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John Berrigan
Director General
Directorate-General for Financial Stability
Financial Services and Capital Markets Union (FISMA)
European Commission
Rue de Spa 2
1049 Brussels
Belgium

15 December 2023

Subject: Submission of the EBA report and opinion responding to the European Commission's call for advice on green loans and mortgages

Dear Mr Berrigan,

It is my pleasure to submit to you today the EBA report and opinion on green loans and mortgages, as endorsed by the EBA's Board of Supervisors, which set out the findings and advice of the EBA in response to the European Commission's call for advice.

The report (i) provides an overview of green lending and associated practices in the European banking sector, and outlines the issues identified in green loans market; (ii) designs the features of a voluntary green loan definition based on the Taxonomy; (iii) advises on measures to encourage and facilitate the uptake of green loans while ensuring the protection of retail borrowers; and (iv) advises on measures to support green loan origination process.

The EBA has identified that the share of green lending in the EU banking sector remains small. In particular, green loans to households for the renovation of buildings with relatively lower level of energy efficiency performance and to small and medium-sized enterprises remain limited.

To this end, the EBA advises the European Commission to set out an EU definition and a voluntary EU label for green loans leveraging as much as possible current market practices and industry standards that are in line with the EU's environmental objectives, where the determinant of a green loan is the utilisation of the loan proceeds.

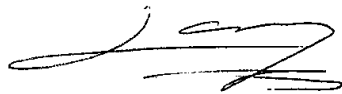
In this regard, firstly, the EBA highlights that such definition and labelling framework for green loans should be based on the Taxonomy but also incorporate a degree of flexibility capturing market participants' other credible efforts in contributing to the environmental objectives of the EU.

Secondly, the EBA recommends that the labelling framework provide and be associated with the necessary information and transparency for prospective borrowers, such as on the long-term benefits of investing in energy-efficient solutions, documentation requirements and availability of financial support schemes for such an investment.

Finally, the EBA proposes that, as part of its review, the Mortgage Credit Directive integrate the concept of green mortgages and its key sustainability features such as energy performance, consistent with the overall EU policy framework on sustainable finance.

The EBA remains at the disposal of the European Commission for any follow-up on the matters outlined in the EBA report and opinion, and any further guidance that may be needed in this respect.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'José Manuel Campa', is positioned above the name.

José Manuel Campa

CC: Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs European Parliament
Claudia Lindemann, Head of ECON Secretariat
Nadia Calviño Santamaría, ECOFIN Chair, First Vice-President of the Government of Spain and Minister for the Economy and Digital Transformation, Presidency of the Council of the EU
Tuomas Saarenheimo, Chair of Economic and Finance Committee, Council of the European Union
Thérèse Blanchet, Secretary-General, Council of the European Union
Marcel Haag, Director Dir B, Horizontal Policies, DG FISMA
Martin Merlin, Director Dir D, Banking, Insurance and Financial Crime, DG FISMA
Martin Spolc, Head of Unit, Unit B2, Sustainable Finance, DG FISMA
Almorò Rubin de Cervin, Head of Unit D1, Bank regulation and supervision, DG FISMA

Encl: EBA Opinion on green loans and mortgages
EBA Report on green loans and mortgages
Annex II to the EBA Report on green loans and mortgages