

Definition of an Energy Efficient Mortgage

Background

An Energy Efficient Mortgage (EEM) aims at incentivising borrowers to improve the energy efficiency of their buildings and/or acquire highly energy efficient properties. The incentives for borrowers could be favourable mortgage financing conditions and/or an increased loan amount at origination to finance the energy efficiency improvement of the property and enhance its Energy Performance Certificate (EPC) level. Both aim to reflect the reduced credit risk of EEMs and drive action to improve the energy performance of Europe's building stock. In this way, the Energy Efficient Mortgage Initiative (EEMI) will contribute positively to achieving the climate goals as set out under the [COP 21 Paris Agreement](#) and, more generally, reinforce financial stability, provide value for consumers/borrowers, foster cross-sectoral growth and stimulate market innovation at EU level.

Definition of the Energy Efficient Mortgage

EEMs are intended to finance the purchase/construction and/or renovation of both residential (single family & multi-family) and commercial buildings where there is evidence of: (1) energy performance which meets or exceeds relevant market best practice standards in line with current EU legislative requirements and/or (2) an improvement in energy performance of at least 30%.

This evidence should be provided by way of a recent EPC rating or score, complemented by an estimation of the value of the property according to the standards required under existing EU legislation. It should specifically detail the existing energy efficiency measures in line with the [EEM Valuation & Energy Efficiency Checklist](#).

1. The implementation of EEMs at national level should be based on current market best practice standards, in line with EU legislative requirements, for example, the Energy Performance of Buildings Directive (EPBD), the Energy Efficiency Directive (EED), and in line with the Mortgage Credit Directive (MCD). An Energy Efficient Mortgage Label Committee, composed of representatives of major mortgage markets and other relevant market stakeholders at EU level, will ensure ongoing alignment of the EEM with high quality standards in market best practice at EU and national level by way of a European label for EEMs which will be reviewed yearly. Cross-sectoral market stakeholders will be encouraged to organise themselves into national EEM hubs, with a view to achieving coordination at national level and ensuring market consensus and implementation.
2. As part of the EEM, lending institutions are encouraged to incentivise further improvements either at the time of origination or in the future by linking additional favourable financing conditions to evidence of further improvement in energy performance. Such a mechanism can be linked to recommendations from building renovation passports where these are available.
3. Furthermore, cross-sectoral market solutions and partnerships in the context of an EEM could: (1) boost marketing and consumer/borrower demand for EEMs and therefore stimulate private investment in energy performance and (2) make information easily available to consumers/borrowers about potential European/national/regional/local public subsidies and fiscal benefit schemes.

4. Lending institutions originating EEMs will be invited to self-certify that their products are compliant with this definition and ‘tag’ such products with the Energy Efficient Mortgage Label as identified by the EEM Label Committee.
5. EEMs will, in due course, be supported by a data management architecture¹ to collect and access large-scale empirical evidence relating to energy efficient mortgage assets, allowing a comprehensive analysis of de-risking energy efficiency features.
6. National market hubs are encouraged to guide national stakeholders in developing national market best practices for EEMs as financial products aligned with the EU commitments on climate change further to the COP 21 Paris Agreement.

This definition is intended to provide principles-based guidance that will evolve over time under the guidance of the EEM Label Committee which will ensure over-arching coordination at EU level via the national EEM hubs.

¹ EeDaPP (Energy efficiency Data Protocol and Portal) Initiative: <http://eedapp.energyefficientmortgages.eu/>