



To: European Commission

DG ENER – UNITS B3 and B2

Monday, 4 November 2024

Re: ENGAGE for ESG response to the Call for Evidence for the Initiative “Energy efficient buildings: portfolio framework to increase lending for energy renovations”

Executive Summary

The ENGAGE for ESG initiative¹ welcomes the European Commission call for evidence for the initiative “Energy efficient buildings: portfolio framework to increase lending for energy renovations”, which is framed in the process for the adoption of a delegated act in development of Article 17(10) of Directive (EU) 2024/1275 (recast) (hereinafter, the “**EPBD recast**”) and would like to contribute to its from its standpoint as a consortium of expert entities in the area of sustainable finance, data templates implementation and reporting.

- European DataWarehouse GmbH (EDW) is an ESMA-designated Securitisation Repository and a Eurosystem repository for ABS, pools of additional credit claims.
- Hypoport B.V. (HYP) is a specialist IT company, developer of software solutions for the financial sector.
- Università Ca’ Foscari (UNIVE) is a pioneer university in sustainable finance programmes and research.
- Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito (UCI) is a specialist entity in sustainable financing for mortgages and loans in the Spanish and Portuguese markets.
- Nationale-Nederlanden Bank N.V. (NN Bank) is an innovative sustainable mortgage loan originator in the Dutch market.
- Dexai s.r.l. (DEXAI) is a consultancy company expert in compliance of new technologies with legal and ethical standards.

The ENGAGE Consortium would like to hereby show their support to the European Commission for the preparation and the subsequent implementation of the delegated act through the application of the ENGAGE for ESG solution. The aim of the delegated act coincides with the purpose of the ENGAGE for ESG initiative, i.e., bridging the funding gap in the building sector

¹ More information about ENGAGE for ESG can be found at <https://engage4esg.eurodw.eu/>.

for the achievement of the EU climate objectives and, at the same time, to tackle energy poverty.

Moreover, the ENGAGE Consortium hereby raises the following recommendations based on the challenges identified in the lending sector for the provision of energy performance renovation financing:

1. The adoption of a **standardised and harmonised disclosure framework for home renovation loans** that allows lenders the verification of borrowers' renovation projects against the sustainability requirements of the EU Taxonomy Regulation.
2. The **publication open access of energy performance certificates (EPC) information in a machine-readable format** at building or property level and the adoption of a **consistent EPC scaling** across all EU Member States.
3. The engagement of institutions like the **EIB-EIF** and the **national public banks** (e.g., Instituto de Crédito Oficial, KfW, etc.) for the provision of **guarantees to lending institutions** that stimulate the granting of loans for renovation projects.
4. The **promotion of EPC issuance** across Europe, by offering economic or tax incentives to borrowers, e.g., by making the EPC document expense fiscally deductible for homeowners.
5. The introduction of **standardised and anonymised property identifiers across Europe** to connect credit data with the EPC as well as other relevant cadastral information.
6. The complexity of the interpretation of the EU Taxonomy Regulation is forcing some of the financial institutions to rely entirely on the EPC to measure the energy efficiency improvements. Hence the usage of the ENGAGE for ESG industry standard is highly recommended.

Description of the ENGAGE for ESG initiative

ENGAGE for ESG is an initiative co-funded by the European Union and launched by the six institutions from across Europe mentioned above (the "**ENGAGE Consortium**") with the purpose of creating a standardised and harmonised disclosure framework for mortgages and renovation loans that contributes to the activation of energy efficiency investments for the residential building stock.

Since its inception in November 2022, the initiative has focused on developing standardised disclosure templates for mortgage and home renovation loans (ENGAGE Templates) in line with Regulation (EU) 2020/852 (the "**Taxonomy Regulation**") and Commission Delegated Regulation (EU) 2021/2139 (the "**Climate Delegated Act**") to facilitate the sustainability reporting for financial institutions and improve transparency vis-à-vis investors.

[The ENGAGE Templates 1.1 were released in August 2024](#) and include the data elements that allow financial institutions to disclose the alignment of their mortgages with EU Taxonomy requirements in line with the substantial contribution criteria and do not significant harm principle of the Climate Delegated Act for the economic activities of construction, acquisition, and ownership of real estate, as well as the minimum safeguards. Version 1.2 of the ENGAGE Templates, which focuses on the disclosure requirements for home renovation loans, is expected to be released in late 2024.

During the coming months, the ENGAGE Templates will continue to expand to incorporate the most relevant European sustainability regulations and disclosure requirements (e.g., European Investment Bank (EIB) – European Investment Fund (EIF) disclosures for renovation projects).

Two pilot lenders Unión de Créditos Inmobiliarios, S.A. as well as Nationale-Nederlanden Bank N.V. have been submitting data as according to the ENGAGE Templates for the Netherlands, Portugal and Spain. Additional banks and lenders from across Europe are expected to adopt the ENGAGE Templates over the course of 2025.

The ENGAGE Templates are currently being operationalised through a dedicated IT infrastructure, the ENGAGE Portal, which will be launched in November 2024 in a beta version.

Consultation response

The response is divided in four sections:

- I. General opinion of the ENGAGE Consortium on the portfolio framework
- II. The role of financial institutions in the financing of energy performance renovation
- III. Potential barriers and obstacles for the financing of energy performance renovation
- IV. Best practices to increase financing volumes

I. General opinion of the ENGAGE Consortium on the portfolio framework

The ENGAGE Consortium supports the definition of ambitious energy renovation lending targets and believes it is a positive measure to achieve the objectives set in the various EU policy and legislative acts, including the EPBD recast and the Renovation Wave. Nevertheless, the ENGAGE Consortium believes that this action should be accompanied by specific incentivising measures from the public sector to ensure that institutions adhere to such voluntary framework.

In February 2023, the EIB made the below estimates available on the funding gap for the building sector in the EU, indicating the investments needed to reach the EU's intermediate climate targets for the year 2030.

Table 1: Funding gap estimations as of February 2023. Source: EIB, presentation at the Energy Efficient Mortgages Initiative (EEMI) Trento Bauhaus Week on 14 February 2023

Funding Gap ²	Current	Needs	Gap
Energy Efficiency	114 EUR bn/year	281 EUR bn/year	167 EUR bn/year
Renewables	50 EUR bn/year	65 EUR bn/year	15 EUR bn/year
Grid	42 EUR bn/year	60 EUR bn/year	18 EUR bn/year
<i>Total</i>	<i>206 EUR bn/year</i>	<i>406 EUR bn/year</i>	<i>200 EUR bn/year</i>

The ENGAGE Consortium acknowledges that securing funding is essential for the successful implementation of the EU decarbonisation objectives. Further, in our view, asset-backed securities (ABS), covered bond and mortgage and home loan renovation portfolios have a substantial potential to mobilise private capital to finance energy-efficient building renovations.

As further elaborated under section III below, the unavailability of high-quality sustainability data is undermining transparency, comparability and consistency and therefore, trust in the financial market increasing the risk of greenwashing. This is, in the ENGAGE Consortium

² According to the European Investment Bank presentation held on 14 February 2023 at the Energy Efficient Mortgages Initiative (EEMI) Trento Bauhaus Week.

experience, the most significant barrier that needs to be overcome to enable the boost of energy performance renovations.

II. The role of financial institutions in the financing of energy performance renovation

Due to the fact that banks are the traditional source of funding in Europe, their role in the financing of renovation wave is crucial to encourage investments and to tackle energy poverty, by prioritising the renovation of the least energy-efficient buildings, often occupied by low-income households.

However, the lack of data about the energy performance certificates (EPCs) of the residential properties is undermining the capability of the financial sector to increase their financing volumes -and the provision of additional capital to borrowers- for energy performance renovations.

III. Potential barriers and obstacles for the financing of energy performance renovation

In this section, we will focus on the barriers and obstacles for lenders to finance energy performance renovations.

Annex I further elaborates on the barriers and obstacles for the adoption of energy performance renovations in Spain and Netherlands, the two countries in which the ENGAGE for ESG initiative is focusing.

The ENGAGE Consortium identifies the **lack of standardised, comparable and readily accessible climate-related data for residential properties** the main obstacle for the financing of energy performance renovation, which impedes financial institutions to determine whether the loan granted for the renovation of the relevant dwelling qualifies as sustainable according to the Taxonomy Regulation. The ENGAGE Templates directly address this challenge by creating a harmonised taxonomy and standardised data tape that financial institutions can use to check whether their home renovation loans adhere to the EU Taxonomy requirements.

This challenge has been repeatedly highlighted by the various EU authorities in recent communications:

- [Joint European Supervisory Authorities \(ESAs\) and European Central Bank \(ECB\) statement of 13 March 2023 on disclosure on climate change for structured finance products](#)

The ESAs and the ECB underscored in their statement that the lack of climate-related data on the assets underlying structured finance products not only poses a problem for properly assessing and addressing climate-related risks but also impedes the classification of products and services as sustainable under the EU Taxonomy Regulation and Sustainable Finance Disclosure Regulation (SFDR).

- Speech by Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, at the ECB conference on real estate climate data industry good practices, of 23 September 2024

In his speech at the ECB conference, Mr. Elderson highlighted that data on buildings' energy efficiency is necessary for lending institutions to manage credit risk in the real estate sector. This is also crucial for collateral valuations or determining borrowers' ability to pay back their loan.

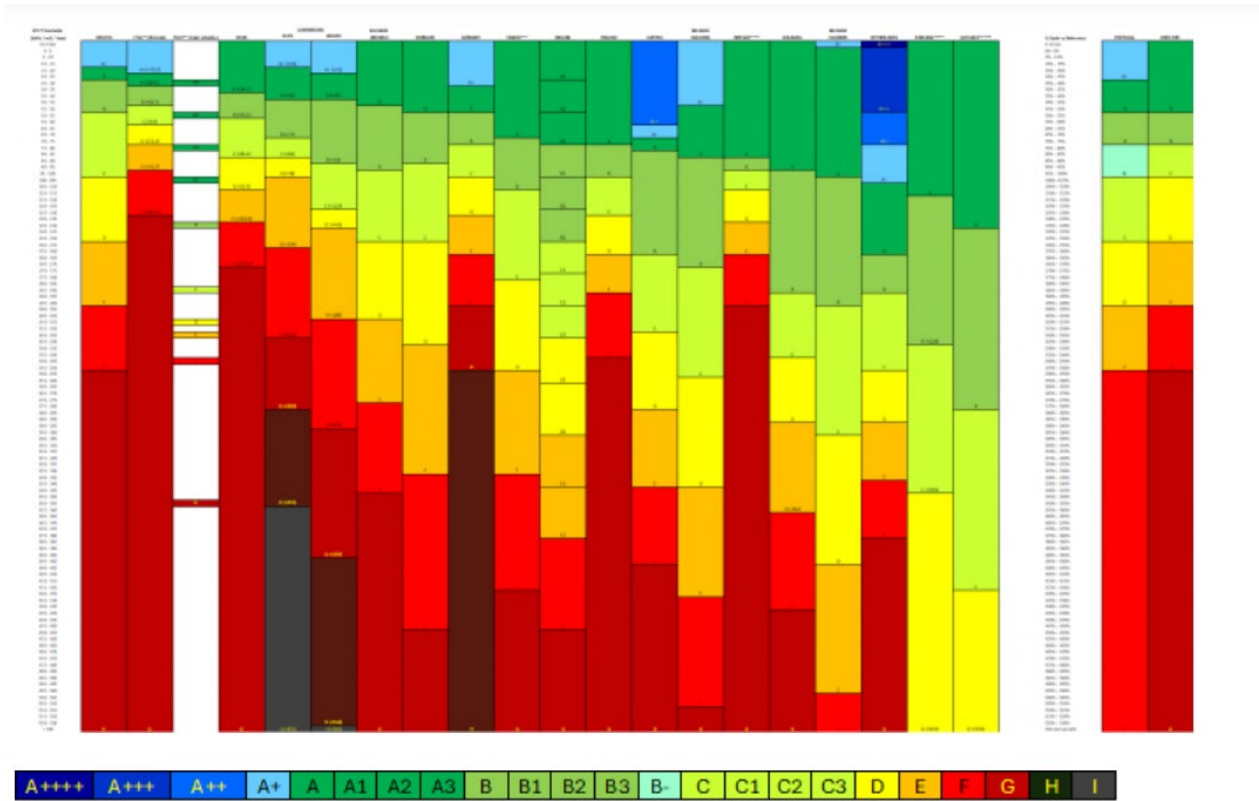
He further mentioned that while the EPBD recast includes common requirements for setting up national databases on the energy performance of buildings, further work is needed to ensure adequate data management and increase the reliability and consistency of climate-related real estate data across the European Union. Since establishing a comprehensive European database of all buildings in the EU will take time, the ECB encourages banks to make all efforts to improve data availability and welcome the successful strategies that some banks have implemented to address data gaps.

- *The data availability and comparability challenge with Energy Performance Certificates*

The ENGAGE Consortium would like to make a special mention to the data availability and consistency issues revolving around Energy Performance Certificates (EPCs).

While the EPBD recast foresees in its Article 19 some steps to harmonise European calculation methods and thresholds, as of November 2024 the methodology for the calculation of EPC scales diverges amongst the various EU Member States. The ENGAGE Consortium member EDW has performed an analysis of the methodologies used to determine the different EPC classes across Europe.

Figure 8: A comparison of various EPC scales across EU countries



Source: European DataWarehouse (<https://eurodw.eu/revisiting-the-babel-tower-of-epc-ratings-updated-thresholds-across-europe/>)

Furthermore, the ENGAGE Consortium would like to suggest that the provisions on data access included in Article 16 of the EPBD recast could be further developed in a uniform manner across EU Member States to ensure that lending institutions can access the necessary energy performance data relating to the underlying properties in their books. While the EU Building Stock Observatory provides with statistics and aggregated data about the EU building stock at national level, it lacks property-level energy performance information. So is the case at national level due to the divergences in the interpretation of personal data protection regulations and some EU Member States' or regions' concerns about the lawfulness of the publication open access of EPC information at property level.

However, we firmly believe that the publication of aggregated and anonymised EPC data will not suffice for the purposes of fostering the reporting of sustainability-related disclosures and the development of sustainable finance in the EU, essentially, because the matching of credit data with the energy efficiency data of underlying assets (i.e., buildings, dwellings) will not be possible.

We therefore propose that full EPC information at building and dwelling level is made available open access in a standardised and machine-readable format to the public if a legitimate interest in accessing the relevant information exists. By way of example, the proposed open

access availability of EPC information is already a standard practice in some EU countries and regions (e.g., France, some Italian regions, Netherlands), where national or regional databases provide public access to EPC data.

IV. Best practices to increase energy performance renovation volumes

The ENGAGE Consortium hereby proposes the following suggestions that would contribute to the increase of energy performance renovation volumes:

1. The adoption of a **standardised and harmonised disclosure framework for home renovation loans** that allows lenders the verification of borrowers' renovation projects against the sustainability requirements of the EU Taxonomy Regulation.
2. The **publication open access of energy performance certificates (EPC) information in a machine-readable format** at building or property level and the adoption of a **consistent EPC scaling** across all EU Member States.
3. The engagement of institutions like the **EIB-EIF** and the **national public banks** (e.g., Instituto de Crédito Oficial, KfW, etc.) for the provision of **guarantees to lending institutions** that stimulate the granting of loans for renovation projects.
4. The **promotion of EPC issuance** across Europe, by offering economic or tax incentives to borrowers, e.g., by making the EPC document expense fiscally deductible for homeowners.
5. The introduction of **standardised and anonymised property identifiers across Europe** to connect credit data with the EPC as well as other relevant cadastral information.
6. The complexity of the interpretation of the EU Taxonomy Regulation is forcing some of the financial institutions to rely entirely on the EPC to measure the energy efficiency improvements. Hence the usage of the ENGAGE for ESG industry standard is highly recommended.

The ENGAGE for ESG initiative is working hard on the recommendations above through the development of the ENGAGE Templates and the operationalisation of the templates in the ENGAGE Portal.

Through the ENGAGE standardised data templates, taxonomies and disclosure guidance with harmonised definitions and data format types produced and the clear data and interpretation completion guidelines, loan originators will be supported to comply with sustainability-related applicable regulatory requirements.

As the ENGAGE solution will enhance and make more efficient the reporting process via the ENGAGE Portal with dedicated data quality checks and time stamp for the upload of the relevant documentation, transparency in the residential building sustainable finance market

will increase, encouraging loan officers to expand their product offering towards more sustainable products and increase the lending volumes for energy performance renovations.

Borrowers will ultimately benefit from the effects that the ENGAGE solution will foreseeably have on the market. Thanks to an increased transparency and confidence in financial markets with regard to sustainability risks and factors, borrowers are expected to receive from lending institutions more capital and better financing conditions for the acquisition of energy efficient dwellings or the restoration of existing buildings that do not meet the minimum criteria for living or renting as according to the EPBD recast.

The ENGAGE Consortium hereby expresses its willingness to assist the European Commission in the preparation and implementation of the delegated act. Likewise, we remain at your disposal for any questions related to the ENGAGE Templates and Portal implementation.

Yours faithfully,

DocuSigned by:
Marco Angheben
25AE6E185CB54AD...

Marco Angheben

ENGAGE for ESG Coordinator, on behalf of

The ENGAGE Consortium



Co-funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or CINEA. Neither the European Union nor the granting authority can be held responsible for them.

Annex I.- Barriers and obstacles for the adoption of energy performance renovations

The ENGAGE Consortium partner UNIVE recently concluded a research report on the major energy efficiency barriers identified in various EU countries, including Spain and Netherlands, either by on-field studies published by the CUES Foundation³ or by relevant experts. Besides the large coverage of experts and concerned parties' perceptions, the CUES studies present the advantage of encompassing both partial (simple) retrofit and deep (comprehensive) retrofit interventions, but also new construction activities.

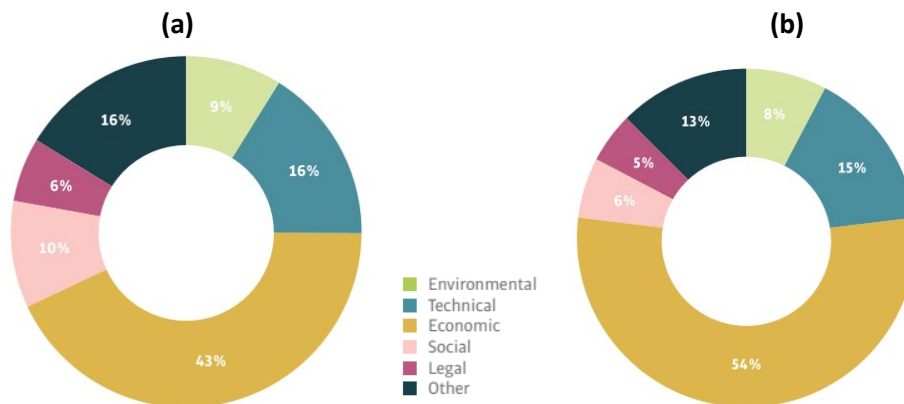
Barriers to energy efficiency in the Spanish building sector

The CUES study (Ostermeyer et al., 2020) dedicated to Spain proposes a thorough analysis of the building market characteristics, the economic and legislative background conditions, the mechanisms affecting the demand for energy efficiency (EE) solutions as well as their implementation.

The authors identify several financial, behavioral, information barriers, but also barriers related to the market structure. More precisely, the major factors hindering EE include:

- **Economic barriers.** As described by Figure 1, the largest share of demand side actors indicated the high initial capital costs, budget limitations, but also the limited involvement of financial institutions as the major barrier to energy efficiency technologies adoption. **(Financial barriers)**

Figure 1: Barriers for not implementing more energy-efficient and low carbon technologies in retrofit projects (a) and in comprehensive retrofit projects (b) in Spain.



Source: Ostermeyer et al. (2020)

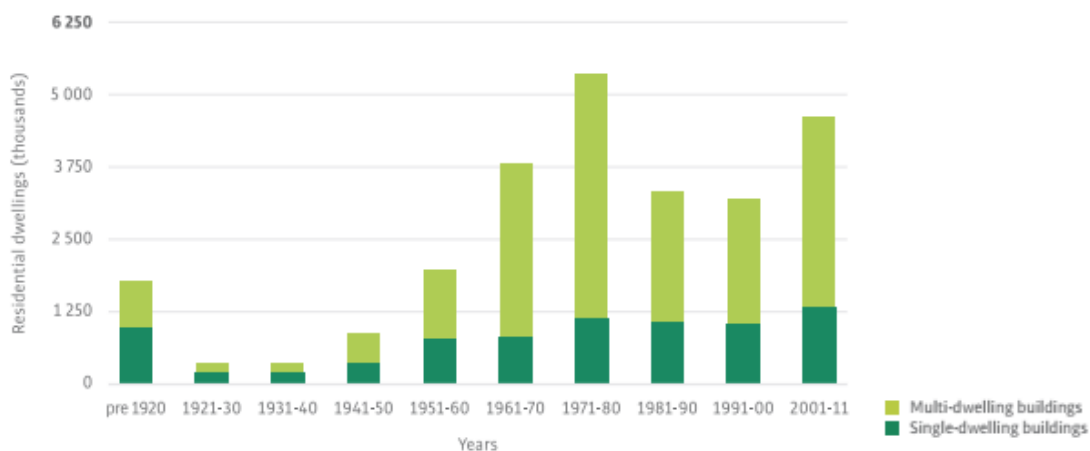
- **Technical barriers.** As summarized by Figure 1, this is the second most relevant type of barrier indicated by the interviewed stakeholders. However, the provided details tend to demonstrate that this category also encompasses rather behavioral barriers, since it regroups considerations such as: “Lack of trust in the announced technical benefits of the available options”, “The original state was already very energy efficient

³ The studies published by CUES are funded by the European Institute for Technology (EIT) within the Horizon 2020 framework.

/ low carbon” and etc. Besides the uncertainty on the achieved energy savings, this group of hindering factors includes also the technical impossibility to install or adopt some energy efficiency technologies. [\(Technical and behavioral barriers\)](#)

- **The structure of the residential market and its typical high share of common ownership** (Figure 2). More than half of the country’s housing units are located in apartment blocks with 5 or more dwellings per building, which involves a longer and more difficult decision-making process concerning the implementation of EE measures. [\(Organizational/building complexity barriers\)](#)

Figure 2: Distribution of residential buildings by type and construction period, in Spain

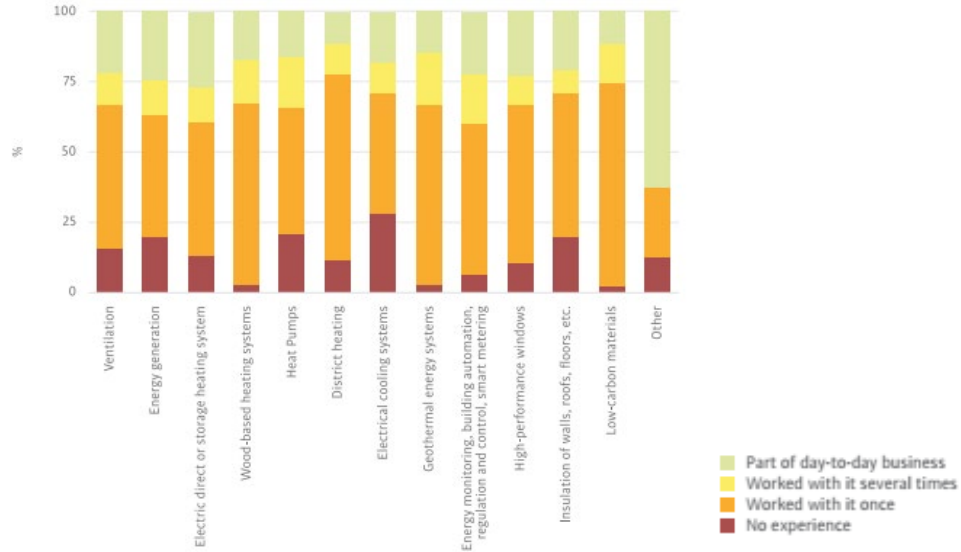


Source: Ostermeyer et al. (2020)

- **Long Pay-back periods for façade elements: insulation, high-performance windows.** Despite the consensus on the relevance of the building envelope enhancements for improving buildings’ energy efficiency, most of the measures concerning façade elements are hindered in favor of more affordable measures (upgrade of the roof or attic, installation of new heating or energy generation system). [\(Upfront costs and affordability of energy renovations and lack of lifecycle costs \(LLC\) perspective\)](#)
- **The highly fragmented structure of the renovation market, since 80% of the sectoral turnover is generated by craft companies with less than 10 employees.** The predominance of small structures involves a restricted level of interdisciplinary interactions and thus limits the possibility to implement integrative energy efficiency approaches. The latter is further fostered by strictly specialized training activities with limited interdisciplinary interactions. [\(Fragmented structure of the sector and Lack of standardized practices and industrialized fast-track solutions for energy renovations in building\)](#)
- **Lack of sufficient information/ knowledge among consumers, tenants and building owners.** Despite a rather non-negligible knowledge and awareness among all

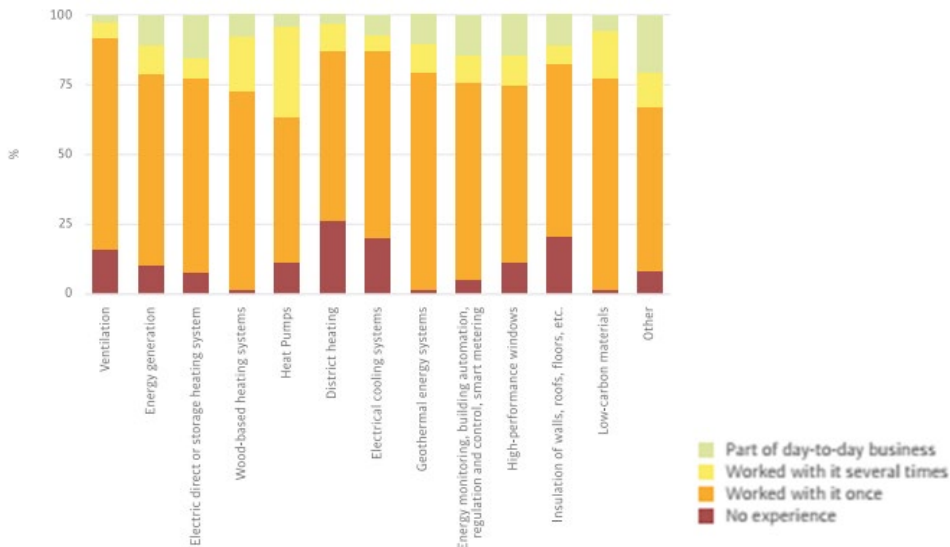
concerned stakeholders (both enablers⁴ and demand side actors⁵) concerning energy efficiency technologies, described by Figures 3 and 4, maintenance works are often assimilated to costs rather than investments. Furthermore, there is a lack of public awareness on the impact of energy efficiency measures on living conditions and on properties valuation. ([Information barriers](#))

Figure 3: Familiarity of enablers with energy efficiency technologies, in Spain



Source: Ostermeyer et al. (2020)

Figure 4: Familiarity of demand side actors with energy efficiency technologies, in Spain



Source: Ostermeyer et al. (2020)

⁴ Engineers, architects, construction companies, etc.

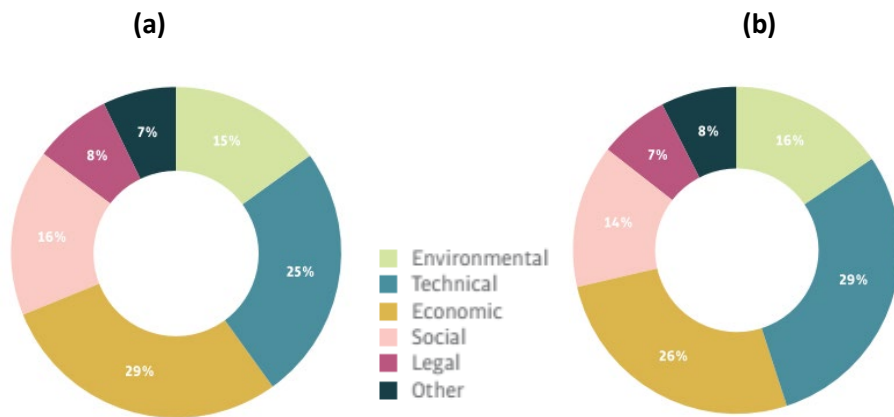
⁵ Private owners, investors, housing companies, etc.

Barriers to energy efficiency in the Dutch building sector

Similarly to the Spanish case study, Ostermeyer et al. (2019) propose an extensive evaluation of the construction and renovation building sectors in the Netherlands. While some of the identified energy efficiency barriers are common to both countries, several others are very specific to the local regulatory and market conditions:

- **Economic barriers.** Based on the questionnaire- led survey, economic or financial barriers are selected by the consulted stakeholders, as one of the most prominent obstacles for EE technologies spread (Figure 5). The higher prices compared to standard technology is raised as one of the most relevant issues. [\(Financial barriers\)](#)

Figure 5: Barriers for not implementing more energy-efficient and low carbon technologies in retrofit projects (a) and in comprehensive retrofit projects (b) in Netherlands.



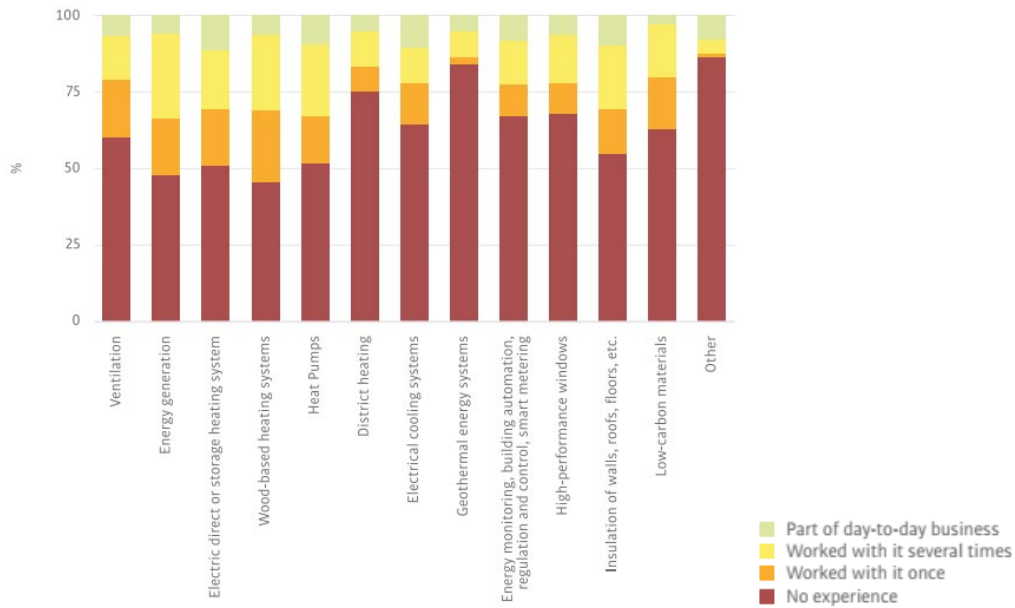
Source: Ostermeyer et al. (2019)

- **Long payback periods** are also included under the economic hurdles, but they refer also to the lack of lifecycle costs (LLC) perspective discussed previously. [\(Upfront costs and affordability of energy renovations and lack of lifecycle costs \(LLC\) perspective\)](#)
- **Lack of subsidies.** The stakeholders participating in the study have indicated the insufficient level of subsidies as one of the major barriers to energy efficiency technologies implementation in the Netherlands (especially for the development of district heating and heat pumps' use). [\(Limited public funds\)](#)
- **Technical barriers.** As summarized by Figure 5, with the economic barriers they represent the two most important types of obstacles identified by the questioned stakeholders. They include the impossibility to choose more appropriate available technology ("The technology chosen was the best available technology"). [\(Technical barriers\)](#)
- **Lack of sufficient information/ knowledge among enablers/ demand side actors concerning most EE technologies.** As indicated by Figure 6, most of the enablers

present a limited level of familiarity with several EE technologies. Geothermal energy systems and district heating concentrate the lowest levels of experience. On the opposite, wood-based heating systems and low-carbon materials use benefit form a higher degree of familiarity.

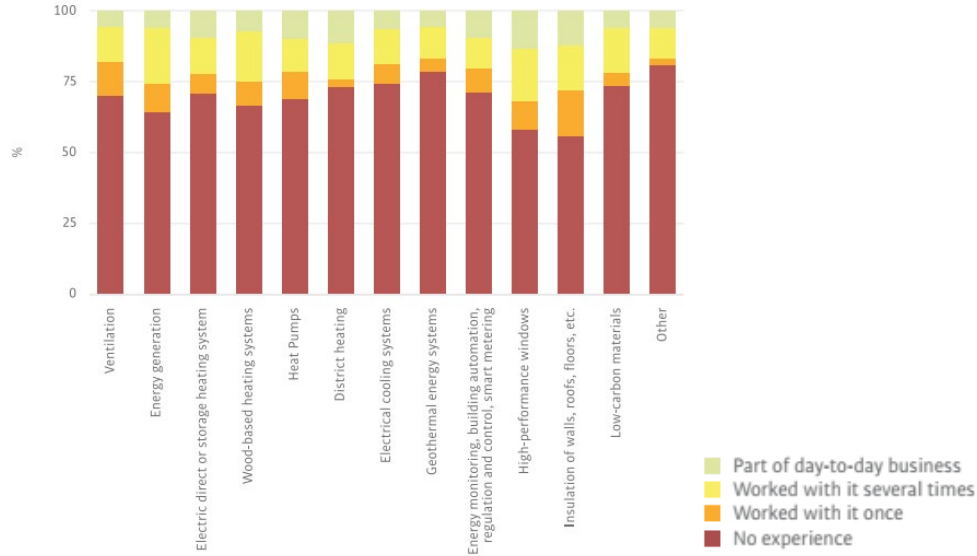
The situation is quite similar with the demand side actors' awareness and experience with energy efficiency technologies. Figure 7 presents even lower degrees of familiarity comparatively to the enablers' perspective. The highest levels of experience concern insulation activities and high-performance windows. ([Information barriers](#))

Figure 6: Familiarity of enablers with EE technologies, in Netherlands



Source: Ostermeyer et al. (2019)

Figure 7: Familiarity of demand side actors with EE technologies, in Netherlands



Source: Ostermeyer et al. (2019)

- **Fragmented market structure.** An extremely consequent share (97%) of the companies involved in construction activities account for less than 10 employees. The predominance of small structures hinders interdisciplinary interactions and reduces the possibility to implement integrative energy efficiency approaches. **Fragmented structure of the sector and lack of standardized practices and industrialized fast-track solutions for energy renovations in building)**

In brief, the CUES studies on the renovation and building markets in Spain and the Netherlands tend to highlight the predominant relevance of economic/ financial barriers (high upfront costs, limited public financial support, long pay-back periods), followed by behavioral obstacles (mistrust in EE technologies, poor involvement), but also information, technical and organizational/building complexity barriers (related to the building stock structure).