



Take a chance on MEES?

An insurance solution

The PIB Renewable Energy team focuses on Insurance Solutions to mitigate the impact of the Minimum Energy Efficiency Standards (MEES) in Commercial Buildings from 1st April 2018.

The main provisions of the Minimum Energy Efficiency Standards regulations (MEES) take effect on 1st April 2018.

From that date landlords of commercial and residential properties may have to carry out energy efficiency improvement works before they are permitted to grant a new lease or renew or extend an existing lease.

Further changes will apply from 1st April 2020 and 1st April 2023.

MEES is one of the ways in which the UK will comply with its obligations under the EU Energy Efficiency Directive. MEES only applies to properties with a sub-standard level of energy efficiency.

Currently this is an EPC rating below E, but the Government has already signalled their ultimate aim is a C rating for as many properties as possible.

As it stands, MEES will prohibit a landlord from letting a sub-standard property until sufficient energy efficient improvement works are made to

bring the property up to an E rating.

For commercial properties (“non-domestic” under the legislation) MEES states that works only need to be undertaken that pay for themselves (in resulting energy savings) within seven years.

What does this mean?

Any building that falls below this minimum standard is going to require investment and have Energy Conservation Measures installed to reach that level of efficiency.

Energy Conservation Measure (ECM) is any type of project conducted, or technology implemented, to reduce the consumption of energy in a building.

The types of projects implemented can be in a variety of forms but usually are designed to reduce utility costs.

The aim of an ECM should be to achieve a saving by reducing the amount of energy used by a process, technology or facility.

ECMs are often combined into larger guaranteed **Energy Savings Performance Contracts** to maximise energy savings while minimising disruption to building occupants by coordinating renovations.

Some ECMs cost less to implement yet return a higher energy savings.

Lighting projects are a good example of minimal impact improvement works that could be used to drive implementation of more substantial upgrades to Heating Ventilation Air Conditioning (HVAC) systems in large facilities.

Smaller buildings might combine window replacement with modern insulation using advanced building foams to improve energy performance.

Examples of ECMs include;

- > Efficient air conditioning
- > LED lighting
- > Variable Speed Drives
- > Boiler optimisation
- > Building management system
- > Voltage optimisation

Energy Savings Performance Contracts (ESPCs), also known as Energy Performance Contracts, are an alternative financing mechanism designed to accelerate investment in cost effective ECMs for landlords to accomplish energy savings projects without up-front capital costs.

An ESPC is a partnership between a Landlord and

an energy service company (ESCO). The ESCO conducts a comprehensive energy audit for the Landlord and identifies improvements to save energy.

In consultation with the Landlord, the ESCO designs and constructs a project that meets the Landlord's needs and arranges the necessary financing.

The ESCO guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. After the contract ends, all additional cost savings accrue to the Landlord. Energy Efficiency Insurance can support these measures.

Energy Efficiency Insurance removes the technical uncertainty for the Landlord and/or Lender allowing them to concentrate purely on credit risk. Insuring the performance of the project with a highly rated insurer can also help to reduce the financial exposure.

Policies are available for periods of up to five years and provides cover for the following:

Material Damage - Covers physical damage, including breakdown, to equipment and materials installed as part of an energy saving project with the aim of saving or generating energy. Replacement of equipment is on a new for old basis.

Business Interruption - Covers loss of gross revenue and increased cost of working following insured damage to equipment. Revenue is income generated under an energy service contract and incentives received to produce renewable energy.

Asset Performance - Covers the annual shortfall in **Energy Service Companies**

energy savings compared to the amount of savings insured by the policy.

It covers shortfall caused by deficiencies in the design or implementation of energy saving measures and does not require damage to have occurred to the equipment. The cover is subject to a project audit.

Benefits of energy efficiency insurance

Energy efficiency insurance can provide many benefits for those receiving, delivering and funding energy saving projects:

Building Owners/End Users

- › Makes energy saving projects more easily achievable, enabling a reduction in energy costs
- › Confidence of knowing that performance shortfall is insurance backed

- › Improved availability of project funding
- › Reduced finance costs from credit risk improvements
- › Assets, revenue and performance shortfall all protected
- › Greater customer confidence in ability to deliver energy saving projects

Banks/Funders

- › Technical uncertainty removed from the project
- › Improved credit worthiness of energy saving projects
- › Loan repayments protected

PIB would be delighted to discuss the options available applicable to your property assets and developments

Get in touch

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