



EPRA
EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

To: Frans Timmermans, Executive Vice-President for European Green Deal
Mairead McGuinness, Commissioner for Financial services, Financial stability and Capital Markets Union
Kadri Simson, Commissioner for Energy

Rue de la Loi / Wetstraat 200
1049 Brussels
Belgium

CC: Diederik Samsom, Head of Cabinet of Frans Timmermans
Peter Power, Head of Cabinet of Mairead McGuinness
Stefano Grassi, Head of Cabinet of Kadri Simson

BY E-MAIL

Brussels, 9th December 2020

SUBJECT: EU TAXONOMY UNDERCUTS THE OBJECTIVES OF THE GREEN DEAL AND THE RENOVATION WAVE STRATEGY

Dear Vice-President Frans Timmermans, Dear Commissioners Mairead McGuinness and Kadri Simson,

On behalf of the listed real estate sector, we would like to bring to your attention serious possible implications of the EU Taxonomy technical screening criteria on the European real estate investment sector's ability to advance on the climate driven objectives of the EU Green Deal and the Renovation Wave strategy.

The European Public Real Estate Association (EPRA) represents a broad spectrum of the European listed real estate industry, ranging from the major listed property investment companies¹, including REITs, which are companies that own, develop and trade investment property, to investors and property professionals. Our members stand strongly behind the EU Taxonomy. There has been tremendous work done by the High-Level Expert Group, the Technical Expert Group and the European Commission. It goes without saying that we need a tool – at European level – to help us speak the same language. We need a tool which will not only intend but also deliver on its promise to re-orient the capital to where it matters.

We are more than convinced that a core responsibility in the 21st century is to make substantial and meaningful efforts to re-direct the investment in economic activities which have a true positive impact on the planet. This is a responsibility we share: you as the policy makers have the responsibility to draw overall policies that will allow us to reach a common goal and us as business and investment communities in implementing the necessary actions that will transform these policies into real results.

We therefore wish to bring to your attention, that the Taxonomy is failing to deliver on its promise. In fact, it is almost contradicting the important objectives of the EU Green Deal and the Renovation Wave Strategy. We believe this for the following reasons:

- 1) The Technical screening criteria are prominently supportive of construction and/or acquisition of new buildings, while fully disregarding the most meaningful real estate activity to substantially support climate change mitigation, i.e. acquisition of existing buildings with the aim of renovating them.**

¹ The vast majority of constituent companies included in the FTSE EPRA Nareit Europe Real Estate Index.

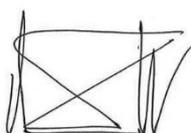
- 2) We continue to stress that it is the actual performance of the buildings which is sought after by the investors (rather than the modelled one). There is significant evidence showing a gap between the modelled and actual performance of the buildings.
- 3) The technical screening criteria are exclusively requiring EPCs without enabling use of alternative schemes as proxies. Established schemes which have been widely accepted by the market participants, tested and internationally recognised should be enabled not suppressed. In addition, we warn against the lack of reliability and even comparability of EPCs across the EU member states. Allowing the alternative use of national regulatory calculations, where they exist in a more robust way, will improve the EPCs' reliability. We also warn against the use of a standard as an absolute target (whether EPC and/or other schemes). For example, countries with the more stringent EPC A emission/consumption target, will have a strong incentive to reduce the target level in order to still be in position to attract capital, therefore moving in the wrong direction. Instead, we recommend to use an improvement target (e.g. improve the rating by x%).
- 4) Considering the reporting obligations on the listed property companies and also on the financial market participants in respect of the financial products, we find the cumulative effect of the DNHS requirements excessive to the level which might render the Taxonomy unusable. We consider the conditions mostly relevant, however, their assessment would increase the reporting burden to an unbearable extent. As they serve as a safeguard to the core objective of the economic activities, we find them particularly unproportionate. We recommend to simplify the DNSH requirements.

There is a significant challenge ahead of us in the coming years. The challenge is here for you, but also for us as the real estate industry: to construct new buildings and accelerate renovating the existing ones in a way which is not only sustainable but also affordable. The measures need to remain effective and meaningful for the property owners and investors. They also need to remain affordable for the tenants, which is particularly needed in the residential sector.

We now have an extraordinary opportunity to work together on Sustainable Finance in the way which would be fully and fruitfully aligned with the mission of the European Green Deal and the Renovation Wave. The listed real estate sector values tremendously the efforts done on the Taxonomy so far by the European Commission and would like to see it succeed in the objectives you have set for it. We therefore hope you can take immediate action to align the taxonomy policies on real estate industry with the mission of the European Green Deal and the Renovation Wave. We stand ready to assist you in any way we can.

Please contact Dominique Moerenhout, EPRA CEO, at d.moerenhout@epra.com if you would like to discuss this letter in greater detail.

Yours sincerely,



Dominique Moerenhout,
Chief Executive Officer at EPRA

WORKING WITH AND FOR OUR MEMBERS

Real estate plays a critical role in all aspects of our everyday lives. Property companies serve businesses and the society by actively developing, managing, maintaining and improving the built environment; where we all live, work, shop and relax. They also play a crucial part in providing retirement security to millions of people, by offering pension funds stable and highly competitive assets to invest in.

EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. With more than 270 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 670 billion of real estate assets* and 94% of the market capitalisation of the FTSE EPRA Nareit Europe Index.

EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, promotion of best practices and the cohesion and strengthening of the industry. Find out more about our activities on www.epra.com.

*European companies only