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BRIEFING PAPER SUMMARY JULY 2024

A WARMER, FAIRER PRIVATE RENTED SECTOR

HOW TO SECURE A FAIR, AFFORDABLE AND EFFECTIVE TRANSITION TO A HIGHER EFFICIENCY STANDARD IN ENGLAND AND WALES

EXECUTIVE SUMMARY

JAMES DYSON

A fairer and higher quality private rented sector (PRS) is direly needed in England and Wales. Tenants face sky high rents, paying for homes that often fall well below the Decent Homes Standard, blighted by damp and mould. More than half of homes are below Energy Performance Certificate (EPC) of C, meaning renters pay more for their fuel bills than social and owner occupier homes. Therefore, it is no surprise that since 2010, fuel poverty rates fell from 16% to 9% in owner occupier homes and from 16% to 15% in social homes, but increased from 19% to 24% in the PRS.

Integrated with improvements to renters' rights and broader homes investment, the government should introduce a package of support to implement and support delivery to raise the energy efficiency of the PRS. Decision making can be swift and surefooted because the previous government has already consulted on and conducted an impact assessment for implementation of a Minimum Energy Efficiency Standard (MEES) of EPC C.

Fair and effective change can only be delivered with a holistic and pragmatic approach to policy design. This briefing sets out the primary considerations for



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how the government could regulate for an ambitious, fair, and effective programme of upgrades in the PRS:

- > Strengthen renters' rights,
- > Financial support for landlords and tenants,
- > Build a meaningful framework to deliver and enforce the standard.

This is the executive summary; the full Briefing can be found [here](#).

Renters' rights

Raising energy efficiency in the PRS relies on stronger renters' rights, both to ensure tenants see the benefits of lower bills, and to mitigate against any risk that a drive to insulate the PRS negatively affects tenants. Renting privately is highly precarious due to the imbalance between renters' rights and landlords' powers, this should be righted through implementation of an improved version of the 2023 Renters Reform Bill (the Bill).

The government could include new efficiency standards in the Bill. This would aid implementation by packaging all new requirements in one law and help to integrate efficiency standards with the other improvements to the PRS, e.g., enforcement of the DHS. This way, the MEES regulations could be tied to broader enforcement of new standards and help landlords to consider making improvements to meet multiple new standards simultaneously.

Table 1 identifies eight key areas of renters' reform that interact with improving efficiency in the PRS (not exhaustive). Secure tenure, fair rents and a more professional sector will give tenants the choice to stay in warmer homes for longer and ensure bill savings are not lost on above-market rent rises. Insulating homes increases their market value and may require tenants to move out to conduct works. Therefore, security of tenure and a fair approach to rent increases will ensure tenants are better protected.

Fast implementation of the Bill after the general election would bring some benefits to renters this year, but a more comprehensive approach could vastly improve the sector in the long term. Failing to address gaps in the bill will continue to leave renters with precarious living conditions and damage the effective and fair enforcement of both the DHS, and a new minimum efficiency standard in the PRS.



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Table 1. Eight key areas of renters' reform with links to a higher efficiency standard

Renters' rights	Evaluation and link with energy efficiency standards
No-fault eviction	A timeline to remove no-fault evictions must be introduced and the replacement process (repossession) improved. No-fault eviction makes renting in the PRS precarious. Efficiency improvements should follow ending this practice.
Rent increases	The Bill makes limited provisions to make rent rises fairer for tenants and ensure rent rises cannot be used as a backdoor for eviction. A more comprehensive approach could limit increases to wages or inflation. A rent tribunal will take an improved EPC into account, which it could use to justify an increase in rent. If S21 was abolished, rent increases could be used as a backdoor to eviction after efficiency improvements are made.
Decent Homes Standard in the PRS	The Bill applies the DHS to the PRS, (inc. Temporary Accommodation (TA)). PRS homes non-compliant with the DHS and efficiency standards could be upgraded to meet both standards to reduce costs for landlords and disruption for tenants.
Landlord repossession	The Bill introduces more comprehensive grounds to repossess a property. MEES requirements should be designed to avoid creating perverse incentives for landlords to repossess the property and relet. Fair grounds for repossession are essential.
Property portal	The Bill has legislated for a Property Portal. Energy Performance Certificate (EPC) information must be available on the portal.
Landlord ombudsman	The Bill enables the government to approve a redress scheme, delivered by a new PRS Ombudsman. An effective Ombudsman will allow renters to seek redress more easily, which will incentivise landlords to work preventatively not reactively.
Awaab's Law	The Bill does not make provision to apply Awaab's Law in the PRS. Awaab's Law guarantees landlord action on timescales not guaranteed by existing law. Inefficient homes are often blighted by damp and mould. Stronger provisions via Awaab's law gives landlords a dual incentive to address issues at their root.
Landlord discrimination	The Bill makes it illegal to discriminate against families or those in receipt of benefits. If PRS homes' efficiency is upgraded, prospective tenants should not be discriminated from accessing warmer homes.

Financial support for upgrades

Landlords will need a package of financial support to make upgrades. As part of the government's investment in warm homes, grants should be available to provide partial support to landlords with low-income tenants, enable landlords to undertake works via loans, and incentivise action through targeted tax breaks.



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Improve PRS access to grant programmes

Low-income households living in the private rented sector struggle to access existing energy efficiency grants. Despite representing 20% of households in the UK, PRS homes receive 14% of upgrades under the main fuel poverty programme – Energy Company Obligation 4. If a new minimum efficiency standard was successfully introduced, grants will have an important role in some areas, however, wider financial support (e.g., loans) means grants will not always be essential or represent the best value for money use of public funds.

Concessional loan scheme

Internationally, government backed zero or low interest loans for consumers have proved to be a useful tool to help people access home upgrades with high upfront costs and longer payback times. A concessional home upgrade loan scheme should be rolled out in the UK concurrently with implementation of MEES EPC C in the PRS. The government should explore what concessions should be available for landlords, e.g., maximum loan value.

Tax change to incentivise upgrades

There is evidence that tax deductibility could play an important role in making investments affordable and thereby incentivise early action. Research from the National Residential Landlord Association found that 72% of landlords who were not planning to make investments to improve their property in the next two years would reconsider with a change to tax deductibility rules. Other countries have introduced tax incentives and green loans to support higher standards. In France, landlords subtract costs from their income revenues up to €21,400/yr.

Implementation of a higher efficiency standard

The previous government's attempt to ban new lettings below EPC C failed because policy to support implementation was absent and the issue became unnecessarily politicised. Alongside comprehensive reform to renter's rights, a package of measures to support delivery, and the right technical requirements supporting it are crucial. Table 2 outlines the different levers available to the government to make implementation effective, fair and affordable.



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Table 2. Levers available to government to make implementation effective and fair.

Lever	Evaluation and recommendation to the government
Timeline and scope of delivery	The government should design a timeline and scope for delivery that balances economic pressures and smooth delivery, including, distribution of homes requiring upgrades, length of tenancy, supply chain capacity and different social outcomes. Key consideration: banning new tenancies earlier in the parliament distributes upgrades more evenly and reduces the final number to upgrade in 2030.
A safety net	The private rented sector sits at the heart of the UK's housing crisis, and new regulations could have limited impacts on the PRS market in vulnerable regions. Explore how targeted policy coordinated between national and local government could be put in place to mitigate this risk.
Enforcing standards	Enforcing existing PRS standard of MEES EPC E is currently poor, and implementation of higher standards will require a major improvement to enforcement. Without also delivering sufficient capacity to undertake proactive enforcement and providing meaningful incentives for renters to highlight non-compliance, new standards will not be implemented.
Cost cap, exemptions and measuring upgrades	These three factors will determine the investment required per home. The 2020 MEES Impact Assessment found that upgrading PRS homes to EPC C with a £10,000 cost cap scored the best against Treasury analysis. Since 2020, inflation and the sharp impact of the pandemic and invasion of Ukraine has changed costs, so the three factors need to be reviewed.
Installation standards	English grant-funded insulation schemes require installers to comply with PAS 2030 and 2035, the previously consulted upon MEES EPC C regulation did not. The previous government was in the process of reviewing the schemes with the Retrofit Standards Task Group, so the government should accelerate this review, and interrogate whether a revised standard could be applied to the PRS.
Active awareness and engagement	In partnership with local authorities, the government should launch a national advertising campaign to raise awareness of changes with landlords, and support authorities to undertake active awareness and engagement in their local areas.



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About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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