



The Green deal - to Band E and beyond!

In the Coalition Government's Programme published in May 2010 the 'Green Deal' was unveiled as the method by which home energy efficiency improvements would be paid for by savings from energy bills. There was a further promise 'to take measures to improve energy efficiency in business and public sector building'. The Energy Bill is currently before Parliament and promises to have a significant impact on the energy performance of not just residential buildings but also to commercial buildings - especially those in the private rented sector.

The Green Deal is designed to address the challenge of reducing CO² emissions from the United Kingdom's building stock. 45% of the UK's total CO² emissions are produced by buildings (or more accurately are produced by people in buildings) – residential buildings account for 27% of the overall figure and commercial buildings account for 18% of the overall figure. Under the Climate Change Act 2008 the Government must achieve at least a 34% reduction in CO² emissions by 2020 against a 1990 baseline. To do this the Committee on Climate Change advises that 3% reductions in CO² emissions from our buildings need to be achieved on an annual basis.

HOW DOES THE GREEN DEAL WORK?

The Green Deal is in essence a financing mechanism which allows consumers to pay for energy efficiency improvements to their homes, community spaces and businesses through their energy bills. The upfront cost is not met by the consumer but rather by the Green Deal 'provider'. The role of the Green Deal provider is to offer a Green Deal 'plan' to the consumer. The consumer obtains any necessary permissions and consents and then signs up to the Green Deal plan. The key features of a Green Deal plan are as follows:

- The expected financial savings must be equal to or greater than the costs attached to energy bill – the 'Golden Rule' of the Green Deal.
- Before the measures are implemented an accredited Green Deal assessor must carry out an assessment of the Property and then makes recommendations as to appropriate energy efficiency improvements.
- The recommended measures must be installed by an accredited Green Deal installer.
- For domestic premises the Green Deal provider must comply with the terms of the Consumer Credit Act and take account of the individual circumstances of the consumer.
- The energy supplier will collect the Green Deal charge from the consumer as part of the energy bill and pass the charge on to the Green Deal provider.
- The Green Deal charge will attach to the meter, rather than to the individual customer, and the Green Deal provider is not entitled to take a charge over the property of the consumer.

- Where a property is subject to a Green Deal plan the seller or prospective landlord must disclose the existence of the plan to any prospective buyer or tenant and must secure an acknowledgement from the buyer or tenant that the energy bill payer for the property is liable to make payments under the Green Deal plan.

To qualify for the Green Deal the expected savings in typical properties using a normal amount of energy must be equal to or greater than the cost of the proposed energy efficiency measures. Whilst the Green Deal plan will set out the period over which the savings are likely to be made, the savings will not be guaranteed and the consumer will have the ultimate responsibility for reducing consumption after the Green Deal measures have been undertaken. Regulations will set out the exact specifications of measures that can be included in a Green Deal as well as establishing a Code of Practice for Green Deal participants. The regulations are also expected to address some of the knottier issues arising out of the Green Deal such as what level of interest can be charged by the provider and what happens if the expected savings are not achieved due to faulty installation on the part of the installer or incorrect assumptions on the part of the assessor.

WHAT ARE THE IMPLICATIONS FOR PRIVATE RENTED PROPERTY?

When the Energy Bill was introduced last December it contained clauses that empowered the Secretary of State to pass regulations on or after 1 April 2015 to compel residential and commercial property private landlords to make energy efficiency improvements to their buildings. However, before such regulations were to be passed, the Bill provided that the Secretary of State should conduct a review which would consider the need for action to be taken in relation to private rented property. The findings of the review were to be published before 1 April 2014. The Government has now decided that no review is necessary and that regulations will be introduced no later than 1 April 2018. The regulations will provide that landlords of domestic and non-domestic private rented property may not let the property until such energy efficiency improvements as are provided for by the regulations have been carried out to the property. The improvements must be wholly capable of being financed by a Green Deal plan or by such other financial arrangement as the regulations provide so the Golden Rule will have to apply to the improvements.

Greg Barker, the Government Minister taking the bill through its Committee stages, explained the proposed amendments by saying that the review 'would create too much uncertainty' and that 'landlords would not be able to plan effectively for energy efficiency work'. Uncertainty remains, however, as it is not as yet clear what level of energy efficiency will have to be achieved by private rented buildings by 2018 as that is still to be prescribed by the subsequent regulations. Whilst the Bill as it stands does not stipulate that no property with an Energy Performance Certificate (EPC) rating of F or G may be privately rented as from 2018 – as was feared (and as Chris Huhne suggested at the time of the Bill's second reading on 10 May) – this is clearly the Government's intention. In fact a minimum EPC rating of E is just the beginning. In Greg Barker's words 'this is a two decade programme...we will certainly wish to go beyond [Band] E'.

An amendment to the Energy Bill to extend the requirement for Display Energy Certificates to all commercial properties was not adopted at Committee stage but may yet be introduced into the Bill at Report stage. The Government's intentions with the Green Deal are ambitious but much of the detail remains to be unveiled in secondary legislation and it is only in that detail that we will find out whether the Green Deal will work. Whilst the Green Deal may provide a solution for domestic property it remains to be seen whether it can be sensitive to the complexities and dynamics of the commercial property sector.

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