

EMF-ECBC Response to EC EU Taxonomy Delegated Act Consultation

The European Mortgage Federation-European Covered Bond Council (EMF-ECBC) welcomes the opportunity to provide its feedback to the European Commission's Call for Evidence in the context of the Review of the EU Taxonomy Environmental Delegated Act as follows:

General Comments

- 1. Entry Standards Too High:** Entry standards are currently very high and there are limited incentives for renovating or acquiring buildings with poor energy performance, resulting in low adoption rates and inefficient resource allocation.
- 2. Lack of Mapping Activities:** Transitional activities are not sufficiently recognised in the current EU Taxonomy (EUT). This limits incentives for both the real and financial economy, despite their importance in the broader sustainable transition.
- 3. Complexity & Data Availability:** Activities 7.1, 7.2 and 7.7 are critical for real estate financing but require significant improvement:
 - DNSH criteria often block EUT compliance and the transition to a climate-neutral building stock.
 - Testing procedures are time-consuming and documentation-heavy, creating costs that are disproportionate to benefits.
 - For building construction and renovation, some of the DNSH criteria are already verified ex-ante by the authorities which apply national law. Therefore, official authorisation to proceed with the works could serve as evidence of DNSH compliance, as it implicitly confirms adherence to some of the requirements for Pollution, Biodiversity, and Circular Economy.

Non-privately owned buildings, including residential multi-family housing, are often owned by SMEs. Since SMEs are not subject to the same CSRD requirements for reporting on minimum social safeguards, obtaining relevant data from these companies on minimum social safeguards can be difficult — even if the SMEs de facto are aligned with minimum safeguards under the national legislation.

Recommendations:

- Simplify TSC, particularly for 7.1 and 7.2. Focus on CO2 savings and temporarily make DNSH criteria “observation criteria” so that failure to meet a single requirement does not block EUT alignment.
 - Standardise legal requirements across the EU to close data gaps.
 - Establish barrier-free databases to facilitate data collection and reporting, including the temporary use of proxies for missing energy data.
 - Align climate risk assessment and management with ISO 14090 and ISO 14091 standards.
 - For minimum social safeguards, it should be possible for companies to align on a national or EU level if the legislation is in place in the relevant area where the building owner operates and where the building is located.
- 4. Lack of proportionality:** A disproportionate burden arises in renovating owner-occupied housing, where EUT compliance is often economically unfeasible. Moreover, the PSF rightly notes that DNSH criteria for small residential renovations are identical to those for large commercial buildings, with insufficient data and high reporting burdens.

Recommendation: Embed proportionality in the EUT to reduce bureaucratic hurdles for renovation of owner-occupied properties, exempting them from DNSH compliance.

Specific Building Criteria Recommendations

New Construction: A key question is exactly how the TSC will be adapted to the ZEB requirement in the EPBD and a potential new performance level. The potential for even stricter requirements for new construction should be carefully considered in light of rising construction costs and housing shortages across Europe.

Renovation of existing buildings: The separation of efficiency gains based on renewable energy sources from those achieved elsewhere is extremely time-consuming, if possible at all. Demonstrating such gains is usually only possible after financing, yet EUT-aligned renovation financing requires proof at the application stage. Furthermore, loans are not allocated on an activity basis; different energy-related renovation measures are often financed with a single loan. We propose amending footnote 299 of the Taxonomy Regulation in order for efficiency gains from renewable sources to be taken into account for renovations.

Interaction between 'Renovation' and 'Acquisition & Ownership': Renovation is often co-financed as part of acquisition loans, and typically only a small portion of the loan is used for renovation. However, if post-renovation efficiency improvements fail to meet the EPC A or top 15% requirement, even where they meet the 30% energy reduction requirement, the entire loan is deemed non-compliant. This issue has been acknowledged by the PSF. To address this:

- The entire loan should be classified as “green” if the renovation meets the TSC.
- The TSC (in particular DNSH) should be reduced to focus on key decarbonisation measures and verification simplified.
- Transitional green status for buildings on a defined decarbonisation pathway should be permitted.

Acquisition and ownership of buildings: We support measures that would enhance the applicability of the EUT. Additionally, we welcome the PSF’s recommendation to allow proxy solutions for documenting EUT compliance, given current data limitations. Moreover, ensuring comparability of EPC and energy classes across the EU is essential to improve data consistency and usability. An EPC issued at loan origination should remain valid for the loan’s duration without re-verification, as building energy performance generally remains unchanged absent renovations. This reduces administrative burden and provides clarity.