



## EEFIG Plenary Meeting 2021, Day 1 (open access)

Tuesday 9 February 2021

Virtual meeting (Zoom)

### 1. WELCOME AND INTRODUCTION BY THE CONVENORS (CLAUDIA CANEVARI, EUROPEAN COMMISSION, AND ERIC USHER, UNEP FINANCE INITIATIVE)

- The EEFIG Rapporteur Peter Sweatman briefly welcomed all the EEFIG members and speakers.
- Claudia Canevari, DG ENER, welcomed all and noted the high number of financial institutions among the almost 500 registered participants. She underlined that the EEFIG work is important for the European Commission as a dialogue partner and source of inspiration and encouraged Financial Institutions who are not already members to join EEFIG and engage actively in the dialogue.
- Eric Usher, UNEP FI, welcomed EEFIG participants as co-convenor of the group and emphasized the importance of 2021 in terms of recovery after the pandemic as well as in relation to climate action. Both political commitment and private sector commitment is now focussed on 2030 with intermediate targets for 2025. In this context, the EU taxonomy and the action plan for sustainable finance is a strong basis and UNEP FI will continue its close work with the European Commission in this respect.

### 2. KEYNOTE SPEECH - THE CENTRAL ROLE OF ENERGY EFFICIENCY INVESTMENTS IN THE FRAMEWORK OF THE RECOVERY AND THE RENOVATION WAVE (DITTE JUUL JØRGENSEN, DIRECTOR-GENERAL FOR ENERGY, EU-COMMISSION)

Ditte Juul Jørgensen, Director-General for Energy, noted that the covid pandemic has forced us all to work in a different way and that the EEFIG Plenary 2021 in contrast to earlier years is virtual.

- We now face the dual challenge of recovery and dealing with the climate crisis. This is also an opportunity for accelerating green transition and in this context, the policy framework is important.

- Energy efficiency is a key tool in this respect and the consultations on the revision of the EED are ongoing. Furthermore, the RED and ETS directives will interact closely with EED in furthering the green transition of the EU economy.
- In response to the pandemic, the Recovery and Resilience Fund will mobilise substantial funding to accelerate the recovery as well as green transition. This includes acceleration of the renovation of the EU building stock under Renovation Wave. Building renovation has major impact on climate change but also on job creation, health and well-being.
- Strong mobilisation of private finance to leverage the public funds and project development to accelerate the development of good projects will be needed.
- Furthermore, investor confidence is key and the policy framework with the sustainable finance strategy and the EU taxonomy contributes to this. The EEFIG plays a key role in creating investor confidence through its de-risking tools the de-risking energy efficiency platform DEEP, the energy efficiency underwriting toolkit and the activity of the EEFIG working groups.

### 3. **KEYNOTE SPEECH – THE ROLE OF THE EIB AS THE EU CLIMATE BANK IN THE FRAMEWORK OF THE CLIMATE TRANSITION AND THE RECOVERY (THOMAS ÖSTROS, VICE-PRESIDENT OF THE EIB)**

Thomas Östros, Vice-President of the EIB, the climate bank of the European Commission

- Energy efficiency investments are key to meeting the objectives of the Paris Agreement. Energy efficiency plays a key role in all decarbonisation scenarios and remains the most cost-effective way to meet climate targets while also creating jobs and resulting in health benefits; The cheapest, safest and most secure form of energy is the energy we do not use.
- The current crisis presents both challenges and opportunities for green transition as daily activity shifts from offices to private homes.
- The 2019 EIB energy lending policy emphasised a strong shift towards energy and renewable energy and the EE is now the largest subsector of EIBs energy lending representing more than 50% in 2020.
- Many commercial banks face uncertainty over energy efficiency lending as a new asset class. PF4EE was developed by the EIB in cooperation with the EU Commission to address this and EIB is actively participating in the development and implementation of the sustainable financing strategy.
- Furthermore, most EE investments require expert assistance in design and implementation and EIB therefore supports capacity development and a one-shop approach through its ELENA facility.

- Energy efficiency financing will continue to be a key priority for the EIB in the coming years.

#### 4. **EMERGING RESULTS OF THE EEFIG WORKING GROUPS (ELISABETH MINJAUW, BNP PARIBAS, CARLOS ARAUJO, ALLIANZ IM FRANCE, KAREN DEGOUVE, NATIXIS, ANDREAS GUERTLER, EEIF)**

Representatives of EEFIG working groups presented emerging results of their groups.

- Elisabeth Minjauw, BNP Paribas, underlined the importance of energy transition and more broadly sustainability to BNP Paribas.

She then introduced the work of the EEFIG Working Group on Financial Best Practices. The working group addressed the different enablers and barriers to energy efficiency financing, collected best practise and documented the evolution of financing practises in specific market areas; buildings, industry, refinancing and secondary markets; and assessed the recommendations of the High-Level Expert Group on Sustainable Financing.

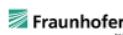
- Carlos Araujo, Allianz IM France, referred to the ongoing work on implementing the EU taxonomy for sustainable finance in portfolio monitoring and reporting. Energy efficiency and climate change is key to this work, but it also extends to other aspects including biodiversity.

He introduced the work of the EEFIG Working Group on Multiple Benefits. The non-energy benefits of building renovation on health were gathered and are envisaged to be published soon. The increasing time spent indoor and at home during the pandemic has significant health implications when buildings are not properly insulated and ventilated. Awareness needs to be raised not only with financial institutions but also with homeowners.

He cited a 2016 Eurofund study that found out, that EUR 2 out of EUR 3 invested in refurbishing houses (not only energy efficiency) are recovered by health benefits in the first year alone.

- Karen Degouve, Natixis, referred to Natixis' work on a green weighting factor for all loan engagement, which establishes an internal incentive for loan originators to identify green lending opportunities.

She introduced the work of the EEFIG Working Group on Asset-level energy performance correlations, which has more than 60 active participants organised in seven national hubs. The working group looks at the statistical relation between the credit risk of loans and the energy renovation level of the underlying asset. Natixis is working with GCD to analyse their credit data on this basis to assess the key question; are green loans less risky? There are many challenges related to both the loan and credit data in the financial institution and the asset level energy performance data, which is only publicly available in a few countries. If the emerging link can be established, the next question will be what implications this should have internally with financial institutions and with regulators.



- Andreas Guertler, EEIF, mentioned their engagement in the EEFIG including the ongoing Working Group on Energy Efficiency in Industry.

He introduced the work of the EEFIG Working Group on Energy efficiency in Industry, which has a diversified group of very engaged participants. Currently a thematic assessment of energy efficiency in the context of decarbonising energy intensive industry while keeping or improving its competitiveness is being prepared and further work on the challenges of energy efficiency investments in Small and Medium Enterprises is planned for 2021.

The EEFIG Rapporteur Peter Sweatman, asked the panellists the following questions:

1. How have financial institutions particularly changed in the way in which they view EE since the first EEFIG report in 2015?
  - Elisabeth: Financial institutions are now much more aware and increasing engaging with their corporate and private customers on green transition.
  - Carlos: The green bonds market has boomed since 2015 and energy efficiency in buildings are a major component of this.
  - Karen: Agree that financial institutions have moved a lot. As an example, Natixis is aligning its loan book with the Paris Agreement and has developed tools to support this. This has also meant a move from exclusion policies (not to finance certain activities) to a more granular approach and engagement with customers.
2. As we heard from Ditte Juul Jørgensen, the regulatory framework is being updated to reflect greater EU ambition for 2030: How do you see your WG's work playing into that?
  - Carlos: One-stop shops and clear simplified processes may improve individual homeowners demand for energy renovations.
  - Karen: The sustainable finance disclosure regulation and the EU taxonomy are the most immediate impacts on financial institutions and companies. Nevertheless, the potential prudential regulation that may result from ongoing work on the risk of green investments will also be important. A key challenge is the **lack of access to data** on the energy performance of individual buildings in many European countries as well as significant differences in the data quality. Joint access to EPCs through transparent databases at national level in each MS would be a good starting point.
  - Elisabeth: Agreed that access to EPC data in many countries is a major impediment and there is a need for a joint European push to ensure data availability.
  - Andreas: Today energy efficiency does not always come first in industry in competition with other pressing investment needs. The EU taxonomy will have an

important role in moving this and clearly an increased CO2 price will also create strong incentives to invest.

3. Most of the active WGs deliver final reports this year: What is planned to be the focus during this last year of the WG?

- Elisabeth: The existing assessment will be updated and new analysis and emerging insights will be included.
- Carlos: Quantification of non-energy benefits is a key area, initially for monitoring purposes (e.g. air quality in buildings), and ultimately for assessment of the socio-economic value.
- Karen: The evidence on the energy efficiency standard having a positive effect on credit quality is growing and the next discussion is what that insight can be used for and whether it should ultimately result in a green support factor.
- Andreas: In industry, best practise examples may be needed. Furthermore, there is big potential for energy efficiency in SMEs but also many challenges. ESCOs could be an approach but only Italy where there are special framework conditions for ESCOs has been really successful in developing this market.

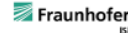
**5. FINANCIAL INSTITUTIONS (FI) PANEL – ENERGY EFFICIENCY ACTIONS IN THE FRAMEWORK OF THE RECOVERY AND THE INCREASED CLIMATE AMBITION FOR 2030 (STEFANIA RACOLTA-CRUCERU, EBRD, BETTINA DORENDORF, KfW, BRUCE SCHLEIN, CITI)**

The Financial Institutions Panel discussed the opportunities for EEFIG to contribute to the immediate European policy objectives on climate and recovery.

- Stefania Racolta-Cruceru, EBRD, referred to the new green economy transition strategy recently launched by EBRD where more than 50% of annual business volume will be targeted towards green transition. EBRD is one of the original members of EEFIG, active since 2013 and hoping to facilitate inclusion of new financial institutions in EEFIG.
- Bettina Dorendorf, KfW, mentioned her long-time engagement with EEFIG and noted KfW's significantly increased loan volume in 2020 due to their role in supporting the recovery after covid in Germany. Sustainability and energy efficiency is a core part of KfW's lending strategy towards 2020.
- Bruce Schlein, CITI, noted their growing market in financing energy efficiency as a service across large portfolios of properties. He furthermore noted a recently increased interest in scope 3 emissions among their corporate clients.

The EFIG Rapporteur Peter Sweatman, asked the panellists the following questions:

1. ESG is increasingly among the top priorities for FI CEO's and their boards. Has this upgrade to ESG priorities had an impact on energy efficiency investments?
  - Stefania: The environmental and social aspects are driving the quality of the investments, but not directly the volume. However, governance including climate risk management strategies is increasingly redirecting the volume. However, support for originating high quality investments is needed in the banks through which EBRD work. EBRD supports this through capacity building including for structuring of products and incentives.
  - Bettina: The volume of energy efficiency lending has not increased in recent years (according to recent IEA report), but broader sustainability lending is increasingly in focus. A key challenge is the lack of good projects, not the lack of funding. Energy efficiency investments are fragmented, small, specific, as well as difficult to standardise and aggregate. The EU taxonomy will play into this, but also one-stop solutions and project development assistance is needed.
  - Bruce: We see a growing need for longer term financing solutions as the need to invest broadly in green transition outpaces what can be financed from internal resources.
2. Can you identify any examples of EE investments that reflect the link between recovery and green transition?
  - Stefania: EBRD has mobilised a rapid response package in response to the covid pandemic. We are increasingly nudging clients to identify climate risks and include climate aspects in the investment planning. We will e.g. work with clients on transition from coal to other energy sources.
  - Bettina: The building sector is a good example of energy renovations impact on recovery through job creation. The taxonomy regulation's combination of do no significant harm and significant contribution criteria is both an opportunity (setting ambitious standards) and a challenge (if speed of implementation is not realistic).
3. What has surprised you in the world of EE investment and finance in the last year?
  - Bettina: We saw a significant increase in loan applications during 2020 driven by improved promotional elements (federal government grant for energy efficiency refurbishment).
  - Stefania: There is now an acute sense of urgency and a willingness to engage in systemic action. Furthermore, dialogue with banks has moved from only climate risk



to both climate risk and related lending opportunities. In addition, the interest in green bonds issuance is growing in our countries of operation.

## 6. **EEFIG IN 2021-2022 - IMMEDIATE PRIORITIES** (MURRAY BIRT, DWS GROUP, SANDRA SCHOONHOVEN, ING, JENNIFER JOHNSON, EUROPEAN MORTGAGE FEDERATION, MARTIN KOCH, ECFIN)

The EEFIG Steering Committee is the governance body of the EEFIG and meets three times per year, next time on February 25 to take note of the discussions at the Plenary and guide direction for 2021. The following steering committee members were invited to discuss the focus of EEFIG during 2021-2022.

- Murray Birt, DWS Group, noted the investments in energy efficiency by DWS across asset classes (equities, real estate, green bonds and covered bonds, project level funds and infrastructure) and regions. Energy efficiency matters to financial institutions as growing low risk investment opportunities and as assets with impact on employment growth, climate change mitigation and health benefits.
- Sandra Schoonhoven, ING, referred to their goal of alignment with the Paris Agreement and the recently published Terra progress report monitoring current emissions and future targets for the lending portfolio. The mortgage portfolio is increasingly growing in the A-level buildings. The ING's first climate risk report launched in 2020 also covers the built environment. ING is active in the EEFIG working group on risk and particularly interested in the why; what is the causal relation if a correlation can be established?
- Jennifer Johnson, European Mortgage Federation, referred to the energy efficient mortgage initiative, three EU funded projects under the H2020 Programme engaging 67 pilot banks, 43 supporting organisations & an Advisory Council. The key focus is currently the upcoming launch of the new energy efficient mortgage label.
- Martin Koch, ECFIN, noted that the EEFIG's 2015 report on how to drive new finance to energy efficiency investments has had high added value for the European Commission due to its concreteness and best practice examples. EEFIG also inspired several projects in the area of energy efficiency finance supported by the EU's Horizon 2020 Programme as well as the "Smart finance for smart buildings" initiative. He suggested that EEFIG immediate priority could include up-dating its 2015 report on "driving finance for energy efficiency investments"; and that EEFIG could make an important contribution by identifying best practices to scale-up energy investments and finance in the EU.

The EEFIG Rapporteur Peter Sweatman, asked the panellists the following questions:

1. What is the role of the EEFIG steering committee and how would you characterise the impact of EEFIG since its first report in 2015?



- Murray: EEFIG has had a tremendous impact and paved the way for greater public private cooperation in the area. This is continued by the working groups, through inspiration of H2020 activities on energy efficiency financing, and through the Steering Committee's engagement with the European Commission.
  - Sandra: The cohesive approach applied in the working groups has effectively addressed barriers to energy efficiency financing at both European and national level.
  - Jennifer: EEFIG has been a valuable amplifier and expert body to build on the work of the energy efficient mortgage initiative. There are also significant synergies in relation to prudential regulation that can be explored further.
  - Martin: The EEFIG provides an important feedback loop for the European Commission and he encouraged specificity and best practice examples that can be replicated.
2. Can you identify examples of successful innovative financing mechanisms that can be replicated in the coming years ?
- Murray: CRREM, energy efficient mortgages, US experience with utilities procuring energy efficiency on a market basis.
  - Sandra: Public-private cooperation in the built environment to allow homeowners a broad variety of financial instruments to finance energy renovation.
  - Jennifer: Energy efficient mortgages, green labelling of other financial products, supporting SMEs through a rating system, disclosure around covered bonds.
  - Martin: Experience in individual EU countries on combining grant and loan, risk sharing mechanisms, aggregation mechanisms is now known. The challenge is now how to scale it up and replicate it.
3. How can we improve institutional cooperation and how can FIs better support policy objectives?
- Murray: Alignment of FI action with policy objectives can be supported by using the same metrics e.g. Science Based Targets (<https://sciencebasedtargets.org/>), as supported by tools developed by CRREM.
  - Sandra: In the context of asset level energy risk, it is important to understand what is driving the probability of default. Also, the risk of adverse effects needs to be considered to ensure that homeowners are not discouraged from investing in renovations.





- Jennifer: Cooperation across financial institutions and between financial institutions and authorities is needed to ensure a smooth customer journey for energy efficiency financing. Furthermore, improved access to EPC data and harmonisation of disclosure by financial institutions are important enablers.
  - Martin: It is important for us as policy makers to have feedback and EEFIG is one of the fora we can use for this. Please take this as an invitation to engage with us.
4. One stop-shops could be local authorities, service providers or banks. What works best?
- Sandra: It is not either-or; it should preferably be a mix.
  - Jennifer: Yes, an ecosystem is needed.
  - Martin: There are other approaches like the ELENA that have worked well.
5. What is the opportunity for job creation from the renovation wave?
- Jennifer: There is a massive opportunity to create skilled jobs to implement the renovation wave.

Initiatives referred to by Murray Birt during debate:

- Emission reduction curves for real estate: [www.crrem.org](http://www.crrem.org)
- Investor net zero real estate commitments, including from DWS: [www.betterbuildingspartnership.co.uk/member-climate-change-commitment](http://www.betterbuildingspartnership.co.uk/member-climate-change-commitment)
- The final investor net zero framework including for real estate will be published in a few weeks' time; The consultation on this framework is here: [www.iigcc.org/our-work/paris-aligned-investment-initiative/](http://www.iigcc.org/our-work/paris-aligned-investment-initiative/)

## 7. CONCLUSIONS AND CLOSURE REMARKS (CARLOS SANCHEZ RIVERO, DG ENER)

Carlos Sanchez Rivero, DG ENER, thanked all speakers and participants and the team.

Finally, he encouraged esp. financial institutions to subscribe to the EEFIG newsletter and join the EEFIG.