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
The data problem

195 million houses = a lot of missing data

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

• (some) Problems
  • It doesn’t exist
  • I don’t have it
  • It’s wrong
  • It’s 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!