

Proposals for requiring Energy Performance Certificate ratings to be displayed on all property advertisements  
**Impact Assessment**

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March 2010

ISBN: 978 1 4098 2307 0

## Summary: Intervention & Options

**Department /Agency:  
Communities and Local  
Government**

**Title: Impact Assessment of proposals for requiring  
Energy Performance Certificate ratings to be  
displayed on all property advertisements.**

**Stage:** Consultation

**Version:** 1

**Date:** 2 March 2010

**Related Publications: Consultation Paper: Extending the scope of Energy  
Performance Certificates and Making Better Use of Energy Performance Data**

**Available to view or download at:**

<http://www.communities.gov.uk>**Error! Not a valid bookmark self-reference.**

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**What is the problem under consideration? Why is government intervention necessary?**

At present EPC ratings must be included in the written particulars of dwellings that are being marketed for sale if they include two of the following:

- a) a photograph of the building or any room in the building;
- b) a floor plan of the building; or
- c) a description of the size of the rooms in the building.

EPC ratings are not required on property advertisements. This means that people are less likely to be aware of the information in an EPC and take the information into account when looking for a property to rent or buy. In order for people to take energy efficiency seriously and factor it in to decision making on property choices the energy rating of the property needs to be more visible.

**What are the policy objectives and the intended effects?**

The objective of the policy is to require EPC ratings on adverts for all property. The intended effects of doing this are:

- ensuring that prospective tenants and purchasers of domestic and non-domestic property are provided with details of the EPC rating at the earliest possible stage;
- enabling prospective tenants and purchasers to focus their search on properties above a certain band or rating if they wish to;
- improving awareness of energy efficiency and the contributions that buildings can make to reducing carbon emissions, and;
- improving compliance with the current requirements of the legislation.

What policy options have been considered? Please justify any preferred option.

The options that have been considered include:

1. Do nothing until the requirement becomes compulsory under EPBD2;
2. Introduce a voluntary scheme until the requirement becomes compulsory under EPBD2 so that owners are encouraged to display the energy rating of the property they are renting out or selling in any advertisements, and;
3. Introduce a mandatory scheme now so that all properties marketed for rent or sale are required to include their energy rating in the advert.

EPC ratings in property advertisements could be introduced on either a voluntary or compulsory basis. EPBD2, which will have to be implemented by 2012/3, includes a requirement for advertisements to carry the EPC rating. We believe it would be sensible to implement this part of EPBD2 early and make it mandatory for advertisements to carry the EPC rating.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The policy will be reviewed 18 months after implementation. Requiring EPC ratings on adverts for properties will become compulsory under EPBD2, when compulsory it will be enforced by Trading Standards Officers. As part of our preparations for the transposition of EPBD2 we will monitor take up of any scheme by engaging with stakeholders.

**Ministerial Sign-off For Consultation Stage Impact Assessments:**

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

Signed by the responsible Minister:



..... Date: 26 February 2010

## Summary: Analysis & Evidence

<b>Policy Option: 2</b>	<b>Description: Introduce a voluntary scheme so that owners are encouraged to display the energy rating of properties in any advertisements until the requirement becomes compulsory under EPBD2.</b>
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<b>C O S T S</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups'  There are approximately 12,000 domestic estate agents and 2,500 commercial estate agents.  This assumes that a quarter of all estate agents undertake the voluntary scheme in 2010, followed by the same number in 2011, and the remainder when the scheme becomes mandatory in 2012. The one off cost of £36 each estate agent incurs takes place in the year they implement the voluntary scheme rather than in 2012.
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ 12,900</b>	3	
	<b>Average Annual Cost (excluding one-off)</b>		
	<b>£ 0</b>		<b>Total Cost (PV)</b>
Other <b>key non-monetised costs</b> by 'main affected groups' There are no non-monetised costs.			

<b>B E N E F I T S</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups'  There are no monetised benefits.
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ 0</b>	3	
	<b>Average Annual Benefit (excluding one-off)</b>		
	<b>£ 0</b>		<b>Total Benefit (PV)</b>
Other <b>key non-monetised benefits</b> by 'main affected groups' There are several non monetised benefits to having a voluntary scheme including: increased transparency of a buildings energy performance, improving awareness of energy efficiency and the contributions that buildings can make to reducing carbon emissions, enabling prospective home owners and tenants to focus their search on properties above a certain band or rating if they wish and improved compliance with the current requirements.			

## Key Assumptions/Sensitivities/Risks

### Assumptions

- Current practice - We have assumed for the purposes of this consultation that no estate agents currently display EPC ratings on adverts, in the absence of evidence we do not want to underestimate the number of estate agents who will be affected by this change.
- Cost of template changes - We have assumed that the cost of making changes to a template, which we have estimated at £36, will not change over time. It is unlikely that this type of cost would either reduce or increase over time and is therefore held as constant in the three policy options. The cost per estate agent has been estimated at £36 this was calculated by estimating that it would take estate agents 2 hours to change the templates at a cost of £18 per hour, this figure was taken from BIS's administrative burden calculator.
- Advertising costs will be negligible as for advertisements other than small ads you pay for advertising space not per letter.

Price Base Year 2009	Time Period Years 3	<b>Net Benefit Range (NPV)</b> <b>£ 0</b>	<b>NET BENEFIT (NPV Best estimate)</b> <b>£ -12,900</b>
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What is the geographic coverage of the policy/option?		England and Wales		
On what date will the policy be implemented?		TBA		
Which organisation(s) will enforce the policy?		N/A		
What is the total annual cost of enforcement for these organisations?		£ 0		
Does enforcement comply with Hampton principles?				
Will implementation go beyond minimum EU requirements?		No		
What is the value of the proposed offsetting measure per year?		£ 0		
What is the value of changes in greenhouse gas emissions?		£ 0		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding	Micro	Small	Medium	Large
Are any of these organisations exempt?	N/A	N/A	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		<b>(Increase)</b>		
Increase of	£ 0	Decrease of	£ 0	<b>Net Impact</b> £ 0

Key: **Annual costs and benefits: Constant Prices** **(Net) Present Value**

## Summary: Analysis & Evidence

<b>Policy Option: 3</b>	<b>Description: Introduce a mandatory scheme now so that all properties marketed for rent and sale are required to include their energy rating in the advert.</b>
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<b>C O S T S</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups'
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ 34,700</b>	3	There are approximately 12,000 domestic estate agents and 2,500 commercial estate agents. With this option, all estate agents incur the one-off cost of £36 in 2010 – two years earlier than the do-nothing option of a mandatory scheme in 2012.
	<b>Average Annual Cost</b> (excluding one-off)		
	<b>£ 0</b>		
<b>Total Cost (PV)</b>		<b>£ 34,700</b>	
Other <b>key non-monetised costs</b> by 'main affected groups' There are no non-monetised costs.			

<b>B E N E F I T S</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups'
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ 0</b>	3	There are no monetised benefits.
	<b>Average Annual Benefit</b> (excluding one-off)		
	<b>£ 0</b>		
<b>Total Benefit (PV)</b>		<b>£ 0</b>	
Other <b>key non-monetised benefits</b> by 'main affected groups' There are several non monetised benefits to introducing a mandatory scheme including: increased transparency of a buildings energy performance, improving awareness of energy efficiency and the contributions that buildings can make to reducing carbon emissions, enabling prospective purchasers and tenants to focus their search on properties above a certain band or rating if they wish and improved compliance with the current requirements.			

## Key Assumptions/Sensitivities/Risks

### Assumptions

- Current practice - We have assumed for the purposes of this consultation that no estate agents currently display EPC ratings on adverts, in the absence of evidence we do not want to underestimate the number of estate agents who will be affected by this change.
- Cost of template changes - We have assumed that the cost of making changes to a template, which we have estimated at £36, will not change over time. It is unlikely that this type of cost would either reduce or increase over time and is therefore held as constant in the three policy options. Under a mandatory scheme all estate agents would need to change their templates. The cost per estate agent has been estimated at £36 this was calculated by estimating that it would take estate agents 2 hours to change the templates at a cost of £18 per hour, this figure was taken from BIS's administrative burden calculator.
- Advertising costs will be negligible as for advertisements other than small ads you pay for advertising space not per letter.

Price Base Year 2009	Time Period Years 3	<b>Net Benefit Range (NPV)</b> <b>£ 0</b>	<b>NET BENEFIT (NPV Best estimate)</b> <b>£ -34,700</b>
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What is the geographic coverage of the policy/option?	England and Wales			
On what date will the policy be implemented?	TBA			
Which organisation(s) will enforce the policy?	LWMAs			
What is the total annual cost of enforcement for these organisations?	£ 0			
Does enforcement comply with Hampton principles?	No			
Will implementation go beyond minimum EU requirements?				
What is the value of the proposed offsetting measure per year?	£ 0			
What is the value of changes in greenhouse gas emissions?	£ 0			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline (2005 Prices)</b>			<b>(Increase)</b>	
Increase of	£ 0	Decrease	£ 0	<b>Net</b>
				£ 0

Key: **Annual costs and benefits: Constant Prices** **(Net) Present Value**

### Rationale for Government Intervention

1. The purpose of the EPC is to show prospective tenants and purchasers the energy performance of the property they are considering renting or buying and enable them to take that factor into account when making a decision about the property. A copy of the EPC must be made available at the earliest opportunity and must be provided before a contract is signed.
2. At present the EPC rating does not have to be included in advertisements for properties that are being offered for sale or rent. We want all advertisements for the sale or rent of a property to carry details of its EPC rating. This will ensure prospective potential tenants or buyers have the opportunity to factor the energy efficiency of the property they are considering into their decision making as early as possible. The requirement to display an EPC rating on adverts for all properties will become compulsory under EPBD2.

### Policy Objectives and Intended Effects

3. The Government believes that there is considerable merit in displaying the property's EPC rating on property advertisements. Requiring EPC ratings on adverts will have a number of benefits for prospective tenants and landlords with the overarching aim of improving awareness of energy performance, reducing carbon emissions and fuel bills. The key benefits of the policy are discussed below in the non-monetised costs and benefits section.

### Options Considered

4. The options that have been considered include:
  1. Do nothing until the requirement becomes compulsory under EPBD2
  2. Introduce a voluntary scheme until the requirement becomes compulsory under EPBD2 so that owners are encouraged to display the energy rating of the property they are renting out or selling in any advertisements.
  3. Introduce a mandatory scheme now so that all properties marketed for rent or sale are required to include their energy rating in the advert.
5. EPC ratings in property advertisements could be introduced on either a voluntary or compulsory basis. EPBD2, includes a requirement for advertisements to carry the EPC rating so even if we introduce a voluntary scheme now, at some point it will become a compulsory requirement. We believe it would be sensible to implement this part of EPBD2 early and make it mandatory for advertisements to carry the EPC rating.
6. There are a number of potential options on how best to require the information to be displayed on the advert including:
  - a) The EPC A-G chart
  - b) The number rating of the property e.g. 45/100
  - c) The letter rating of the property e.g. E
  - d) An A-G chart OR a letter/number rating depending on the size and type of advert. For example, a small newspaper advert could require just the letter or number rating but if information was included in an estate agent's property details or in online property details a full EPC chart could be required.
7. The Government believes that in circumstances where the A-G chart needs to be displayed, this would be the most informative approach and is likely to have the greatest impact.

However, it may not be practical for classified advertisements to include such charts. For those type of advertisements, a more practical solution may be to include a letter denoting the relevant EPC rating.

## **Risks and Uncertainties**

### Cost:

- Cost of template changes - We have assumed that the cost of making changes to a template, which we have estimated at £36, will not change over time. It is unlikely that this type of cost would either reduce or increase over time and is therefore held as constant in the three policy options. The cost of £36 per estate agent was calculated by estimating that it would take estate agents 2 hours to change the templates at a cost of £18 per hour, this figure was taken from BIS's administrative burden calculator.
- The total cost of £522,000 assumes that all estate agents will reformat their templates to include a graph of the EPC rating. The costs may be significantly lower if either a letter or number rating is displayed instead of the EPC rating graph and there will be no cost to an estate agent if they already have a template in place.
- Advertising costs will be negligible as for advertisements other than small ads you pay for advertising space not per letter.

### Current practice:

- We have assumed for the purposes of this consultation that no estate agents currently display EPC ratings on adverts, in the absence of evidence we do not want to underestimate the number of estate agents who will be affected by this change.

## **Estimate of Costs for Preferred and Alternative Options**

### OPTION 1

The costs for this option will be £522,000 (or NPV £487,000) and will require that all estate agents amend their templates under EPBD2 which will be implemented by late 2012/ early 2013.

### OPTION 2

The total costs for this option will be £522,000 (or NPV £500,000), although estate agents will be under no obligation to amend their templates before the scheme becomes mandatory under EPBD2 by late 2012/ early 2013 all will be required to display EPC ratings on adverts and therefore the one-off cost remains the same.

This assumes that a quarter of all estate agents undertake the voluntary scheme in 2010, followed by the same number in 2011, and the remainder when the scheme becomes mandatory in 2012. The one off cost of £36 each estate agent incurs takes place in the year they implement the voluntary scheme rather than in 2012.

There are no recurring costs for this proposal.

There will not be any promotional costs associated with having a voluntary scheme; existing stakeholder groups will be used to raise awareness rather than any formal advertising campaign should a voluntary option be chosen.

The cost incurred over the baseline is £12,900.

### OPTION 3

The total costs for this option will be £522,000 as estate agents will be required to amend templates so that EPC ratings are displayed on all adverts in 2010. As mentioned above this is a one-off cost.

Any additional advertising costs are negligible as for advertisements other than small ads you pay for advertising space not per letter. Any additional enforcement costs will be negligible. The cost incurred over the baseline is £34,700.

#### **Monetised/Quantified Benefits**

There are no monetised benefits.

#### **Non-Monetised Costs and Benefits**

Requiring EPC ratings on adverts for all properties will have a number of benefits including:

- ensuring that prospective tenants and purchasers of domestic and non-domestic property are provided with details of the EPC rating at the earliest possible stage;
- enabling prospective tenants and purchasers to focus their search on properties above a certain band or rating if they wish to;
- improving awareness of energy efficiency and the contributions that buildings can make to reducing carbon emissions; and
- improving compliance with the current requirements

#### **Consultation Process**

This impact assessment accompanies a consultation paper which will run from 2<sup>nd</sup> March to 25<sup>th</sup> May.

#### **Enforcement and Compliance**

Trading Standards Officers in local authorities are responsible for the enforcement regime; this responsibility will remain the same. If a mandatory scheme is adopted there will be a duty on estate and letting agents to ensure that no advert is placed without the energy rating on it.

#### **Monitoring and Review**

The policy will be reviewed 18 months after implementation. Requiring EPC ratings on adverts for properties will become compulsory under EPBD2, when compulsory it will be enforced by Trading Standards Officers. As part of our preparations for the transposition of EPBD2 we will monitor the take up of any scheme by engaging with stakeholders.

#### **Wider Impacts**

Competition assessment: Including the EPC rating in property details will not produce any competition issues.

Small firms Impact: The proposal will not have any impact on the SME sector.

Legal Aid: The proposal does not have any Legal Aid implications.

Sustainable Development: The proposal does not have any additional sustainable development implications over and above those that apply to the EPC. Obtaining an EPC does not have a direct impact but adopting any of the recommendations accompanying the certificate would by reducing carbon emissions.

Carbon Assessment: The proposal does not have any additional carbon saving implications over and above those that apply to the EPC. Obtaining an EPC does not have a direct impact but adopting any of the recommendations accompanying the certificate would by reducing carbon emissions.

Environmental Impact: Obtaining an EPC does not have a direct impact but adopting any of the recommendations accompanying the certificate would by reducing carbon emissions.

Health Impact: The proposal does not have any health implications.

Equalities Impact: An Equalities Impact Assessment screening has been completed, covering race, age, health, disability and gender equality issues. Providing energy efficiency information is equalities neutral.

Human Rights: The proposal does not have any impact on human rights.

Rural proofing: The proposal will not have any adverse impact on rural areas.

## Specific Impact Tests: Checklist

<b>Type of testing undertaken</b>	<b><i>Results in Evidence Base?</i></b>	<b><i>Results annexed?</i></b>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No



