

# **Bauhaus**

some personal reflections

# The journey so far

## Since November 2020

- 8 events, 30 presentations, 16 hours
  - <https://hypo.org/ecbc/market-initiative/eemi-bauhaus-lets-greenstorm/>
- 1 idea:
  - To support energy efficient properties,
  - By providing a platform for an ecosystem
- Today:
  - Some common themes
  - How can we make it better?

Our starting point:  $EPC = PD + LGD$

OK, EPC influences default behaviour. What next?

*Discussed in presentations by Nationwide (March), Ca'Foscari (June) and others*

- The more studies, the better
  - End game: preferential capital, preferential pricing – needs evidence
  - Does it work across all cultures? Climates? Income levels?
- How material is it?
- EPC is not the only input (Cen Cenelc (Jan))
- Causation
  - Ca'Foscari: personal characteristics, income effect, valuation effect

# The customer journey

## Making it easier to do the right thing

***Discussed in presentations by Hemma (Dec), Add to my mortgages (Dec), UCI (Feb), CRIF (March), Naturgy (April), buildingSmart International (June)***

- Barriers to actually doing something
  - Finance (Jungo Feb, Woonnu, others)
  - Need for consensus (Woonnu - May, National Heat Fund - June)
  - Hassle factor / supplier trust (Hemma, Add to my mortgage – Dec)
  - Financial trust (AmTrust - Jan, Base – March,
  - Priorities (E.On – May)
- Information > persuasion > carrots > sticks > laws (inudgeyou, Dec)
- Why are solar panels on your roof?

# Green bonds and other investments

## Linking needs and funds

***Discussed by Credit Agricole Italia (March), OP bank (April), European Energy Efficiency fund (Jan), European Commission (April),***

- Is there a greenium?
  - Market today is very distorted
  - Green bonds with identical credit and fiduciary responsibility
- Secured on green ≠ used for green
- Green covered bonds?
  - Redefine article 129 eligibility criteria? (for the covered bond nerds amongst us)
- Green securitisations?
  - See EPC = LGD discussion
- Can green investment get better leverage in higher beta products?

# Risk!

Risk drives credit pricing (particularly when money is free)

*Discussed by Copenhagen Economics (Feb and June), EDW (Jan), Jungo (Feb), Reply (Feb), CRN (April)*

Risk is addressed in the '3 pillars':

- Minimum capital
  - Different risk weights for green and not-green
  - But: breakdown of risk and capital (output floor, leverage ratio)
- Supervision
  - Stress testing for climate risk
- Market discipline
  - Disclosure overload? (Non-financial disclosure regulations, Sustainable Finance Disclosure regulations, Basle 3/EBA ESG risk disclosure standards, Green Asset Ratio Reporting, Green bond framework reporting, stock exchange listing disclosure rules, private sector ESG rating disclosures.....)

# The data problem

195 million houses = a lot of missing data

*Discussed in presentations by EDW (Jan), Reply (Feb), EEM-NL (May), CRN (April)*

- (some) Problems
  - It doesn't exist
  - I don't have it
  - Its wrong
  - Its not comparable
- (some) Solutions
  - EeDaPP
  - AI
  - Compulsory disclosure

# Why Bauhaus?

## Because Luca likes history? Or....

- Because brands are important
- Liberal, international, arty, popular, cool  
(attributes not normally associated with bankers....)
- Holistic:
  - finance does not exist in isolation
  - Function and design are linked

## What next?

- More conversations, less presentations
- More geographic diversity
  - Cold countries / countries with old infrastructure / countries with high cost of capital
  - Not just Europe
- Let's meet!