**Improving the energy performance of privately rented homes: consultation document**

**Consultation response**

**2 May 2025**

## Consultation URL:

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## About the Tourism Alliance

The Tourism Alliance is the umbrella trade association for the tourism industry. Our 75+ members are trade associations and member associations representing parts of the diverse and disparate tourism eco-system along with and destination management organisations across England.

## Context of business environment for tourism businesses

The UK domestic tourism sector is currently experiencing significant headwinds, with British residents taking 10% fewer domestic overnight trips in 2024 compared to 2023 levels following a decline the previous year too. Expenditure for trips taken in Great Britain was 2% lower compared to 2022, with £31.25 billion spent during 2023, compared to £31.98 billion in 2022. This consecutive year-on-year reduction demonstrates a concerning trend for tourism-dependent businesses and communities. The situation is further compounded by the fact that day visits have similarly declined by 12% across Britain in 2024 intensifying economic pressure on tourism businesses.

Rural and coastal destinations, which rely heavily on tourism accommodation, are especially vulnerable to these market conditions. The proposed energy efficiency requirements would add substantial costs to already struggling businesses at precisely the moment when the tourism economy's resilience is being severely tested by consecutive years of declining domestic travel.

## Consultation question responses

***Question 1. Do you agree with government's preferred position of using new alternative Energy Performance Certificate (EPC) metrics following EPC reform as the basis for higher Minimum Energy Efficiency Standards (MEES) for privately rented homes?***

Disagree

This proposal would be inappropriate for the tourism accommodation sector.

Short-term rental properties have fundamentally different occupancy patterns compared to long-term rentals. Tourism accommodation typically has irregular and seasonal occupancy, with significantly lower usage during winter months when heating costs are highest. Unlike long-term rentals, energy costs for holiday lets are paid entirely by the business owner, not the tenant, creating a built-in incentive for energy efficiency improvements that directly impact profitability.

Many properties in the tourism sector are older, rural buildings where their historic character (such as fisherman's cottages or converted farm buildings) is precisely what makes them attractive to visitors. These same characteristics often make them incompatible with achieving high scores under the proposed metrics. Furthermore, many energy-efficient heating systems recommended under standard EPC assessments are designed for continuous occupancy and are actually counterproductive for tourism accommodation with transient use. Systems like air source heat pumps are most efficient when running continuously at low temperatures, making them impractical for properties that need fast heat-up times and may sit empty for extended periods.

For tourism properties with intermittent occupancy, the most energy-efficient solutions are reactive systems providing instant heat on demand (such as electric panel heaters or smart electric radiators) rather than the systems that would score highly under the proposed metrics.

***Question 2. Government would welcome views on options for setting future MEES against a combination of new EPC metrics. Do you agree with government's preferred approach of having a requirement to meet a primary standard set against the fabric performance metric and then a secondary standard set against either the smart readiness metric or heating system metric, with landlord discretion on which secondary metric their property meets?***

Disagree

The government's preferred approach requiring a primary standard for fabric performance and a secondary standard for either smart readiness or heating system metrics would be particularly problematic for the tourism accommodation sector.

Of the four potential metrics being considered, this proposal excludes the energy cost metric, which would be the most relevant for short-term rental properties where owners (not guests) pay all energy bills.

The fabric performance metric would create significant challenges for the types of buildings commonly used in tourism accommodation. With 60% of holiday let properties being over 100 years old and 24% being listed buildings, applying strict fabric performance requirements would disproportionately impact these businesses and the rural and coastal visitor economies they support.

The heating system metric is particularly problematic as it doesn't recognize the limitations of certain heating technologies (like heat pumps) in older properties or those with space constraints. For holiday accommodation with intermittent occupancy, low temperature flow systems would be ineffective with the typical usage pattern of "on for 2 days then off for 5 days" and would actually reduce energy efficiency in a way that the simplified metric wouldn't capture.

These proposed metrics are designed for properties with continuous occupancy and would place unreasonable burdens on tourism properties that operate with fundamentally different occupancy patterns. This approach would threaten the viability of many small tourism businesses without providing meaningful energy efficiency benefits.

***Question 3. What are your views on the alternative approaches of:***

***Alternative 1: A requirement to meet a standard set against dual metrics of equal weighting***
***Alternative 2: A requirement to meet an overarching standard set against all 3 metrics***

We disagree with these alternative approaches for the reasons set out above.

***Question 4. Do you have any alternative suggestions for how government could utilise new EPC metrics as the basis for MEES, such as a single metric approach (for example, fabric or cost based?)***

For short-term rental and tourism accommodation, cost-based metrics would be the most appropriate basis for MEES. Cost-based metrics are significantly more relevant to the tourism accommodation sector for several key reasons:

1. In short-term rental properties, the business owner pays all energy bills, not the occupant. Therefore, a metric that directly relates to costs provides the clearest incentive for appropriate improvements.

2. Cost-based metrics naturally align with the business realities of tourism accommodation where energy expenditure directly impacts profitability.

3. This approach would better accommodate the different usage patterns of holiday properties, which often have seasonal occupancy or planning restrictions that prevent year-round use.

For properties with planning restrictions that prevent all-year occupancy (particularly common in tourism areas), the current EPC calculations are inappropriate as they assume year-round heating requirements. Any EPC assessment for tourism accommodation should take into account the actual permitted occupancy periods of the property.

A cost-based approach would allow tourism accommodation providers to implement energy efficiency measures that are most suitable for their specific property and usage pattern, rather than forcing inappropriate technologies that may actually increase energy use in the context of intermittent occupancy.

***Question 5. Do you agree with government's proposal to increase the maximum required investment for Private Rented Sector (PRS) MEES to £15,000 per property and for landlords to be able to register an exemption if expenditure would take them over this figure?***

Disagree

The proposed increase from £10,000 to £15,000 is excessive and unviable for the tourism sector. This far exceeds reasonable inflation since 2020 and is disproportionate to business finances.

The average UK holiday let generates around £25,000 turnover with just £5,000 profit. For multiple-property businesses, such as farms diversified into tourism (representing 26% of all holiday lets), cumulative costs could reach £60,000 or more, rendering otherwise successful rural businesses unviable.

Government estimates for upgrade costs appear based on typical houses moving from EPC D to C, not the older, often listed buildings common in tourism accommodation that typically start from lower ratings and face higher improvement costs.

If EPC C requirements are applied to short-term rentals, the '7 Year Payback' exemption currently available for non-domestic properties should be introduced, providing a more realistic and relevant cost framework for businesses where owners pay all energy costs.

***Question 6. Should government extend the exemption period for the cost cap to 10 years?***

10 years is the minimum time that the cost cap exemption should last.

Given the significant financial investment required and the challenging economics of achieving EPC C for many tourism properties, a 10-year exemption period provides the necessary time for businesses to plan, save and implement changes while maintaining operational viability.

For tourism accommodation, particularly in historic or listed buildings where improvements may require specialised approaches, longer timeframes are essential to allow for careful planning that preserves the character that attracts visitors while improving energy efficiency.

A 10-year period also aligns better with typical business investment cycles for small tourism enterprises, allowing improvements to be made during natural refurbishment schedules rather than forcing potentially damaging rushed adaptations.

***Question 7. Do you agree with government's preferred implementation timeline to require 'new tenancies' to meet the higher standard from 2028 and 'all tenancies' to meet the higher standard by 2030?***

Disagree

For short-term rental and tourism accommodation, the turnover of occupants is such that all properties would need to meet any higher standard from 2028. This timeline places an unrealistic burden on a sector with an extremely high number of properties currently rated lower than C (74%).

The scale of properties requiring upgrades is enormous—whilst only 2.4% of properties fail to reach EPC E, over 50% are currently rated D or below. This creates immense practical challenges:

1. The tourism sector typically takes bookings up to two years in advance, making it difficult to schedule major works
2. With this volume of properties needing assessment, confidence in the quality and consistency of assessments is essential before implementing such consequential requirements
3. The framework for the new MEES metrics has not yet been finalised, making it premature to implement stricter EPC requirements

The tourism sector is already facing numerous regulatory and financial challenges. Imposing potentially significant costs runs counter to the government's growth agenda, risking investment reduction, job losses, and producing more empty properties in rural and coastal economies.

If implementation proceeds, a more realistic timeline for the tourism accommodation sector would be no earlier than 2030, allowing sufficient time for businesses to adapt while maintaining operational viability.

***Question 8. Do you agree with government's proposal that, as an EPC reform transition measure, landlords should be able to demonstrate their properties are compliant with the existing standard of EPC E using their past EPC?***

Agree.

However, for short-term rental and tourism properties that currently have no requirement for EPCs at any level, appropriate transition measures should maintain this situation until the higher standard is implemented. Specifically, there should be no requirement for such owners to obtain EPCs to cover the interim period (2026-2028).

The introduction of an EPC C minimum from 2028, with a proposed spending cap of £15,000, creates a disincentive for landlords to invest in improvements prior to this date, as such expenditure would not count toward the spending cap. This contradicts the aim of encouraging energy efficiency improvements as soon as possible.

We therefore suggest an additional transition measure: expenditure on measures to improve EPCs made prior to 2028 should count towards the spending cap. This would encourage tourism accommodation providers to begin making improvements immediately rather than delaying until the deadline approaches.

***Question 9. Do you agree properties that have an EPC rating of C against the EER on EPCs before 2026 should be recognised as compliant with the future standard until their EPC expires or is replaced?***

Agree

This approach provides a fair transition period for tourism accommodation providers who have already taken steps to improve their properties' energy efficiency. It acknowledges and rewards early adopters who have proactively enhanced their properties to a higher standard.

However, we also suggest that any expenditure towards improving energy efficiency that has been undertaken since the previous consultation in 2020 should be counted towards any spending cap. This would recognise the investments already made by tourism businesses and prevent the need for potentially duplicative measures.

For the tourism sector, where many properties are challenging to upgrade due to their age, construction or heritage status, acknowledging previous improvements is essential to prevent unnecessary additional costs that could threaten business viability.

***Question 10. Do you agree with government's proposal to require landlords to commission a new EPC before taking action to comply with higher MEES?***

No.

***Question 10.1. Should the cost of this new EPC be included within the cost cap?***

Yes. If the government does proceed with requiring pre-improvement EPCs, then the cost of obtaining these assessments should absolutely be included within the cost cap. Additionally, the cost of obtaining professional advice related to compliance with the new standards should also be included.

***Question 10.2. Should landlords still be required to commission post-improvement EPCs? If yes, should the cost of the post-improvement EPC also be included within the cost cap?***

Yes, post-improvement EPCs are necessary to demonstrate compliance, and these costs should be allowed within the cap. For tourism businesses operating on tight margins, every expense related to regulatory compliance needs to be accounted for within the overall cap to avoid creating unsustainable financial burdens.

***Question 11. Should government develop an affordability exemption? If yes, what eligibility criteria would be the most appropriate for an affordability exemption?***

Yes.

A framework similar to the '7 Year Payback' exemption would be appropriate and would reflect the actual financial implications of the proposal.

***Question 12. Should government apply the PRS MEES Regulations to short-term lets?***

No.

We strongly disagree with the principle that government should apply the PRS MEES Regulations to short-term lets. EPCs have little relevance to tourism accommodation where guests are not responsible for energy costs. The fuel poverty concerns that drive EPC requirements for long-term rentals do not apply to the holiday rental sector.

There are fundamental differences that make MEES calculations inappropriate for tourism properties:

- Short-term rental is strongly seasonal, with most stays occurring when heating is minimized
- Many properties (36%) have planning restrictions preventing full-time occupancy
- A majority (53%) have never been primary residences
- Tourism accommodation is typically older (60% over 100 years old) with 74% rated Band D or below

The proposed £15,000 spending cap would be devastating for small tourism businesses. For the average holiday let, this would equate to three years' entire profit. For businesses with multiple units, such as diversified farms (26% of the sector), the cumulative cost would be prohibitive.

***Question 13. What actions could government take, including changes to the law to encourage or require smart meters in properties undergoing efficiency upgrades, to increase the number of smart meters installed in the PRS?***

Providing information and guidance demonstrating the energy efficiency savings that smart meters can generate would encourage owners to use them of their own accord without recourse to regulation.

***Question 14. Do you think the current MEES exemptions available to landlords are suitable?***

The current MEES exemption that limits costs to £3,500 is suitable whereas the proposed increase of this to £15,000 is excessive.

***Question 14.1. Are there other circumstances, not covered by the current MEES exemptions regime, where you think government should consider making exemptions for?***

Listed buildings should be exempted from EPC requirements to prevent loss of historic and culturally significant properties. The tourism sector has a high proportion of such properties (24%).

The assessment procedure (SAP/RdSAP) has significant limitations when applied to older properties and heritage buildings. This can result in inappropriate recommendations that would be harmful to the integrity of such properties.

Additionally, properties where planning permission prevents their use as permanent housing should not be restricted by the same EPC requirements as long-term rental. 36% of tourism rental properties have such planning restrictions.

***Question 15. Do you agree with government's preferred position to keep a potential requirement on lettings agents and online property platforms under review whilst the PRS Database is being developed for properties in England?***

Agree

The proposed inclusion of short-term rental properties within the MEES legislation would create significant new obligations for tourism accommodation booking platforms to monitor and display EPCs.

This has substantial cost implications for these platforms without providing tangible benefits to guests who do not pay energy costs. Major technical and operational changes would be required for tourism booking systems that are not currently designed to capture or display EPC data.

Should EPC certification become mandatory for tourism accommodation, these booking platforms would need sufficient time to implement the necessary and expensive changes to their systems. A careful, phased approach would be essential to prevent disruption to the tourism sector.

***Question 16. Do you have any new evidence to submit regarding the topics as summarised in Chapter 2 of this consultation?***

We would refer you back to the business and trading context of the domestic tourism sector above. It is vital that decisions on EPC which impact upon the many micro-businesses which supply vital accommodation to our tourism sector are taken with this context in mind.

***Question 17. Is there any additional information or evidence you would like to provide on either the effectiveness of the existing PRS regulations 2015 and guidance, or interactions with other policies?***

No.