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EEFIG News

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Welcome

EEFIG: Welcome to Summer Newsletter

Welcome to the EEFIG summer newsletter. In this edition, we are happy to present the redesigned new DEEP 2.0 (De-risking Energy Efficiency Platform) database. Furthermore, this edition follows a busy period of intensive work by EEFIG Working Groups, more of which below. Two new members of the Steering Committee outline their work and their expectations from EEFIG. Finally, we included great news from UNEP FI. Follow our EEFIG website for regular update on our activities.

Improved platform for monitoring energy efficiency financing – DEEP 2.0

The European Commission launched an improved and updated version of the EEFIG's “De-risking Energy Efficiency Platform” (DEEP). DEEP 2.0 is an open-source database for monitoring and benchmarking energy efficiency investment performance. The database currently includes over 17 000 energy efficiency projects from 30 providers.

Main URL

EEFIG News

Joining EEFIG Steering Committee: Mihaela Nadasan, Banca Transilvania

During the last couple of years, Banca Transilvania has drawn-up own lending products for both SME and retail clients, the energy efficiency component being rewarded within own lending scoring models. Meet our new steering commitee member.

EEFIG Interview - Mihaela Nadasan Deputy CEO, Head of Financial Instruments & Markets, Banca Transilvania

Mihaela Nadasan Deputy CEO, Head of Financial Instruments & Markets, Banca Transilvania

EEFIG Interview

Q1: What is your personal role in your institution regarding clean energy financing (including energy efficiency)?

Considering my role in Banca Transilvania, as discussion counterparty with the Development Finance Institutions, (the European Bank for Reconstruction and Development, the International Finance Corporation, the European Investment Bank, etc) I was involved in all topics regarding environmental and social issues back in early 2000. Starting at that time with lending exclusion lists and sound social practices which continued later on with implementing energy efficiency dedicated products. Currently, I am the Deputy CEO of Banca Transilvania responsible among others for “sustainability” in our bank and thus coordinating a trans-departmental team: business lines, risk management, underwriting, marketing etc. with specific focus on implementing, monitoring and reporting on the ESG topics.

Q2: How has your bank integrated energy efficiency financing throughout its operations? Is energy efficiency a priority or a special role in your lending policies?

We started more than 10 years ago with energy efficiency programs developed by the EBRD and the EEEF, building knowledge among our customers and our banking colleagues. During the last couple of years, we have drawn-up our own lending products for both SME and retail clients, the energy efficiency component being rewarded within our lending scoring models.

Q3: How can support and networking through EU initiatives (such as EEFIG) help promote sustainable energy efficiency financing throughout your institutions operations?

Examples would be: Raising awareness within the entire business community, creating and sharing successful models (successful through their meaningfulness), reaching common measurement models.

Q4: How will your bank play a bigger role in promoting the messages of EEFIG in your countries of operation?

The highly practical way in which EEFIG is organized and coordinates regional approaches is an excellent example of cooperation between different layers of stakeholders of which banks across Europe can benefit from. Getting direct contact to EEFIG initiatives and areas of involvement shall generate double direction results (i) Banca Transilvania transferring and actively promoting to the local market such examples of cooperation and (ii) mitigation of challenges driven by the lack of expertise and of standardized data given the high proportion of SMEs clients in our portfolio.

Joining EEFIG Steering Committee: Elisabeth Minjauw, BNP Paribas Fortis

Energy efficiency financing is really important to BNP Paribas. BNP Paribas considers its duty to contribute to a better future, bringing together diverse players in order to direct the financial capital to projects that address the issue of climate change, and more broadly, sustainable economic development.

Interview - Elisabeth Minjauw, BNP Paribas Fortis

Q1: What is your personal role in your institution regarding clean energy financing (including energy efficiency)?

I represent the bank in the sector federations on the topic of sustainability related matters in retail credits. Within BNP Paribas group, I am the single point of contact for the Energy Efficient Mortgage Initiative.

In my day-to-day job, I ensure the implementation of all sustainability topics within the credit domain.

Q2: How has your bank integrated energy efficiency financing throughout its operations? Is energy efficiency a priority or a special role in your lending policies?

Energy Efficiency Financing is really important to us. BNP Paribas considers its duty to contribute to a better future. We bring diverse players together to direct the financial capital to projects that address the issue of climate change, and more broadly, sustainable economic development. A memorandum of understanding was signed between the United Nations Environment Programme and our CEO. UNEP FI and BNP Paribas will scale the collaborative effort by establishing sustainable finance facilities in many developing countries with a target funding amount of 10 billion dollars by2025. This through sourcing funding & arranging and issuing green loans.

Q3: How can support and networking through EU initiatives (such as EEFIG) help promote sustainable energy efficiency financing throughout your institutions operations?

EEFIG brings together many fascinating players that work on a scientific approach on different areas that concern energy efficient financing, looking at the enablers and barriers, the evolution of financing practices, secondary markets, ... Many case studies have been discussed and they provided very useful insights

Q4: How will your bank play a bigger role in promoting the messages of EEFIG throughout your company and in your countries of operation?

Our bank discusses on the EEFIG topics mentioned above and sees how it can implement further these ideas in order to accelerate the energy efficient financing.

Are Energy Efficient Borrowers Less Risky?

Establishing a quantitative relationship, a correlation or ideally a causation between energy efficiency and lower credit risk can help to provide a business case for lenders to focus on asset energy performance. This could lead to more origination of energy efficiency loans and mortgages.

The EEFIG Working Group on Risk Assessment is focusing on the quantitative relationship between energy efficiency improvements and lower probability of default of associated loans and the increased value of the underlying assets. The Working Group has identified leading research groups and banks offering to provide access to their loan books, to merge these with relevant environmental data points and undertake careful analysis of the relationships that may exist.

Establishing a quantitative relationship, a correlation or ideally a causation between energy efficiency and lower credit risk can help to provide a business case for lenders to focus on asset energy performance. This could lead to more origination of energy efficiency loans and mortgages, given the fact that on average credit risk constitutes by far the most significant risk type for banks and plays a fundamental role in the derivation of banks' capital requirements.

The underlying causal relationship between energy efficiency improvements, credit risk and asset value is complex. The central argument is that property with higher energy efficiency performance (and hence lower expenses and higher comfort) should have a lower credit risk. This should in turn produce fewer non-performing loans, arrears and losses in case of default due to more advantageous cash flow patterns both on a monthly basis but also over their full lifetime.

Preliminary conclusions of the EEFIG analysis

The EEFIG working group has identified and reviewed data produced by a range of its member banks covering over a million properties spread all over Europe. It has taken years to clean, assess, review and re-assess statistical studies undertaken by these banks and their advisors and to benchmark them against those academic studies and those published by regulators. One example is the Bank of England. Causality is especially hard to screen for, and yet several of the confidential studies have now been able to manage this. EU Member States which do not make Energy Performance Certificates (EPCs) available to banks operating in their countries harm banks' abilities to undertake this analysis. In these cases, EEFIG's working group members have come up with a sophisticated proxy mechanism, notably in Germany and Finland. The working group has 68 members and observers.

Investing in health and social benefits: boosting sustainable renovation in the residential sector

Linking multiple benefits to ESG risk management or capturing broader policy objectives and social impact categories can facilitate the identification, measurement, monetisation, as well as explicit targeting of multiple benefits by financial institutions.

The COVID-19 pandemic has exposed the intimate relationships between the environment and our daily lives. The green recovery brings an important opportunity to better connect environmentally positive measures with the goal of a more inclusive and healthier built environment.

Investing in buildings can create a fair, inclusive and resilient society. People and communities should be at the heart of climate change mitigation and adaptation. Buildings represents an enormous investment opportunity to improve health, quality of life and social resilience across all communities, with a specific focus on the most vulnerable groups.

The EEFIG Working Group on Multiple Benefits explored a number of thematic areas including,

- health and social benefits,
- ESG risks,
- taxonomy,
- sustainability rating tools and
- impact investing

with the purpose to encourage financial institutions, building owners and local authorities to scale up financing of building energy efficiency retrofits. Many financial institutions and building sector stakeholders today understand that energy efficient buildings can contribute to value preservation and reduced risks but still struggle to integrate multiple benefits in their existing decision-making practices.

Linking multiple benefits to ESG risk management or capturing broader policy objectives and social impact categories can facilitate the identification, measurement, monetisation, as well as explicit targeting of multiple benefits by financial institutions.

The working group concluded that financial institutions and policymakers should act on the following recommendations:

- Establish effective public-private cooperation focused on improving comfort, health and wellbeing for building tenants and owners and facilitate market-driven, economically self-sustainable one-stop-shops (OSS)

- Establish a fully developed social Taxonomy and avoid the creation of Taxonomy silos which might lead to burden shifting and split incentives.
- Develop standardised metrics and optimise data collection for capturing of and reporting against Multiple Benefits (with third party verification)
- Commit to tracking social and environmental impacts of financial products
- Use the impact measurement and management approach in assessing public investments into energy efficiency
- Showcase investment and business models reflecting the multiple benefits and positive value & risk implications of energy efficiency
- Promote energy efficiency investments among impact investors and communicating energy efficiency investments as impact investments if these simultaneously avoid harm and maximise benefits in all ESG dimensions, as well as contribute to creating solutions, significantly impacting society, environment, and the economy

EEFIG Industry: Decarbonising energy intensive sectors

The potential to improve energy performance in industry is very high, but also complicated to realise, due to the nature of investments in central manufacturing processes and utility systems. The last two years have seen a change in the dialogue on energy efficiency in the European energy intensive industry from an operational optimisation opportunity to a strategic objective.

The EEFIG Working Group on Energy Efficiency in Industry is taking stock of the energy-intensive industrial sector in order to identify and assess the obstacles, drivers and best practice for increasing the energy efficiency investments.

The potential to improve energy performance in industry is very high, but also complicated to realise due to the nature of investments in central manufacturing processes and utility systems, i.e. long planning horizons and often relatively long payback-periods. Furthermore, many energy-intensive industries are in global competition with regions that are less ambitious on the speed of decarbonisation.

The last two years have seen a change in the dialogue on energy efficiency in the European energy intensive industry from an operational optimisations opportunity to a strategic objective. Customers are rapidly adopting the green agenda and increasingly asking for low-carbon products and reporting of suppliers' carbon footprint. There is also investor pressure, applied directly by institutional investors or as part of organised initiatives such as CDP (Carbon Disclosure Project). There is also a growing awareness that the overall green transition is an opportunity for revitalization of European industry and renewed competitiveness.

The Working Group meetings have shown that energy intensive industries are increasingly looking at Paris alignment and "deep decarbonisation" and that they are willing to undertake major changes in their production and improve their carbon footprint, through a combination of energy efficiency, renewables, electrifications, new products, circular business models, etc.

The Working Group discussions have also highlighted, that while industries are willing to go that way, they seek public private partnerships with the EC and national governments to ensure stable long-term policy frameworks, markets for new low carbon products, access infrastructure for renewable energy (electricity, hydrogen and biogas), grants supporting technology innovation, and a levelled playing field for products with international competitors.

The Working Group believes that such partnerships and mutual commitments between governments and industries can create a framework for deep decarbonisation combined with long-term improvement of competitiveness that can facilitate access to long-term commercial financing for green transition.

News from EEFIG Members

Eric Usher: Banks are finally out of the blocks in the race to net-zero’

The global banking community has taken a significant step in catching up. Convened by the UN, the industry-led Net-Zero Banking Alliance (NZBA) was founded in late April by 43 banks from 23 countries across five continents, with assets of US$28.5 trillion.

The global banking community has taken a significant step in catching up. Convened by the UN, the industry-led Net-Zero Banking Alliance (NZBA) was founded in late April by 43 banks from 23 countries across 5 continents, with assets of US$28.5 trillion – and the membership ranks continue to swell. This is an unprecedented commitment by banks to play their important role and do their part in decarbonising the real economy in line with the scientific call for action to limit global average temperature increase to maximum 1.5°C over pre-industrial levels by the end of the century.

Full article: https://www.unepfi.org/news/industries/banking/banks-are-finally-out-of...

Launch of UNEP FI Real Estate Impact Analysis Tool

Building on the UNEP FI Positive Impact Real Estate Investment Framework and based on the 22 impact areas of the UNEP FI Impact Radar. This new tool will allow for single asset as well as portfolio level analysis and will be applicable for new developments and exiting assets.

The Real Estate Impact Analysis Tool was developed by UNEP FI to enable financial institutions to identify and assess the positive and negative impacts associated with their real estate investments and portfolios. Building on UNEP FI Positive Impact Real Estate Investment Framework and based on the 22 impact areas of the UNEP FI Impact Radar. This new tools will allow for single asset as well as portfolio level analysis and will be applicable for new developments and exiting assets.

The methodology was derived from UNEP FI's unique holistic approach to impact and the SDGs, as developed by its Positive Impact Initiative (PII), as such it is aligned with the Principles for Positive Impact Finance. The Tool's in-built resources, are based on internationally recognised standards from within and beyond the UN System.

Launch of UNEP FI Investment Portfolio Impact Analysis Tool

The Investment Portfolio Impact Analysis Tool allows fund and portfolio level analysis, covers several asset classes (including fixed income, equity and real estate) and includes several new mappings.

The Investment Portfolio Impact Analysis Tool enables signatories to the Principles for Responsible Banking to meet their requirements under Principle 2 on impact analysis and serves as a basis for meeting their subsequent requirements under Principle 3 on target-setting. The new tool allows fund and portfolio level analysis, covers several asset classes (including fixed income, equity and real estate) and includes several new mappings. Watch the recording of the launch here.

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