

BANKS MUST HELP FINANCE THE EU RENOVATION WAVE



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The Russian invasion of Ukraine and the unusually hot summer have sent energy prices rocketing and forced EU countries to reevaluate their energy policies, bringing energy efficiency into sharp focus.

The EU is currently falling far short of its target of 3% of buildings undergoing 'deep' renovations every year and cutting emissions from buildings by 60% by 2030.

Homeowners need much more support identifying how to make their homes more energy efficient and finding the money to do it. But while many governments have stepped in with a range of subsidies, these schemes face serious financial limitations.

There is a solution to overcome this bind: getting banks to play their part.

Well over 70% of households in Europe own their homes, with a third of those having mortgages. If offered affordable loans with long term maturities and the right technical assistance many of these homeowners and energy communities would be happy to invest in making their home more energy efficient.

This is why today we are calling on the European Parliament to make the Commission's proposal of a Mortgage Portfolio Standard (MPS) for banks mandatory in the Energy Performance of Buildings Directive (EPBD).

The MPS must require Member States to establish periodic binding targets for banks to increase the energy performance of the buildings in their lending portfolios, starting with the least energy efficient homes. These targets should be aligned with the national building renovation plans that the Member States will also have to put in place under the proposed Energy Performance of Buildings Directive.



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As banks provide loans for renovation to the scale needed, governments could then make their spending programs more cost-effective by squarely targeting them at the most vulnerable households, and ensuring the necessary upskilling of the renovation workforce and tackling other supply-side barriers.

If the EU, national governments and banks are serious about their commitment to meeting net zero by 2050, implementing a mandatory MPS should be a natural step.

But as most banks seem unwilling or slow to act on this of their own accord, we have to remove the choice not to.

To mitigate the additional requirements that the MPS will place on banks, the European Commission can oversee the creation of EU and national guarantee funds for energy efficiency loans, to cover the risk of default by more vulnerable households.

The European Central Bank should also offer a discount rate for energy efficient renovations through targeted longer-term refinancing operations, to further incentivise lending and reduce borrowing costs for banks and households.

We believe that this level of coordinated action would create a win-win situation for policy makers, financial institutions, citizens and the planet alike, and give the EU the best chance of meeting its net zero targets.





Signatures:

1. **Stanislas Jourdan**, Executive Director, Positive Money Europe
2. **Peter Sweatman**, CEO & Founder, Climate Strategy & Partners
3. **Adrian Joyce**, Director, Renovate Europe Campaign
4. **Sebastien Godinot**, Head of sustainable finance, WWF European Policy Office
5. **Mathilde Nonnon**, Sustainable finance policy assistant, WWF EPO
6. **Patricia Suárez Ramírez**, Presidenta, ASUFIN
7. **Vinay Pranjivan**, Senior Economist, DECO - Portuguese Consumer Protection Association
8. **Emilio Miguel Mitre**, AÚNA Forum Coordinator, GBCe (Green Building Council España)
9. **Riwan Driouich**, Senior Economist, 2 Degrees Investing initiative
10. **James Vaccaro**, Executive Director, Climate Safe Lending Network
11. **Katarína Nikodemová**, Director, Buildings for the Future
12. **Neus Casajuana**, Chairwoman, Revo Prosperidad Sostenible
13. **Philippe Givron**, Indépendant board member insurance company, Yuzzu
14. **Nicolas Dufrêne**, Director, Institut Rousseau
15. **Paul Schreiber**, Campaigner, Reclaim Finance
16. **Leana Msika**, Chargée de mission, Dorémi
17. **Valéry Paternotte**, Research and advocacy officer, Financité
18. **Olivier Sidler**, Energy building expert, negaWatt
19. **Benoit Lebot**, Board Member, Association Agir pour le Climat - France
20. **Dirk Vansintjan**, President, REScoop.eu
21. **Javier Tobías González**, Building renovation policy officer, ECODES
22. **Eric Monnet**, Professor, Paris School of Economics
23. **Jens van 't Klooster**, Assistant Professor of Political Economy, University of Amsterdam
24. **Michael Peters**, Head of Financial System and Real Economy, Bürgerbewegung Finanzwende
25. **Yelter Bollen**, Policy Officer Climate/Finance, Bond Beter Leefmilieu
26. **Marcos Eguiguren**, Director International Centre in Sustainable Financa, UPF- Barcelona School of Management
27. **Vincent Minon**, Applied Math Engineern Support Manager, Synthetis SA
28. **Els Lauriks**, Coordinator, Fairfin
29. **Sacha Dierckx**, Economic Advisor, ABVV-FGTB
30. **Laurence Scialom**, Professor University Paris Nanterre, Fonctionnaire





31. **Alain Grandjean**, Economist
32. **Laetitia Aumont**, Policy Officer for Circular and Carbon Neutral Built Environment, European Environmental Bureau
33. **Ollivier Bodin**, Economic advisor, Greentervention
34. **Etienne Charbit**, Energy Efficiency Officer, CLER - Réseau pour la transition énergétique
35. **Josep Lluís Pérez Santamaria**, Profesor Economia de Secundaria, Col.legi d'Economistes de Catalunya
36. **Eduard Puig MacLean**, COO, GNE Finance



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