Proposal Belgian financial sector: Definition ‘Energy Efficient’ mortgage (for EEM label)

Why is the Belgian Financial Sector (Febelfin) aligning on a definition of Energy Efficient Mortgage Loan?

In view of:

- The fragmentation of the Belgian landscape in terms of rules and their implementation
- The heavy burden involved in meeting all the requirements of the technical screening criteria of the EU Taxonomy, especially the ones concerning Do No Significant Harm
- The risk of accusations of green-washing if each actor of the industry takes his own pragmatic interpretation
- The Belgian Financial sector has no direct access to the regional EPC-databases.

We aim to:

- Agree on a uniform definition of "energy efficient" mortgages (including energy performance thresholds) that can be used practically in day-to-day business and aligns as much as possible to the substantial contribution criteria of the EU taxonomy.
- Have this approach and definition enshrined by an independent actor, the Energy Efficient Mortgage (EEM) Label

Belgian Financial Sector Interpretation of the technical screening criteria for a significant contribution to Climate Change Mitigation (EU Taxonomy)

	Deed date < 2020[1]	Deed date ≥ 2020[1]	Evidence
New buildings/ Purchase under VAT	• Flanders: deed date ≥ 2013[2] • Brussels/Wallonia ≥ 2012, but aligned on 2013[2] → part of TOP 15%, the full amount of the credit is in scope	→ only 90% of the outstanding credit amount is in scope based on the fact that in Flanders only 5% remain above the E-level standard -10% in the recent years	• No EPC certificate needed • We take already by default 100 kWh/m²/year for the most recent built new buildings (from 2017 on, based on the guideline of the NBB) • "deed date" of the Mortgage file defines if a new building is 'Energy Efficient' or not
Existing buildings (purchase, purchase and renovation or in combination with another purpose) [3]	EPC part of TOP 15% the full amount of the credit is in scope	EPC part of TOP 15% only 90% of the outstanding credit amount is taken into account, as existing buildings built ≥ 2021 have to comply with the E-level standard -10%	• Official EPC certificate, received from the client/ local EPC database, during the lifecycle of the Mortgage Credit (based on the owner-principle) • Type of building (house/apartment) is not included in the definition.
Renovation	30% reduction in Primary Energy Demand (PED) : The calculation of reduction should be based on the values in an EPC before and after the renovation, based on the numeric indicators in kWh/m2/year indicated in the EPC. A renovation credit is considered "Energy Efficient" if the EPC value (energy value, not the CO_2 emission) improves with at least 30% within 3 years[4]		

Thresholds[5] definition: **Top 15% ⇔ PED/EPC value ≤ 159 kWh/m²y** - See Excel file in annex for the calculation method

[1] The substantial contribution criteria of the EU Taxonomy differentiate between buildings built before 1st January 2021 and after 1st January 2021. In this proposal, the assumption is taken that on average, the building year of a financed building is equal to the deed date of the mortgage + 1 year. Therefore, the split is made here between deed date < 2020 and >= 2020.

[2] See annex 1 for more details on why these cutoff years are chosen. In order to become more uniformity, it is proposed to take 2013 as the reference year for Brussels and Wallonia as well.

[3] Mortgage loans with only "other" as a purpose (e.g. for notary fees, building land, etc.) can never be considered energy efficient.
A loan financing both a purchase and renovation must be considered a one and only loan, even in cases when separate credit tranches are foreseen. In such case, the well documented (improved) future EPC value after renovation can be taken into account. However, if not well documented, the old EPC value has to be taken into account.

[4] Taxonomy footnote 308 ("*where the reductions in net primary energy demand through renewable energy sources are not taken into account*)" cannot be complied with as no distinction can be made between the works carried out.
The 3-year term begins to run from the deed date.

[5] Recalibration required every 3 to 5 years

febelfin

UPC BVK

Used as reference material

Brussel

Adobe Acrobat Document

Wallonia

Adobe Acrobat Document

Flanders

- VEKA (energiesparen.be)
- Overzicht resultaten EPB-aangiftes | Vlaanderen.be

Link to the NBB-circulaire

- **FR:** https://www.nbb.be/fr/articles/circulaire-nbb202045-collecte-et-reporting-dinformations-sur-lefficacite-energetique-des
- **NL** https://www.nbb.be/nl/artikels/circulaire-nbb202045-verzameling-en-rapportering-van-informatie-betreffende-de-energie

Remark: The figures/data in this presentation are subject to any developments with regard to the access of regional EPC databases. If we can get access to E-level data or EPC values through time, the Energy Efficient Mortgage definitions can be enhanced based on real-time EPC data.

Overview of the EPC-scores per region

Wallonia

(Source Wallonia, SPW, 2020')

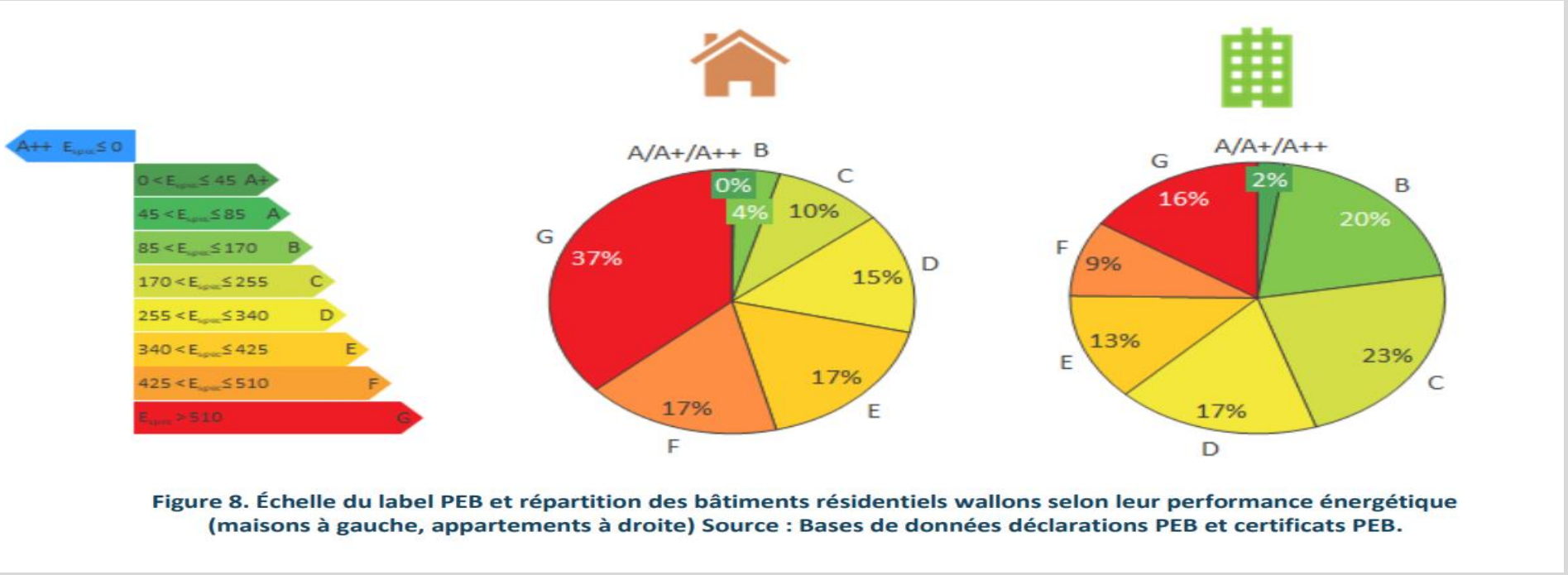


Figure 8. Échelle du label PEB et répartition des bâtiments résidentiels wallons selon leur performance énergétique (maisons à gauche, appartements à droite) Source : Bases de données déclarations PEB et certificats PEB.

N.B. : it is assumed that there is an equal distribution of EPC values within the same label

5

Overview of the EPC-scores per region

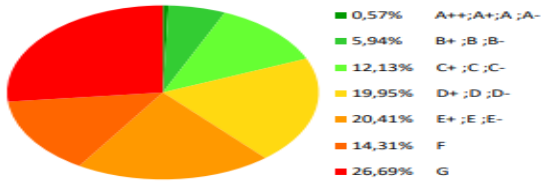
Brussels

(Source : Statistisch Verslag, 2020': Strategisch verslag 2020 Brussel.pdf)

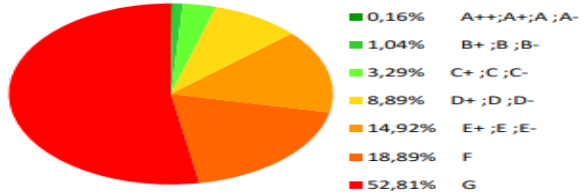
Verdeling van de geldige EPB-certificaten in klassen en per type wooneenheid

Deze grafieken houden rekening met de voor bestaande en nieuwe wooneenheden opgestelde EPB-certificaten.

Energieklassen van appartementen (bestaande en nieuwe)



Energieklassen van huizen (bestaande en nieuwe)



Detail van de energieklassen A, B, C, D en E

Appartementen		Huizen	
Energieklasse	%	Energieklasse	%
A ++	0,01 %	A ++	0,01 %
A +	0,01 %	A +	0,01 %
A	0,05 %	A	0,05 %
A -	0,5 %	A -	0,09 %
B +	1,4 %	B +	0,21 %
B	2,01 %	B	0,21 %
B -	2,53 %	B -	0,62 %
C +	3,25 %	C +	0,75 %
C	4,07 %	C	0,97 %
C -	4,81 %	C -	1,57 %
D+	5,74 %	D+	1,94 %
D	6,75 %	D	2,87 %
D-	7,46 %	D-	4,08 %
E+	7,12 %	E+	3,95 %
E	6,58 %	E	4,79 %
E-	6,71 %	E-	6,18 %

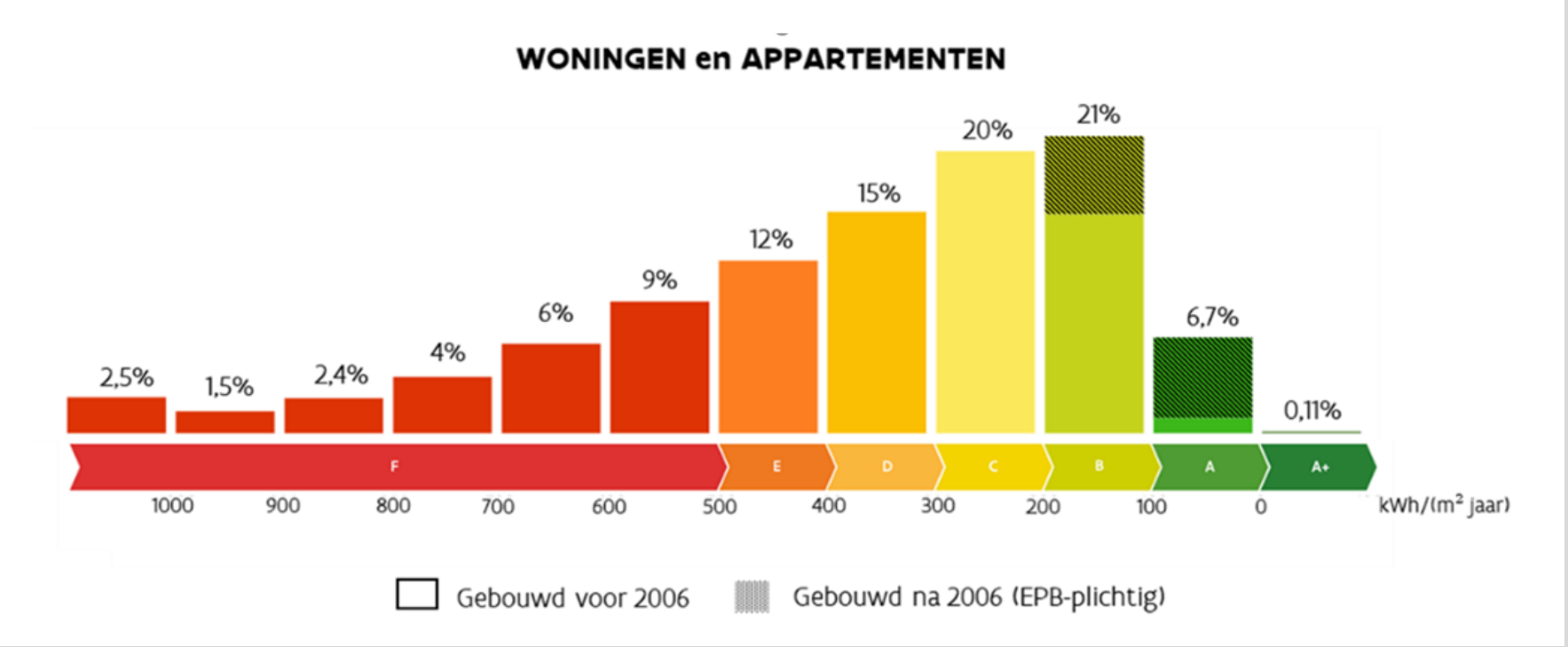
N.B. : it is assumed that there is an equal distribution of EPC values within the same label

6

Overview of the EPC-scores per region

Flanders

EPC nieuwsbrief VeKa 29 November 2022:



N.B. : it is assumed that there is an equal distribution of EPC values within the same label

7

Annex 1: new building cutoff top 15%

The EU taxonomy substantial contribution criteria consider buildings built before 2021 as “green” when they are in the top 15% when ranked according to energy efficiency. Recently built buildings are built according to more strict energy efficiency criteria compared to older buildings. Therefore, it is proposed to include mortgages for new buildings based on the deed date of the mortgage.

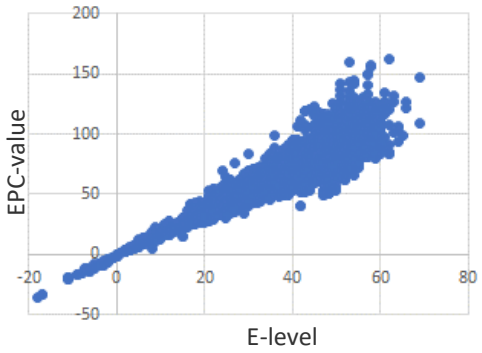
In the reasoning for the 3 regions following assumption is always taken:
Building year = Mortgage deed year + 1 year = Building permit year + 2 years

Flanders

Building permits requested from 2012 onwards must comply to a maximum E-level of E70 and a maximum net-energy consumption of 70 kWh/m²y (see EPB-eisentabellen per aanvraagjaar | Vlaanderen.be). This is definitely more strict than the top 15% figure of 159 kWh/m²y.

➔ **Mortgage deed year must be >= 2013.**

Regulation Starting on:	E-level (legal maximum level)	Maximum net-energy consumption (in kWh/m²)
01/01/2006	100	-
01/01/2010	80	-
01/01/2012	70	70
01/01/2013	70	70
01/01/2014	60	70
01/01/2015	60	70
01/01/2016	50	70
01/01/2017	50	70
01/01/2018	40	-
01/01/2020	35	-
01/01/2021	30	-



Wallonia

Building permits requested from 2011 onwards must comply to a maximum net-energy consumption of 130 kWh/m²y (see link). This is definitely more strict than the top 15% figure of 159 kWh/m²y. For reasons of uniformization :

➔ **Mortgage deed year must be >= 2013.**

Regulation Starting on:	Maximum Ew	Maximum Espec (in kWh/m²/year)
01/05/2010	100	170
01/09/2011	80	130
01/06/2012	80	130
01/01/2014	80	130
01/05/2015	80	130
01/01/2016	80	130
01/01/2017	65	115
01/01/2018	65	115
01/01/2021	45	85

Brussels

Building permits requested from 2011 onwards must comply to a maximum E-level of E70 (see link p. 27). This is in line with Flanders, where an E-level of E70 was the legal maximum for new buildings and paired with a maximum net-energy consumption of 70 kWh/m²/year. Definitely more strict than the top 15% figure. For reasons of uniformization:

➔ **Mortgage deed year must be >= 2013.**

02/07/2009 - 02/07/2011	E90 (overgangsperiode)
02/07/2008 - 31/12/2014	E70
01/01/2015 - 30/06/2017	totaal primair energieverbruik <= 45 + max(0 ; 30-7.5 * C) +15*max(0 ; 192/VEPR-1) kWh/m² en per jaar.
01/07/2017 - ?	totaal primair energieverbruik <= 45 + max(0 ; 30-7.5 * C) +15*max(0 ; 192/VEPR-1) kWh/m² en per jaar.