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Build Upon Leaders' Summit 20-21 September 2016

"Ground-breaking Energy Efficiency Financing Project Aims to Create Benefits for Homebuyers"

Brussels, 20th of September 2016 – For immediate release

Homebuyers across the EU could be offered better borrowing rates on mortgages in return for purchasing more energy efficient homes or committing to implement energy saving work within properties, under a ground-breaking project being pioneered by a unique partnership of banks, property valuers, energy efficiency businesses and utility providers.

The European Energy Efficiency Mortgage initiative, launched today by a consortium led by the European Mortgage Federation – European Covered Bond Council (EMF-ECBC) aims to create a standardised "energy efficient mortgage" based on preferential interest rates for energy efficient homes and/or additional funds for retrofitting homes at the time of purchase.

The project represents the first time a group of major banks and mortgage lenders, as well as businesses and organisations from the building and energy industries have come together to address the concept of energy efficient mortgages. The project partners are the Ca'Foscari University of Venice, RICS, European Regional Network of Green Building Councils, E.ON, and SAFE Goethe University Frankfurt.

Creating a private bank financing mechanism to encourage the energy efficient improvement of households is a key means of helping the EU to meet its energy saving target of 20% by 2020, and to deliver on the ambition of the historic climate change deal, known as the Paris Agreement, which was reached at COP21 last December. It is also particularly timely given the growing global institutional and investor interest in climate finance and private sector investment required to fund low carbon initiatives, which will be the main focus of COP22, the next major climate change conference which takes place in Marrakech in November.

The European Energy Efficiency Mortgage initiative is significant in that it will explore the link between energy efficiency and borrower's reduced probability of default and the increase in value of energy efficient properties. For banks and investors, this could lead to loans which represent a lower risk on the balance sheet and could therefore qualify for a better capital treatment. It could also ensure that banks are able to recognise "energy efficient" assets in their risk profiling, which would begin to help the market to price-in the added value of energy efficient real estate.

The initiative is launched today at the World Green Building Council's BUILD UPON Leaders' Summit in Madrid, where 200 renovation leaders are gathering to discuss how to tackle energy efficiency in Europe's existing buildings.

Luca Bertalot, EMF-ECBC Secretary General, said: *"We have the responsibility to design a sustainable environment for future generations by developing a pan-European mortgage financing mechanism, according to which energy efficiency investments are made more accessible and affordable for consumers and institutional investors, and the subsequent energy efficiency improvements reduce risk for banks, creating a win-win for all involved".*

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Notes to the Editor:

1. In the EU, buildings are responsible for 40% of the total energy consumption and 36% of CO2 emissions. By improving the energy efficiency of buildings alone, the EU's total energy consumption could be reduced by 5-6% and CO2 emissions by 5%.

2. Given that the European building stock constitutes the largest single energy consumer in the EU, and that the value of the European mortgage market is equal to 53 % of EU's GDP, there is huge potential to build a bridge between the finance and energy efficiency worlds and unlock the benefits of mortgage financing to support energy efficiency.

3. Research in the US shows that borrowers financing energy efficient properties have a 32% lower probability of default on their loan. This is because the energy costs, which represent a large share of the monthly payments by the borrowers, are lower. Research by the UK Green Building Council also shows that mortgage lenders could include more accurate estimates of energy costs in their lending assessments, which could reduce the risk of over- or under-lending by many thousands of pounds over the life of the mortgage.

   If the same correlation between energy efficient investment and default risk can be evidenced in the EU, banks will be able to demonstrate that energy efficient mortgages are less risky due to a net cash-flow saving and can therefore consider lower capital requirements for those loans on their balance sheet (if they use internal models or ask that regulators recognise lower risk-weights for these loans, given the lower probability of default, in the Basel Committee on Banking Supervision's [BCBS] standardised approach).

4. Established in 1967, the **European Mortgage Federation** (EMF) is the voice of the European mortgage industry, representing the interests of mortgage lenders and covered bond issuers at European level. The EMF provides data and information on European mortgage markets, which were worth over 7.0 trillion EUR at the end of 2015. As of September 2016, the EMF has 19 members across 14 EU Member States as well as a number of observer members.

   In 2004 the EMF founded the **European Covered Bond Council** (ECBC), a platform bringing together covered bond issuers, analysts, investment bankers, rating agencies and a wide range of interested stakeholders. As of September 2016, the ECBC has over 100 members across 26 active covered bond jurisdictions and many different market segments. ECBC members represent over 95% of covered bonds outstanding, which were worth nearly 2.5 trillion EUR at the end of 2015.

   For the latest updates from the EMF-ECBC, follow us on Twitter, LinkedIn and YouTube or visit the EMF-ECBC blog.

5. Founded in 1868, **Ca' Foscari University of Venice (CFU)** is a leading Italian university in Economics, Languages, Humanities and Science. With more than 20,000 students and nearly 1,400 staff, CFU is organised into 8 Departments, committed to train the next generation of researchers, scientists and academics through collaboration across disciplines, advanced research projects and innovative study programs. In 2015, CFU has been rated among the top 200 universities for Economics and Econometrics, and Modern Languages in the QS World University Ranking by Subject. Since 2007, it has been awarded more than 110 grants to fund both individual and collaborative European and International projects, 70 of which funded within the framework of the 7FP and Horizon 2020 schemes.

   Moreover, the Ca' Foscari palace (the 560-year-old seat of the university - built in 1453) is the oldest building in the world certified LEED EBOM, the USA protocol dedicated to buildings for the certification of their sustainability degree. CFU is committed to reaching the LEED rating level 'silver' in 2018.

Monica Billio, Professor of Econometrics, Head of Department of Economics at Ca' Foscari University of Venice, said:
"Ca' Foscari is aware that sustainability requires a global outlook and strongly believes in the importance of sharing results and best practices at an international level. With this conviction, Ca' Foscari participates to the initiative making available its competencies and being proud of the fact that Ca' Foscari palace is the oldest building in the world with a green certification."

6. **About RICS:** RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve. We accredit 118 000 professionals and any individual or firm registered with RICS is subject to our quality assurance. With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all. www.rics.org

   Maarten Vermeulen FRICS, Regional Managing Director of RICS in Europe:
   "The impact of sustainability on economic value, investment risk and performance has become a key issue for banks, investors and fund managers. Reinforcing the link between the technical performance of a building and its financial performance will not only help to raise awareness about the value of energy efficiency but it will also create multiple incentives to ultimately improve the European building stock. We are pleased to be at the forefront of this initiative to ensure property valuers truly understand green issues impacting real estate and are fully equipped to meet the needs of mortgage banks, homeowners and investors."

7. **About WorldGBC and the Europe Regional Network:** The World Green Building Council is a global member network of Green Building Councils in over 70 countries enabling green building and sustainable communities through leadership and market transformation. The Europe Regional Network (ERN) is a community of 22 Green Building Councils, six Regional Partners, and over 5,000 company members across the Europe, which represent the full breadth of stakeholders in the buildings industry. Its Regional Partners are BASF, E.ON, Knauf Insulation, Saint-Gobain, Skanska and UTC.

   James Drinkwater, Europe Regional Director, World Green Building Council, said:
   "The Paris Agreement has set a course to keeping global warming to within 2 degrees, but we will need to develop innovative ways of financing energy efficiency in Europe's homes if we are to stand any chance of meeting that goal. Mortgages which reward consumers and investors by recognising energy efficiency represent one such way, and will undoubtedly play a key role in helping to achieve our ambitious climate change targets."

8. **E.ON** is an international privately-owned energy supplier which faces fundamental change: through implementing its new strategy, E.ON will in future be focussing entirely on renewables, energy networks and customer solutions, which are the building blocks of the new energy world. The conventional generation and energy trading businesses were combined into a distinct company, Uniper, as per 1st January, 2016. E.ON plans to spin off the majority of Uniper to E.ON's shareholders in the second half of 2016.

   In the 2015 financial year, our staff comprising in excess of more than 56,000 employees based in many countries in Europe as well as in Russia and North America generated sales of around EUR 116 billion. In addition, there are businesses in Brazil and Turkey we manage jointly with partners.

   Gavin Roberts, E.ON SE, Head of Strategy & Portfolio B2C/SME Solutions said:
   "We are delighted to partake in this initiative which presents a compelling, market-led solution to a well-documented barrier facing the uptake of residential and SME energy conservation measures, namely ease of access to low cost finance. E.ON believes that the successful implementation of the initiative's aims could put a rocket booster behind energy efficiency solution delivery across Europe, and therefore make a significant contribution to the delivery of the EU Commission's energy efficiency targets."

9. **SAFE** is a Research Center located at Goethe University's House of Finance in Frankfurt that is dedicated to research and policy advice in the area of finance. SAFE's research program includes a comprehensive agenda on many aspects of modern financial markets with an interdisciplinary approach encompassing financial economists, micro- and macroeconomists and researchers from law and sociology. SAFE researchers work in interdisciplinary teams on cross-area projects, in order to address fundamental questions from various

different perspectives. SAFE also has a Policy Center as second pillar to provide for professional policy advice to policy makers and regulators in Berlin, Brussels, and Wiesbaden.

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