



Small label, large impact: Launch of the EEML

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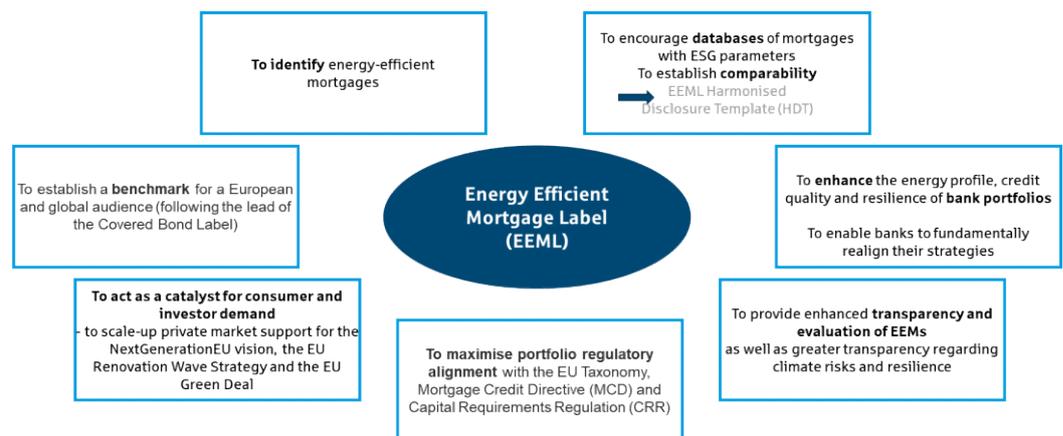
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- Time is running out for the implementation of the Green Deal in the real estate sector¹. At least this was the impression given by representatives of the EU Commission and the ECB at the launch of the label for energy-efficient mortgage loans, the "Energy Efficient Mortgage Label" (EEML)², who also warmly welcomed the initiative of the EMF-ECBC. On the day it was launched 23 banks had already applied for the label.
- One thing all participants agreed on was that the EEML will be a powerful instrument in mobilising the enormous investments needed to boost the energy efficiency of buildings. The aim is to establish a European, or even global, standard to promote green real estate finance and at the same time to prevent "greenwashing". Covered bonds are an important tool in this respect.
- The initiative's plan is for banks to first identify residential and commercial mortgages and their respective building energy performance in their loan portfolios and to publish data using a Harmonised Data Template (HDT) in order to improve transparency and valuation of EEMs. Publication will be mandatory from 2022 onwards.
- Simultaneously, work is underway to address the issue of how closely the label should be aligned to the planned EU Taxonomy. Currently, the draft regulations for green real estate include highly demanding criteria³ but amendments do not appear to have been ruled out. The final legal act is not expected before April.

EEML offers multiple benefits for transparency and investment decision-making

Goals and advantages of the Energy Efficient Mortgage Label



Sources: Website EEML, Helaba Research

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¹ See Covered Bond Special: [The EU Taxonomy - a climate killer?](#), p.3, Building sector a key area of action in Green Deal - potential for financial sector

² Website <https://www.energy-efficient-mortgage-label.org/>

³ See Covered Bond Special: [The EU Taxonomy - a climate killer?](#), p.4

- At the moment, a condition for being awarded the EEML is that the energy performance of the financed properties meets or exceeds the highest market standard according to currently applicable EU statutory requirements and/or that the financing results in a 30 % improvement in energy performance. The latest EPC rating, together with a property valuation assessment in line with EU legal standards, is intended to provide evidence of this. As part of this, the energy-efficient benchmarks are listed in a valuation checklist. The HDT means that credit institutions are committed to regular transparency.
- In our opinion, the timing for bringing the label to market could not have been more opportune. Although the Covid-19 pandemic is not over yet, 2021 is still set to be a crucial year for many market participants in terms of reaffirming their climate objectives. After all, the Paris Agreement of 2015 provides for an increase in climate targets every five years which will be on the agenda of this year's Glasgow Climate Change Conference in November, which was delayed by Covid-19 and will include the recently re-joined United States. Furthermore, the ECB is apparently considering disclosing climate risks in the scope of its bond purchase programmes and is currently focusing on collecting the relevant data.
- The label is not only likely to represent a major step towards increased awareness among and use by borrowers and banks. Our expectation is that EEMs bearing this label will be able to serve as a valuable pool of data for the continued examination of the link between environmental risk and credit quality. Similarly, the EEML should drive the evolution of banks' credit risk modelling and has the potential to develop into a new strategic pillar for banks' real estate and funding activities.

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