

## Energy Performance Certificate reform consultation – Scottish Government

### Response from Propertymark

October 2023

#### Background

1. Propertymark is the UK's leading professional body of property agents, with over 17,500 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry leading training programme and mandatory Continuing Professional Development.

#### Overview

2. The Scottish Government are seeking views on reform of Energy Performance Certificates (EPC) for domestic and non-domestic properties. The proposals include plans to reform domestic and non-domestic EPC metrics, the purpose and validity period of EPCs, the EPC format, and quality assurance procedures.

#### Summary

3. Propertymark welcomes the opportunity to respond to this important consultation. We also welcome the Scottish Government's plans to investigate reform of EPCs. We think that reform is the key word in this consultation rather than overthrowing EPCs altogether. EPCs are recognised by both property agents, consumers, tenants, and landlords, and while they certainly require reform to reflect the different architypes in both domestic and non-domestic building stock, they are a useful tool to reflect energy efficiency.<sup>1</sup>
4. Furthermore, we welcome the Scottish Government's acknowledgement over the differences between domestic and non-domestic stock in terms of energy efficiency, and this is reflected in the use of different metrics. Similarly, we would welcome the opportunity for the Scottish Government to engage with property agents including those that engage with commercial non-domestic property.

#### Questions

##### **1. Do you agree with the set of metrics that we propose to display on the reformed EPC?**

5. We broadly agree with the set of metrics proposed. We support proposals to include more holistic data on the fabric of buildings including greater prominence of the inclusion of wall and loft insulation. We also welcome proposals for more data on heating systems given the

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<sup>1</sup> <https://www.propertymark.co.uk/resource/energy-efficiency-in-uk-property.html>

incoming New Build Heat Standard (NBHS) will prohibit the use of direct emissions heating systems in new buildings, both domestic and non-domestic, from 2024.

6. We warmly welcome the proposal to modernise the EPC format for Scotland, including moving to a web page format which will offer more advice and support. We also agree that it might be advantageous to change the EPC validity period from ten to five years. We encourage property owners to renew their EPC's as often as possible especially after the installation of energy efficiency measures especially given that an EPC assessment is relatively inexpensive. Alternatively, the establishment of a 'live' EPC which is updated when the property has had energy efficiency measures have been installed would be our preferred option.

**2. Are there additional metrics that you think should be included on the EPC, or metrics that you do not think should be included?**

7. Our favoured model would be to implement a property logbook or property passport. This would include holistic data for each property, a roadmap to how the property can meet EPC levels as well as details of all retrofit a property has had installed. However, we recognise that there needs to be a balance between the amount of data made available with what data would be useful for our members, landlords, tenants, and homeowners. We feel that the proposed data strikes the right balance in providing valuable information for property professionals and consumers. On the other hand, the SAP and Rd SAP methodologies hold a wealth of data which could be useful to energy professionals working in the retrofit industry. One area the new SAP methodology could be useful for could be the detection of damp and mould. Accordingly, we would welcome higher level data being open to such professionals and building surveyors.

**3. Considering our proposal to include a Fabric Rating on EPCs, do you think this metric should include domestic hot water heat demand?**

8. Yes, we do think that the energy required for the heating of hot water should be included as this will provide a more accurate reflection of the energy performance of the building. Furthermore, as heating systems are improved, there should be greater scrutiny on other factors such as hot water systems.

**4. Do you have a view on the way that the Fabric rating mapped against a scale, for example, how 'A' or 'G' rated performance is determined?**

9. The A to G scale is a recognised and easy to understand format and we would advise that it remains. It has proven useful for property agents and landlords to understand the minimum requirements in legislation and the trajectory towards future standards. However, they could be aided by greater transparency of how metric data feeds into the scale. It could be useful if each component of metric data is scored on a scale which is then collaborated with all data sets to give an overall EPC scale.

**5. Do you agree with our proposal to give more prominence to the energy efficiency features of the home (such as the depth of loft insulation)?**

10. We agree in principle. Propertymark supports a fabric first approach to energy efficiency retrofit and subsequently more prominence to the energy efficiency features of the home. This would require initial order and priority to the type of retro fit that is carried out, giving priority to the fabric of the building (i.e. insulation, windows and doors) must be done before additional measures such as new heating systems are installed. However, there must be a caveat to this when dealing with heritage properties, listed buildings and potentially properties in conservation areas. For these types of properties, it might be inappropriate to change the fabric of the building without radically changing the overall character. Moreover, there may also be challenges within the planning system for such properties. In these instances, we also believe that property agents and homeowners should be issued with greater guidance and support.

**6. Do you agree with the set of metrics that we proposed to display on non-domestic EPCs?**

11. Propertymark generally agrees with the proposed metrics for non-domestic stock. However, we do feel there are several areas the Scottish Government should consider. Firstly, the energy performance of commercial nondomestic properties is complex, and it is right that a different regime is used over domestic stock. Some non-domestic properties, such as large warehouses might be challenging to decarbonise and meet the legislation. We hope that the Scottish Government will consider the diverse challenges of nondomestic stock. Secondly, any reforms must remain vigorous and offer a true reflection of the energy efficiency of non-domestic stock. Any proposed reforms should not improve or poorly performing buildings up to standard especially when the same data is being used. Finally, an additional complication, while separate from the EPC assessment, is who is responsible for meeting the standard the landlord or the tenant? This is particularly complex during leasehold renewals or when a lease has ended. Typically, a tenant is responsible for returning the property to the original standard and not required to make energy efficiency improvements. However, this is causing disputes between the two parties and is likely to increase as the standards become more demanding.

**7. Are there any additional metrics that you think should be displayed, or any in the proposed set that should not be included?**

12. No, we do not think there are any additional metrics that should be displayed or included.

**8. Do you agree with us that the primary role of the EPC should be to provide basic energy efficiency information for the purpose of comparison and act as a prompt to consider retrofit options?**

13. Yes, we agree that the primary role of the EPC should be to provide basic energy efficiency information for the purpose of comparison and to act as a prompt to consider retrofit options. EPCs in their current form make it difficult to consider retrofit options for three reasons.

Firstly, EPC ratings are considered to be weighted more towards the energy use of central heating systems. This has led to financial support for energy efficiency measures to prioritise heat pumps, which Propertymark has criticised through our response to the House of Lords Inquiry to the Boiler Upgrade Scheme<sup>2</sup>. In order to promote a wider range of retrofit options, this aspect of EPCs must be addressed to better reflect the actual energy use of a property. Secondly, EPCs for private rented sector housing have often been criticised for being inaccurate especially for the oldest and most energy inefficient stock. Propertymark hopes that any reforms to EPCs will introduce a standard that is fairer and more accurate to the PRS. Thirdly, in its current form, it is difficult to agree that an EPCs primary purpose is as a comparison tool towards other buildings especially given the number of different architypes in the PRS and the quality of the EPC assessors assessment as variables in accuracy. We believe that the primary purpose of an EPC should be to serve as a tool for property owners and property agents to assess if energy efficiency improvements are required and to maintain that properties are compliant with legislation. Accordingly, EPCs should be as accurate as possible and be able to be interpreted by the property industry and homeowners as easily as possible.

**9. If you disagree or have further comments about the role of the EPC, please provide your comments.**

14. We do not have any further comments.

**10. Do you agree that the validity period of EPCs should be reduced from 10 to five years?**

15. As we previously addressed in the first question, we see merit in reducing the validity period of EPCs from ten to five years. Essentially, we feel that a ten-year period is too long, and a lot can happen to a building over that period. This is an issue some of our members have addressed with us and we would be very happy to engage further with the Scottish Government on this. On the other hand, such a proposal would require some promotion and awareness raising for property professionals to ensure they are compliant and understand the requirements. As previously outlined, we encourage property agents to engage with landlords and homeowners on a frequently on energy efficiency. Furthermore, given that an EPC assessment is not that expensive, we would also encourage them to get regular EPC assessments especially if they have recently undergone retrofit improvements.

**11. We welcome any views on the usefulness of our proposals for other relevant policy areas, such as fuel poverty or the delivery of government schemes. Please provide any comments you wish to share.**

16. EPCs could be a useful tool to target the least energy efficient properties in Scotland that may contain households impacted by fuel poverty. Home Energy Scotland grants, while welcome as a tool to alleviate fuel poverty, only have a limited impact on the PRS. The limitations are

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<sup>2</sup> <https://www.propertymark.co.uk/resource/better-funding-options-needed-for-boiler-upgrade-scheme.html>

mainly due to the medical and benefit receipt eligibility and given the transient nature of the PRS, does little to support future tenants living in the least energy efficient properties. While recognising the Scottish Government do offer interest free loans to landlords, wider grant funding options for the PRS would be welcome. We would welcome the opportunity to engage with the Scottish Government on fuel poverty along with our property agents in Scotland.

**12. Do you agree with our proposal that EPCs should move from PDF to webpage format?**

17. In principle we agree with this proposal. However, a hardcopy PDF is useful for property agents agents and conveyancing solicitors as part of the legal home-buying and selling process. We would recommend that the PDFs remain and stand alongside the proposed web format.

**13. Do you agree with our proposal to improve signposting to further support and advice schemes on the EPC?**

18. We agree with this proposal and believe it could be a useful resource for property agents, landlords, tenants, and homeowners. We would recommend that this support should include signposting to grant funding opportunities and an opportunity for tenants to become more aware of the Scottish Government's Warmer Homes Scotland Scheme and for landlords to be more aware of the Home Energy Scotland loan Likewise, there could be opportunities to engage with Scottish local authorities and to better coordinate specific grant funding and practical support that they provide. Furthermore, with regards to EPCs providing and signposting towards further information on heat networks, we understand that OfGem are looking to do some work on the regulation of heat networks on domestic and non-domestic property. We would recommend the Scottish Government liaises with OfGem on the consumer information that you are proposing to include on EPCs as part of their work.

**14. Do you agree historical EPCs should be publicly accessible on the EPC register (while clearly marked as historic)?**

19. We disagree as even if they would be marked historic, this could provide confusion. We would rather a holistic overview of all retrofit that a property has undergone which would be of better use to future homeowners and tenants than trailing through historic EPC documents.

**15. Do you agree that the EPC register should be accessible by API?**

20. We agree. Propertymark believes that open online storage of EPC records should drive up compliance and standards with energy efficiency of Scottish buildings. We also believe that this will support homeowners better understand their property.

**16. Do you have any further comments on our proposals to move to a digital and accessible EPC?**

21. Propertymark welcomes the digitalisation of EPC data (alongside traditional PDF formats.) We would hope that the digitalisation of data would improve accuracy and access for homeowners and property professionals. We believe that EPC data should be proceeded as quickly as possible, ideally this should be 'live' data as improvements are made. We would welcome clarity from the Scottish Government on what they would deem acceptable standards on the timeliness of data in digitalisation process.

**17. Do you agree with our proposals to review and update the audit and assurance requirements for EPCs in Scotland?**

22. Propertymark welcomes the proposals to review and update assurance requirements for EPCs in Scotland. By incorporating a smart auditing system, Scottish auditing systems will be brought into line with the regime used in England and Wales. We welcome the use of smart auditing through central registering to flag discrepancies. We anticipate that this will reduce inaccuracies in the PRS and produce a fairer and more level playing field across housing tenancies.

**18. Please detail any additional assurance activity that you think would be appropriate to enhance the accuracy and reliability of EPCs.**

23. We would encourage the Scottish Government to liaise with the UK Government to understand working practices in England and Wales. Furthermore, we would also encourage the Scottish Government to engage with property professionals.

**19. Do you have a view on our timeline for reform implementation?**

24. We are concerned that the proposal to introduce the proposed reforms in the Winter of 2023/24, would provide insufficient time for property professionals to become aware of the changes or if appropriate to be sufficiently trained. We would recommend a further six to eight months after the winter to raise awareness of the proposals. However, we would be very happy to work with the Scottish Government in supporting them to raise awareness with Scottish property agents.