



# Energy Performance Certificates

Newsletter

Winter 2008

## Update on EPC implementation

October 1<sup>st</sup> marks the end of the initial phasing proposals for the introduction of the Energy Performance Certificate (EPC) for commercial property and is also the start date of the requirement for public buildings to have Display Energy Certificates (DEC).

With the comparatively short run-up to the introduction of this new system and limited numbers of qualified energy assessors, inevitably many property owners or occupiers will fail to meet their requirements and to this end the Department of Communities and Local Government has declared a willingness to bend and commercial properties currently being marketed have an extension until January 4<sup>th</sup> 2009 to comply and public authority occupiers will have a similar period to achieve compliance and prepare their DECs.



On September 19<sup>th</sup> the Landmark register of EPCs showed that nationally 3,000 certificates had been lodged. The expectation based on records of sales and lettings in the UK suggests that in a period of normal activity, a total of 140,000 EPCs will be necessary every year suggesting that the system has some way to go to reach full capacity. There is an unquestionable shortage of trained energy assessors and it has proved to be a slow process to qualify under any of the leading accredited training schemes. The assessment process for both the EPC and DEC is anything but a tick-box process and those who lack an existing property professional qualification will struggle with the training.

## The £200 EPC

Probably the area that is already receiving keen attention from those affected is the cost of achieving the EPC with some eye-watering figures being suggested at the high end whilst being compared with providers offering what appears to be the same service for a few hundred pounds. Unquestionably both extremes are wrong and the answer lies reasonably in the middle where a fee proposal to provide an EPC is built up from estimates of the time required for each section of the exercise; researching and gathering initial information, surveying the building, completing the research, then undertaking the software programming to run the certification, and finally considering the required Advisory Report.

As a guide, the likely fee level for an EPC for a 10,000 sqm office building that is emerging is around £5,000 to £6,000. Not £20,000 and certainly not £200!

High end fees suggest the extreme of a market where assessors are in demand. The low end is another kettle of fish.

Undertaking an accurate EPC requires a significant amount of research, covering all aspects of the building's external fabric, its mechanical and electrical content and how the internal space is broken down. The principle software programmes prompt the input of data for everything related to those categories, however, if nothing is put in, then the software automatically enters a default value which is the lowest rating expected for that type of building. Take out, therefore, the research and careful information assembly and the assessor can hit all of the defaults and get what is the base level report. Time commitment reduced from several days to a few hours.

Does it matter? Potentially not, if nobody cares what the asset rating is; which may be the case for the present, but in times of escalating energy costs this seems unlikely to endure.

For the industrial shed with poor insulation and a space heater in the corner, a low EPC asset rating might be inevitable and therefore, possibly the default entry EPC may not be very different from a fully researched approach. For the high quality office building that needs to attract corporate occupiers, then the best possible rating may soon become mandatory.

### The onset of Corporate Social Responsibility

With energy costs spiralling, larger companies and in particular PLCs, are quite likely to soon see EPC ratings as part of their CSR policy. When small shareholders lobby AGMs for a greener approach it seems obvious that setting minimum standards of EPC levels for the company's premises, will be an easy step to placate these concerns. In a lease renewal, therefore, the landlord may find the building's asset rating called into question. From the occupier perspective it is hard to see a downside as their ability to force improvements will then benefit them with lower energy bills.

### DECs for all?

The public sector's requirement for Display Energy Certificates has rather languished in the shadows behind the EPC. It is this certificate, however, that is most likely to be expanded in its remit and it is considered quite possible that within a few years it will be extended to cover privately owned buildings which are frequented by the public such as shopping centres.

The rapid commoditisation of the provision of energy certificates already indicates providers offering this service for a few hundred pounds. Unquestionably the real reason for the DEC is to allow the owner to build up data on their energy consumption over time and then relate this to the possible improvements that might be implemented to achieve economies. A hurried approach with little attention to the fabric of the building and its content and operation can produce significant errors in the certification output and will fail to offer any sensible guidance to the owner. The Davis Langdon approach will be to set high standards of diligence and downstream to provide an annual review of the building's performance when DEC is renewed (required every year unlike the ten year life of the EPC) to assist our client in formulating their longer term plans for maintenance and refurbishment.



### Davis Langdon's EPC services

Nationally, a growing team of energy assessors will support and augment our service offering with new ways to assist our clients optimise the performance of their buildings and future-proof them as far as can reasonably be achieved.

### Acquisitions - Davis Langdon Building Surveying

Where a building is acquired, our building surveyors traditionally offer a condition survey. The vendor, however, will have provided an EPC with the sales information and this can also be reviewed within our survey. The practicality, cost and potential benefits in asset rating terms of the possible improvements in the Advisory Report can be assessed and ultimately, if required a full upgrade programme can be costed and a revised EPC asset rating modelled and targeted.

### New Build & Refurbishment Projects - Mott Green Wall

The asset rating of a new construction is set under current Building Regulations to come in at "C", however, for those seeking to set leading edge standards for their project, our engineers can provide the input to further model the benefits of higher or greener specification options which will help boost the EPC rating and in turn achieve lower running costs and contribute to future-proofing the building. For a major refurbishment, making gains in the EPC rating is likely to be a co-objective and an unplanned approach may well result in a disappointing outcome. A recent example quoted at a conference on EPCs was of a large office building where following a major refurbishment, the asset rating was "F", little consideration had been given to energy performance, the expenditure had been focussed on a cosmetic facelift.

### A Sustainable Approach - Consultancy

If there is one Achilles heel to the EPC, it is finding its place amongst all of the sustainable initiatives that may be considered. To this end Davis Langdon is exceptionally placed to offer informed guidance drawing on from a wide spectrum of expertise within our consultancy team that can help to formulate the approach on a single project or define a sustainability policy that stretches across all property based issues for our clients. The comparability of the BREEAM scheme and EPC asset ratings would, for example, be an area of early consideration in setting aims for the client's design team to achieve in realising a vision for the building.

### Facilities Management Consultancy

Davis Langdon's FM consultants approach is to incorporate the EPC or DEC approach into the advice provided and by establishing a benchmark for current performance, to have a base point from which to consider how the efficient working life of the building can be optimised.

### Optimising the Tax Savings - Davis Langdon Crosher & James

The linkage of this year's changes to the Capital Allowances tax relief system to EPCs did not make headlines but is of significant interest to those undertaking commercial property projects. The new regime places emphasis on the Enhanced Capital Allowances (ECA) scheme which offers 100% tax relief for qualifying low carbon or energy saving equipment within a building's mechanical and electrical systems.

This represents a valuable uplift as conventional equipment attracts a 10% per annum writing down relief. The additional benefit of the ECA kit is that it will also help boost the EPC asset rating, as well as offering reduced energy consumption. Energy assessors within our Capital Allowances team can offer to model the benefits of this approach to indicate the potential uplift to the grading.

Pre-planning all of the Capital Allowances tax savings is essentially the only way that a project team is likely to focus on the ECA issue, but this does have the further benefit of demonstrating the total tax savings available at an early stage allowing consideration on whether in fact a higher specification can be afforded.

### Conclusion

Our aim is to continue as a leader in understanding the cost and performance of buildings so that in providing advice to our clients and in working with their other professionals; architects, structural and building services engineers, that our input on costing and delivering projects is at the cutting edge of the developing science of future-proofing buildings.

**Thank you for taking the time to read our newsletter. If you have any comments on the content please contact:**  
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