



IMPROVING THE ENERGY EFFICIENCY OF SOCIALLY RENTED HOMES IN ENGLAND

BPF RESPONSE

PREPARED AND SUBMITTED BY

Rob Wall
Assistant Director
BPF
E: RWalls@bpf.org.uk

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Improving the Energy Efficiency of Socially Rented Homes in England

BPF response to the Government consultation on introducing minimum energy efficiency standards for the social rented sector

BPF

The British Property Federation (BPF) represents the real estate sector – an industry which contributed more than £116bn to the economy in 2020 and supported more than 2.4 million jobs.

We promote the interests of those with a stake in the built environment and represent a broad range of investors, owners, managers and developers of real estate as well as those who support them. This includes small and institutionally-backed registered providers. Our members' investments help drive economic success, provide essential infrastructure and create great places where people can live, work, and relax.

Introduction

We welcome the opportunity to respond to the joint MHCLG and DESNZ consultation on new minimum energy efficiency standards (MEES) for the social rented sector.

To inform our response, we invited views from members of our Affordable Housing Committee. We also drew from our experience of MEES in the private rented sector.

Executive summary

We have responded to the individual consultation questions below.

Our key points are as follows:

- The BPF and our members share the Government's ambition to tackle fuel poverty, cut energy bills and reduce carbon emissions.
- In principle, we support the introduction of minimum energy efficiency standards (MEES) for socially rented homes and agree that we should look to align minimum standards across the private and social rented sectors.
- However, we have concerns over the proposed EPC reforms and over the timing of this consultation. Without clarity on the proposed new EPC metrics and methodology it is impossible to provide a full and considered response to the questions in this consultation paper. We also have concerns about the focus on fabric performance and questions on how the proposed new smart readiness and heating system metrics will work.

- We do not believe that the proposed implementation timeline is achievable. There needs to be a longer lead in time for the sector to prepare.
- We support a spend exemption and, of the options put forward, agree with the Government's preferred approach of setting a £10,000 limit. All spending that improves the property towards MEES should count towards the spend exemption, including the cost of rehousing residents. This should be retrospective so that landlords who have already spent money improving their properties are not unfairly penalised.
- It is difficult to comment on whether additional exemptions are needed until we understand how the new metrics and the new standard will work. This should be subject to further consultation.
- We welcome the proposed transitional measures set out in the consultation paper. These are essential measures that will be critical to helping the sector meet the new minimum standard.
- It is important to recognise the wider policy context, and the interdependencies between MEES and wider net zero and housing policy. We need to understand how MEES aligns to the Government's 2050 net zero target, and what additional policy and regulatory requirements may be needed to deliver a net zero social rented sector.
- We also need to recognise that registered providers need stable and predictable income streams if they are to deliver both more energy efficient homes and new affordable housing supply. Policy changes must balance the costs of decarbonisation with the sector's ability to reinvest in building and maintaining affordable homes.
- Given the uncertainty, we would like to see a commitment from Government to consult the sector further once the responses to both the EPC consultation and this consultation have been published in full. This might include consultation on draft regulations and draft guidance.

If you have any questions about our response, please contact Rob Wall, Assistant Director (Sustainability) at RWall@bpf.org.uk

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Consultation questions

We are not a registered provider of social housing (although we do have registered providers within membership) and have not responded to those questions that are specific to registered providers.

Question 1: Do you agree that the government's preferred option to setting a minimum energy efficiency for the SRS is the most suitable option?

The BPF and our members share the Government's ambition to tackle fuel poverty, cut energy bills and reduce carbon emissions.

In principle, we support the introduction of minimum energy efficiency standards (MEES) for socially rented homes and agree that we should look to align minimum standards across the private and social rented sectors.

However, we have concerns over the proposed EPC reforms and over the timing of this consultation. Without clarity on the new EPC metrics and methodology it is simply impossible to provide a full and considered response to the questions in this consultation paper.

We have set out these concerns in our [response](#) to the recent *Reforms to the Energy Performance of Buildings Regime* consultation paper. This includes concerns about the challenges of adopting a headline fabric performance metric in the new domestic EPC and questions on how the proposed new smart readiness and heating system metrics will work. As the MEES consultation paper notes, we don't even have clarity on the grades that social rented homes will be required to meet under each metric or on the design of the metrics.

As such, we are not able to support the Government's preferred option at this stage.

We would ask the Government to commit to further engagement with industry once the responses to both this consultation and the *Reforms to the Energy Performance of Buildings Regime* consultation are published, and once the new Home Energy Model (HEM) methodology is confirmed. This might include formal or informal consultation with the sector on draft regulations and draft guidance.

Question 2: If you do not agree, which, if any, of the other metric options outlined would be your preferred approach to set a minimum energy efficiency standard for the SRS?

As set out above, there is a lack of clarity on how the three metrics on fabric performance, smart readiness and heating systems will work.

However, if the Government decides to push ahead with this combination of metrics, we would argue for the following:

- flexibility over which metric the landlord chooses to prioritise (i.e. no primary standard). We should focus on the right approach for the building and on the improvements that can best deliver for residents and landlords. For example, in cases where households are not in fuel poverty, prioritising investment in the heating system might be the better approach in terms of delivering the Government's decarbonisation objectives;
- flexibility over how money is spent against the metrics (i.e. no requirement to prioritise expenditure on fabric performance); and
- guidance to landlords of apartments or blocks of flats, where improvements typically take place at a building level and not a unit level and where additional guidance on how the regulations will apply in practice will be needed. This might also include guidance on freeholder/leaseholder challenges.

Question 3: Are there any other approaches to setting MEES that should be considered (such as an energy cost-based approach)?

We would like to see flexibility over which metric the landlord chooses to prioritise, based on the particular properties of the building concerned and the circumstances of residents.

Question 5: Do you agree with the proposal for social homes to comply with MEES by 1 April 2030?

Question 6: If you answered no to Question 5, do you have a view on alternative options for setting the compliance date, for example either earlier or later than 2030?

We do not believe that a 2030 target is realistic.

Firstly, the sector needs to understand how the new domestic EPC will work in practice before landlords can put in place plans to bring homes up to the new standard.

Secondly, we would question whether there are enough EPC assessors and retrofit workers to deliver to the Government's preferred timeline. Training up EPC assessors to assess homes against the new metrics will also require extra time and investment.

Thirdly, the social rented sector will be competing with the private rented sector for skilled workers given the Government's plans to introduce new MEES for privately rented homes over a similar timescale.

And finally, more time would allow for a more strategic approach to the retrofit of properties and avoid piecemeal interventions, which are disruptive to residents and more expensive in the longer term. It would allow providers to plan retrofit work alongside their wider asset management and development programmes, ensuring that investment in decarbonisation does not impact the delivery of new affordable homes. Certainty over timelines helps providers manage their income streams and debt obligations, which in turn supports affordable housing supply.

As such, we would argue for a longer lead in time for the sector to prepare.

Question 7: Do you agree with the government proposal to set a time-limited spend exemption?

Question 8: Government has considered three options for setting maximum required investment under a spend exemption. Comparing these options, which do you think is most appropriate for the SRS?

We would support a spend exemption and, of the options put forward, would agree with the Government's preferred approach of setting a £10,000 limit.

However, we would question the relevance of some of the analysis, given the proposed new EPC metrics and methodology. It is difficult to cost or calculate the improvements that will be needed to achieve the new standard until the new domestic EPC is in place.

We would also note that, whilst cost should certainly be grounds for an exemption from the MEES regulations, a spend exemption is a blunt tool. It does not take account of regional variations, the size or type of property or the additional costs of retrofitting older properties.

We welcome the proposal that all spending that improves the property towards MEES, including grant funding, will count towards the spend exemption. This should also include consultancy and planning fees, the costs of scaffolding and all ancillary costs. The cost of rehousing tenants who have to be relocated during improvement works should also count towards the spend exemption.

There should be no "hierarchy" within the spend exemption. Landlords should be free to decide what improvements to make that align with any of the metrics against which future MEES will be assessed. Landlords should not be required to prioritise spend on fabric improvements.

Landlords who have already started to improve the energy efficiency of their properties should not be unfairly penalised. The cost of all relevant works undertaken in recent years should count towards the spend exemption. We should be incentivising and encouraging landlords to move quickly to improve their properties.

The £10,000 spend exemption should be fixed and not rise with inflation.

Question 9: Do you agree with government's proposal for any time limited spend exemption to be valid for 10 years from 1 April 2030?

Yes.

Question 12: Are you aware of any other specific circumstances where individual dwellings could not meet the standard, but which are not covered by either applying the DHS exemptions to MEES or the time limited spend exemption?

Until we understand how the new EPCs will work, and how the new metrics will be calculated, it is difficult to understand whether more exemptions will be needed. For example, with a heating system metric, should an inability to connect to the electricity grid be grounds for an exemption, as this is a challenge for many of our members? Similarly, with a smart readiness metric, would an exemption be needed for properties not suitable for smart technologies, such as flats in a block where PV could not be installed? This should be subject to further consultation.

Question 13: Do you agree that properties that meet an EPC (EER) rating of C prior to the introduction of new EPCs should be recognised as compliant with the future standard until their current EPC expires or is replaced?

Question 14: Do you agree with government's proposal that, as an EPC reform transition measure, properties that have achieved EER C from the introduction of new EPCs until 1 April 2028 should be considered compliant until the property's EPC expires, after which they would need to comply with MEES?

We welcome the proposal that homes with an EPC (EER) C rating prior to the introduction of the new EPC will be recognised as compliant with the future standard until that EPC expires or is replaced. Similarly, we welcome the proposal that properties that secure an EER C rating under the new EPC regime until 1 April 2028 will be considered compliant with MEES. These are essential measures that will be critical to helping the sector meet the new standard.

If the Government pushes ahead with the 2030 start date for MEES, we would argue that any home that secures an EER C rating under the new EPC regime up until 1 April 2030 should be considered compliant until the EPC expires or is replaced.

Question 17: If you are a registered provider of social housing or industry body, do you foresee issues arising from installing energy efficiency measures where the leasehold is owned by the registered provider but not the freehold?

Question 18: If you are a registered provider of social housing or industry body, do you foresee issues arising from installing energy efficiency measures

in properties where the registered provider holds the freehold but there are also leaseholders in the building (for example, through right to buy)?

As the consultation paper notes, there will be challenges in implementing MEES in mixed tenure properties and complexities which arise from different leasehold/freehold arrangements.

There need to be further consultation and guidance on this issue.

Question 22: Do you have any additional questions or concerns not answered in this consultation that we should consider when drafting the guidance and government response?

As we have highlighted throughout the response, there will be a need for ongoing engagement with the sector as the MEES regulations are developed. We welcome the commitment to develop detailed guidance to help the sector understand and comply with the new minimum standards (as already exists in the private rented sector) and would welcome a commitment from Government in the response to the consultation paper to work closely with the sector when drafting the guidance.

This Government response should also recognise the role of income streams in funding decarbonisation. Clear policy alignment on rent-setting, investment incentives and financial support will be essential if providers are to balance the cost of meeting MEES with the delivery of new affordable housing.

Question 31: Were you aware of heat network zoning proposals before reading this document?

As the trade association for UK real estate we are aware of the Government's plans to regulate heat and [responded in February](#) to the consultation on heat network zoning. We look forward to seeing the detail of the Government's proposals in due course.

Some of our members operate their own communal heating systems. Some have buildings connected to local district heating systems.

However, there is a lack of awareness across the wider sector about the Government's plans and about the potential impact on landlords and residents. We support the broad policy of encouraging the development of more low carbon heating solutions but would like to see more engagement from Government with the real estate industry.

Question 32: What actions should government consider implementing to increase the number of smart meters installed in the social rented sector?

Access to accurate energy data is key to understanding how a building performs in operation and which interventions and improvements can have the greatest impact in terms of cutting bills and improving energy efficiency. Smart meters have an important role to play but only if the smart meter data is accessible by the landlord.

We believe the following actions would support the roll-out of smart meters across both the private rented sector and the social rented sector:

- landlords should have more rights to install smart meters in their properties. We hear from members that many residents will refuse a smart meter upgrade from their supplier. Landlords will seek to install smart meters during void periods but these periods can be quite short and it can be difficult to arrange a smart meter installation before the new resident moves in;
- there needs to be more investment in smart meter infrastructure to ensure smart meters work effectively in more properties. We hear of many cases where smart meters are not working properly and not sending data to energy suppliers or to apps or in-home displays; and
- the Government should mandate the sharing of energy data between residents and landlords. This would be a major incentive to landlords to upgrade meters as many landlords want access to their buildings' energy consumption data. We have previously published [research](#) on this.

Question 33: Do you have any further comments or concerns regarding Minimum Energy Efficiency Standards in the social rented sector or on longer term decarbonisation and net zero which have not been mentioned?

Future changes to MEES for the social rented sector

It is not clear how the proposed changes align to the Government's 2050 net zero target and whether the MEES regulations will need to be further strengthened in the future. The Government should signal well in advance any further planned changes.

Wider impact on the sector

As the consultation paper notes, the sector faces a range of challenges and alongside decarbonising buildings the sector needs to remediate buildings with dangerous cladding and continue to build new homes to support the Government's housing ambitions. Setting a spend exemption is helpful but the Government will also need to continue to provide a range of financial support – such as those listed in the consultation paper – to support the sector's decarbonisation plans. Income streams are already stretched across building safety, repairs and new supply, and providers need confidence that regulatory changes will not undermine their ability to deliver on affordable housing ambitions. A stable rent regime and a [commitment to rent](#)

[convergence](#), to bring rents closer to formula levels, will also be critical to attracting new investment into social housing.

Wider net zero policy

The introduction of MEES alone will not abolish fuel poverty or deliver a net zero social rented sector. There are a host of wider policy and regulatory changes that will be needed to improve the quality of homes and to help the sector decarbonise. These include planning reform to speed up retrofit work, investment in the electricity grid and a faster connections process to support the move to all electric buildings, the rebalancing of electricity prices relative to gas, new and continuing fiscal incentives and the alignment of MEES with new heat network regulation and the new Future Homes Standard.