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17 December 2021

EEFIG News

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Welcome

Welcome

Below you will find selected updates on EEFIG activities. EEFIG would be nothing without its members, and on this occasion we would like to express our hearty thanks to all your contributions and support. All the best for the coming holidays, and in the next year and EEFIG Secretariat is looking forward meeting you at EEFIG 2022 Plenary.

EEFIG News

EEFIG Steering Committee Member interview: Adrian Joyce, Secretary General, EuroACE

The support and networking opportunities that EEFIG has offered us for our work over its nearly 10 years in existence is invaluable.

What is your association's outlook regarding clean energy financing (including energy efficiency)?

Our association (EuroACE) works on all aspects of EU policy that are aimed at increasing the energy performance of buildings in the EU. We take a special interest in the question of energy renovation and have consistently raised concerns over the last decades on the need to mobilise public and private financing for the sector. It was reassuring for us to see that the European Commission, in its Renovation Wave Strategy, identified that there is an annual investment gap of at least €275 billion for energy renovation. We will continue to work to identify, promote and advocate for sustainable, long-term financing schemes that are matched to needs of our sector.

How has your association integrated energy efficiency financing in its activities? Is energy efficiency a priority or has a special role in your view?

The topic of financing for energy efficiency in buildings has largely been treated by EuroACE through its well known and widely supported Renovate Europe Campaign (REC). The REC is a communication campaign that has significantly raised political awareness about the need for ambitious energy renovation policies and programmes. It has repeatedly highlighted the financing needs for energy renovation whilst always recalling that significant economic, social and environmental multiple benefits arise when good programmes are effectively implemented. Most recently the REC funded a detailed study of 18 national recovery and resilience plans that describes the intention of those Member States for energy renovation. It found that they intend to disburse nearly €40 billion over five years – thus covering only a tiny proportion of the investment gap.

How can support and networking through EEFIG help promote sustainable energy efficiency financing?

The support and networking opportunities that EEFIG has offered us for our work over its nearly 10 years in existence is invaluable. We have gained access to important financial stakeholders that I believe we would not have been able to meet without the existence of EEFIG. In addition, we have learnt to speak the "language" of financial institutions and thus can better communicate with the sector for the advancement of our advocacy positions in relation to financing energy efficiency.

How will your association play a bigger role in promoting the messages of EEFIG?

EuroACE intends to continue to play a guiding role in the work of EEFIG by promoting its findings in our network, remaining active in its Steering Group and by contributing to the work of several working groups (on multiple benefits, on the energy efficiency first principle and others). We will also consistently direct our members and partners to the good outputs and products of EEFIG, which constitute a very rich set of tools for all that are concerned about increasing the level of investment in energy efficiency, especially for energy renovation of our building stock.

Evolution of financing practices for energy efficiency in buildings, SMEs and in industry

EEFIG's working group on best practises in financial instruments for energy efficiency has published an update to the landmark 2015 EEFIG Report with a progress review and renewed recommendations by segment and instrument category.

Find more here

EEFIG work on risk assessment: - View from a member: Luca Bertalot, Secretary General, the European Mortgage Federation

Update on the EEFIG work on the quantitative relationship between energy efficiency improvements and lower probability of default of associated loans and the increased value of the underlying assets.

Climate change risk analysis in the near future will drive radical changes in the prudential landscape for European banks and in market best practices. We are very glad to see the final results of the EEFIG analysis, which confirms the methodological approach of the Energy efficiency Data Protocol and Portal (EeDaPP) analysis and produces additional, clear scientific evidence of the significant negative correlation between building energy performance and credit risk. Energy efficiency is an endogenous component of risk for assets in banks' portfolios and improving the energy efficiency of the underlying collateral clearly acts as a significant risk mitigant. The prudential framework should take into consideration these important results and recalibrate the regulatory framework accordingly.

"Banks urgently need to set ambitious and concrete goals and timelines — including measurable intermediate milestones — to mitigate their exposure to current and future C&E risk," explained Frank Elderson, vice-chair of the ECB's Supervisory Board.

Read more.

What’s new at EEFIG – three new working groups getting underway

Update on the three new EEFIG working groups that are taking their initial steps and that will be active over the next 18 months.

“EEFIG is going from strength to strength” Claudia Canevari, head of the unit in DG ENER responsible for overseeing EEFIG, “opening a new chapter to support the efforts to make the European Green Deal a success.” Ms. Canevari is referring to three new EEFIG working groups that are taking their initial steps and that will be active over the next 18 months.

The first of the new working groups is on stimulating consumer demand for energy efficiency investments. The European Green Deal can only be a success if many more consumers are empowered and motivated to take action. This group will take a fresh look at the issues and bring in the financial community to get its commitment to play a key role with consumers. Members of the working group will help to identify best practices, their key features and possible obstacles they have to face, in order to assess the potential to replicate them and under which circumstances.

The second new working group is on applying the ‘Energy Efficiency First’ principle to sustainable finance. The working group will observe and analyse the current practices within the financial sector – especially how different types of financial institutions take into account sustainability criteria in their daily activities, and how much importance they give to energy efficiency. Importantly, it will consider the types and design of tools that may be used by financial institutions to adopt EE1st.

The third working group is on collecting and monitoring data on energy efficiency investments and financing. The Commission calculates, for the EU as a whole the overall transformation investment gap for both public and private investments in the construction sector (i.e. residential and business energy efficiency) is estimated around EUR 180 bn per year. It is of utmost importance to regularly measure and forecast the investment and financing levels and benchmark it against given targets and EEFIG is well placed to play a key role in this activity.

“We’re excited that these next steps are now underway” Ms. Canevari expressed,” as we need everyone to play their part to make the European Green Deal a success. EEFIG is definitely at the heart and centre of the road to achievement.”

EEFIG Events: EUSEW and COP26

EEFIG at EU policy conferences in Brussels and Glasgow.

High-level policy conference at the European Sustainable Energy Week 2021, Financial institutions enabling energy efficiency investments: Lessons from EEFIG' took place on the 27th of October. It focused on presenting the work of the EEFIG working group on Financing Practices and the speakers included final report chapter leads, who led discussion on the recommendations to policy makers and financial institutions, as well as to building and industrial sectors. Recording of the full event is available on here.

Hosted by the EU Pavilion at COP26, on the 4th of December the EEFIG discussion, Upscale energy efficiency financing – identifying and overcoming the investment gap, took place. This was a high level opportunity for EEFIG to launch its two landmark reports from working groups SR7 and SR8. More detailed reflection on EEFIG at COP26, below for the blog from our Rapporteur, Peter Sweatman. Recording of the full event is available here.

News from EEFIG Members

Blog: Eric Usher - What Makes a Credible Net Zero Commitment

How significant the net-zero objective has become for the finance industry, and what's needed to make this a credible game changer going forward.

Let's be clear; net zero is not a financial objective, in and of itself. It's an environmental objective, an externality in conventional interpretations of business value. But convention is changing, quickly. As I wrote earlier, the real significance of the Principles for Responsible Banking framework is the focus on aligning a bank's business with societal goals such as financing the climate transition. But let me focus on the investment sector, which has made the first move here.

UNEP FI released its G20 Sustainable Finance working group Input Paper proposing a set a recommendations for credible net zero commitments. The Net Zero Asset Owner Alliance, and the Banking and Insurance Alliances that UNEP FI is also supporting, have implemented many but not all of the recommendations therefore there's still work to be done. And most importantly, now it's all about implementation which won't be easy considering the pace and scale of decarbonisation that's required.

Read full text of the blog

Blog: Remco Fischer - COP26: - The Moment Private Finance Promised to Lead

Review of the outcomes of COP26 and why ultimate climate success or failure depends on leadership from the private and the public sectors coming together.

Expectations were incredibly high going into COP26. Civil society – from school children to climate activists – was demanding that decision-makers take urgent action to halt the climate emergency. Emotions were running high as well as heavy criticism of governments and the private sector, particularly financial institutions, came under intense scrutiny.

Unlike the net-zero pledges of countries, financial institutions having joined one of these net-zero finance groups have committed to near-term intermediary targets that do add up to the long-term objective of net zero. Notably, two weeks ahead of COP26, 29 members of the Asset Owner Alliance had published their science-based, 1.5-aligned portfolio decarbonisation targets, to be achieved by 2025 and outlined in the inaugural Credible Ambition, Immediate Action progress report. Setting these near-term targets represents the first tangible and concrete output of the financial institutions' groups convened by UNEP FI and members of GFANZ (The Glasgow Financial Alliance for Net Zero).

Read full text of the blog

Peter Sweatman: And how much of the $100 trillion is earmarked for energy efficiency, Mark?

A personal blog by EEFIG Rapporteur reflecting on energy efficiency discussions at the COP26.

On November 3rd, during the first week of COP26, Mark Carney, the UN Special Envoy on Climate Action and Finance, announced that 450 financial organisations from 45 countries pledged to deliver the estimated $100 trillion of finance needed for net zero over the next three decades. This is the Glasgow Financial Alliance for Net Zero (GFANZ) alliance of over $130 trillion of private capital that is committed to transforming the economy for net zero.

The next day, also at COP26 in Glasgow, the EU's Energy Efficiency Financial Institutions Group (EEFIG) launched two landmark reports in a side event at the EU Pavilion. The first updates EEFIG's 2015 report that provides policy and market-led recommendations on how to increase the energy efficiency investment flows in European buildings, industry, and SMEs. The second provides statistically significant evidence that shows that lending against energy efficient buildings produces lower defaults and arrears. This data came from 800,000 mortgages from four EEFIG members across four European countries, and for the first time is controlled for income, wealth, typology, and other possible leading factors.

Read full text

Catalogue number: MJ-AN-21-004-EN-N