

– A REVIEW JUNE 2019



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ACKNOWLEDGEMENTS

Thanks to all organisations who contributed to the development of these recommendations. These are listed page 18.

DISCLAIMER

The views expressed in this report are the Irish Green Building Council staff's interpretation of the workshops' outcomes and feedback received over the consultation period. These may not necessarily reflect the views of all other parties listed page 18.

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EXECUTIVE SUMMARY

Buildings are directly responsible for 40% of energy use in Ireland and are major emitters of carbon. Upgrading our buildings so that they use less energy is one of the most cost-effective ways to reduce our greenhouse-gas emissions. Building renovation also has several side effects, often yielding substantial benefits – environmental, economic and social. These co-benefits can accrue to the building users (e.g. increased comfort and better health) but also to society (e.g. job creation and energy security).

As many as 1.5 million Irish homes are considered energy inefficient and require upgrade work between now and 2050ⁱ. This issue is even more acute in the private rental market where 55% of private rented dwellings have a BER of D or lowerⁱⁱ. Improving the energy efficiency performance of the private rental sector is hence important in alleviating energy poverty. However, the split incentive between tenants and landlords is a persistent barrier to energy retrofit in this sector. It refers to the situation where the building owner pays for energy retrofits efficiency upgrades but cannot recover savings from reduced energy use that accrue to the tenant.

In 2017, almost 200 key stakeholders took part in a large-scale consultation process to [co-design an ambitious national renovation strategy for Ireland](#). To tackle this issue, they suggested to introduce a gradual ban on leasing of residential properties that do not meet minimum energy performance requirements. Over the last 8 months, the IGBC have explored the opportunity of introducing a minimum energy performance standard through extensive desk research on International case studies and consultations with key stakeholders.

Introducing minimum energy performance standards for rental buildings would send a clear signal to the market. It would help increase the rate of renovations, reduce energy poverty and mitigate health problems associated with poor housing conditions. However, a well-signalled lead-in time would be critical to give time to landlords and investors to adjust. Furthermore, in order to be effective, the approach should be comprehensive and include multiple measures. More specifically, any minimum standards should be complemented by accurate and regular information campaigns, appropriate incentives and effective enforcement. This is critical in ensuring these standards achieve the desired effects and prevent negative impacts on people or buildings.

The below graphs summarise our recommendations for the private commercial and residential rental markets.



109,000 Commercial Buildings must be decarbonised by 2050.

A large proportion of occupiers are tenants who lack decision making power and are unlikely to invest in energy renovation. Tackling energy efficiency in this sector requires a comprehensive set of actions.

Policies & Regulations

- Update landlord and tenant (amendment) act 1980 to incorporate Green clauses as a basic provision
- Ensure all properties advertised for rent have a BER
- Introduce minimum energy efficiency standards in 2023-2025*
- Increase it to A3 by 2030 - C1 for traditionally built buildings

Accurate & Regular Information

Run information campaigns to ensure:

- Landlords are fully aware of their obligations
- Tenants understand the benefits & co-benefits of energy renovation

Appropriate incentives & supporting measures

Ensure improvements in energy efficiency don't lead to higher rates

For Large landlords:

- Better promote exceed

For smaller landlords:

- Technical support: set up a network of skilled, trusted local intermediaries
- Financial support: introduce grants, tax exemption and low interest loans

Increase the rate and depth of renovation

Help Ireland achieve its climate targets

Improve people's health & wellbeing

Create sustainable construction jobs across the country

*Depending on building type. See recommendations p.10 for further details

20% rented dwelling have a BER of F or G

Vs 15% overall housing stock with a BER of F or G

Challenges: Landlords pay for energy retrofit but cannot recover saving from reduced energy use that accrue to the tenant - Housing crisis - High number of small landlords - Short duration of tenancies

Policies & Regulations

- Ensure all properties advertised for rent have a BER
- Link RTB and BER registers
- Introduce minimum BER of D2 by 2025 and gradually increase it to C1 by 2030
- Limit the number of exemptions and make them publicly available via RTB website

Accurate & Regular Information

- Ensure landlords and tenants are aware of the law
- Ensure landlords understand this is an investment in their properties: Link BER and RPP registers to raise awareness about the impact of BER on property value
- Ensure tenants are aware of the benefits and co-benefits of energy renovation

Appropriate incentives & supporting measures

Provide technical & financial support to landlords and tenants:

- Technical guidance
- Network of skilled, trusted, local intermediaries
- Low interest loans and tax incentives for landlords E.g. Accelerated capital allowance scheme for landlords and on-tax finance.

Improve security of tenure to incentivise tenants to invest in a property. E.g. Open SEAI free upgrades for eligible homes programme to tenants receiving one of the required welfare payment and with a long-term lease

Increase the rate and depth of renovation

Sustainable local construction jobs

Reduce Ireland's carbon emissions

Reduce fuel poverty

Improve people's health & wellbeing

INTRODUCTION

Buildings are directly responsible for 40% of energy use in Ireland and are major emitters of carbon. With the nearly Zero Energy Building standards gradually coming into force this year, most new buildings developed today are highly energy efficient. Yet, as many as 1.5 million Irish homes are considered energy inefficient and require upgrade work between now and 2050ⁱⁱⁱ.

Upgrading our buildings so that they use less energy is one of the most cost-effective ways to reduce Ireland's greenhouse-gas emissions. Building renovation also has several side effects, often yielding substantial benefits – environmental, economic and social. These co-benefits can accrue to the building users (e.g. increased comfort and better health) but also to society (e.g. job creation and energy security).

Although progress has been made in accelerating energy renovation in Ireland, it is widely accepted that there is a large gap between the actual and required level of investment. The split incentive between tenants and landlords is one of the most acute and persistent barriers to unlocking the potential of energy efficiency in buildings. This is a common situation whereby a landlord is responsible for meeting the cost of improvement work, but only receives a benefit when the work increases the rental or re-sale value of the property. The tenant, who is typically responsible for paying the energy bills and would thus benefit from lower energy costs, is unlikely to invest in the work without certainty that they will remain in the property long enough that the savings will outweigh the investment.

In 2016, the Irish government committed to launch a public consultation process on the establishment of minimum energy efficiency standards in the rented sector. It is intended that these regulations will only come into place post-2020 and will apply to new leases rather than existing ones^{iv}. As part of this process, the Department will also seek views on the options for support schemes that could help landlords to make the investments necessary to improve the energy efficiency of their properties in the period before the changes are introduced. The aim of this document is to help inform the public consultation to be launched by the Department of Communications, Climate Action and the Environment (DCCAE) in the middle of this year on proposed approaches to dealing with energy efficiency upgrades in rental properties^v.

Existing Initiatives in Ireland

Tackling the split incentive issue has been high on the EU agenda for the last 15 years. Both the [Energy Efficiency Directive](#) and the [Energy Performance of Building Directive 2018 recast](#) directly address the barrier of split incentives in the building sector.

Article 19(1)(a) - Energy Efficiency Directive

Member States shall evaluate and if necessary take appropriate measures to remove regulatory and non-regulatory barriers to energy efficiency, without prejudice to the basic principles of the property and tenancy law of the Member States, in particular as regards: (a) the split of incentives between the owner and the tenant of a building or among owners, with a view to ensuring that these parties are not deterred from making efficiency- improving investments that they would otherwise have made by the fact that they will not individually obtain the full benefits or by the absence of rules for dividing the costs and benefits between them, including national rules and measures regulating decision- making processes in multi- owner properties.

Energy Performance of Building Directive 2018 recast

Member States should provide clear guidelines and outline measurable, targeted actions as well as promote equal access to financing, including for the worst performing segments of the national building stock, for energy-poor consumers, for social housing and for households subject to split-incentive dilemmas, while taking into consideration affordability. To further support the necessary improvements in their national rental stock, Member States should consider introducing or continuing to apply requirements for a certain level of energy performance for rental properties, in accordance with the energy performance certificates.

Article 2a (d) the long-term national renovation strategy, must include an overview of policies and actions to target the worst performing segments of the national building stock, split-incentive dilemmas and market failures, and an outline of relevant national actions that contribute to the alleviation of energy poverty.

The introduction of mandatory Building Energy Rating (BER) for properties offered for rental or for sale in January 2009^{vi}, followed by the obligation to state it in the advertisement of a property for rent or sale in 2013^{vii} aimed at increasing transparency in the market for building occupiers, investors and tenants. With an energy efficiency rating system, agents looking to rent can identify the energy performance of buildings which would otherwise be unknown. Provided consumers value energy efficiency, for comfort gains, monetary savings through reduced energy usage, environmental concerns or otherwise, this should lead to an increase in demand for more energy efficient properties.

[BER and Rental Prices](#)

Although there is no consensus on the scale of the effect, almost all research finds a positive effect of energy ratings on property prices and rental rates in the commercial property sector^{viii}.

A positive relationship between energy ratings and rental prices also holds in the residential sector. A 2013 study shows that each decline in energy efficiency along the BER scale is associated with a decline in rental price of 0.5%. According to this study, relative to D-rated properties A-rated properties receive a rental price premium of just under 2%^{ix}. A 2018 study shows that up to half of rental tenants in Ireland are willing to pay more for properties with higher levels of energy efficiency^x. According to this study, in the absence of information tenants overvalue energy efficiency labels.

However, in both commercial^{xi} and residential^{xii} sectors, the effect of the energy rating is stronger where selling conditions are worse. Furthermore, the levels of mark-ups are generally not sufficient to fully recover investment costs^{xiii}.

[Support Schemes](#)

The following support schemes are currently available to landlords willing to invest in the energy efficiency of their properties.

The [Home Renovation Incentive](#) (HRI) is a relief from Income Tax for homeowners, local authority tenants and landlords. The HRI Tax Credit can be claimed for repairs, renovations and improvements including improvements that deliver energy efficiencies to homes and/or rental properties.

The [Living City Initiative \(LCI\)](#) is a tax incentive scheme for Special Regeneration Areas (SRA) in: Cork Dublin Galway Kilkenny Limerick Waterford. Three types of relief are available under this scheme: Owner-occupier residential, rented residential (landlord) and commercial relief.

SEAI's [Better Energy Homes](#) and [Better Energy Communities](#) schemes are available to landlords. However, in practice the split incentive has limited take-up of these schemes by landlords^{xiii}.

[About this report](#)

Method



Structure

The aim of this report is to help inform the public consultation to be launched by the Department of Communications, Climate Action and the Environment (DCCA) in the middle of this year on proposed approaches to dealing with energy efficiency upgrades in rental properties^{xv}.

The report is divided into two sections: commercial and residential sectors. Each section presents an overview of the Irish market and of regulatory and contractual approaches which have been taken in other jurisdictions to tackle the split incentive issues, as well as a set of suggested recommendations for Ireland.

COMMERCIAL SECTOR



[Ireland's Rental Commercial Property Market](#)

The following characteristics of the Irish commercial rental market are significant to this matter.

There are circa 109,000 commercial buildings in Ireland. Three quarter of which are either retail or offices. Modelling indicates a primary energy demand in the commercial sector of around 18 Terawatt Hours (TWh). Among all sectors "Retail" has the highest energy demand at around 7 TWh, followed by "Offices", "Hotel" and "Restaurant/Public House".

Ireland has a relatively unsophisticated commercial buildings stock, and a high incidence of buildings in which relatively basic upgrades could lead to significant energy savings^{xvi}.

A large proportion of occupiers is tenants. Furthermore, the commercial sector has a much higher rate of multi-tenanted leasing situation comparing to residential sector (50-70% vs. 25% in EU)^{xvii}. Tenants who lack decision-making power are significantly less likely to investigate energy renovation options^{xviii}.

Rent increases are expected in all sectors of the commercial property market across the country this year, with the office sector proving the most successful performing commercial property sector. However, there is a wide rental imbalance between Dublin and the rest of the country. Prime retail rents in Dublin are €6,000 per square metre, over six times the national average and prime office rents are €638 per square metre, over three times the national average. At the other end of the scale, Sligo has the highest commercial vacancy rates in the country at 18.7% - Nationally, vacancy rates for commercial properties is 13.3%^{xix}.

[International Case Studies](#)

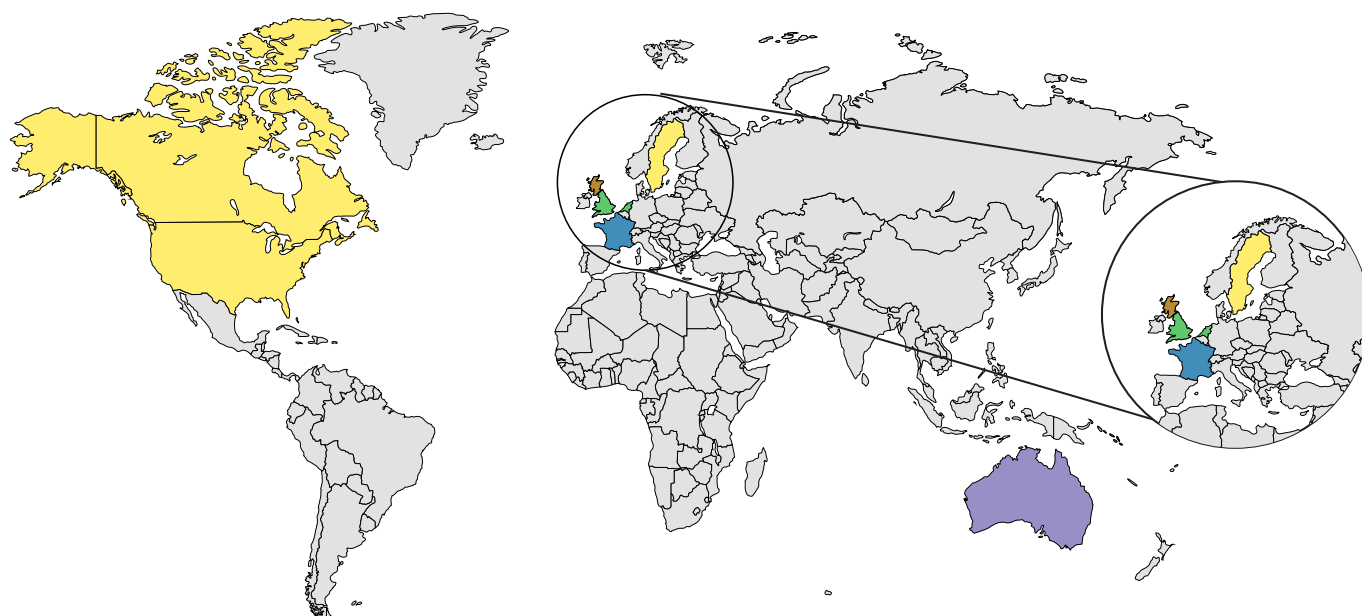
Regulatory and contractual approaches are used to tackle the split incentive issue in the commercial sector.

Regulatory approaches include minimum energy efficiency standards (e.g. England and Wales, the Netherlands) and mandatory energy renovation action plan (e.g. Scotland). To give time to landlords and investors to adjust, changes in minimum energy efficiency standards have been announced far in advance and introduced gradually. Furthermore, exemptions exist, and financial incentives are usually introduced alongside these pieces of legislation. As these are relatively new, it is not possible to assess their full impact yet. Enforcement also seems to be a big challenge. However, evidence collected by local green building councils suggest that investors and mortgage-banks already discriminate against poor-rated buildings within their portfolio strategies and seek to divest of stock that is either at risk or fails to meet the standards. E.g. office buildings in the Netherlands will be required to have an energy label of C or better by the 1st January 2023. Although the legislation will only come into force in 4 years' time, ING, Rabobank and ABN AMRO, three leading financial institutions in that country, have indicated they will stop financing office buildings with a D label or worse. Additionally, ING Real Estate Finance is no longer refinancing clients lacking a plan to get at least a C label for their office.

Contractual approaches such as green leases are also quite common in the commercial sector. A green lease is a standard commercial lease with additional clauses included which provide for the management and improvement of the Environmental Performance of a

building by both owner and occupier(s). Green leases are now relatively common in the UK, the US and Australia, where the Better Building Partnership¹ has developed considerable resources around them. Green leases are usually voluntary, except for example for some commercial buildings in France and government's buildings in Australia. Research shows that green leases contribute to greater environmental awareness. They also facilitate useful conversations about cooperation between tenant and landlord on environmental matters^{xx}. However, actions taken as part of green leases can usually be described as “light green” (e.g. changing the lighting to LED) as opposed to “dark green” (e.g. deep retrofit). Although green leases are applicable in concept to any rented property, large or small, their diffusion across the market, where non-mandatory, is uneven. The organisations adopting green leases in the UK and the US are mainly the same type that are likely to participate in other forms of voluntary environmental programmes, i.e. large organisations with sustainable goals.

Seven approaches were studied in greater details as part of this review. For further, information on them, please [click here](#).



- Voluntary green leases
- Mandatory green leases
- Minimum energy efficiency standards
- Mandatory energy renovation action plan

¹The Better Building Partnership is a coalition of leading commercial property owners who are working together to improve the sustainability of existing commercial building stock.

Recommendations

1. In order to improve the energy efficiency performance of the commercial rental market a first step is to ensure the existing legislation on Building Energy Rating (BER) is fully implemented. Stating the BER in the advertisement of a property for rent or sale has been mandatory in Ireland since 2013^{xix}. However, a high number of commercial properties are still advertised without a BER. This means that a high number of prospective tenants cannot make a fully informed choice on the property they rent.

2. Under S.I. No. 243/2012, local authorities are responsible for enforcing this legislation but many of them do not have the resources to do so. The following options could be explored to improve compliance: Better resourcing building control units within local authorities; Transferring this competence to SEAI – or ensuring somebody within SEAI is responsible for supporting local authorities with that regard; Having agreements with letting websites such as Daft so that it becomes impossible to advertise a property for rent on these websites without a BER.

3. This should be complemented by an information campaign to ensure all landlords are fully aware of the obligation to publish BER information when advertising a property for rent, and all tenants understand the benefits and co-benefits of energy efficiency.

4. To improve energy efficiency performance in that sector, a minimum BER could then be introduced. The BER system is already in place and well-recognised. This would send a clear signal to the market. However, the minimum energy efficiency standard must be announced far in advance and introduced gradually to give time to landlords and investors to adjust to it.

5. Ireland's commercial building sector is a two tiers market. The tier one market is made up of well-located, high-end and energy efficient buildings owned by professional landlords. The tier two market is made up of all commercial buildings located in the peripheral areas of large towns and cities. These are often owned by smaller landlords. Although all commercial properties should eventually reach the same level of energy efficiency performance, the time frame and supporting measures needed are different. This is critical in ensuring a just transition.

From a regulatory point of view and to keep things simple, it is suggested to classify all buildings located in cities as tier one. For commercial buildings located outside cities, their classification as tier-one or two should be based on the property type and the Net Asset Value (NAV). For instance, as of May 2019 and based on the Valuation Office Data, it is suggested that all office buildings located outside cities but with a NAV superior to €130 per sq. m2, and all retail units located outside cities but with a NAV superior to €154 per sq. m2 are classified as tier one.



6. It has been suggested to introduce a minimum energy efficiency standard for tier-one properties in 2023, and 2025 for all other properties. This should subsequently be increased to A3 by 2030. This is in line with the public sector policy which already requires that public bodies only lease buildings where that building has a BER equal to or better than A3^{xvii}. The Enerfund app could be used to set the initial mandatory requirement and intermediary steps to A3. However, if an incremental approach is taken, it is recommended that it is introduced alongside Building Renovation Passports².

7. The BER is an assessment at a fixed point in time. To ensure continuous progression and engagement between tenants and landlords, it is suggested to update the Landlord and tenant (amendment) act, 1980 so that new leases and rights to renew leases incorporates green clauses as a basic provision. This would contribute to raising energy efficiency and environmental awareness in the industry.

8. Further research is required in relation to potential exemptions and supporting measures needed. However, beyond improving energy efficiency and the quality of Ireland's commercial building stock, the new standard must be fair and should not lead to more derelictions.

9. As the standard must be easy to understand and to implement, the number of exemptions must be limited. However, it is suggested to take a different approach for

traditionally built buildings. For these buildings, it is suggested to set a lower C1 target by 2030 or to bring the building up to cost optimal level if the cost of the works exceed energy savings over a period of 10 years.

10. Any exemptions should be published in a publicly available exemption register, so that it can be checked by prospective tenants.

11. Owners and occupiers of tier one properties may not require a lot of support to reach the new standard. Better promotion of the existing SEAI schemes such as EXEED is likely to be sufficient. Smaller landlords on the other hand require more financial and technical support. Financial support could be provided through grants, low interest loans and/or tax exemptions. Small property owners would also benefit from the development of a network of skilled, trusted 'One Stop Shops' who would support them at all stages of the renovation process. As neutral bodies with national coverage, SEAI and local authorities are well-positioned to provide this service. However, they do not currently have the resources to do so. Another option is to develop a network of skilled, trusted and easily identifiable renovation advisors across the country, endorsed by SEAI and main construction bodies³.

12. Finally, coordination with local authorities is needed to ensure improvement in energy efficiency don't lead to higher rates. Rate reliefs could for instance be introduced for a number of years for occupiers who invest in improving energy efficiency.

² A Building Renovation Passport is defined as a document outlining a long-term step-by-step renovation roadmap for a specific building, resulting from an on-site energy audit fulfilling specific quality criteria and indicators established during the design phase and in dialogue with building owners. The IGBC will pilot a Building Renovation Passport for Ireland in 2019-2020 with support from the SEAI.

³ IGBC and Limerick Institute of Technology are working on the implementation of a user-friendly holistic energy efficiency accreditation of building professionals, and looking at ways to extend it to construction workers.

RESIDENTIAL SECTOR



Ireland's Rental Residential Property Market

The following characteristics of the Irish residential rental market are significant to this matter.

Ireland's rate of homeownership peaked at 80% of households in 1991. By 2016, owner-occupation had fallen to 67.6%, while 20.2% of households rented from a private landlord and 8.85% rented from a local authority. Renting now accounts for 36% of tenure status in urban towns and cities^{xxiii}.

Approximately 20% of rented dwellings have a BER of F or G, compared to the overall housing stock where 15% of properties have a BER of F or G. Over 55% of private rented dwellings have a BER of D or lower^{xxiv}. This implies that people in rented properties at a significantly higher risk of fuel poverty than people living in owner occupied or local authority homes^{xxv}. The rental sector is hence an important area to tackle for alleviating energy poverty.



Figure 1: Proportional distribution of Irish Building Energy Ratings - Collins, M, Curtis, J. 2017

Studies by the National Economic and Social Council (NESC) have suggested that by European standards, the Irish property sector is comprised of a large number of small landlords. Residential Tenancies Board (RTB) data show that 86% of landlords own two properties or less, with 70% of them only managing one tenancy^{xxvi}. The Central Bank also reports that buy-to-let mortgages are particularly prevalent in Ireland, with nearly half of all rented properties under mortgage. Although small, the build-to-rent sector has grown significantly in the last decade and accounted for 25% of investment in Ireland in the first half of 2018^{xxvii}. In private rented accommodation, the average duration of tenancy is 3 years 4 months^{xxviii}.

Rents across the country, particularly in Dublin, the Greater Dublin Area (GDA), and other cities have increased significantly over the last few years. Average annual rental growth rates for 2016 were 7.8%^{xxix}, compared to an average increase in average weekly earnings of 0.95%^{xxx}. In a market with increasing rental prices, both landlords' and tenants' decisions may be affected: Landlords' rental income increases irrespective of housing quality and some landlords may be less inclined to invest in energy efficiency upgrades. Upward pressure on rental prices will diminish tenants' willingness-to-pay for improved energy efficiency, as higher rent costs will reduce their ability to pay^{xxxi}.

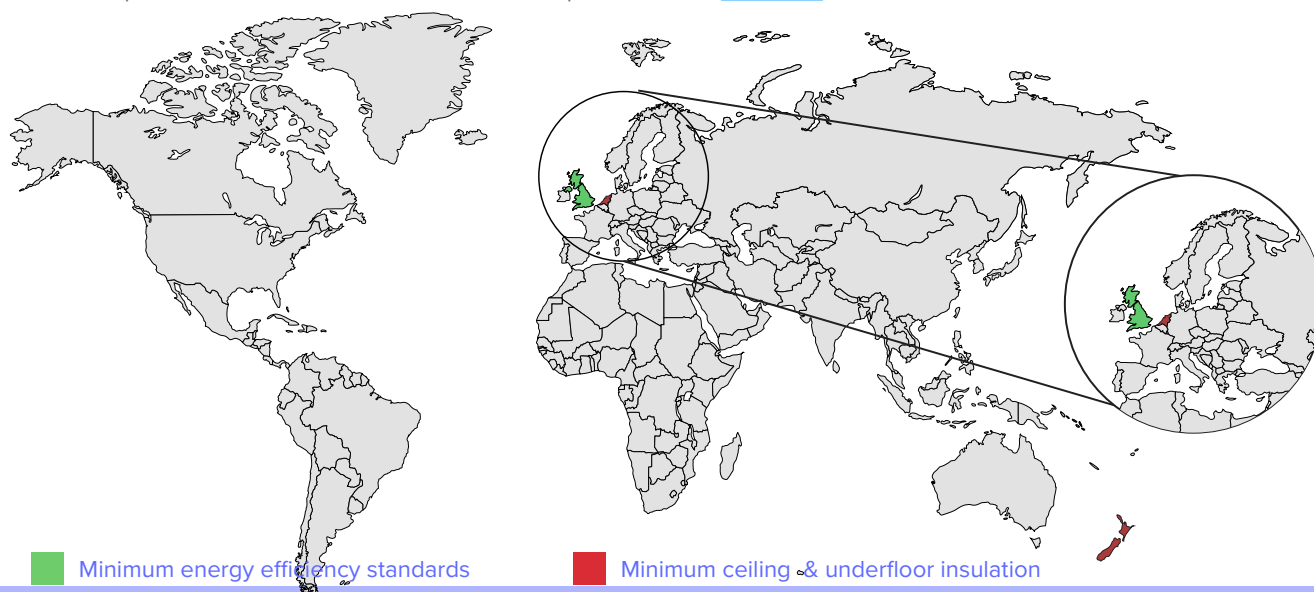
Under the Planning and Development (Housing) and Residential Tenancies Act 2016 rent increases are capped at 4% per year for the next 3 years in designated Rent Pressure Zones - RPZs. Under the Residential Tenancies (Amendment) Act 2019, the designation of existing RPZs will be extended till the end of 2021. Furthermore, works that will qualify for the exemption from the rent increase restriction in respect

of a substantial change in the nature of the rental property shall consist of either: 1. A permanent extension increasing the floor area by 25% or 2. An increase in the BER of the building by at least 7 grades. Or 3. At least 3 of the following: a. A permanent alteration of the internal layout, b. adaptations for persons with a disability, c. a permanent increase in the number of rooms, d. an improvement in the BER by 3 or more ratings for those with a BER of D1 or lower or an improvement by 2 ratings for those with a BER of C3 or higher.

International Case Studies

In the residential sector, two main types of legislation have been introduced to-date to tackle this issue: Minimum energy efficiency standards (e.g. England and Wales) and minimum ceiling and underfloor insulation (e.g. Flanders in Belgium and New-Zealand).

The minimum standards introduced so far have been relatively low but are due to increase gradually in the next decade. To give time to landlords and investors to adjust, changes have been announced far in advance (3-8 years) and introduced gradually. Exemptions usually exist and these new pieces of legislation have been introduced alongside public education campaigns, guidelines, and financial support. Local authorities are generally in charge of enforcement, which can be challenging due to a lack of resources. However, these legislations have contributed to energy efficiency awareness raising and investors have started to discriminate against poor-rated buildings within their portfolio strategies and seek to divest of stock that is either at risk or fails to meet the standards. Five approaches were studied in greater details as part of this review. For further information on them, please [click here](#).



Recommendations

1. The gradual introduction of minimum energy efficiency performance standards in the private rental market has the potential to increase the rate and depth of renovation in the sector. It would send a clear signal to the market. If properly implemented, it could not only reduce Ireland's carbon emissions, but could also reduce fuel poverty, and improve people's health and wellbeing. However, given the current housing crisis, research and expert advice is needed to avoid unintended consequences on rental properties supply and rents increase.

2. It is suggested that if a minimum energy efficiency or thermal performance standard is announced it would need to be done far in advance and introduced gradually to give time to landlords and investors to adjust to it. More specifically, it is suggested to introduce a minimum energy efficiency standard of D2 by 2025, and to gradually increase it to C1 by 2030. Requiring progressive improvements in efficiency over a specific period would give landlords a well-signalled lead-in time to improve the energy efficiency of residential rental properties. However, if an incremental approach to improving energy efficiency is taken, a pathway to achieve that level is needed to avoid lock-ins. The new standard could for instance be introduced alongside Building Renovation Passports⁴.

3. Any new standard and its implementation must remain simple and easy to understand for both landlords and tenants. The number

of exemptions must be limited, and these must be transparent. Although pre-1940s buildings may not require full exemptions, a specific approach may be needed for these properties to ensure some improvements without damaging the building or requiring disproportionate investments. It is also suggested that these exemptions are registered with the Residential Tenancies Board and publicly available⁵.

4. Some actions could also be taken now to improve energy efficiency in this sector. A first step is to ensure the existing legislation on Building Energy Rating (BER) is fully implemented. Stating the BER in the advertisement of a property for rent or sale has been mandatory in Ireland since 2013⁶. However, a high number of properties still appear to be advertised without a BER. This means that a high number of prospective tenants cannot make a fully informed choice on the property they rent.

Under S.I. No. 243/2012, local authorities are responsible for enforcing this legislation but many of them do not have the resources to do so. Various options could be explored to improve compliance, including better resourcing building control units within local authorities or transferring this competence to SEAI. Alternative options include having agreements with letting websites such as Daft so that properties without BERs cannot be advertised or making BER information mandatory when registering a property with the Residential Tenancies Board⁷.

5. Any new standards should be introduced alongside an awareness raising campaign and supporting technical and financial measures. It must be attractive for both landlords and tenants and must be well communicated. It should be presented to landlords as an investment in their properties and as a way to future proof them. From that point of view, it would be useful to link the Residential Property Price Register with the BER register. For tenants, the focus should be on the health and wellbeing benefits of energy renovation. Ongoing research conducted as part of the H2020 funded project CONSEED suggests households pay more attention to energy efficiency information when it is displayed in monetary terms - versus existing kWh. The option of providing indicative information on operating costs should be explored further.

6. Landlords, and more specifically smaller landlords will likely require technical and financial support. Technical guidance should be provided to landlords. However, to demystify energy renovation and to ensure any new standard has a positive impact on people and buildings, professional advice may be needed. This is particularly critical for historic buildings or if a gradual approach to a particular standard is taken. In that regard, small property owners would benefit from the development of a network of skilled, trusted local intermediaries who would support them at all stages of the renovation process⁸. Another suggestion could be to provide grants or tax credits to access professional advice on building

renovations. These professionals could be responsible for developing a roadmap of measures to be taken either in a one-off or phased manner⁹.

7. If properly implemented, any new energy efficiency performance standard should benefit both landlords and tenants. For landlords, it should improve the property value and future proof it. For tenants, it should reduce energy cost and improve health and wellbeing. A successful approach to overcoming misaligned incentives between tenants and owners should hence consider splitting costs and benefits in a balanced way. In this context, a share of energy cost savings should be allowed to be used for investment repayments. And landlords should take part of the investment cost in view of the property's value increase as a result of the energy efficiency upgrade.

8. A number of actions are needed to ensure the implementation of any new standards is fair and benefits both groups. First, the cost of works and the value of energy savings must be established. Greater security of tenure may be required to secure tenants' buy-in. In fact, tenants with greater security of tenure are more likely to be ready to invest in a property. [The SEAI's free upgrades for eligible homes](#) programme should also be opened to tenants receiving one of the required welfare payments and with a long-term lease – e.g. 10 to 15 years. In parallel various mechanisms could be introduced to better support landlords (excluding financial institutions such as investment trusts)

who invest in energy efficiency. While many SEAI grants are already available to landlords ([insulation grants](#) and [heating upgrade grants](#)), these could be complemented by tax incentives and low interest loans. In particular, it is suggested to explore the opportunity of opening the [Accelerated Capital Allowance scheme](#) to landlords or to reduce the property tax for landlords who invest in retrofit. The introduction of low interest loans for retrofit and on-tax financing (whereby the investment is repaid through property tax) should also be explored.

9. Finally, enforcement of any new standards will be critical. This must be clear and proportionate. To make it easier and more resource efficient, it is suggested to link the RTB register with the SEAI's BER database. Inspection and direct enforcement will also be required. This could be done by local authorities, but they would need to have the resources to implement it. A report by the National Oversight and Audit Commission on the inspection of private rented accommodation indicates overall low rates of inspection of the private rental stock, low rates of compliance and little consistency in approach to implementation of the regulations across local authorities. With that regard, the approach taken in England and Wales where a ring-fencing mechanism is in place which allows local authorities to keep all fines collected for non-compliance should be explored.

⁴ A Building Renovation Passport is defined as a document outlining a long-term step-by-step renovation roadmap for a specific building, resulting from an on-site energy audit fulfilling specific quality criteria and indicators established during the design phase and in dialogue with building owners. The IGBC will pilot a Building Renovation Passport for Ireland in 2019-2020 with support from the SEAI.

⁵ In England and Wales, all exemptions are published in the PRS Exemptions Register and can be checked by prospective tenants.

⁶ S.I No. 243 of 2012 Energy Performance of Buildings

⁷ Providing this information is currently voluntary when registering a property with the board.

⁸ It is envisaged that when Scotland introduces minimum energy efficiency standards in privately rented properties, Home Energy Scotland will provide free, impartial advice tailored to each situation, as well as an estimation of costs.

⁹ IGBC and Limerick Institute of Technology are working on the implementation of a user-friendly holistic energy efficiency accreditation of building professionals, and looking at ways to extend it to construction workers.

CONCLUSION & NEXT STEPS



“Every successful energy saving programme needs three main components: carrots to provide incentives, sticks to ensure compliance and tambourines to increase awareness”.
European Commission, Joint-Research Centre 2014.

Buildings are directly responsible for 40% of energy use in Ireland and are major emitters of carbon. Upgrading our buildings so that they use less energy is critical to reach our climate targets. But building renovation can also support our economy and improve people’s health and wellbeing. As 55% of private rented dwellings have a BER of D or lower^{xxiii}, improving the energy efficiency performance of this sector is important in alleviating energy poverty.

To improve energy efficiency performance in the private rental market, a first step is to raise awareness about the benefits of energy efficiency among tenants and landlords and to increase transparency.

As a high number of rental properties are still advertised without a BER, a high number of prospective tenants cannot make a fully informed choice on the property they rent. Information campaigns are needed to ensure all landlords are fully aware of the obligation, and all tenants fully understand the benefits and co-benefits of energy efficiency. To improve compliance and ensure all properties advertised for rent have a BER, agreements could be signed with letting websites such as Daft so that it becomes impossible to advertise a property for rent on

these platforms without a BER. Another option is to link the BER and RTB registers. Likewise, from a landlord’s point of view it would be useful to link the Residential Property Price Register with the BER register, so that they can clearly see the value of higher BERs. To encourage better sharing of data between landlords and tenants in the commercial sector, it is suggested to update the Landlord and tenant (amendment) act, 1980 so that new leases and rights to renew leases incorporate green clauses as a basic provision. This would immediately raise energy efficiency and environmental awareness in the industry.

Although these measures have a critical and immediate role to play in improving energy efficiency in the rental market, they won’t be enough on their own to ensure these properties are fully decarbonised by 2050¹⁰. The introduction of minimum energy efficiency requirements for rental properties on the other hand could send a clear signal to the market. They are particularly critical to improve current conditions in buildings at the low end of the market. However, a well-signaled lead-in time is needed to give time to landlords and investors to adjust.

Furthermore, in order to be effective, the approach should be comprehensive and include multiple measures. More specifically, any minimum standards should be complemented by accurate and regular information campaigns, appropriate incentives and effective enforcement. This is critical in ensuring these standards achieve the desired effects and prevent negative impacts on people or buildings.

¹⁰ The Irish government supports the adoption of a net zero target by 2050 at European Union level. Government of Ireland - Climate Action Plan 2019



For these reasons and given the current housing crisis, it is suggested to introduce a minimum energy efficiency standard from 2023 for commercial properties and 2025 for residential properties. The minimum standard would gradually increase to A3 for commercial buildings¹⁰ and C1 for all residential properties by 2030. As any new standard and its implementation must remain simple and easy to understand, the number of exemptions must be limited, and these must be transparent. For traditionally built buildings, it is suggested to simply bring the building up to cost optimal level if the cost of the works to bring it to C1 exceed energy savings over a period of 10 years.

Any new standards should be introduced alongside an awareness raising campaign and supporting technical and financial measures. It must be attractive for both landlords and tenants and must be well communicated. It must be presented to landlords as an investment in their property and as a way to future proof them. For tenants, the focus should be on the health and wellbeing benefits of energy renovation. Greater security of tenure may also be required to secure tenants' buy-in. Tenants with greater security of tenure are more likely to be ready to invest in a property.

Landlords, and more specifically small landlords will likely require technical and financial support. Technical guidance should be provided to landlords and tenants. However, to demystify energy renovation and to ensure any new standard has a positive impact on people and buildings, professional advisers may be needed. In that regard, small property owners would benefit from the development

of a network of skilled, trusted local intermediaries who could support them at all stages of the renovation process. Another option is to develop a network of skilled, trusted and easily identifiable renovation advisors across the country, endorsed by SEAI and main construction bodies.

A comprehensive financing model is required to ensure any new standard achieves the desired effects. In that regard, various supporting models should be explored. These include grants, low interest loans and tax exemptions. The SEAI's free upgrades for eligible homes programme could for instance be opened to tenants receiving one of the required welfare payments and with a long-term lease. The opportunity of opening the Accelerated Capital Allowance Scheme for residential landlords and to reduce the property tax for landlords who invest in retrofit should be explored. In the commercial sector, coordination with local authorities is needed to ensure improvement in energy efficiency don't lead to higher rates.

Finally, and although these recommendations were developed through extensive desk research on international case studies and consultation with key Irish stakeholders, further research is needed to establish the existing situation and help set clear targets.

¹⁰ C1 for traditionally built buildings.

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THANKS TO ALL PEOPLE INVOLVED
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ACRONYMS & DEFINITIONS

Building Energy Rating (BER) known under EU law as Energy Performance Certificate (EPC) certificates.

Energy poverty can be defined as an inability to heat or power a home to an adequate degree. It is a function of three factors: a person's income, the cost of energy and energy efficiency of their home. It is quantified in Ireland using what is known as the expenditure method of measuring energy poverty, whereby a household that spends more than 10% of their income on energy is considered to be in energy poverty.

Energy Performance Certificate (EPC) known in Ireland as Building Energy Rating (BER) certificates.

Green lease is a lease between a landlord and tenant of a commercial building which provides obligations on both parties to minimise adverse environmental impact in areas such as energy, water and waste.

Split incentive refers to transactions where the benefits do not accrue to the person who pays for the transaction. In the context of building-related energy, it refers to the situation where the building owner pays for energy retrofits efficiency upgrades but cannot recover savings from reduced energy use that accrue to the tenant.

Temporal split incentive refers to situations where the energy efficiency investment does not pay off before the agent transfers the property.

Traditionally built buildings are understood to be buildings constructed before 1945. Modern materials and techniques were used widely in the Irish construction industry from around this time onward. Traditional buildings are often referred to as being "breathable construction". This means that the construction materials used can absorb and release moisture.

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