



Energy Efficient Mortgages Initiative

*Energy efficient Mortgages Action Plan (EeMAP)
&
Energy efficiency Data Protocol and Portal (EeDaPP)*

Prague 2019

Vincent Mahieu

Hypoport





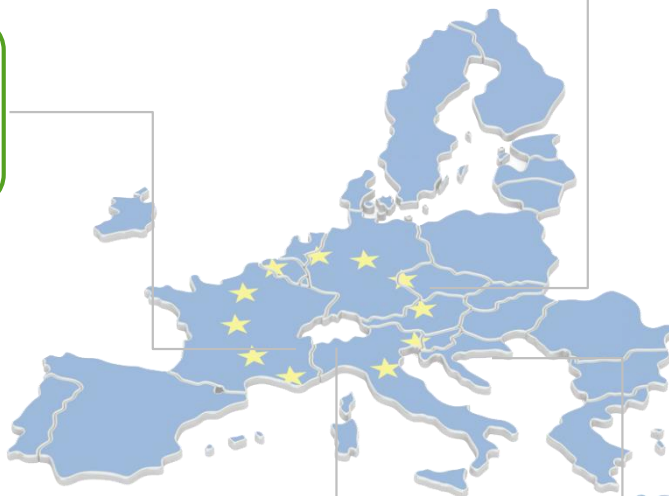
In the EU 28 there are...



510
million people



247
million dwellings



**Buildings account
for 40% of
EU energy use**



**more than 220 million
dwellings were built
before 2001**



€180 BN OF YEARLY INVESTMENTS IS NEEDED TO REACH EU TARGETS
A significant share of it must come from the private sector

- ❑ The **Energy Efficient Mortgages (EEM) Initiative** is a pan-European private bank financing mechanism that aims to **stimulate** and **finance investment** in energy efficient buildings, energy saving renovations in order to secure a greener and more sustainable future for all.



- It is the concrete and tangible market response to the Action Plan on Sustainable Finance adopted by the European Commission.
- Its ultimate objective is delivering a **standardised European framework** and **data collection** architecture for energy efficient mortgages.

The EEM Initiative consists of two EU funded projects under the H2020 Programme:

- The **Energy Efficient Mortgages Action Plan (EeMAP)** Initiative
- The **Energy Efficiency Data Portal & Protocol (EeDaPP)** Initiative

➡ <https://energyefficientmortgages.eu/>



Co-funded by the Horizon 2020 programme of the European Union



Energy Efficient Mortgage Initiative

Energy Efficient Mortgages Action Plan (EeMAP)

EeMAP aims to create a **mortgage financing mechanism** through which property owners are incentivised to improve the energy efficiency of their building or acquire an already energy efficient property by way of favourable conditions linked to the mortgage. The cornerstone of the initiative is the assumption that energy efficiency has a risk mitigation effect for banks as a result of the impact on a borrower's ability to service his/her loan and on the value of the property, a correlation which the EeMAP Initiative is currently working to substantiate.

Energy Efficient Data Portal & Protocol Initiative (EeDaPP)

EeDaPP is intended to support the energy efficient mortgage financing mechanism by delivering a market-led protocol which facilitates the large-scale gathering and processing of data relating to energy efficient mortgage assets, via a standardised reporting template. In the long term, the data will be accessed by way of a common, centralised portal, allowing for continuous tracking of the performance of the energy efficient mortgage assets, thereby also facilitating the tagging of such assets for the purposes of **energy efficient bond issuance**.



Efficiency and sustainability:
key features to **incentivise**
energy efficiency **investments**
AND financing



BETTER RISK PROFILE



- leads to a **reduction in the impact of energy costs to income** = reducing borrowers' probability of default (PD)
- Lower PD and LGD entails lower RWA and **reduced capital charges**



ENHANCED PROPERTY VALUE

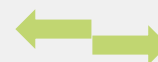
- **impacts positively on property value** ensuring wealth conservation & loss mitigation against energy transition risks
- Better value leads to **lower LGD** and **better Loan to Value (LTV) ratio**



POSITIVE MARKET RESPONSE

CONSUMERS

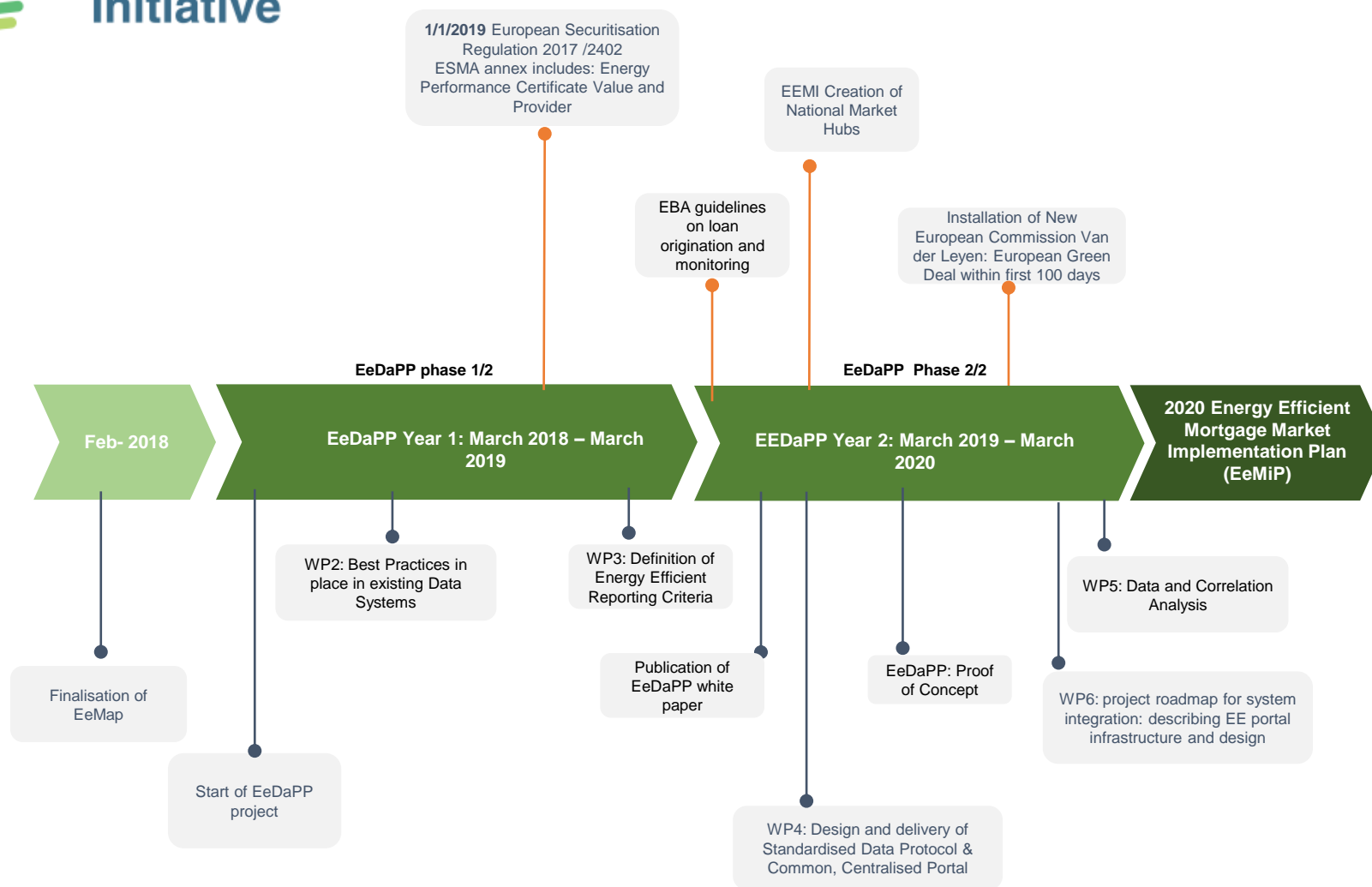
- Responding to the increasing demand for green investments
- Increase customer retention and enhanced borrower relationship

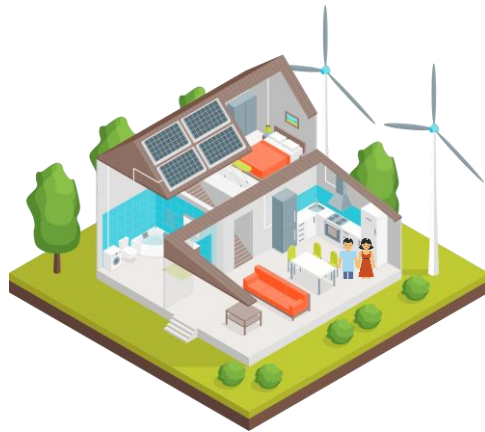


INVESTORS

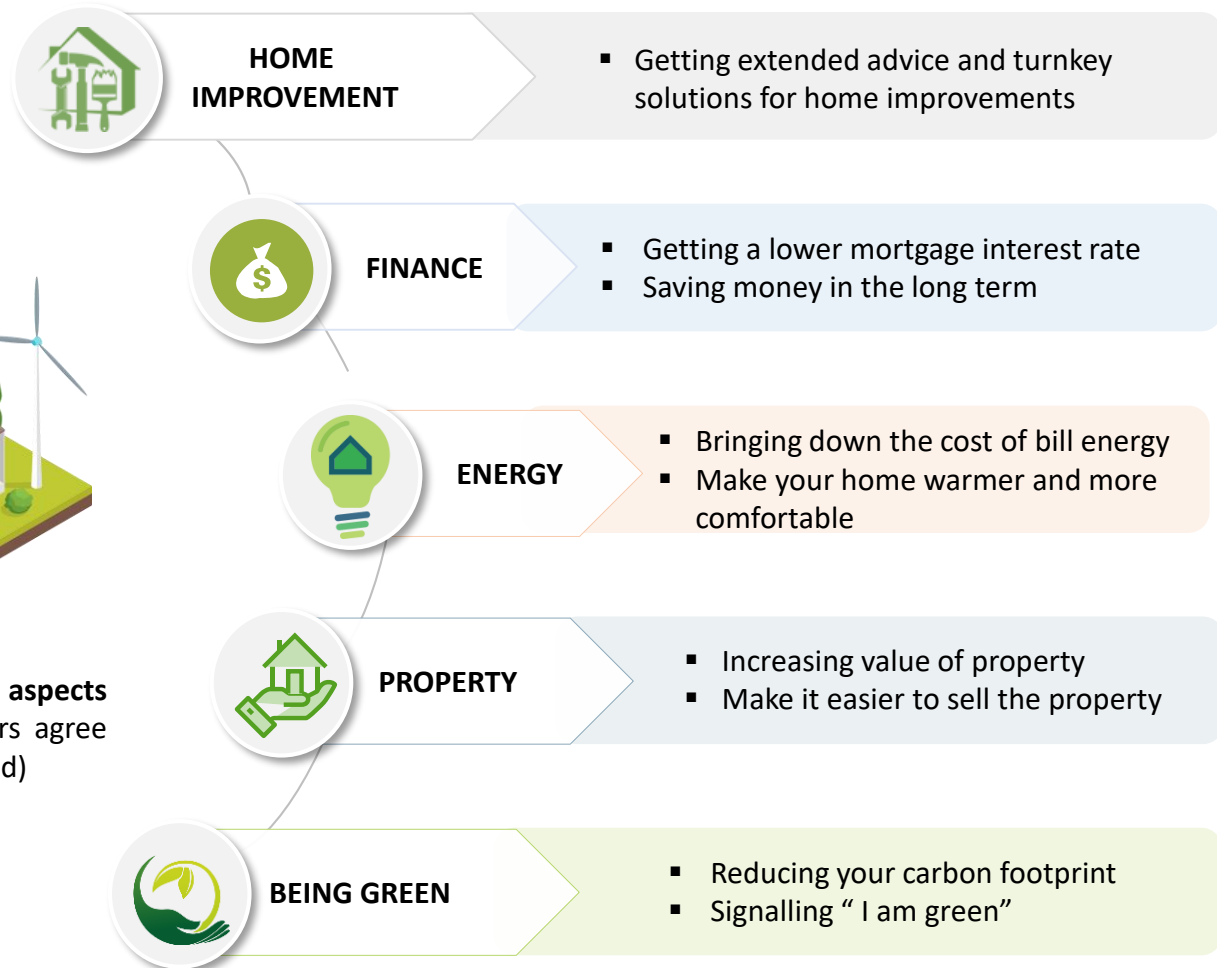
- New business opportunities and diversified financing options
- Broader Investor base
- Lower funding costs

EeDaPP Overview of timeline and deliverable





A wide variety of different **aspects drive appeal** (and consumers agree the benefits would be realised)



Milestone

- ❑ In June 2018, after engaging in a market consultation period, including a series of national roundtable events with banks, building energy performance experts, property valuers and utilities, the EEM Initiative launched the: **Energy Efficient Mortgages Pilot scheme**

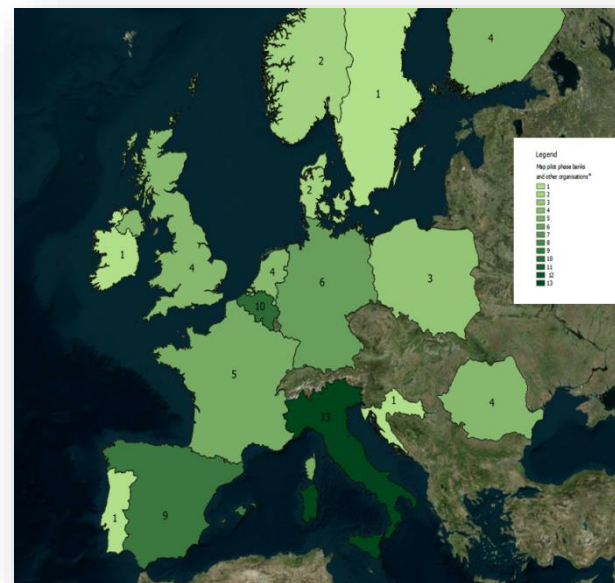
Composed of:

- **Lending Institutions:** committed to testing the implementation of the final energy efficient mortgages framework into their existing product lines and processes
- **Supporting organisations:** committed to provide technical support and energy efficiency expertise
- **Advisory Council:** committed to facilitate dialogue between policymakers and stakeholders from the financing and banking communities property and construction sectors at local, European and global levels

Mandate

Structured in

- ❑ **National Market Hubs:** to achieve coordination at national level and ensure market consensus and implementation.
- ❑ **Workstreams:**
 1. Product
 2. Data
 3. Partnerships



Source: Energy Efficient Mortgages Initiative

1

PRODUCT

EEM Definition

- ❑ In December 2018, a common **definition of energy efficient mortgage** was announced:

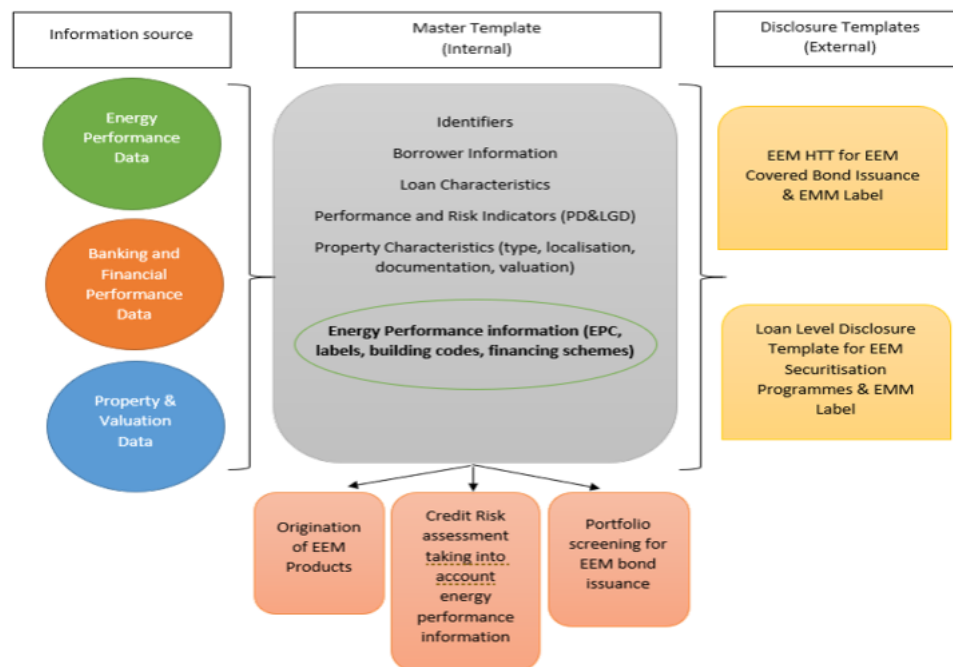
EEMs are intended to finance the purchase/construction and/or renovation of both residential (single family & multi-family) and commercial buildings where there is evidence of: (1) energy performance which meets or exceeds relevant market best practice standards in line with current EU legislative requirements and/or (2) an improvement in energy performance of at least 30%.

<https://eemap.energyefficientmortgages.eu/eem-definition/>

2

DATA

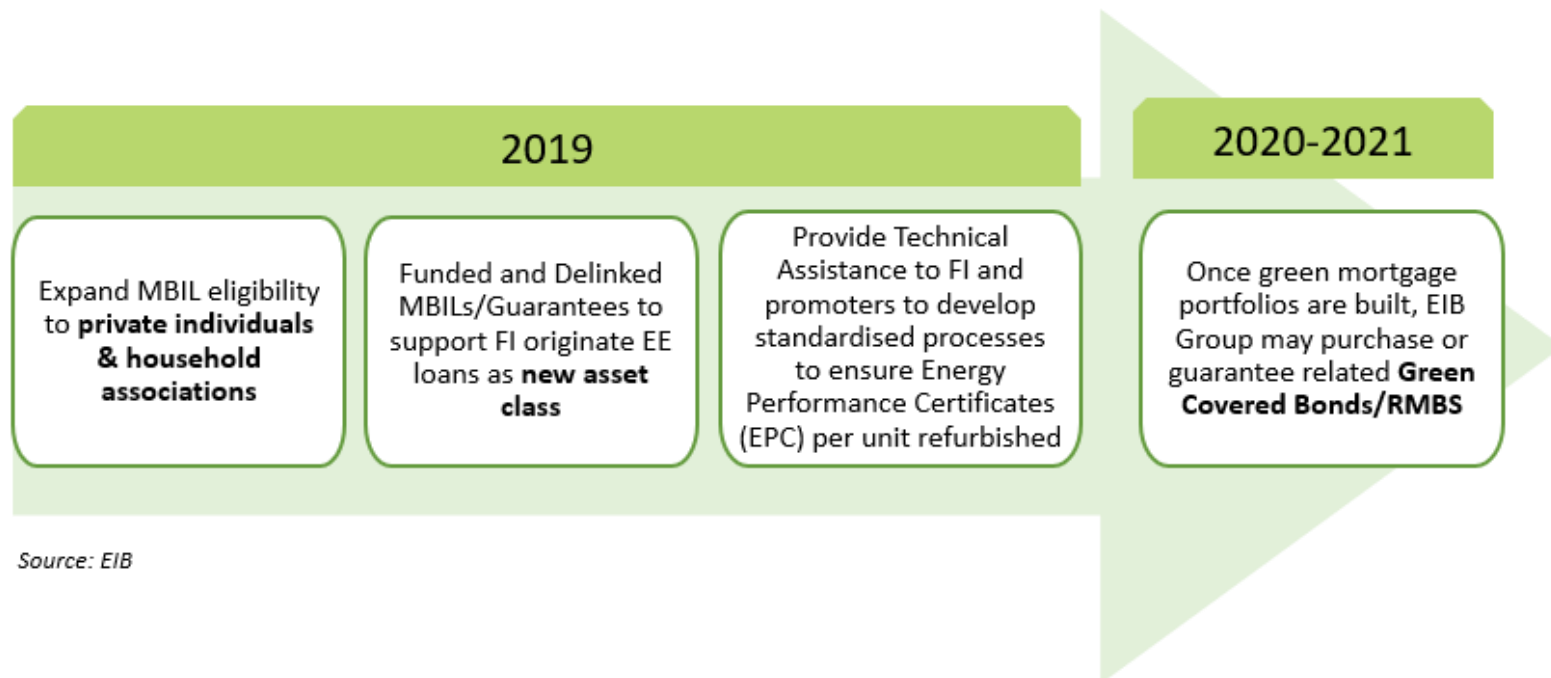
EeDaPP Master Template



3

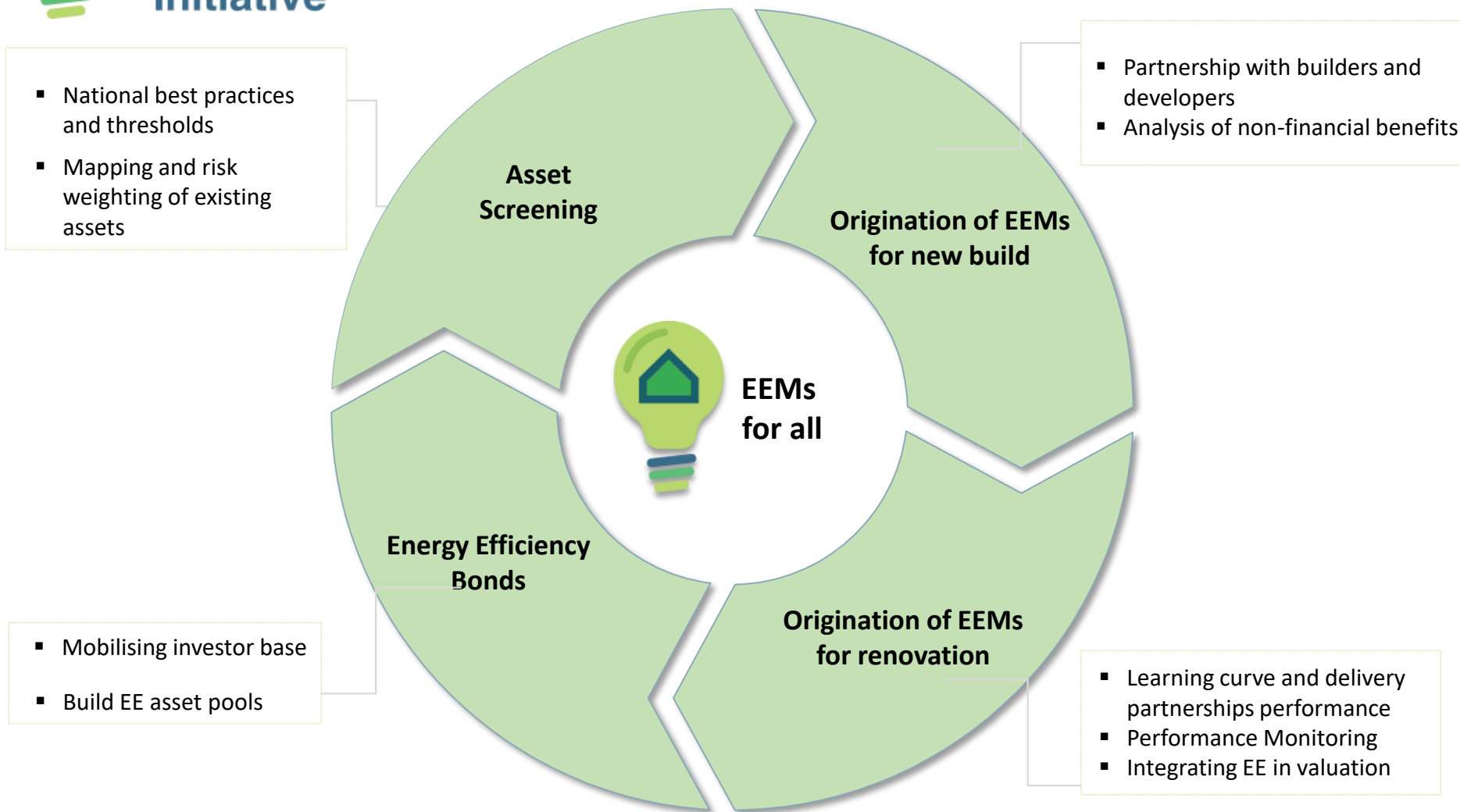
PARTNERSHIP

- Advisory Council solutions and institutional support
- EIB / EeMAP Financing Scheme



Source: EIB

Stage	Lending Institutions	Government	Industry
Asset screening	Match loan portfolio to EE (e.g. by using EPC data)	Make EPC database accessible to banks Improve data quality in EPCs	Work with lenders to ensure high quality EPCs Certifications can be mapped to loans
Origination of EEMs for new build	Offer green mortgages to new builds that meet EEM criteria	Enforcements and guidelines on NZEB standards	Partner with lenders to develop new builds which meet EEM criteria
Origination of EEMs for renovation	Advise clients on options, benefits and different sources of finance	Develop quality assurance schemes; building renovation roadmaps; incentives to drive demand	Partner with lenders to streamline delivery for consumers
Energy Efficiency Bonds	Issue energy efficiency bonds against EEMs	Green Bond standards Disclosure rules	Performance/compliance monitoring
EEMs for all	Fully account for EE in affordability checks	Energy efficiency/sustainability in prudential requirements	Offer training to banks/brokers



EeMMiP

Energy Efficient Mortgages Market Implementation Plan

☐ Market Implementation:

**Consumer
Insight**

**Operational
testing**

**Institutional
sandbox**

**EEM
Label**

☐ Building on the success of the ECBC Covered Bond Label



EEM Label

New European Commission – Green Deal & Energy Efficiency

Green Deal branded as ‘hallmark’ of new European Commission

By Frédéric Simon and Sam Morgan | EURACTIV.com

Sep 11, 2019



Frans Timmermans in Milan, 24 May 2019. [Photo: EPA-EFE/DANIEL DAL ZENNARO]

Languages: Français | Deutsch

“I want the European Green Deal to become Europe’s hallmark,” said European Commission President-elect Ursula von der Leyen, as she tasked her second-in-command with overseeing Europe’s goal of achieving climate neutrality by mid-century.

“At the heart” of von der Leyen’s new Commission “is our commitment to becoming the world’s first climate-neutral continent,” the incoming Commission chief said on Tuesday (10 September) as she presented her team and their respective portfolios.

Some items in Von der Leyen’s Mission Statement

- Von der Leyen states: **“Europe follows the energy-efficiency-first principle across the board** and boosting the uptake of renewable energy deployment.”
- **“Coordinate the work on the Sustainable Europe Investment Plan,** which should unlock **€1 trillion of climate-related investment** over the next decade”
- **“I want the European Green Deal to become Europe’s hallmark,”** said European Commission President-elect Ursula von der Leyen, as she tasked her second-in-command with overseeing Europe’s goal of achieving climate neutrality by mid-century.
- **“At the heart of it is our commitment to becoming the world’s first climate-neutral continent. It will require collective ambition, political leadership and a just transition for the most affected.”**
- **“I want Europe to be the front-runner. I want Europe to be the exporter of knowledge, technologies and best practice”** the new Commission chief said, introducing Timmermans as her second-in-command.
- The European Investment Bank, helping to turn parts of it into **Europe’s climate bank. By 2025, half of its total financing should be dedicated to climate investment.**

Europe seems to embrace Energy Efficiency

General adaptation of Energy Efficiency by both politicians and regulators.

- Interesting movement across Europe where energy efficient as a topic is becoming a **mainstream agenda item**
- Many explicit references in the new mission statement of the **Von der Leyen European Commission**
- **Christine Lagarde** sees climate change as “**mission critical**” for the ECB and **opens the door to EU taxonomy-based asset purchases programs**
- **Christine Lagarde** suggested that the **ECB**, which she is set to lead later this year, could **apply green** criteria to its **asset purchase programa**
- ECB stands to deviate from “market neutrality” in future bond and asset purchase programs
- ECB has already purchased green bonds under both the CSPP and the public sector purchase programme (PSPP)
- “The ECB is supporting the development of such a taxonomy,” Lagarde said. **“Once it is agreed, in my view it will facilitate the incorporation of environmental considerations in central bank portfolios.”**
- The new securitisation regulation ESMA reporting annexes have incorporated energy performance certificates in both:
 - annex2_underlying_exposures-residential_real_estate
 - annex5_underlying_exposures-automobile

Lagarde promises to paint the ECB green

The Frenchwoman also signals she'll continue Mario Draghi's policy of stimulating the economy.

By BJARKE SMITH-MEYER | 8/29/19, 7:10 PM CET | Updated 9/4/19, 3:20 PM CET



Regulation and Reporting: implementation of Energy Efficient Data in ESMA Securitisation regulation and HTT

Investor Report: 1 April 2019 - 30 April 2019



18. Energy Efficiency Label

Description	Aggregate Outstanding Amount	% of TotalPool	% in NL	Nr of Loans	% of Total	Weighted Average Coupon	Weighted Average Maturity (year)	Weighted Average CLTRM
Label A	334,113,351.74	1.90%	1.72%	1,663	2.21%	2.92%	21.14	72.46%
Label B	390,000,430.34	2.48%	2.22%	1,907	2.59%	2.89%	20.70	72.08%
Label C	1,890,011,351.54	12.70%	10.53%	9,909	13.02%	3.09%	21.72	70.05%
Label D	1,030,260,337.30	6.01%	5.57%	5,593	7.54%	3.10%	20.31	71.03%
Label E	5,876,758,929.59	37.24%	36.76%	27,370	35.98%	2.95%	21.05	66.64%
Label F	2,263,468,052.12	14.00%	13.03%	10,394	13.82%	2.92%	22.32	67.14%
Label G	3,802,288,146.37	24.39%	24.67%	18,834	24.74%	3.09%	21.16	66.79%
Energy Efficiency Label not known								
Total	15,692,003,625.90	100.00%	100.00%	76,080	100.00%	2.99%	21.53	69.00%

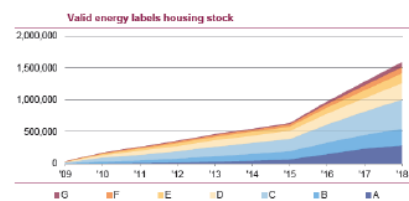


Figure
Registered energy labels stock of owner-occupied homes in the Netherlands
Source: Calcasa

Increased momentum in European Regulatory Reporting

- **ESMA Securitisation Regulation:** The Portal can give a quick visual insight of the key performance indicators
- **EBA guidelines on loan origination and monitoring :** In particular, the EBA proposes that environmental, social and governance (ESG) factors be included in risk management policies, credit risk policies and procedures. This most recent policy development underlines the relevance and timeliness of the Energy Efficient Mortgages Initiative.
- **Covered Bond:** Possible implementation of Energy Efficient information in forthcoming HTT by Covered Bond Label.

TEMPLATE CATEGORY	SECTION	FIELD CODE	FIELD NAME	CONTENT TO REPORT	ND1-ND4 allowed?	ND5 allowed?	FORMAT
ANNEX 2: RRE	Collateral information section	RREC10	Energy Performance Certificate Value	The energy performance certificate value of the collateral at the time of origination: A (EPCA) B (EPCB) C (EPCD) D (EPCD) E (EPCD) F (EPCF) G (EPCG) Other (OTHR)	YES	YES	{LIST}
ANNEX 2: RRE	Collateral information section	RREC11	Energy Performance Certificate Provider Name	Enter the full legal name of the energy performance certificate provider. The name entered must match the name associated with the LEI in the Global Legal Entity Foundation (GLEIF) database.	YES	YES	{ALPHANUM-100}

EeDaPP Consortium members can help in facilitating EPC data in your jurisdiction.

Energy Label: The Energy Performance Certificates (hereafter EPCs) are the most dominant source of energy information regarding the European building's stock. EPC's are an increasingly effective metric to capture energy performance and the impact of building policies.

Hypoport, TXS, Crif, EDW can assist in providing energy efficient data in your datawarehouse!

- Central governmental body
- Regional governmental body
- Central and regional governmental bodies
- Professional association
- Third party body
- Central governmental body and third party body





☐ Market Best Practices - Technical Reports

Since its launch, the EEMI has produced many publications and technical reports containing valuable and insightful information on a various range of topics related to energy efficiency, such as:

- Technical report on existing green reporting criteria
- Technical report on market needs and gaps

For additional information > www.energyefficientmortgages.eu

☐ Events, media and newsletter

Throughout the years, the EEMI has organised several events to raise awareness:

- ☐ Early Pilot Banks Meeting in Venice
- ☐ Green/EEM day at ECBC Plenary meeting
- ☐ National Hubs Meetings
- ☐ Institutional meetings



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For additional information on the Energy Efficient Mortgages Initiative

- Visit: <http://www.energyefficientmortgages.eu/>
- Contact:
Vincent Mahieu- *Senior Associate Hypoport*

