Grade Expectations: MEES and Changing EPC Requirements in England and Wales

September 16, 2026

Key takeaways

- **Letting standards are changing.** Minimum Energy Efficiency Standards (MEES) have moved from a compliance afterthought to a central asset management issue for landlords letting property in England and Wales.
- **The current minimum is an Energy Performance Certificate (EPC) of E.** A landlord generally cannot grant or continue a letting of a "substandard" (EPC F or G) property unless the landlord improves it to E, or a valid exemption is registered.
- **Commercial buildings have different minimum requirements based on their size.** The Government intends to implement a policy requiring all commercial properties over 1,000 square meters to achieve an EPC rating of B by 2031. It has dropped the interim EPC C milestone previously proposed for 2027. Smaller commercial buildings (under 1,000 square meters) stay at EPC E for now, with no deadline to go further.
- **Residential follows a separate track.** The Warm Homes Plan targets EPC C for privately rented homes by October 2030.
- **Additional guidelines are coming.** The Government must still pass secondary legislation to implement the commercial B standard.
- **Penalties differ per property type.** Fines can reach £150,000 per commercial breach, compared with a £5,000 cap per domestic property.

MEES have moved from a compliance afterthought to a central asset management issue for landlords letting property in England and Wales. The regime uses a property's EPC rating as both the trigger and the benchmark for whether it can lawfully be let. Keep reading to understand the current position, the changes the Government announced on 18 June 2026 and the practical consequences for landlords and tenants, distinguishing between the commercial (non-domestic) and residential (domestic) regimes, which run on different standards, deadlines and penalties. The core message for landlords is to audit portfolios now and plan for a higher minimum standard; for tenants, the changes are increasingly a source of leverage for negotiation.

The current regime

For commercial property, a landlord must not grant a new lease of substandard property (since 1 April 2018) or continue to let it (since 1 April 2023) unless it reaches EPC E or a valid exemption is registered. The position is the same for residential property, though the key dates differ. The domestic MEES Regulations have prohibited new lettings of F/G property since 1 April 2018, and since 1 April 2020 the prohibition has applied to all relevant existing tenancies.

The two regimes also cap a landlord's spending differently. Residential landlords currently benefit from a £3,500 (including VAT) cost cap on improvements. Once the landlord has spent that amount without reaching EPC E, the landlord can register an exemption. In the commercial regime there is no fixed cost cap. Instead, the "seven-year payback test" applies − a landlord does not have to implement a recommended measure if its expected energy savings over seven years would not cover the cost of buying and installing it.

New changes and timeline

On 18 June 2026, the Government published its interim response to the 2019 and 2021 consultations on non-domestic MEES. From 2031, all let commercial buildings above 1,000 square meters must achieve EPC B, subject to exemptions.

The Government revised the earlier plan of achieving an EPC rating of B by 2030 with an interim rating of EPC C by 2027. It dropped the interim C milestone and extended the EPC B deadline to 2031. Buildings under 1,000 square meters remain at EPC E with no set deadline to go further. The seven-year payback test and other established exemptions continue to apply. Importantly, the EPC B standard takes effect only once secondary legislation passes. Outstanding issues include:

- Whether the Government should increase penalties;
- Whether shell-and-core lettings get a six-month exemption; and
- Whether tenants should have statutory duties not to undermine an EPC rating

The residential trajectory is separate. Under the Warm Homes Plan, privately rented homes must reach EPC C by October 2030, with the Government still developing policy following consultations.

Practical impact on landlords

With the tightening of MEES on the horizon, landlords face a clear commercial reason to prepare their portfolios well ahead of the 2031 deadline. Reaching EPC B across a commercial estate is rarely a simple matter of upgrading the building fabric; landlords will need a coordinated strategy rather than a piecemeal response. Points to consider are:

- The immediate step is to audit EPC ratings across the portfolio and identify assets needing work to reach EPC B by 2031.
- Cost recovery is a key concern. Landlords should not assume that they can pass improvement costs through the service charge, and must negotiate clear cost-recovery provisions when granting new leases.
- Landlords should also review leases for adequate rights of access to carry out works, as parties rarely drafted older leases with sustainability upgrades in mind.
- Landlords should note that exemptions are personal, generally last five years and do not run with the land, so a buyer must re-register or carry out works.
- Where a landlord takes a property back to carry out major works, it will become liable for business rates that tenants would usually pay. However, landlords can apply for empty property relief and, following the decision in *Newbigin (Valuation Officer) v SJ & J Monk [2017]*,[1] seek the reduction of the property's rateable value to a nominal amount while it is undergoing redevelopment.

Practical impact on tenants

Compliance with MEES is not solely a landlord concern; it increasingly shapes the dynamics between the parties throughout the life of a lease and at its end. While the legal burden currently rests with the landlord, the practical consequences of a building's energy performance are felt by both parties at the negotiating table. As standards tighten and reform looms, landlords should be alert to how energy efficiency can influence rent negotiations, cost-sharing arrangements and dilapidation claims. Tensions are likely to arise in a few ways:

- At present, MEES obligations fall on the landlord, and the lease parties must allocate costs between them, though the Government is considering imposing basic duties on tenants not to undermine an EPC rating.
- Commercial tenants could use a poor rating as negotiating leverage, pressing for a lower rent or for the landlord to fund the recommendations in the EPC report.

- On exit, MEES can strengthen a tenant's dilapidations position, particularly if a landlord must carry out energy upgrades to re-let a poorly rated building.

Enforcement and penalties

Understanding the consequences of noncompliance is essential to appreciating why MEES demands early attention. The regime distinguishes between the commercial and residential sectors, with different penalty ceilings applying to each. Enforcement and penalties operate in a few ways:

- Local authorities enforce commercial MEES. A landlord faces a maximum £5,000 fine for failing to comply with a compliance notice or for registering false information, but the substantive MEES penalties reach far higher, up to £150,000 per breach.
- In practise, the penalty scales with the length of breach. For a breach under three months, the higher of £5,000 or 10 percent of rateable value (capped at £50,000); for over three months, the higher of £10,000 or 20 percent of rateable value (capped at £150,000).
- Authorities can publish details of breaches on the public register and can pursue former landlords for prior breaches going back 18 months.
- Residential penalties are much lower, with a total cap of £5,000 per property; up to £2,000 for letting a non-compliant property for under three months; up to £4,000 for three months or more; up to £1,000 for false information and up to £2,000 for failing to comply with a compliance notice, with the possibility of authorities publishing the breach.

MEES has shifted from a peripheral compliance matter to an increasingly important part of asset management for property in England and Wales, and the direction is towards higher standards and tighter deadlines. With the commercial EPC B requirement set for 2031 and residential property required to reach EPC C by October 2030, landlords can no longer afford to treat energy performance as a problem for another day, especially given the substantial penalties and reputational exposure that noncompliance now carries.

The most important strategy is to act early: audit portfolios, identify the assets most at risk and build cost recovery, access rights and exemption strategies into leasing and acquisition decisions now, rather than scrambling as deadlines approach. For tenants, a building's energy performance is fast becoming a genuine source of negotiating leverage, whether over rent, the funding of improvement works or dilapidations at lease end.

Most detail still hinges on secondary legislation, and landlords and tenants alike will need to keep a close eye on how the regime develops. But the underlying message is clear: those who plan will be best placed to protect the value of their assets and to navigate a market in which grade expectations are only rising.

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1 Newbigin (Valuation Officer) v SJ & J Monk [2017] UKSC 14.

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