

The Energy Efficient Mortgages Initiative

Buildings are responsible for 40% of energy consumption & 36% of CO₂ emissions in the EU. By improving the energy efficiency of buildings, total EU energy consumption could be reduced by 5%-6% and CO₂ emissions by 5%. 75-90% of the building stock in the EU is predicted to continue to stand in 2050 making energy efficient refurbishment a top priority for Europe. Delivering on the EU's 2030 climate and energy strategy will require an estimated additional investment of €132 billion per year in buildings alone.

In this context, banks, in financing the purchase of buildings, have the potential to play a game-changing role in relation to the EU's energy savings targets by bringing energy efficiency considerations into the conversation with borrowers at a crucial moment and therefore incentivising borrowers to acquire/construct an energy efficient property or improve the energy efficiency of an existing one.

The resulting Energy Efficient Mortgages Initiative (EEMI) is intended as a pan-European effort to coordinate market interventions in relation to the financing of energy efficiency in buildings, create synergies in the mortgage and covered bond value chain, and in this way deliver a virtuous circle between lenders, borrowers and investors from the origination of the mortgage to the pooling of energy efficient collateral that would be the underlying collateral for "green" covered bonds.

The EEMI consists of the Energy Efficient Mortgages Action Plan (EeMAP) and the Energy Efficient Data Portal & Protocol Initiative (EeDaPP):

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.

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.

The EEMI is the result of more than three years of extensive and wide-ranging engagement and consultation with banks, real estate advisory services providers, built environment professionals and consumers/borrowers. Currently, **forty-seven lending institutions**, which represented 55% of mortgages outstanding in the European Union equal to 25% of EU GDP at the end of 2018, have signed up to the **EEMI pilot scheme**, in the context of which they are currently analysing feasibility of and implement the [Energy Efficient Mortgage Product Framework](#) into existing product lines and processes. The pilot scheme lending institutions are supported by 32 Supporting Organisations and by an Advisory Council (*Figure 1-3*).

A recent, important deliverable of the pilot scheme lending institutions was a **common definition of the 'Energy Efficient Mortgage'** which was announced in December 2018 to coincide with COP 24 in Katowice, Poland:

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%.

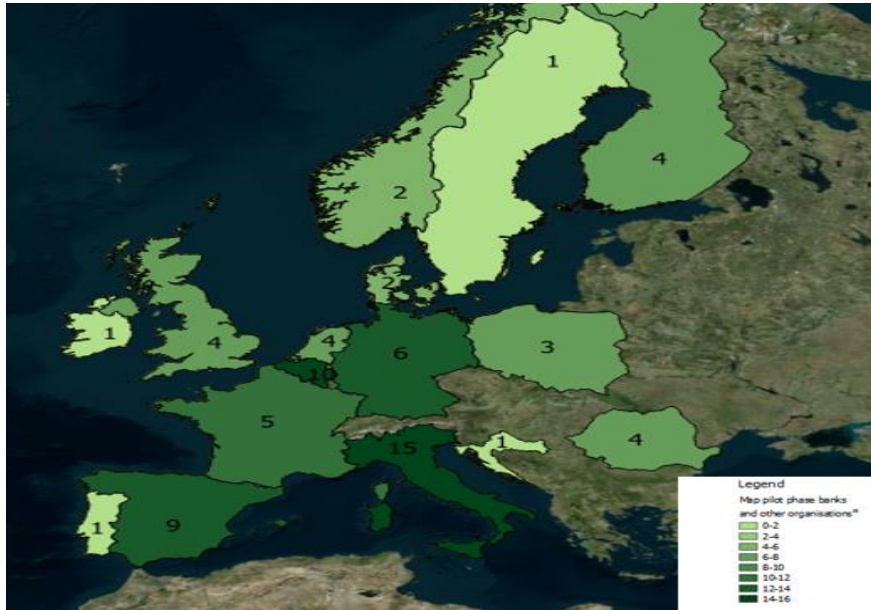
This evidence should be provided by way of a recent EPC rating or score, complemented by an estimation of the value of the property according to the standards required under existing EU legislation. It should specifically detail the existing energy efficiency measures in line with the [EEM Valuation & Energy Efficiency Checklist](#).

To consult the full definition, please click [here](#).

Pilot Scheme participants are currently organising themselves into **National Market Hubs**, with a view to achieving coordination at national level and ensuring market consensus and implementation for energy efficient mortgages (EEMs). National Market Hubs will be supported by an Energy Efficient Mortgage Label Committee, comprised of representatives of major mortgage markets and other relevant market stakeholders at EU level, which will ensure ongoing alignment of the EEM definition with high quality standards and market best practice at EU and national level by way of a European label for EEMs.

The EEMI is also supported by an **Advisory Council**, which includes representatives from the European Commission, the European Investment Bank, the European Bank for Reconstruction and Development, the International Finance Corporation, The World Bank, UNEP Finance Initiative, the Scottish Government, Climate Bond Initiative, The Autonomous Province of Trento - Agency for Water Resources and Energy and The Republic of Lithuania-Ministry of Finance, ACTIAM, Japan Housing Finance Agency, The Central Bank of Hungary and OMFIF. The role of the Advisory Council is to promote and facilitate dialogue between stakeholders from the financing and banking communities, property and construction sectors, as well as policymakers with the aim to address specific market failures and the criticalities identified during the implementation phase.

The strong engagement of the pilot lending institutions and the members of the EEMI Advisory Council marks a turning point in efforts to mainstream sustainable finance that will help to create demand and ultimately pave the way for market transformation and significant energy savings. In this way, the EEMI is a concrete response to the policy goals of the European Union to build a capital markets union and to facilitate the clean energy transition in line with the Paris Agreement.



*the map shows the location of 80 participants with a clear national link. To them also 7 international/European supporting organisations have to be taken into account

Figure 1. 80 confirmed participants (47 banks and 33 other organisations)

Country	Pilot Participants	Pilot banks	total outstanding mortgage market*	mortgage loan portfolio of participants**	coverage in %
BE	10	8	246.528	246.528	100,00
DE	6	4	1.445.987	1.445.987	100,00
DK	2	1	251.705	251.705	100,00
ES	9	3	490.806	490.806	100,00
FI	4	3	97.781	42.670	43,64
FR	5	4	1.009.562	193.150	19,13
HR	1	0	13.604	-	0,00
IE	1	0	83.301	-	0,00
IT	15	10	379.054	379.054	100,00
NL	4	3	714.367	341.000	47,73
NO	2	2	280.500	102.635	36,59
PL	3	2	100.579	35.100	34,90
PT	1	1	93.952	29.500	31,40
RO	4	2	15.820	15.820	100,00
SE	1	1	408.639	41.200	10,08
UK	4	2	1.575.990	89.509	5,68
EU/international	7	1			
Total EEA			6.927.675	3.704.664	53,48
Total EU			7.250.649	3.602.029	49,68
Total euro area	79	47	4.821.148	3.101.160	64,32

Figure 2 Pilot Scheme: Banks Coverage

This map displays latest state of commitments made by 47 banks across the EU to Pilot Scheme.

In total these banks represented EUR 3,602 billion (49,68%) in total outstanding mortgage loans of the EU.

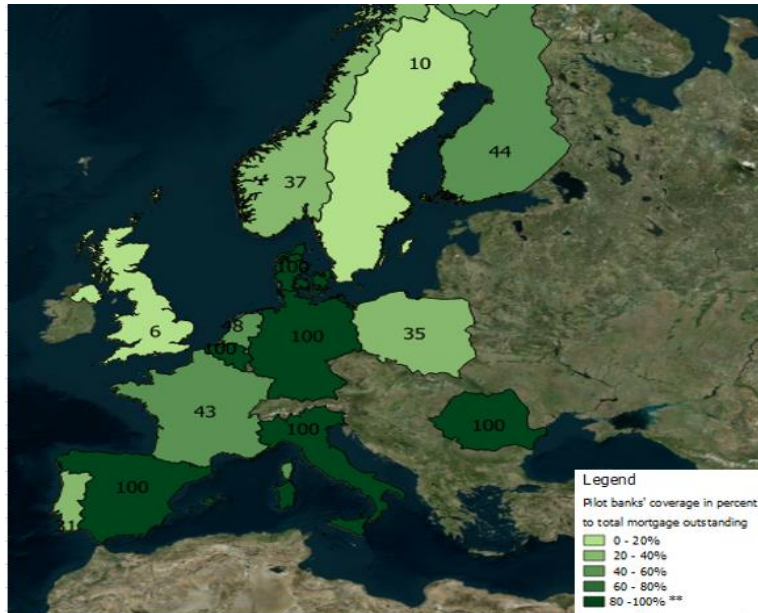


Figure 3. Coverage of pilot banks to total mortgage outstanding in 2018*

*data taken from Hypostat 2019

**figures taken from investor reports of the participating institutions. 100% is considered when the national mortgage association is pilot scheme member

Project Partners & Deliverables:

The Energy Efficient Mortgages Initiative will concretely deliver the following results by way of EeMAP and EeDaPP during the life of each Project (each 24 months, from May 2017 and March 2018 respectively):

The EeMAP Initiative – led by the [European Mortgage Federation-European Covered Bond Council](#) (EMF-ECBC), [Ca' Foscari University of Venice](#), [RICS](#), the [Europe Regional Network of the World Green Building Council](#), [E.ON](#) and [SAFE Goethe University Frankfurt](#) – will deliver the following five deliverables: (1) Identification and summary of market best practices, (2) Definition of an energy performance indicators and a Building Energy Passport, (3) Identification of pre-requisites for the assessment of “green value”, (4) Substantiation of correlation between EE & probability of default – portfolio analysis and (5) Definition and design of energy efficient mortgage, based on preferential financial conditions.

The EeDaPP Initiative – led by [European Mortgage Federation-European Covered Bond Council](#) (EMF-ECBC), [Ca' Foscari University of Venice](#), [CRIF](#), [European DataWarehouse](#), [Hypoport](#), [SAFE Goethe University Frankfurt](#) and [TXS](#) - will deliver the following five deliverables: (1) identification and summary of market best practices within data systems; (2) definition of energy efficiency reporting criteria; (3) design and delivery of standardised data protocol and common centralised portal; (4) data and substantiation correlation analysis; and (5) roadmap for system integration.

For more information about the Energy Efficient Mortgages Initiative, please visit: www.energyefficientmortgages.eu

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