



*Bauhaus Presentation – 22 April 2022*

## *Energy Efficient Mortgages NL Hub*



Piet Hein Schram  
piet.hein.schram@eemnl.com  
0(031)6-15056630



Vincent Mahieu  
vincent.mahieu@eemnl.com  
0(031)6-50515053

# 25 May 2021 vs 22 April 2022

- 332 days ago Vincent Mahieu was on the Bauhaus stage, announcing the Dutch energy efficiency initiative.



**EEMI Bauhaus**  
*Let's Greenstorm!*

**Energy Efficient Mortgages Initiative**

			
<b>Monica Frassoni</b> <i>President</i> European Alliance to Save Energy	<b>Ligia Bogdan</b> <i>Senior Manager Global Solutions Future Energy Home &amp; eMobility</i> E.ON	<b>Vincent Mahieu</b> <i>Head Energy Efficiency &amp; Regulatory Technology</i> Hypoport	<b>Hendrik Jan Luikinga</b> <i>Chief Investment Officer</i> Woonnu

**25 May 2021 | 14:00-16:00 CEST**

- So much has happened and we have learned so much that we look forward to sharing with you some of the insights we have gained in The Netherlands from going through Section 7 of the EU Taxonomy, word by word, sentence by sentence, footnote by footnote.



# Energy Efficient Mortgages NL Hub – An Introduction

- The Energy Efficient Mortgages NL Hub (EEM NL Hub) is an initiative from a wide range of stakeholders in the Dutch residential mortgage market.

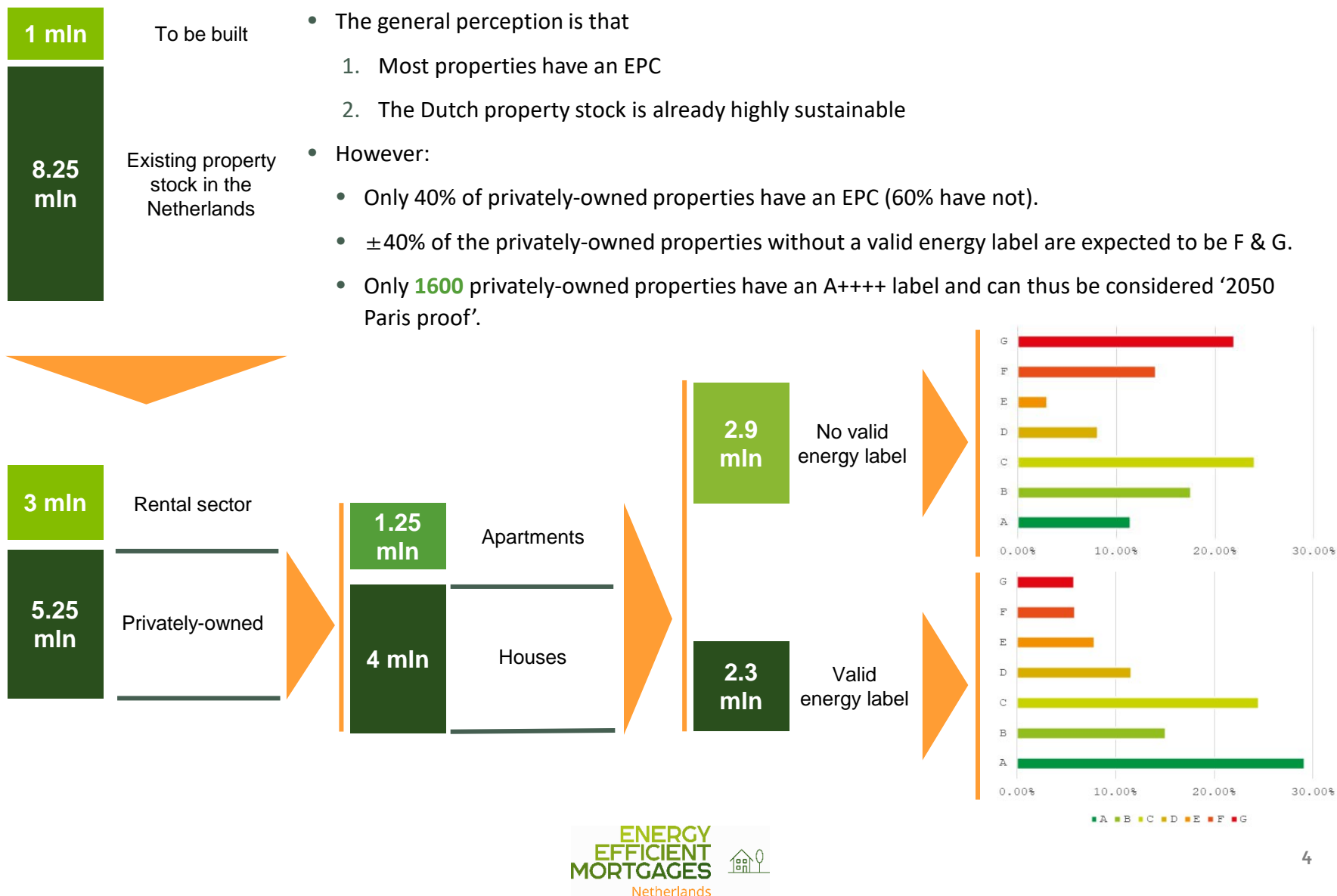
*Members of the EEM NL Hub support and promote the acceleration and adaptation of energy efficient housing in the Netherlands.*

- The EEM NL Hub is a direct response to the request from the European Energy Efficient Mortgage Initiative (EEMI) to set up local (knowledge) hubs and actively participates in EEMI / EEML initiatives.
- The EEM NL Hub was launched on the 10<sup>th</sup> of November. The vast majority of all Dutch mortgage originators and many other stakeholders have joined the initiative (23 members and 20+ affiliated members).

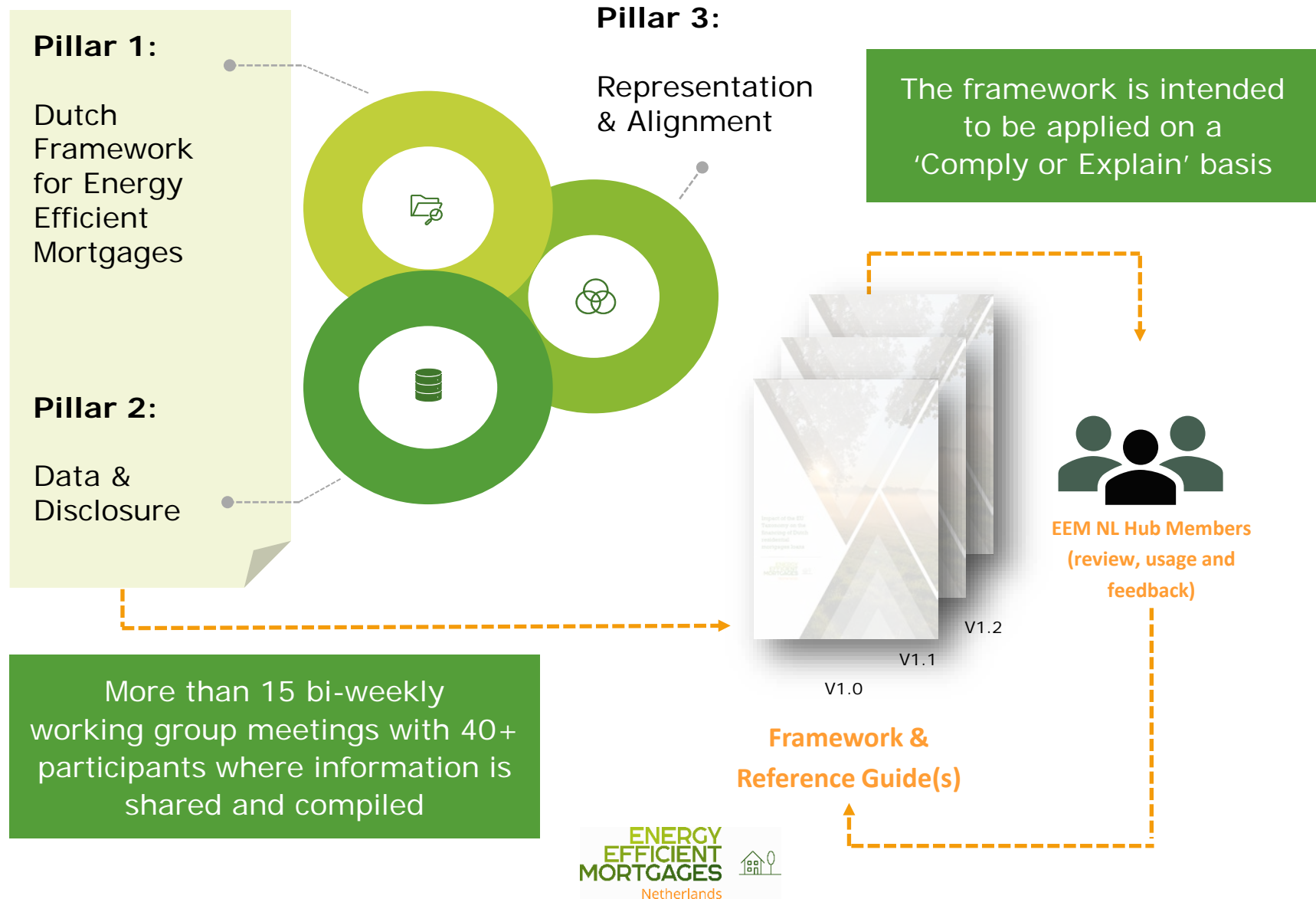
## Members



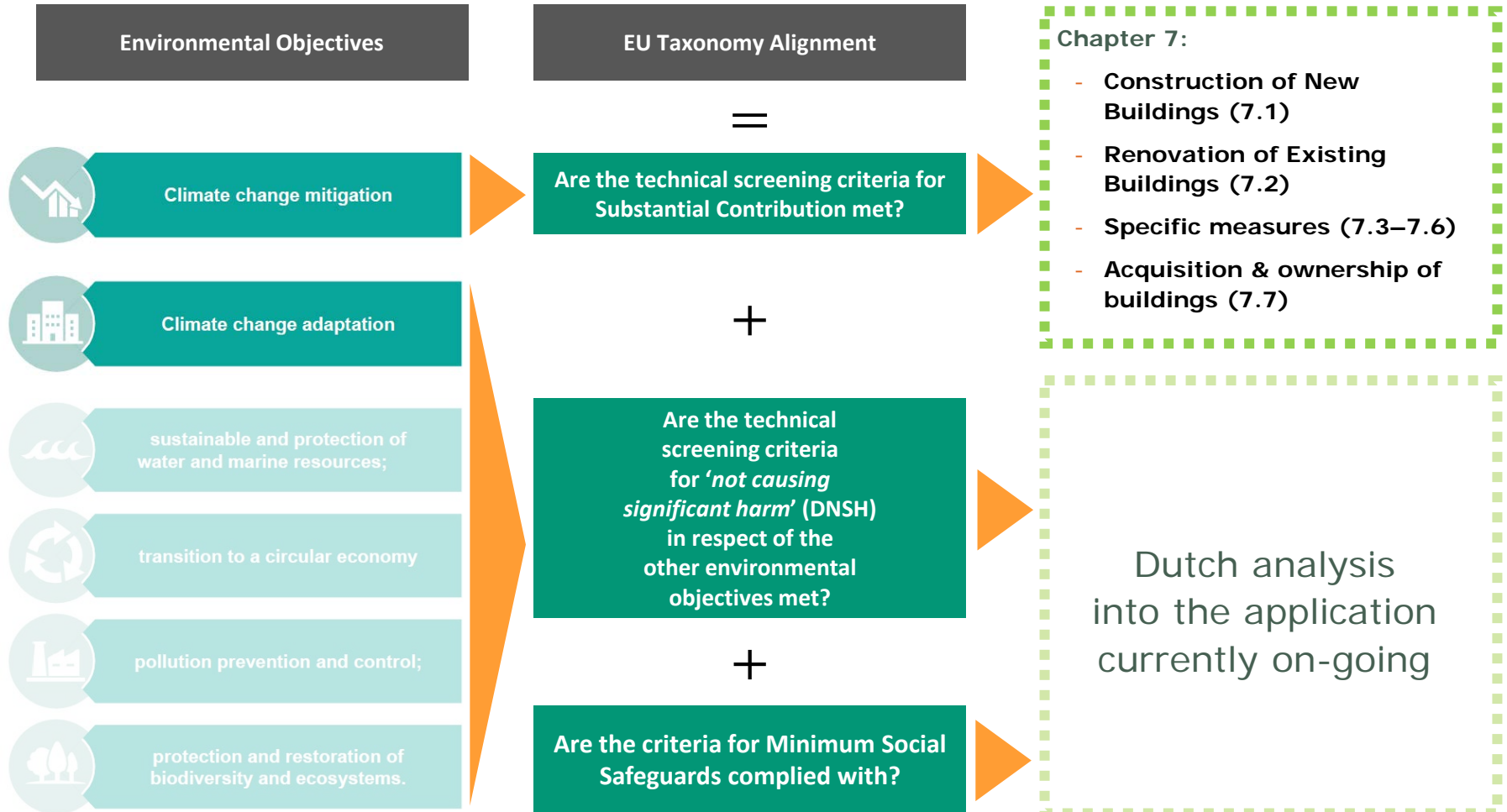
# Composition of the Dutch property stock



# Activities of the EEM NL Hub revolve around three pillars



# The EU Taxonomy & Climate Delegated Act



# Paragraph 7.1 of EU Taxonomy Climate Change Mitigation

Climate Delegated Act		
7.1	New-build	
7.2	Renovation	
	1	Major renovation
	2	30% reduction PED
7.3	Specific measures	
7.4		
7.5		
7.6		
7.7	Existing properties	
	1	≤31/12/2020
	2	>31/12/2020

<b>Substantial contribution to Climate Change Mitigation</b>	<p>The <b>Primary Energy Demand (PED)</b><sup>282</sup>, defining the energy performance of the building resulting from the construction, <b>is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures</b> implementing Directive 2010/31/EU of the European Parliament and of the Council<sup>283</sup>.</p> <p>The energy performance is certified using an as built Energy Performance Certificate (EPC).</p>
<b>Footnote</b>	<p><sup>282</sup>: The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m2 per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).</p> <p><sup>283</sup>: Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).</p>

**New-build must be 10% more energy efficient than local building regulations**

# Paragraph 7.2 of EU Taxonomy Climate Change Mitigation

Climate Delegated Act		
7.1	New-build	
7.2	Renovation	
	1	Major renovation
	2	30% reduction PED
7.3	Specific measures	
7.4		
7.5		
7.6		
7.7	Existing properties	
	1	≤31/12/2020
	2	>31/12/2020

<b>Substantial contribution to Climate Change Mitigation</b>	<p>The building renovation complies with the applicable requirements for major renovations.<sup>299</sup></p> <p>Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30 %.<sup>300</sup></p>
<b>Footnote</b>	<p><sup>299</sup> As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.</p> <p><sup>300</sup> The initial primary energy demand and the estimated improvement is <b>based on a detailed building survey, an energy audit conducted by an accredited independent expert</b> or any other transparent and proportionate method, and <b>validated through an Energy Performance Certificate</b>. The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through <b>renewable energy sources are not taken into account</b>), and can be achieved through a succession of measures within a maximum of three years.</p>

**Renovation must meet conditions of major renovation or result in 30% improvement of energy efficiency of the property**



# Paragraphs 7.3-7.6 of EU Taxonomy Climate Change Mitigation

Climate Delegated Act		
7.1	New-build	
7.2	Renovation	
	1	Major renovation
	2	30% reduction PED
7.3	Specific measures	
7.4		
7.5		
7.6		
7.7	Existing properties	
	1	≤31/12/2020
	2	>31/12/2020

## Substantial contribution to Climate Change Mitigation

7.3 Installation, maintenance and repair of energy efficiency equipment

7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

7.6 Installation, maintenance and repair of renewable energy technologies

**Specific measures are very concrete sustainability improvements to the underlying property and 'should be' easily classifiable as EUT aligned**

# Paragraph 7.7 of EU Taxonomy Climate Change Mitigation

Climate Delegated Act		
7.1	New-build	
7.2	Renovation	
	1	Major renovation
	2	30% reduction PED
7.3	Specific measures	
7.4		
7.5		
7.6		
7.7	Existing properties	
	1	≤31/12/2020
	2	>31/12/2020

## Substantial contribution to Climate Change Mitigation

1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A.

As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.

2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.

≤ 31/12/2020 = Energy Performance Certificate A (or top 15%)  
 > 31/12/2020 = 10% more energy efficient than local building regulations

# Substantial Contribution based on Climate Change Mitigation

Climate Delegated Act			Translation actual text and application to Dutch situation	Data availability	Application to mortgage loan level
7.1	New-build		<p>Do we understand what the EUT means?</p> <p>Can we apply it to the Dutch legislation and practice?</p>	<p>Do we think there is data available to demonstrate alignment of the economic activity?</p>	<p>Can we apply it at mortgage loan(part) level?</p>
7.2	Renovation				
	1	Major renovation			
	2	30% reduction PED			
7.3	Specific measures				
7.4					
7.5					
7.6					
7.7	Existing properties				
	1	≤31/12/2020			
	2	>31/12/2020			
			Dutch Bouwbesluit	Required data	Whole loan vs loan part
			NTA 8800 vs other methodologies	Possible data sources	Loan data vs sustainability data
			Real life practicalities	For existing and new properties	GAR calculation

# EU Taxonomy application to Dutch residential properties

Climate Delegated Act			Translation actual text and application to Dutch situation	Data availability	Application to mortgage loan level	Ready for EUT alignment (in terms of SCC)?
7.1	New-build					
7.2	Renovation					
	1	Major renovation				
	2	30% reduction PED				
7.3	Specific measures					
7.4						
7.5						
7.6						
7.7	Existing properties					
	1	≤31/12/2020				
	2	>31/12/2020				

Completed/available

Pending confirmation

Challenges to be resolved

Very significant challenges remaining

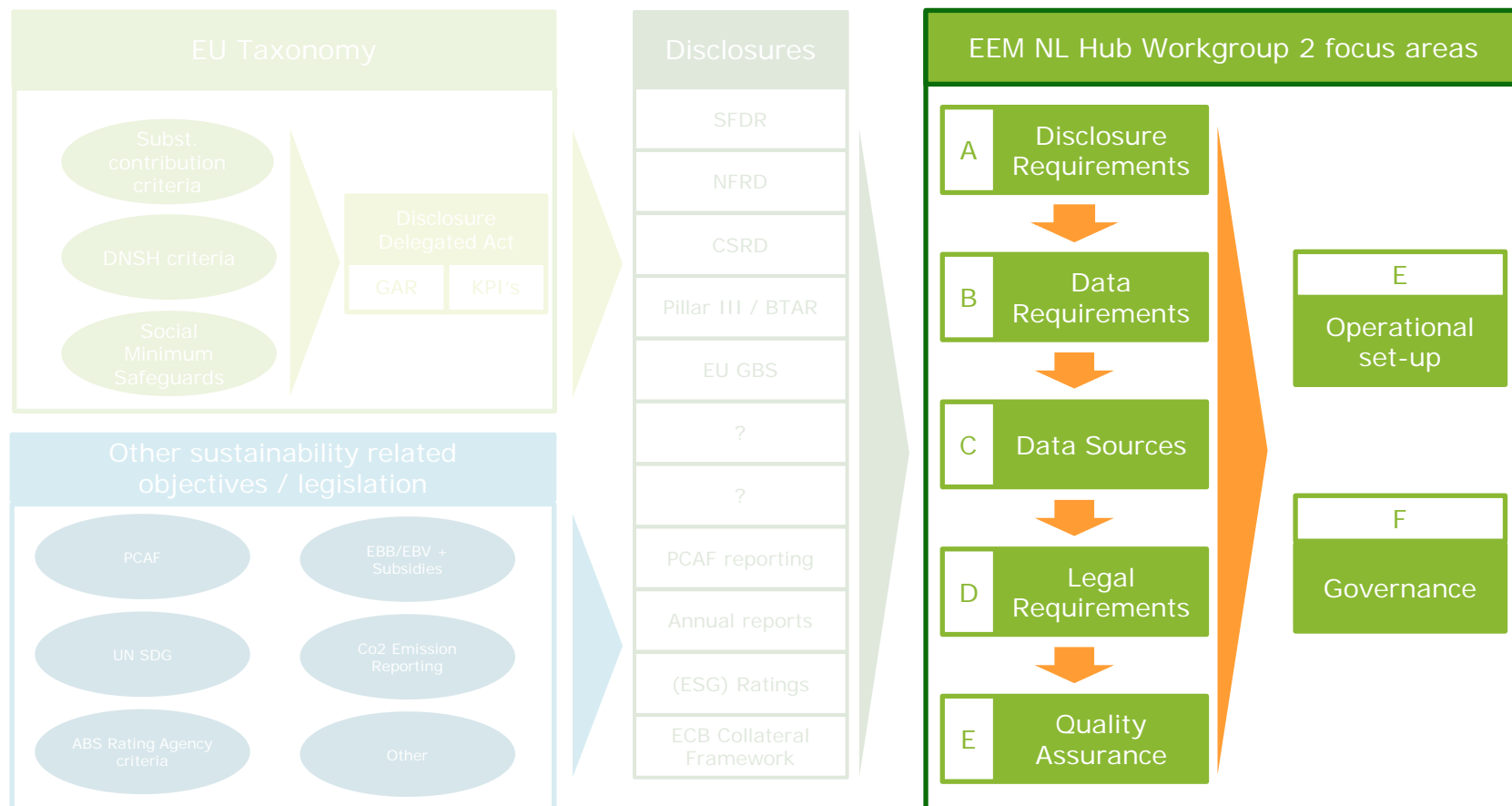
## Preliminary insights – having completed the initial review

---

1. At this stage only existing properties ( $\leq 31/12/2020$ ) with an EPC class A will qualify for EU Taxonomy alignment.
2. First batch of questions on the interpretation of Substantial Contribution has been submitted - guidance needed to complete our interpretation and be able to truly understand and 'apply' section 7 of the EU Taxonomy for Substantial Contribution.
3. Much about application and interpretation of DNSH is unclear as of yet: understanding DNSH and obtaining the data to realise full EU Taxonomy alignment will be a big challenge.
4. Availability of data will be a major challenge in demonstrating 'Substantial Contribution' alignment:
  - A. > 25 additional 'property' data fields required;
  - B. >15 'process' data fields required (currently not recorded);
  - C. Significant changes to how 'loan / loan parts' are constructed.



# Focus of EEM NL Hub shifting to data & disclosure



## Use case 1: From green to dark green

- If the economic activity considered under 7.2 is 'renovation' and only the budget for the renovation is deemed a sustainable financing, then the EU Taxonomy will have an unintended (but very undesirable) consequence:

Customer A		Customer B
<ul style="list-style-type: none"><li>Current energy label: B</li><li>Mortgage loan:<ul style="list-style-type: none"><li>Purchase of property: € 250.000</li><li>Renovation budget: € 30.000</li></ul></li><li>Renovation:<ul style="list-style-type: none"><li>Kitchen € 20.000</li><li>Sustainability refit € 10.000</li></ul></li><li>New energy label: A</li></ul>	<p>Which renovation delivers the highest contribution to 2050 targets?</p> <p>Which borrower is a mortgage lender most likely to lend to under the EU Taxonomy?</p>	<ul style="list-style-type: none"><li>Current energy label: F</li><li>Mortgage loan:<ul style="list-style-type: none"><li>Purchase of property: € 250.000</li><li>Renovation budget: € 30.000</li></ul></li><li>Renovation:<ul style="list-style-type: none"><li>Sustainability refit € 30.000</li></ul></li><li>New energy label: B</li></ul>

- In both cases € 280,000 of financing:
  - Customer A: relatively easy to demonstrate (1 on-site visit) and after the renovation the whole € 280k mortgage loan will be Subst. Contribution aligned.
  - Customer B: complex to demonstrate the 30% improvement and even if successful, only € 30k will become Subst. Contribution aligned, despite the vastly more meaningful CO<sub>2</sub> emission reduction!

## Use case 2: 1mln new-build properties required by 2030 !

- To address the housing shortage, before 2030 approximately 1mln new properties will have to be added to the Dutch housing stock (currently 8.25mln).
- The current mortgage debt in the Netherlands is € 750bln. The 1mln new properties will require > € 350bln of additional financing (not all will be privately-owned).
- For Dutch mortgage lenders, a new construction will have to align with section 7.1 (and 7.7(2)) of the EU Taxonomy as soon as possible - critical to source economical funding.
- However, at the same time, we know that **each property** that is built in the Netherlands **according to the EU Taxonomy target of '10% better' will need to be further refitted** to meet the 2050 objectives of CO<sub>2</sub> neutral: to 'save the world' we need to be much more ambitious than 'just' EU Taxonomy alignment!

Perspective	Requirements (in kWh/M2/yr & EPC)			
	Houses		Apartments	
Dutch building regulations	30	A + + +	50	A + + +
EU Taxonomy	<27	<A + + +	<45	<A + + +
2050 'save the world'	0	A + + + +	0	A + + + +

# Conclusions

---

1. Significant progress made in interpreting and applying Section 7 of the EU Taxonomy but particularly in respect of DNSH and on the data side, much work remains.
2. Too strict interpretation and application will limit the amount of 'green' financing which in its turn is key in providing customers with the financial stimulus to undertake renovations.
3. The financial sector is learning rapidly (data on energy efficiency, customer behavior) and developing solutions and new products to support clients in undertaking the sustainability renovation journey.
4. Timely review of (section 7 of) the EU Taxonomy is needed to address the unintended consequences and ensure alignment with future and related regulation (such as e.g. EPBD IV but also local subsidy programmes).

# Questions & Contact

---

- **Offices:** Barbara Strozilaan 380, 1083 HN Amsterdam (p.a.o. Hypoport office)
- **Website:**  
[www.energyefficientmortgages.nl](http://www.energyefficientmortgages.nl)
- **Contact Persons:**



Vincent Mahieu  
[vincent.mahieu@eemnl.com](mailto:vincent.mahieu@eemnl.com)  
0(031)6-50515053



Piet Hein Schram  
[piet.hein.schram@eemnl.com](mailto:piet.hein.schram@eemnl.com)  
0(031)6-15056630

