

The Energy Efficiency (Domestic Private Rented Property) (Scotland) Regulations 2026

Partial Business and Regulatory Impact Assessment

June 2025

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Introduction

This partial Business and Regulatory Impact Assessment (BRIA) accompanies the Scottish Government Consultation on the proposed regulations to introduce minimum energy efficiency standards (MEES) in domestic private rented sector (PRS) properties.

If the regulations are passed as proposed, they will introduce a MEES for domestic properties in the PRS. This would mean that landlords would be required to install energy efficiency measures to reach Energy Performance Certificate (EPC) Heat Retention Rating (HRR) band C, as far as possible, before letting a property. This would apply to new tenancies from 2028 and to all PRS properties by the end of 2033.

The HRR will be shown on reformed EPCs, which are due to be introduced in Autumn 2026. It is a fabric based rating that provides information on how well the property retains heat (i.e. how well insulated a home is). This is in contrast to the current main EPC rating, the Energy Efficiency Rating, which instead also takes account of the cost of energy.

We are in the process of reforming EPCs and are working with the UK Government on the new methodology: the Home Energy Model (HEM). We anticipate HEM and associated infrastructure to produce HEM EPCs will be in place in the second half of 2026. We intend to update our analysis with interim modelling for the final BRIA to reflect this. The assessments made in this partial BRIA are based on the information we have from current EPCs and therefore some of the figures and impacts are subject to change.

This document provides an initial assessment of the impact of the proposed regulations on various parties and sectors within the Scottish economy. The analysis and data provided will also help readers to respond to the questions posed in the consultation document.

We will publish the final BRIA alongside the final regulations.

Executive summary

This Partial BRIA is published to help respondents to the consultation on the proposals for PRS MEES regulations to understand possible costs and benefits of the proposals as well as identify areas where they might want to provide further evidence of impacts to assist the further development of the regulations.

Our policy aim is to improve the fabric efficiency of the domestic PRS stock, in order to both tackle fuel poverty and to reduce emissions from PRS buildings. In this Partial BRIA, we consider both a 'do nothing' option and an option to introduce regulations to establish a PRS MEES, to achieve this aim.

There has been some progress to date in PRS properties, and the proportion of properties in EPC band C or above has been steadily increasing but 48% remain at band D or lower (34% of properties are EPC band D and 14% of the stock is rated EPC band E/F/G). There are misaligned incentives in the PRS because the costs of making improvements (even with access to low cost government loans) will fall to landlords, while the primary benefits from increased thermal comfort or lower fuel bills will fall to the tenant. We have therefore concluded that our preferred option is to introduce regulations to mitigate these misaligned incentives.

As noted, the primary costs are likely to fall on PRS landlords and we set out an estimated average cost of £1,400 - £2,700 per property based on possible measures that could be installed. We have also noted the potential positive impacts for tenants and for the energy efficiency supply chain.

Alongside the written consultation, we will engage further with stakeholders, including organisations representing landlords and other affected groups. We will continue to engage with COSLA and the Regulatory Review Group (RRG), amongst others. The consultation responses and this stakeholder engagement will feed into both the further development of our policy for the regulations and for the final BRIA and other impact assessments. We will also aim to improve our cost estimates ahead of publication of the final BRIA, when we have more information about the new HEM that will underpin the reformed EPCs. We intend to introduce regulations in this parliamentary term.

Section 1: Background, aims and options

Background to policy issue

The Scottish Government has legally committed to reach net zero by 2045 for the benefit of our environment, people, and prosperity. Progress has been made, and Scottish emissions reduced by 50% between 1990 and 2022, however, more must be done to ensure Scotland continues the transition to net zero.

Around 19% of Scotland's total emissions come from the heating systems that are used in our building stock. This is the third largest cause of greenhouse gas emissions in Scotland. Reducing emissions from this sector is vital to reaching the Government's ambition of reaching net zero. On 3 April 2025, the Minister for Climate Action confirmed in a statement to Parliament that the Scottish Government will bring forward a Heat in Buildings (HiBs) Bill to introduce a target to decarbonise heating systems in Scotland's buildings by 2045¹. Alongside this, he committed to introducing MEES for domestic PRS properties using existing powers under the Energy Act 2011². These regulations are the subject of this BRIA.

Improving the energy efficiency of properties can support the transition to clean heat and support a reduction in emissions in the near term by reducing the energy required to heat a property. This means that a householder would need to turn the heating system on to a lower temperature or for shorter periods to reach the same ambient temperature. This supports reducing emissions when a polluting system is installed in the property, and 74% of PRS homes in Scotland currently use gas boilers and 7% use oil boilers³. Reducing energy demand can also have a positive impact on reducing energy bills, as it makes a home easier and quicker to heat and keep warm.

The Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act sets statutory targets that by the end of 2040 no more than 5% of households will be in fuel poverty, no more than 1% of households will be in extreme fuel poverty and the median fuel poverty gap of households in fuel poverty is no more than £250 in 2015 prices before adding inflation. The first periodic report was published in April 2025⁴. It is an important milestone in demonstrating the progress made over the last three years through the actions that were set out in the Fuel Poverty Strategy, but equally from taking actions not contained within the Strategy, which illustrates the cross-cutting nature of fuel poverty and the changing context to which the Scottish Government has had to respond to since publication in 2021. Improving the poor energy efficiency of the home is the sole fuel poverty driver within the devolved competence of the Scottish Government to take action.

Therefore, improvements in the energy efficiency of buildings can not only make a contribution to national climate change targets and in preparing for the clean heat transition, but importantly will also support aims to fuel poverty and ensure a just transition to net zero.

Existing legislative requirements

There are currently no MEES for PRS properties in Scotland. This means landlords can rent properties that meet any EPC banding.

¹ [Meeting of the Parliament: 03/04/2025 | Scottish Parliament Website](#)

² [Energy Act 2011](#)

³ [Scottish House Condition Survey: 2023 Key Findings](#)

⁴ [Tackling Fuel Poverty in Scotland: periodic report 2021-2024 - gov.scot](#)

There are a number of existing legislative requirements that landlords must comply with before letting a property in Scotland, such as the Repairing Standard, and UK-wide existing energy efficiency regulations include UK product standards, which are reserved. The UK regulations manage the efficiency standards of individual products, for example, when boilers reach the end of their lifetime their replacement has to meet the required level of energy efficiency. These types of upgrades however would be insufficient to bring most properties up to EPC band C.

Since 2014, energy efficiency standards have been in place for the social housing sector through the Energy Efficiency Standard for Social Housing (ESSH). Its primary aim was to encourage social landlords to improve the energy efficiency of the social housing stock in Scotland.

The first ESSH milestone required social landlords to meet an energy efficiency rating equivalent to EPC band C and D (Energy Efficiency rating) by 2020. The standard was designed to reduce energy consumption in order to reduce fuel poverty and emission of greenhouse gases. In 2018-19 the standard was reviewed and a new milestone was set known as ESSH2 and required that all social housing meets, or could be treated as meeting, EPC band B, or is as energy efficient as practically possible, by the end of December 2032 and within the limits of cost, technology and necessary consent. In addition, no social housing below EPC band D should be re-let from December 2025, subject to temporary specified exemptions.

The proportion of social rented properties that currently have a good level of energy efficiency (defined as EPC band C) have increased from 53% in 2016 to 69% in 2023. The distribution of domestic properties in EPC band C or better for social housing in 2023 is higher than the PRS at 52%. These differences could be driven by the Scottish Housing Quality Standard (SHQS)⁵ and the Energy Efficiency Standard for Social Housing (ESSH)⁶ which introduced MEES for the social sector.

The UK Government introduced MEES for domestic PRS properties across England and Wales in 2015. This set a requirement for properties to reach EPC band E. Earlier this year, UKG sought views on proposals to amend the existing regulations to require properties to achieve EPC band C before being let. The standard would apply to 'new tenancies' from 2028 with 'all tenancies' then required to meet the higher standard by 2030. Their consultation closed on 2 May 2025.

EPC Reform

The Scottish Government is reforming EPCs so that they have a clearer focus on the energy efficiency of the building fabric and give better information on the emissions and efficiency of the heating system. Our 2023 EPC Reform consultation⁷ set out our proposals and we published our response in January this year⁸. We will lay new EPC regulations in autumn 2025 and intend to bring them into force during autumn 2026, though this will depend on the UK Government's timetable for the development of the HEM.

EPC reform will introduce a new HRR which we intend to use as the basis for MEES in the PRS. This rating will focus on the fabric of the building and will reflect how well it retains heat to maintain a comfortable internal temperature, so it would not be affected by changes to the

⁵ [Scottish Housing Quality Standard \(SHQS\)](#)

⁶ [Energy Efficiency Standard for Social Housing \(ESSH\)](#)

⁷ [2023 EPC Reform consultation](#)

⁸ [EPC Reform consultation: Scottish Government Response](#)

heating system. Alongside this rating, the EPC would also show the efficiency and running costs of the home's heating system, and the cost of energy to run the home to standardised conditions.

In parallel to the PRS MEES consultation, the Scottish Government is also consulting on the scope of a potential Heat and Energy Efficiency Technical Suitability Assessment (HEETSA)⁹. This bespoke, technical assessment would be a step beyond the standardised, modelled EPC assessment and could be used to support building owners in understanding which potential energy efficiency improvement measures would be technically suitable (and which would not).

The Scottish Government has listened to stakeholder feedback which expressed concern at potential risks of things like dampness, condensation or mould if energy efficiency measures were recommended which would not be appropriate for a building. This proposed technical suitability assessment would provide an additional level of safeguard for consumers, particularly those in more complex to decarbonise buildings such as traditional or protected buildings, those in rural areas, or tenements.

Previous policy proposals

Improving the energy efficiency of buildings is a key driver to reducing heat demand and has been a priority for Scottish Ministers for over a decade, firstly designating energy efficiency as a national infrastructure priority in 2015¹⁰. This was the first long-term commitment to reduce the energy demand and decarbonise the heat supply of our residential, services and industrial sectors. This commitment was then brought forward in Scotland's Energy Strategy¹¹ in 2017 and consulted on as part of our Energy Efficient Scotland¹² consultation in 2018.

This was followed by the development of the draft Energy Efficiency (Domestic Private Rented Property) (Scotland) Regulations which were consulted on in 2019 and then laid before Scottish Parliament in 2020¹³. These regulations were passed through the Scottish Parliament with no objection before being withdrawn due to the impact of the Covid pandemic on the sector. At the time of withdrawal the Scottish Government made clear it would look to bring these regulations forward at a later date.

The public consultation on proposals for a HiBs Bill¹⁴ also included proposals relating to a MEES for the domestic PRS. The consultation set out that, in order to improve the energy efficiency performance of Scotland's housing stock, the Government was proposing that a MEES should be met by private landlords before the end of 2028.

In the consultation, the Government proposed that the MEES could either be met by installing measures from a list of energy efficiency measures or by meeting a minimum standard of the fabric efficiency of the reformed EPCs (now called the Heat Retention Rating).

Following the HiBs Bill consultation, we are now consulting on this updated proposal to introduce PRS MEES from 2028 for new tenancies and by 2033 for all properties.

⁹ [Heat & Energy Efficiency Technical Suitability Assessment Consultation](#)

¹⁰ [Infrastructure Investment Plan 2015](#)

¹¹ [The future of energy in Scotland: Scottish energy strategy](#)

¹² [Energy Efficient Scotland Consultation: Making our homes and buildings warmer, greener and more efficient](#)

¹³ [The Energy Efficiency \(Domestic Private Rented Property\) \(Scotland\) Regulations 2020](#)

¹⁴ [Delivering net zero for Scotland's buildings - Heat in Buildings Bill: consultation](#)

Rationale for proposed regulations

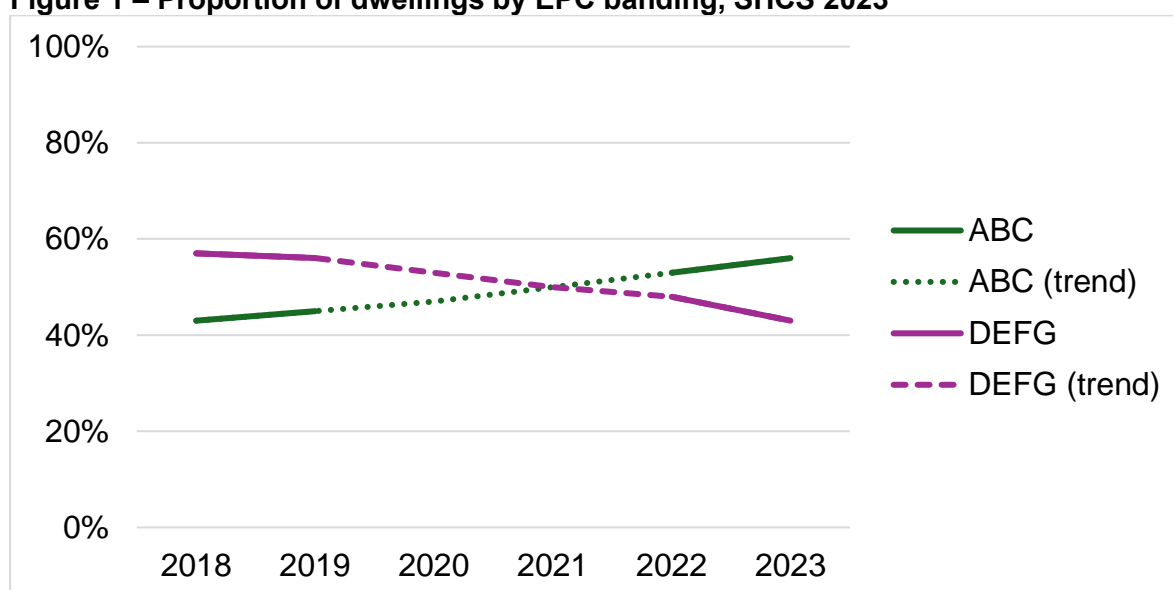
The PRS is being prioritised for action for the following reasons.

Standard of the Stock

As of 31st March 2022, there were around 2.5 million dwellings in Scotland. Of these, 61% were owner-occupied, 4% were vacant or second homes, 23% were social rented properties and 13% were privately rented or lived in rent-free¹⁵. This means there are around 300,000 privately rented homes; 64% of which are flats and 36% houses.

EPC bandings of PRS properties has been improving over time. The graph in figure 1 below shows how bandings have improved between 2017 and 2023.

Figure 1 – Proportion of dwellings by EPC banding, SHCS 2023

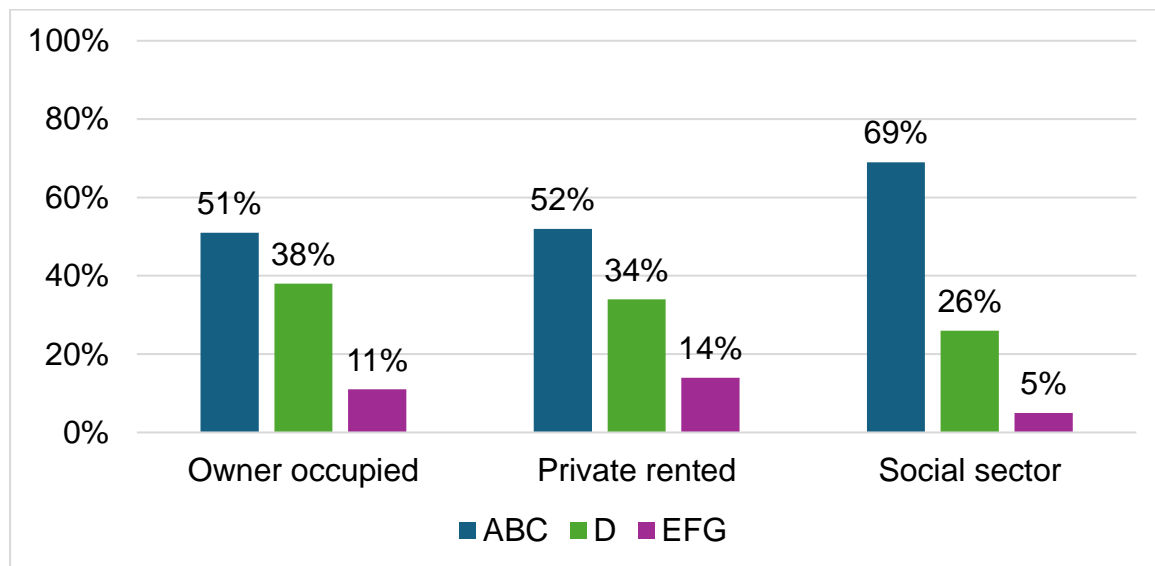


This means that some landlords have been taking action to improve their properties voluntarily, either by installing energy efficiency measures or installing more efficient boilers. 52% of PRS properties are already EPC band C or above (or around 156,000 properties).

However, this still leaves approximately 144,000 PRS homes (48%) that are able to take action to improve their property to be closer to reaching a good level of energy efficiency. The PRS has the highest proportion of the lowest energy efficient properties in Scotland. 34% of properties are EPC band D and 14% of the stock is rated EPC band E/F/G.

¹⁵ [Housing Statistics for Scotland, 2022-23: Key Trends Summary](#)

Figure 2 – Proportion of dwellings by EPC band tenure 2023, SHCS 2023



Dwellings in the lowest energy efficiency bands (F and G) are more likely to be older pre-1919 dwellings and 37% of PRS dwellings were built before 1919. This means that some properties will not be able to reach EPC band C, but will still be able to make some level of improvement that will provide benefit for tenants.

We estimate that around half of PRS properties will be able to install measures to reach EPC band C or higher, and that all PRS properties will be able to install measures to make improvements even where those properties cannot reach EPC band C or above.

Fuel Poverty

It is also the case that a higher proportion of dwellings in the PRS are estimated to be in fuel poverty (44%) than in the owner occupied sector (21%).

Fuel poverty is affected by a number of factors, including household income, the price of fuel, and energy demand of the dwelling (and the associated energy efficiency). The running cost of the heating system is therefore important, however legislative levers to amend the electricity and gas prices are reserved to the UK Government. The Scottish Government can make changes to required energy efficiency levels.

For both fuel poor and extreme fuel poor households, the lowest rates of fuel poverty are associated with higher energy efficiency standards. 32% of households living in dwellings rated EPC band C or better were fuel poor, compared to 48% living in dwellings in bands F or G.

Emissions reduction potential

PRS dwellings have higher overall modelled carbon emissions than other tenure types. In 2023, the highest emissions were observed for PRS dwellings (77 kg/m²) and lowest for housing association dwellings (61 kg/m²).

Misaligned Incentives

There is a misalignment of incentives (market failure) impacting the potential for voluntary improvement to PRS homes. Landlords are generally responsible for making energy efficiency improvements while the tenant benefits from any reduction in energy demand, bills and improved health. This may be one reason why almost half of PRS homes remain lower than EPC band C.

This issue could be mitigated if a landlord is able to recoup some of their cost through increased rent. This ability was constrained for a period as a result of the emergency rent controls which were introduced in September 2022¹⁶, and subsequent transitional measures. However there does not appear to be a strong correlation between rent controls and PRS properties being upgraded over time (Figure 3 below).

Figure 3 – SAP 2012 - PRS

	2023	2022	2021	2020	2019	2018	2017
A	[w]	[w]	n/a	n/a	<1%	<1%	<1%
B	6%	5%	n/a	n/a	3%	4%	3%
C	46%	45%	n/a	n/a	37%	40%	36%
D	34%	31%	n/a	n/a	39%	31%	37%
E	9%	12%	n/a	n/a	10%	16%	15%
F and G	5%	7%	n/a	n/a	10%	10%	9%

The Scottish Parliament is currently considering the Housing (Scotland) Bill, which contains a package of reforms that will help ensure people have a safe, secure, and affordable place to live. This includes plans for long-term rent controls, which would apply a cap to rent increases both during and between tenancies in areas where rent controls were in place. As part of our consideration of these issues, the Scottish Government is currently seeking views on whether landlords in rent control areas should be allowed to increase rent by more than the rent cap where certain types of improvements have been undertaken, such as energy efficiency improvements¹⁷.

Current funding available from relevant programmes also mitigates the misalignment of incentives barrier to an extent. There is existing Scottish Government support for landlords to improve the energy efficiency of their properties through the PRS Landlord Loan Scheme. The maximum funding available per property is limited to £38,500. Landlords with up to five properties in their rental portfolio can borrow a maximum of £100,000 with 0% interest. Landlords with more than five properties in their rental portfolio can borrow a maximum of £250,000 and will be subject to interest at a rate of 3.5% APR. It covers improvements like insulation, home renewable systems such as heat pumps, and even connections to approved district heating schemes.

The scheme is demand-led and has supported over 250 landlords since its inception in 2020, having paid out over £1.5 million for energy efficiency measures and clean heating/renewable systems.

¹⁶ [Cost of Living \(Tenant Protection\) \(Scotland\) Act 2022](#)

¹⁷ [Housing \(Scotland\) Bill – Scottish Government Rent Control Consultation](#)

However, almost half of PRS homes continue to be rated lower than EPC band C, which has been determined as a good level of energy efficiency. The available schemes and support have not provided sufficient incentive for most landlords to improve their property to EPC band C.

Despite this potential mitigation through increased rents and government funding, there remains properties that are in the lowest EPC bandings in the PRS.

Effect of business as usual

Business as usual in the PRS has not resulted in sufficient improvement in homes so that they all reach a minimum of EPC HRR band C, which was set out as a good level of energy efficiency in the HiBs Strategy¹⁸. As it stands, landlords are not required to meet a MEES and many have not taken action to improve their properties to this level. Despite improvements in EPC bandings in the PRS over time, there remains 48% of properties at EPC band D or below. As set out above, the reformed EPCs will introduce a new Heat Retention Rating focused on the fabric of the building as well as showing the efficiency and running costs of its heating system, and the cost of energy to run the home to standardised conditions. Under business as usual, there would be no requirement to focus on improving the fabric efficiency of the building against the HRR.

We believe setting a minimum standard in the PRS, which focuses on the HRR, will ensure that PRS properties are upgraded, emissions begin to reduce and tenants benefit from homes with better fabric.

Purpose and aim of action

Intended outcome

The outcome of introducing PRS MEES is for all properties, as far as possible, in the domestic PRS to meet an EPC HRR band C, unless exempt, by 2033.

Aims and objectives

Introducing a PRS MEES would support Scottish Government aims and objectives. The introduction of the PRS MEES is intended to directly support two of the four Government priorities: tackling the climate emergency and supporting our fuel poverty aims. To a lesser extent PRS MEES will also support our aims of economic growth and having sustainable public services.

Upgrading the fabric of a home (e.g. installing insulation) can help to reduce energy demand and thus emissions and potentially bills (depending on householder behaviour), supporting fuel poverty reduction. While full decarbonisation of heating systems will be required to reach net zero, analysis has suggested that all PRS homes installing certain measures could reduce emissions in PRS dwellings, across the sector as a whole, by around 5%.

Reducing demand has the potential to reduce householder bills as the home reaches a certain temperature more easily. A higher proportion of dwellings in the PRS are estimated to be in fuel poverty (44%) than in the owner occupied sector (21%).

¹⁸ [Heat In Buildings Strategy: Achieving Net Zero Emissions in Scotland's Buildings](#)

Improvements to energy efficiency also mean that buildings are easier to heat and stay warmer for longer, improving health for those in the home, with potential savings for public health spending.

We envisage that the following benefits could be achieved through the improvement of energy efficiency levels within the domestic PRS:

- improved fabric efficiency of a home, helping to reduce energy demand and potentially positively impacting fuel poverty and carbon emissions;
- Benefits for the economy and supply chain – the Green Heat Taskforce Report Part 2¹⁹ (GHFT part 2) confirms that there are likely to be direct benefits of energy efficiency policy for Gross Value Added (GVA) and jobs. There is likely to be increased work for related businesses, e.g. on advising on or installing retrofit measures, as well as for the wider supply chain if a MEES is introduced;
- Deliver health, wellbeing and early years improvements through warmer homes;
- Reduce public health spending by improving tenant health if, as intended, these regulations lead to a reduction in fuel poverty and warmer homes. GHFT Part 2 notes that the cost-benefit analyses of the return on investment that could accrue from preventing fuel poverty amongst children and young people suggest that, for every £1 spent on reducing fuel poverty, a return in NHS savings of 12 pence can be expected from children's health gains. When adults in the family are also included, this increases to 42 pence. Furthermore, common illnesses caused by cold homes during the winter currently cost the NHS around £1.4 billion every year. By improving energy efficiency in homes, not only can energy bills be reduced, but the financial strain on the NHS can also be alleviated by preventing cold-related health issues.

Options

We have considered two options in detail for the purposes of the BRIA:

- 1) Do nothing, and
- 2) Introduce PRS MEES regulations using powers conferred in the Energy Act 2011.

1. Do nothing

The do-nothing, or business-as-usual option, refers to what will happen in the absence of the introduction of minimum standards of energy efficiency in the domestic PRS. This option would not require landlords to take action but in order to achieve a reduction in energy costs and increase in energy efficiency, would rely on government incentivised or voluntary action to improve the energy efficiency of their properties.

As noted above, there are misaligned incentives that are not being adequately mitigated by the business as usual approach to incentivise all landlords to improve their properties, as far as possible, to reach EPC HRR band C.

Business as usual has resulted in properties not being improved to an adequate level and tenants continuing to live in colder and harder, more expensive to heat homes that are worse for their health.

2. Introduce a MEES for the domestic PRS

This option would involve introducing MEES within the domestic PRS. The proposed regulations would prohibit the letting of properties which fall below the minimum standard of

¹⁹ [Green Heat Finance Taskforce Part 2 report - Final - March 2025](#)

energy efficiency until the landlord has made any relevant energy efficiency improvements that apply to the property.

The proposal is designed to tackle the least energy-efficient properties in Scotland, using reformed EPCs as the measure for this standard. This means that the standard will be for the landlord to install certain energy efficiency measures to meet the new EPC HRR band C, before letting the property.

We are proposing for implementation to be phased and intend for regulations to apply to new tenancies (when being let to a new tenant) from 2028 and to all privately rented homes by the end of 2033.

To provide flexibility and accommodate individual circumstances, the proposals set out exemptions which will be available to landlords. These exemptions relate to consent; negative impacts on fabric or structure of property; cost cap; and temporary exemptions.

We are proposing that Local Authorities will carry out enforcement and compliance duties. Powers to gather information to support the work being undertaken by Local Authorities may be done through the serving of a Compliance notice. As the enforcement authority, Local Authorities would have powers to serve a penalty notice for individual acts of non-compliance. This can include financial penalties, a publication penalty or both. Such penalty notices can be the subject of an appeals process.

This option will result in improvements to the fabric of PRS homes, accelerating emissions reduction, supporting the transition to clean heat and supporting our aims to reduce fuel poverty.

Sectors and groups affected

Landlords

Landlords will be most significantly and directly impacted by this proposal. They will be responsible for upgrading their properties to meet the new standards (or demonstrate that they are exempt) before a property can be let. This is not specific to different regions or areas of Scotland. We do not yet have an estimate of how many landlords will be affected as many already own properties that meet the standard, and there may be landlords with a portfolio of multiple properties that do not meet the standard. The number of registered landlords recorded in March 2025 was 236,478.²⁰ As noted above, we estimate that approximately 144,000 PRS homes (48%) are able to take action to improve their property to be closer to reaching a good level of energy efficiency, which suggests up to a maximum of 104,000 landlords (48% of the current number of registered landlords) may need to take some action.

Tenants

The proposal will also directly impact individuals living in and renting PRS homes. Depending on the extent of works required, they will potentially be required to vacate the property to allow works to be completed, and then will benefit from those improvements by living in warmer and healthier homes²¹.

²⁰ [Housing statistics: Scottish Landlord Register data - gov.scot](#). This figure is updated monthly and therefore the figure at the link may change after publication.

²¹ [Green Heat Taskforce report part 2](#)

Supply chain

The supply chain relating to energy efficiency improvement measures and managing rental properties will also be impacted. This includes letting agencies, EPC assessors, installers, training providers and others. These bodies and individuals will be responsible for helping landlords meet the new standard.

Local authorities

We are proposing that local authorities will be the bodies with responsibility for enforcing these regulations. This means they will be required to manage the process to understand which properties are non-compliant and issue relevant penalties.

Section 2: Engagement and information gathering

Engagement approach

As these regulations follow on from both the Energy Efficiency (Domestic Private Rented Property) (Scotland) Regulations 2020 and the previous consultation on proposals for a HiBs Bill, extensive engagement has already been taken on many of the overarching policy for these regulations.

There was significant public and stakeholder engagement and formal consultation which ran from 28 November 2023 to 8 March 2024 in relation to the HiBs Bill. During this time a blend of virtual and in-person events were held, using a variety of techniques to ensure the broadest engagement.

Stakeholder events chaired by SG policy officials addressed the following areas:

- Privately Owned Homes
- The PRS
- Tenements and Flats
- Traditional and Protected Buildings
- Rural and Island Communities
- Local Heat and Energy Efficiency strategies
- Non-domestic Buildings

Scottish Government officials have also met with organisations representing the voluntary sector, consumers and public sector organisations.

More than 20 in person and virtual public events were hosted by independent facilitators. Covering as wide a cross section of Scotland as practical, communities engaged with useful feedback which has also been helpful to the development of the final approach.

The following working groups have been helpful in shaping policies as they develop:

- Tenement Short Life Working Group
- Green Heat Finance Taskforce
- Local Government Oversight Group
- Non-Domestic Working Group
- Local Electricity Network Coordination Group

Following this, we are publishing this partial BRIA alongside a formal written 12-week public consultation. We intend to continue to engage directly with stakeholders over the period of the public consultation and beyond.

The final BRIA will set out more information on the response to the written consultation and further engagement including meetings and workshops.

Internal SG and wider public sector engagement

Internal SG engagement

For these updated regulations, we are working closely with colleagues across HiBs and Housing. This includes lawyers, analysts and policy colleagues to understand the impacts of

both these regulations and the Housing Bill and associated regulations on landlords and tenants. We are also working closely with colleagues progressing reform of the EPC system.

Officials met with the RRG in January 2024 to discuss the HiBs Bill proposals, which included plans to require that PRS properties meet EPC band C before they could be let, by 2028. In relation to the proposals in the Bill, RRG made several recommendations in a letter to Ministers, including that:

- There be a clear public communication plan
- Timescales must be driven by capacity within the supply chain and the ability of any regulator to monitor compliance
- The BRIA needs to be clear on the impact to businesses of all sizes and the skills supply within the current market and whether it can cope with the proposed changes. The PRS who will be the first affected and required to meet a MEES by 2028 should be engaged with now to support effective implementation of this aspect.

We have taken on board the recommendations of the RRG and these form part of our consideration of how the regulations will be implemented and delivered upon. The final backstop for these regulations will now be 2033, which takes into account the RRG's concerns about the timescales.

We expect to meet with the RRG during the consultation period to further discuss these proposals and receive further advice and input from the RRG.

UK and Devolved Administrations

We have engaged closely with the relevant team from the UK Department for Energy Security and Net Zero around their approach and consultation on equivalent regulations for England and Wales. The UK Government consulted on regulations to introduce a MEES of EPC band C between 7 February and 2 May 2025.

Scottish Government officials are also members of the Devolved Administration Forum that provides opportunity to share knowledge and understanding including UK government plans for MEES.

Wider Public Sector

Given the role proposed for Local Authorities to act as the enforcement body for these regulations, we have been and will continue to engage further with COSLA and individual Local Authorities throughout the consultation period, including working with them to understand possible costs and resource requirements for them relating to these regulations.

We will also further engage with the enterprise agencies and others, during the public consultation period.

International

We continue to learn from the examples of other countries around the world. The Scottish Government is a member of the Clean Heat Forum where governments from different countries share information on policy on clean heat and energy efficiency.

Business and Third Sector engagement

The Scottish Government has also led discussions on its developing proposals for the HiBs Bill as part of regular meetings with leading business organisations, and held several workshops focused on specific stakeholder groups – including agriculture, food and drink stakeholders; tourism, heritage, culture and events; and property investment and legal services.

Public Consultation

Extensive engagement was undertaken to inform the draft 2020 regulations. Further information about this engagement can be found in pages 21-23 of the relevant BRIA²². This included public consultations in 2017 and 2019, the latter on both draft regulations and guidance. There was also extensive engagement with stakeholders, including with a stakeholder working group, landlords organisations and local authorities.

A public consultation for the HiBs Bill was launched in November 2023 and ran until March 2024. The 1,637 responses received to the consultation have been subject to independent analysis. Individuals provided 1,385 responses (85% of the total), with the remaining 252 (15%) from a range of organisations. The analysis also encompassed notes from 20 consultation events attended by 238 people. Two campaigns were identified within the responses, representing almost one in ten consultation respondents.

Further public engagement will take place during the period of this public consultation and will be fully summarised in the final BRIA. This will include continuing to engage with landlords and their representative organisations. As well as the public written consultation, we intend to hold several workshops during the consultation and will continue to meet directly with key stakeholders.

²² [The Energy Efficiency \(Domestic Private Rented Property\) \(Scotland\) Regulations 2020 – BRIA](#)

Section 3: Costs, impacts and benefits

Quantified costs to businesses

Landlords will be responsible for the majority of the costs created by these regulations. These costs will include the costs of energy efficiency measures themselves and costs of compliance such as an updated EPC and administration costs to provide evidence for any exemptions (such as quotes from installers).

We have provided below an estimate of average costs for properties currently under EPC band C who install some or all measures from a shortlist of common energy efficiency measures. We have provided two figures, for illustration. The first is an average cost of £1,400, where the measures include suspended floor insulation; loft insulation; cavity wall insulation; and draught proofing (external doors). This list is drawn from the 'list of measures' that were included in previous proposals as part of our HiBs Bill consultation. The second average cost is the list as above, with double glazing (replacing single glazing) added, providing an average cost of £2,700.

These figures will be updated to reflect the new HEM for the final BRIA, to be published alongside the regulations.

We intend for the maximum cost for any individual property to be subject to a cost cap of £10,000. This is consistent with the level of cost cap proposed for the Draft 2020 regulations, which provided a cumulative cost cap of £10,000. We are commissioning further analysis to understand how different homes perform in the current cost-based rating and the new HRR. This analysis will be used to inform our policy development and the finalisation of a suitable cost cap for these regulations.

All the 'actual costs' incurred in relation to carrying out improvement works will be included in the cost cap. This includes the costs of obtaining a new EPC and any works carried out in the preceding 12 month period.

It is our intention that landlords will be able to apply for a Scottish Government loan to help cover the costs through the PRS Landlord Loan Scheme. Currently, loans of up to £38,500 per property are available, with up to £15,000 available for energy efficiency measures (the wider loan can also cover the cost of installing measures such as clean heating systems including heat pumps and energy storage systems). Through consultation, we are seeking to review the support provided by the scheme.

We will seek to understand any other financial or resource costs during our stakeholder engagement.

Other impacts

Sanctions for breaching the regulations (for properties that do not meet minimum standards for energy efficiency) will be applied per property and per breach. If landlords are seeking an exemption these will be by individual property. Therefore the regulations will not differentially impact landlords of different sizes.

Scottish firms' international competitiveness

As these regulations relate to homes located in Scotland, we do not expect these regulations to affect international competitiveness.

Benefits to business

For landlords, these regulations will improve the standard of their property and has the potential to increase their value.

For wider businesses, these regulations will provide greater certainty to the businesses and wider supply chain involved in making homes more energy efficient and increase the market for their services above and beyond the business as usual approach.

As noted above, the GHFT Report Part 2 notes that there are direct benefits to GVA and jobs impact from retrofitting buildings to improve energy efficiency. Most obviously, there is the work for businesses advising on or installing retrofit measures, with these businesses then creating and/or maintaining jobs. As many of the firms involved are SMEs, and because action is needed for properties right across Scotland, these direct benefits will tend to be distributed at a local level.

As part of our engagement during the HiBs Bill, we will engage with suppliers and the supply chain to further understand these benefits and include that information in the final BRIA.

Small business impacts

We will seek views during our stakeholder engagement on where there could be specifically different impacts for small businesses as opposed to larger ones. For example, we recognise that landlords with smaller numbers of properties may have a lower capacity to absorb any additional administration costs associated with these regulations, including compliance requirements. We will work with others, including landlord associations and colleagues leading on EPC reform and landlord funding, to ensure there is clear guidance and, where possible, simplified processes to ensure that there is not a disproportionate administrative burden. We will set out further details of this in the final BRIA.

Investment

In terms of investment, we expect that the main impact will be to increase certainty for the businesses and supply chain involved in energy efficiency improvements to homes. This certainty will help provide assurance for these businesses to invest more in their firms and to attract wider investment in the supply chain.

We will discuss investment impacts as part of our engagement and this will be included in the final BRIA.

Workforce and Fair Work

We are not aware of any impacts on the workforce or Fair Work but will discuss this with stakeholders as part of our engagement ahead of the final BRIA.

Climate change and circular economy

These regulations will contribute to reducing emissions and support the Scottish Government's climate objectives by improving the fabric efficiency and heat retention of homes in the PRS.

As set out above, analysis has suggested that all PRS homes installing certain energy efficiency measures that could contribute to reaching EPC band C could reduce emissions in PRS dwellings by around 5%. When the new HEM for EPCs is finalised, we will look to provide updated and more accurate information on the level of emissions reductions that could be achieved from meeting EPC band C across the PRS.

Competition Assessment

We do not consider the competition impacts to have changed since the BRIA for the 2020 regulations. This set out that:

'Impact on landlords

The proposed regulations will set a minimum standard of energy efficiency in the sector for all landlords in the private rented sector. While the main impact of the regulations will fall on the sub-set of dwellings which are below the required level, this will only be to bring them more in line with the energy efficiency of other properties in the sector.

For each dwelling in their portfolio which falls below the required standard, the landlord will be liable for the costs of upgrading it, as well as a post-EPC report to demonstrate compliance. These costs vary in proportion with the number of dwellings in the landlord's portfolio. Since they are not fixed costs which can be spread over a number of dwellings, they do not give larger landlords an advantage.

Larger landlords who are upgrading a portfolio of dwellings may have some advantages due to economies of scale, such as being able to negotiate a better price per unit from an assessor/installer. However, to the extent that such economies of scale exist, they are part of the normal operation of the market and are not in themselves the result of the proposed regulations.

The regulations may discourage some "accidental landlords", e.g. people who temporarily rent out their former home before selling it, if they see minimum standards as too onerous. However, it is important that any prospective landlord is prepared to meet the professional standards required by tenants.

Minimum standards will make things fairer, ensuring that all tenants in the private rented sector are guaranteed a minimum level of energy efficiency. By giving prospective tenants greater confidence in the quality of the offer provided by the private rented sector, the regulations may help make the sector more attractive, potentially boosting demand and creating opportunities for good landlords to enter the sector.

Impact on assessor and installers

The regulations may create more demand for assessors and installers. Since the impact on these suppliers will be positive, no adverse impact on

competition in the installer/assessor market is anticipated. On the contrary, regulation could give suppliers greater confidence that there will be demand for their services, supporting investment in these markets, including by new entrants, and increasing competition. The questions required by the competition assessment are as follows:

- Will the measure directly or indirectly limit the number or range of suppliers?
- Will the measure limit the ability of suppliers to compete?
- Will the measure limit suppliers' incentives to compete vigorously?
- Will the measure limit the choices and information available to consumers?

For the reasons set out above, our view is that the answer to all of these questions for landlords, assessors and installers is "no."

Consumer Duty

The consumers most likely to be affected by these regulations are tenants in the domestic PRS. It is expected that tenants will benefit overall from these regulations by improvement in fabric efficiency in the homes they rent, thereby reducing energy bills and providing better quality, warmer homes in the PRS. Without introducing regulations, we would not expect as many landlords to take these steps to improve energy efficiency.

There is the potential impact that landlords could increase rent that would offset any cost benefit of improved energy efficiency. The Scottish Government are currently consulting on potential rent control exemptions and we will use this to inform our final regulations²³. There is also potential disruption to tenants where landlords install energy efficiency measures while there are tenants in situ.

We will engage with stakeholders more fully on any further possible impacts on consumers and include this in the final BRIA.

²³ [Housing \(Scotland\) Bill – Scottish Government Rent Control Consultation](#)

Section 4: Additional implementation considerations

Enforcement and compliance

Landlords will be responsible for demonstrating compliance with these regulations and we are proposing that local authorities are best placed to enforce these regulations.

Before letting a property, a landlord must have lodged a valid EPC. Where that EPC shows that the property meets HRR band C or above, then the landlord will have demonstrated compliance for that property.

In some circumstances, an exemption may apply. The landlord will demonstrate compliance by providing evidence of the exemption.

Should a property be non-compliant and be let, local authorities are able to issue a compliance notice to a landlord and impose a penalty.

We are seeking views on this as part of our written consultation and will also work with landlords, CoSLA and others as part of our engagement to understand opportunities and potential issues for making compliance and enforcement as effective and efficient as possible and set out further details of this in the final BRIA.

UK, EU and International Regulatory Alignment and Obligations

UK implications

As these regulations apply to requirements for letting domestic PRS property in Scotland we do not consider it to have an impact on intra-UK trade. As noted elsewhere, the UK Government has consulted on similar proposals for England and Wales, and already has a MEES in place.

International trade implications

As these regulations apply to requirements for letting domestic PRS property in Scotland we do not consider it to have an impact on international trade.

EU alignment consideration

The recast Energy Performance of Buildings Directive was adopted on 12 April 2024. For domestic buildings, it set out a requirement for minimum energy performance standards and trajectories for progressive renovation. This included establishing a national trajectory that leads to reducing the average primary energy use across the domestic building stock of 16% by 2030 and 20-22% by 2035, against the 2020 the average primary energy use in the residential stock.

These proposed regulations, alongside reforms to EPCs and the direction set by the upcoming HiBs Bill will contribute to alignment with this directive.

Legal Aid

We do not expect there to be an impact on legal aid, but will explore this as part of our engagement on the regulations and update this as part of the final BRIA.

Digital impact

These proposals primarily relate to physical standards for buildings.

Business forms

For many landlords there will not be additional compliance measures or forms as they are already required to lodge an EPC before letting a property. If the property meets the required EPC HRR band C, then there will be no need for additional forms.

There will be circumstances where there are exemptions for the property meeting the EPC HRR band C and the landlord will need to submit evidence as to why an exemption applies. We will work with stakeholders to ensure any process is proportionate.

Section 5: Next steps and implementation

Preferred option

Our preferred option and proposal is to consult on regulations that introduce a MEES for PRS homes so that as far as possible all PRS homes reach EPC HRR band C. This would apply to new tenancies from 2028 and to all privately rented homes by the end of 2033.

Implementation considerations and plan

We plan to implement the regulations to this timetable:

Consultation period - June to August 2025

Lay regulations in Scottish Parliament - Early 2026

Regulations in force (active and applying to new tenancies) - 2028

Backstop date for compliance - 2033

More detail about implementation considerations will be included in the final BRIA, following further engagement with stakeholders.

Post implementation review

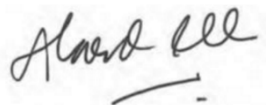
Our proposal is that these requirements apply to properties before they can be newly let from 2028 and to all PRS properties by 2033. During the five year period, the Scottish Government will be able to obtain evidence and work with stakeholders on any needed amendments to how the policy works in practice. The impact of the policy in increasing the numbers of PRS households reaching at least EPC HRR band C, or otherwise improving energy efficiency, can be measured through EPCs and the Scottish Household Condition Survey. The Scottish Government also reports on wider progress through evaluation of the HiBs strategy and Climate Change Plan progress monitoring.

Declaration

I have read the Business and Regulatory 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. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

I am also satisfied that officials have considered the impact on consumers as required by the [Consumer Scotland Act 2020](#) in completion of the Consumer Duty section of this BRIA.

Signed:

A handwritten signature in black ink, appearing to read 'Alasdair Allan', with a horizontal line underneath.

Date: 29th May 2025

Minister's name: Dr Alasdair Allan

Minister's title: Acting Minister for Climate Action



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This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83691-665-9 (web only)

Published by The Scottish Government, June 2025

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1606354 (06/25)

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