered in conjunction with other relevant factors such as the operating environment and potential impacts on stakeholders.

### **Reforming the EPB framework**

The BSA supports enhancing EPC metrics but has some concerns regarding practical implementation. It is crucial to ensure that EPCs remain reliable in a dynamic environment with fluctuating energy costs and evolving technologies. Greater clarity is needed on how existing systems – such as Standard Assessment Procedure (SAP) rating will interact with the proposed new metrics to minimise disruption, particularly for lenders who rely on SAP scores. To enhance accuracy and credibility of EPCs, the BSA also advocated for standardised reporting, alongside stronger accreditation and auditing processes.

### **Operating environment**

Both housing and mortgage lending sector readiness must be considered before introducing these reforms. For instance, incorporating a smart readiness metric into a housing market may be premature, given that many homes require retrofitting and adaptation to make such a measure relevant. To maximise the impact of these changes, government support – such as funding for green initiatives and targeted incentives for lower-income households – will be essential in helping consumers make the necessary upgrades.

While we support introducing the right metrics for lenders, this approach could have unintended consequences. There is a risk that lending may become concentrated on already energy-efficient properties, potentially creating a two-tier market. Consumers who can afford homes with higher EPC ratings or invest in retrofitting may gain easier access to financing, while those unable to do so could be excluded.

Additionally, some homeowners face structural limitations that prevent them from achieving higher EPC ratings. For example, Northern Ireland, which has the lowest EPC ratings in the UK, would be disproportionately affected. It is essential that government policy ensures a just transition, preventing any group of consumers from being disadvantaged based on the type of property they own.

While the need for change is clear, a phased approach to EPC regulatory updates is critical to preventing market disruption. In addition to balancing cost implications, policies should be standardised and aligned across the UK to minimise regulatory discrepancies and unnecessary complexity for consumers.

## **Stakeholders**

For consumers, energy costs and fabric performance are likely to take precedence over heating systems or smart readiness. Raising consumer awareness and understanding of their role in these reforms will be essential. Therefore, an accompanying education campaign will be necessary to ensure clarity and drive engagement.

Similarly, property owners, landlords and mortgage lenders will require clear guidance to navigate changes effectively, adapt to new requirements and manage market uncertainty.

## **Proposed reforms to enhance the building energy performance regime**

We agree with most of the proposals outlined in the consultation, including incorporating new metrics like fabric performance and heating system efficiency to provide a more complete representation on building energy performance. However, we believe further consideration is required to avoid unintended consequences.

We have responded to the specific questions in the consultation below.

### **Updating EPC metrics**

We have consistently called for EPC reform given the current metrics were not designed to support lending decisions or inform consumers about carbon emissions. We welcome the government's aim to ensure EPC metrics are helpful for everyone by presenting the information in a clear and accessible format and enabling consumers to make informed decisions regarding their properties.

#### **1. Energy cost**

We strongly agree with the proposal to display an energy cost metric on EPCs of domestic buildings to aid transparency and support users' ability to determine how well their home is performing. Additionally, a cost metric is likely to incentivise households to make changes that will improve the performance of

their homes. However, we are concerned about the potential of fluctuating energy costs in misleading consumers.

However, we are concerned about the potential of fluctuating energy costs in misleading consumers. In particular, the current structure of energy levies disproportionately affects electricity prices, making it appear less cost-effective than gas despite its lower-carbon intensity. This imbalance risks discouraging investment in cleaner technologies and slowing the transition to net zero. Equalizing levies across gas and electricity would not only improve transparency in EPC cost metrics but also support consumer choice, drive competition in low-carbon heating solutions, and encourage market growth in energy efficiency innovations.

## **2. Fabric performance**

We support the inclusion of information derived from a fabric performance metric on EPCs. However, factors that could negatively impact energy performance such as poorly ventilation require further consideration.

## **3. Methodology for fabric performance calculation**

When evaluating the fabric performance of buildings, we support using the Fabric Energy Efficiency Standard (FEES) to inform the basis of calculating a fabric metric. It's important to ensure the adoption of a metric that is robust, easily understood and future proof. Additionally, the calculation of a fabric metric should incorporate a more holistic approach that considers factors such as ventilation and can effectively interact with older domestic buildings.

## **4. Heating system metric on EPCs**

We strongly agree that information based on a heating system metric should be displayed on EPC to support users to make informed decisions and adopt environmentally friendly heating solutions.

## **5. Design principles for heating system metric**

We agree with the proposed scope and design principles including clear rankings of different heating system types based on their environmental impact, contribution to net zero goals and overall efficiency of the system. The rankings should be designed to be easily understood by consumers, which could also contribute to consumers' awareness.

While a heating system metric could encourage consumers to adopt low carbon solutions, homes with lower EPC ratings should not be penalised, especially where low carbon heating is less viable without fabric improvements.

When incorporating emerging technologies, the metric should be developed using evidence-based approaches and a clear, well-defined methodology that reflect both current and future performance.

## **6. Smart readiness metric on EPCs**

Displaying a smart readiness metric can help building owners and consumers make informed decisions while also assisting lenders and surveyors in assessing a property's long-term energy resilience. However, while this metric may encourage consumers to explore ways to optimise energy usage, non-domestic buildings are likely to benefit more than the average domestic consumers, who

may have fewer opportunities to take full advantage of it. Additionally, rapid advancements in technology coupled with inconsistent policies across the UK can be a deterring factor.

#### **7. Definition and scope of smart readiness metric**

The design principles and definition of a smart readiness metric should aim to improve consumers' understanding of the benefits of optimising energy usage, such as cost savings. We agree that the metric should provide a comprehensive assessment that is both informative and actionable for stakeholders. Additionally, it may be more effectively to focus solely on smart building systems given their static nature as opposed to domestic appliances.

#### **8. Energy use metric on EPCs**

We agree that an energy use metric should be displayed on EPCs.

#### **9. Type of energy use measurement**

Our members have reported a preference for 'delivered energy' to be used to calculate this metric, however, a dual metric approach could also be beneficial if communicated in a way that remains accessible and meaningful to consumers.

#### **10. Carbon metric on EPCs**

We agree that information from a carbon-based metric should be displayed on EPCs. Carbon-based metrics should be transparent, stable, and regularly updated to reflect grid decarbonization while maintaining a clear link to building-level improvements. The metric should include incentives or requirements for consumers to proactively take decarbonisation measures without relying solely on grid improvements.

#### **11. Smart metering in energy assessments**

While incorporating smart metering technologies into the energy performance assessment framework for buildings could be beneficial, there are some additional factors to consider such as the effectiveness of the metric can be subject to the buildings purpose, the significant investment required to retrofit older commercial buildings and the potential to hinder property sales. A scaled trial to assess their ability to provide a useful and easily interpretable thermal efficiency score could help determine their feasibility.

#### **12. Key transition issues**

While the case for change is clear, there are transition issues that need consideration. For our members, clarity, consistency and minimal disruption to the housing market will require clear guidance on how new EPC metrics will operate alongside the existing system. This will need to be clearly communicated to consumers, buyers and lenders to ensure understanding of how the two systems compare. Additionally, sudden shifts in EPC ratings could affect mortgage eligibility and financial incentives, disrupting confidence in mortgage lending. Lenders rely on EPCs for climate risk assessments, affordability decisions and green lending criteria therefore maintaining confidence in EPC-based lending will be essential. We would welcome the government establishing a standard equivalence framework to compare old and new metrics, alongside a sufficient implementation period to allow systems to adapt and minimise disruption.

## **Requirement for Energy Performance Certificates and Display Energy Certificates**

### **13. EPC Validity period**

We support a validity period of 5 years for EPC ratings as shorter validity periods could disproportionately impact homeowners, affect grant availability and reporting accuracy.

### **14. Applying changes to new EPCs only**

We disagree with the approach for any changes to validity periods to only apply to new EPCs. A more suitable approach could involve EPCs being updated at certain points such as when key building works are conducted. Additionally, too many updates could discourage home improvements and risk market disruption.

### **15. EPC requirement in private rentals**

We strongly agree that a new EPC should be required when an existing one expires for private rented buildings. This would improve compliance, ensuring landlords and tenants regularly review and address energy performance issues, therefore maintaining properties and protecting lender security.

### **16. Marketing a building for sale or rent**

We support amending the regulations to require that a property have a valid EPC before its marketed for sale or rent.

### **17. Extending EPCs to HMOs**

We agree with the proposal to extend the scope of EPCs, requiring a valid EPC for HMOs when a single room is rented out. This will improve consistency and fairness across the rental market.

### **18. 24-month transition for HMO compliance**

We believe the proposed 24-month transition period is a reasonable timeframe to allow landlords to obtain a valid EPC.

### **19. EPC requirement for short-term rentals**

We agree with the proposal to require short-term rental properties to have a valid EPC certificate at the point of being let.

### **20. EPC requirement regarding payment responsibility**

We agree with requiring short-term rental properties to have a valid EPC irrespective of who is responsible for meeting the energy costs.

### **21. Removing EPC exemption from historic buildings**

While removing EPC exemptions from historic buildings would support standardisation and improve transparency, we are concerned about the feasibility of removing this exemption.

## **Improving data management protocols**

### **27. Removing cancelled EPCs from the register**

We support the proposal to provide an exception in the regulations for certificates that have been marked as cancelled or not for issue to be removed from the Energy Performance of Buildings (EPB) Register after 2 years. This measure will also help improve database clarity.

### **28. Removing the option to opt-out of public EPC search**

We acknowledge the differing views within industry on this matter. There is support for the removal of the opt-out option to enhance data quality and transparency, arguing that the opt-out contributes to existing data gaps in the register. However, there are also concerns about privacy implications for property owners. Given these perspectives, we recommend that any changes be carefully balanced to ensure both improved data integrity and appropriate privacy protections.

### **29. Retaining the opt-out for open data**

We agree with the with retaining the option to opt-out EPC address level content from the Open Data balancing privacy and accessibility.

### **30. Prohibition on sharing data**

We support the proposal to remove the general prohibition on sharing data gathered under the EPB Regulations [concerns over data security misuse]

### **31. Future EPC calculations**

We agree that data gathered in previous EPC assessments should be available for use in future EPC calculations for a dwelling where relevant [check where relevant and unlikely to change]

### **32. Using existing data**

Applying a blended approach involving the use of existing data carries some risks such as the use of poor quality or invalid data. However, on balance, it is appropriate to use existing data in the interim.

## **Strengthening quality control**

### **33. Greater oversight of assessor training**

We agree that Accreditation Schemes should be given more responsibility for overseeing the training of energy assessor to ensure improves consistency and quality.

### **34. Improving EPC accuracy and fraud detection**

To ensure the accuracy and integrity of EPC assessments, regular competency checks, audits, and stricter penalties for non-compliance should be implemented. This includes standardised training, ongoing professional development, and accreditation for assessors, along with spot checks and fraud prevention measures. An established government body or group such as the Royal Institution of Chartered Surveyors should oversee compliance, enforce fines for repeated errors and ensure consistent quality across the industry.

### **35. Improving compliance**

We agree with the proposals to improve compliance through increased engagement with Local Weights and Measures Authorities, and estate and letting agents to promote the need and benefits of EPCs.

## **Conclusion**

The BSA welcomes the government's vision for a framework that provides accurate information about energy performance, reflects the needs of wider users including lenders and operates as a tool to inform decarbonisation measures. However, we have some concerns regarding data accuracy, the impact of the proposed changes on the housing market, including mortgage lenders, and the lack of consumer awarenesses. An effective regime must promote transparency, improve the credibility of energy performance certificates (EPCs), ensure policy alignment across regulatory frameworks, and serve the interests of all stakeholders. Additionally, a sufficient transition period will be required to allow systems to adapt and minimise market disruption.

We welcome the opportunity to collaborate with government on refining and ensuring these reforms deliver a system that works for UK markets and reflects the needs of wider users.