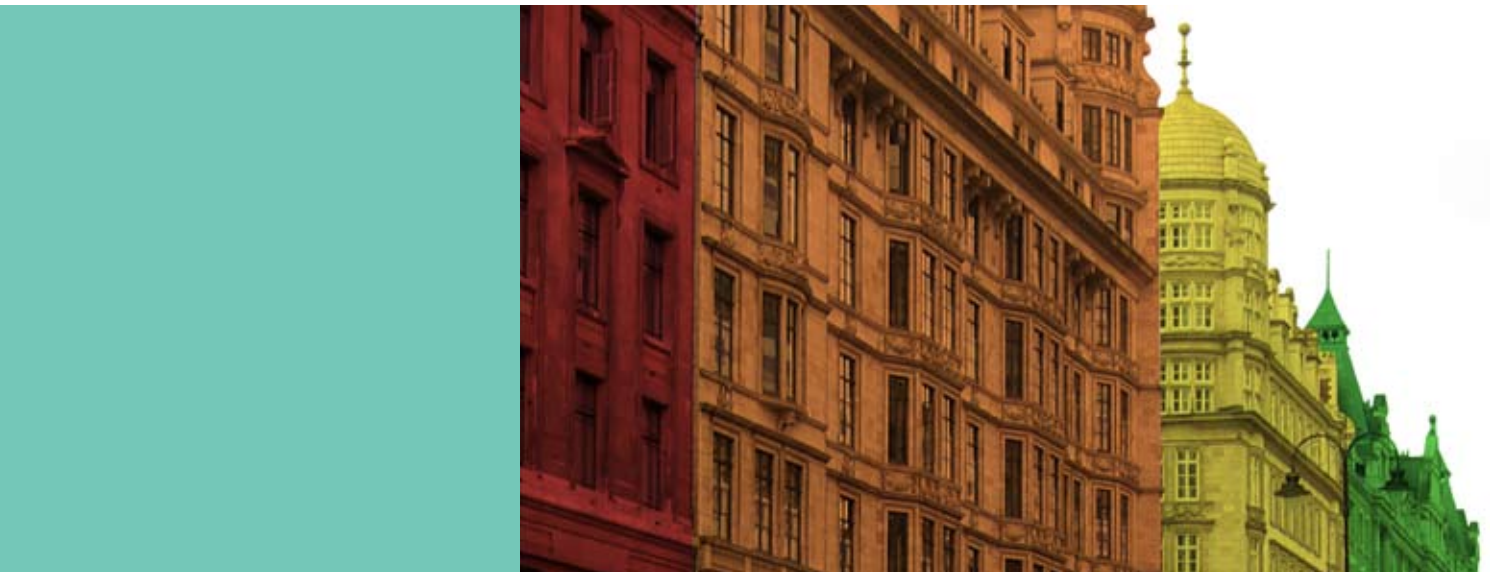


Pay or display?

Your guide to EPCs and DEC



This is our second bulletin on Energy Performance Certificates (EPCs) and Display Energy Certificates (DECs). New guidelines mean that developers, landlords, occupiers and public sector may face significant consequences if they are not properly prepared or fully aware of what is required.

What is an EPC?

An Energy Performance Certificate is the reaction to the EU's Energy Performance of Buildings Directive (January 2003) requiring a reduction in the CO₂ emissions of buildings. It is a means of recording a building's energy efficiency (measured in CO₂ emissions) on a colour-coded scale from A-G. EPCs are to be accompanied by a recommendation report containing cost-effective recommendations to improve the building's energy rating, although there is no obligation to comply with these.

What is a DEC?

The Display Energy Certificate is the outward demonstration of a public building's energy and asset rating. They will need to be displayed in a prominent position clearly visible to the public. The DEC will incorporate an advisory report on the measures available to improve the energy rating of the public building.

What is the timescale for EPCs and DECs

The introduction of EPCs and DECs are as follows:-

EPCs
<ul style="list-style-type: none"> 6th April 2008 all buildings over 10,000 sq.m. new to the market.
<ul style="list-style-type: none"> 1st July 2008 all buildings over 2,500 sq.m. new to the market.
<ul style="list-style-type: none"> 1st October 2008, the remainder (with a lower limit of 50 sq.m.), including those already being marketed.
<p>The EPC, once obtained, is valid for a period of ten years.</p>
DECs
<ul style="list-style-type: none"> 1st October for public buildings over 1,000 sq.m. and will be valid for a period of one year with the advisory report being valid for seven years.



When are they required?

An EPC is required upon the construction of a new building and the sale or letting of the whole or part of a building. It equally applies to new or existing buildings and where a tenant assigns or sublets space. The EPC and report must be provided to prospective purchasers or occupiers when viewings occur or property details are provided to interested parties and in all cases prior to contracts being entered into.

In certain circumstances EPCs may also be required where a building is modified to provide more or fewer areas that are designed to be used separately.

EPCs are not required in the following circumstances:-
<ul style="list-style-type: none"> Lease renewals, lease restructuring (unless the floor is modified or the space refurbished) or surrendering.
<ul style="list-style-type: none"> CPOs
<ul style="list-style-type: none"> Where buildings are less than 50 sq.m., are temporary structures or can be demonstrated that the building is due to be demolished.
<ul style="list-style-type: none"> There are also a number of exempt buildings such as places of worship and certain buildings with a low energy demand, or where energy is not used to condition the internal climate for heating, ventilation and cooling (i.e. there is no heating etc).

A Display Energy Certificate is required for buildings with a total useful floor area

of over 1,000 sq. m. occupied by public authorities and institutions providing public services (i.e. with significant numbers of visiting members of the public).

Who is responsible?

The supplier of the premises, including the contractor. If it is a new build; developer, landlord or immediate landlord. If it is a subletting and also assignees are responsible for obtaining and paying for the EPC. Recent Government guidance states that a landlord may organise an EPC for the whole building and may be able to recover the costs from the service charge subject to the appropriate lease provisions and having regard to the RICS Code of Practice on Service Charges in Commercial Property.

What happens if there is no EPC?

The Local Authority, via Trading Standards Officers, are responsible for enforcement and have the ability to levy a fine of up to £5,000 for non-compliance, although the regulations are silent as to what measures for continued non-compliance may be implemented.

The enforcement process for DEC is similar to EPCs. The penalty is £500 for failing to display a DEC at all times, and /or £1,000 fine for failing to have possession of a valid advisory report.

The GVA Grimley view

Realistically there will be a backlog in obtaining EPCs – the Government have

only recently introduced the training programme – with only a short period to go to initial implementation. There is a great deal of uncertainty over the market's resource to meet these deadlines, and it will be important for landlords, property occupiers and developers to position themselves carefully in this context.

EPCs and DECs are here to stay. You will be forgiven for asking why there are so many variable elements to consider, when you take in to account BREEAM, Part L of the Building Regulations and renewable energy technologies, which are also mandatory for new developments as part of the planning framework. Our vision would be for these various elements to be brought together into a simple measure of 'Sustainable Development', which is recognised globally.

There is an ongoing lack of consistency and benchmarking which will continue until there are consolidated regulations which provide a national standard for sustainable building. Given the recent March 2008 Budget announcement that requires all new buildings to be zero carbon by 2020, there does appear to be a move in the right direction. We welcome and endorse in principle the proposed 'Code for Sustainable Buildings', which is likely to provide a framework for building sustainably, rather than a strict code of practice.

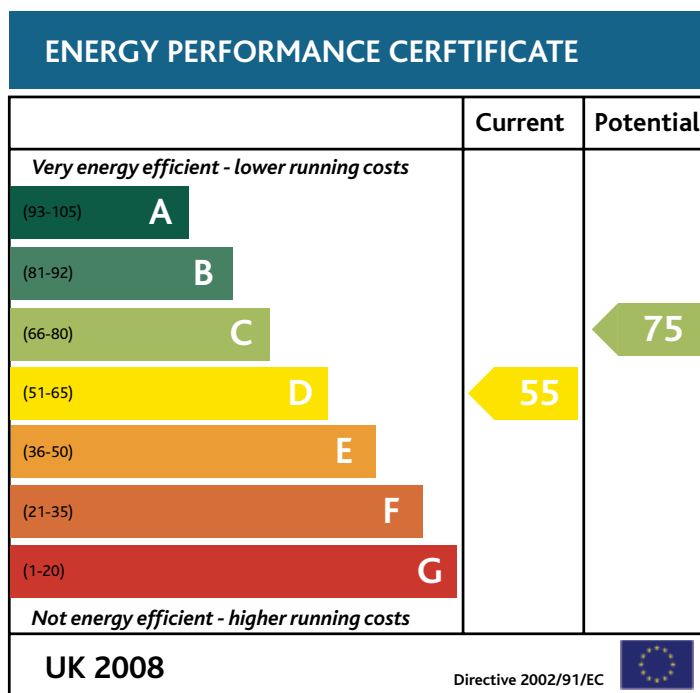
For the time being we will continue to work with the government, local authorities, developers, property companies and corporate occupiers to provide holistic advice and solutions to the challenges which face us all as we move towards a zero carbon community.

Looking Forward

What to do first: In the short term we recommend that the information and data collection required to produce an EPC or DEC is started as soon as possible so that when the software and assessors are available to implement the surveys they can be procured as quickly and cost-effectively as possible. The more data available to assessors will result in more proactive and useful advisory reports. This is particularly important where space is vacant, on the market or where a new development is approaching practical completion.

In the medium to longer term: We believe there will be significant tangible benefits in reviewing the energy usage and efficiency of both existing and new stock. The legislative framework is only going to become more stringent and rising energy costs and the current economic climate means it makes good business sense.

We have been monitoring the status of the EPC and DEC regulations for nearly 5 years – it's taken that long to implement the EU Regulations! The main focus of our work on EPCs and DEC involves ensuring that our clients have the best possible practical advice regarding their financial implications. Such advice concerns issues like cost-effective procurement of Certificates, costing associated improvement works and how these might affect building 'letability' as well as capital values. This is a small but important part of the GVA Grimley offer within the whole sustainability sphere.



Whether you are affected by EPCs or DEC or have an interest in the wider sustainable agenda, the GVA Grimley sustainability team would be more than pleased to address any queries you may have.

www.gvagrimley.co.uk/sustainability

Sustainability team members

Head of Sustainability

Miles Keeping
020 7911 2372
miles.keeping@gvagrimley.co.uk

Offices

Simon Reynolds
0161 956 4200
simon.reynolds@gvagrimley.co.uk

Property Management

Lisa Riva
020 7911 2901
lisa.riva@gvagrimley.co.uk

Planning, Development & Regeneration

Iain Jenkinson
0161 956 4016
iain.jenkinson@gvagrimley.co.uk

Land Contamination

Paul Nixon
0121 609 8226
paul.nixon@gvagrimley.co.uk

Building Project Management Consultancy

Stephen Martin
0161 956 4432
stephen.martin@gvagrimley.co.uk

Investment

Mark Rawstron
0161 956 4100
mark.rawstron@gvagrimley.co.uk