

EU TAXONOMY: The case of listed real estate

As part of the 'EU Sustainable Finance Strategy', policy makers have been working on the EU Taxonomy to enable investors to reorient capital towards more sustainable technologies and businesses.



Buildings are responsible for around **40%** of energy consumption in Europe

To achieve the **55% CLIMATE TARGET** by 2030

around **€275 billion**¹ of additional investment in building renovation of the entire EU real estate stock is needed every year

TOTALLING → **€2.75 trillion** over 10 years

Therefore, tools to redirect investors to finance energy efficiency retrofits will be crucial. **Listed property companies and REITs are a significant group of real estate investors.** They not only develop new buildings within their own portfolio for rental property returns but, **most importantly, acquire assets in need of energy retrofit and maintain them for the long-term**². By developing or acquiring assets, these companies have a real impact on the city landscape and the extent to which the built environment will be sustainable.

¹ Estimated as at 2020. Source: A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives. European Commission Communication, October 2020. ² L 68.1 & L 68.2 Real estate activities under the NACE Classification Rev. 2 cover all operational activities of long-term property owners, such as development of new buildings, renovation of existing buildings, acquisition and ownership of the buildings.

1. How is the EU Taxonomy reorienting the sector towards a more sustainable built environment?

Listed property companies and REITs, as any other businesses, can use the EU Taxonomy to assess how green their portfolio is. This allows investors to evaluate a company's existing sustainability performance (equity/turnover) and also attract new investors who will finance its transition towards future and greater sustainability (business plan/Capex plan). The green transition's goal is to make the entire portfolio recognised as more sustainable (equity/turnover).

How does the EU Taxonomy actually do that?

Currently, the renovation of existing buildings is not equally incentivised to attract sustainable capital as it is the case for both the development of new buildings and the acquisition of buildings rated EPC A or within top 15%.

Model case of a hypothetical 'green' property company and its application of the EU Taxonomy to development, renovation and acquisition of buildings, to make their portfolio more sustainable.

Capex plan

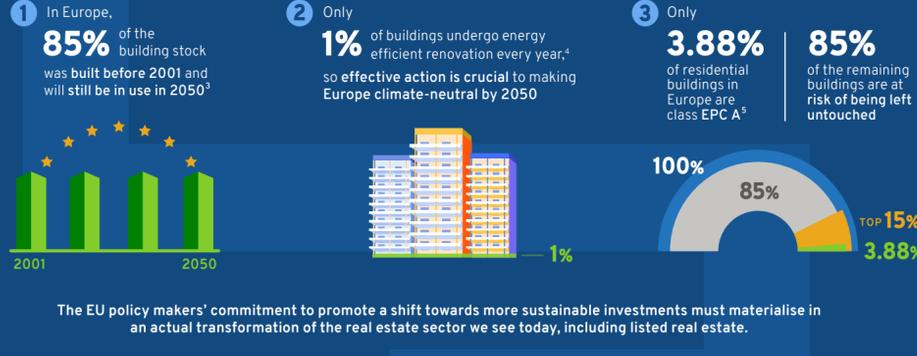
To expand the EU Taxonomy activities



ACTUAL Ownership



2. Renovations have a much greater climate mitigation potential than new constructions



The EU policy makers' commitment to promote a shift towards more sustainable investments must materialise in an actual transformation of the real estate sector we see today, including listed real estate.

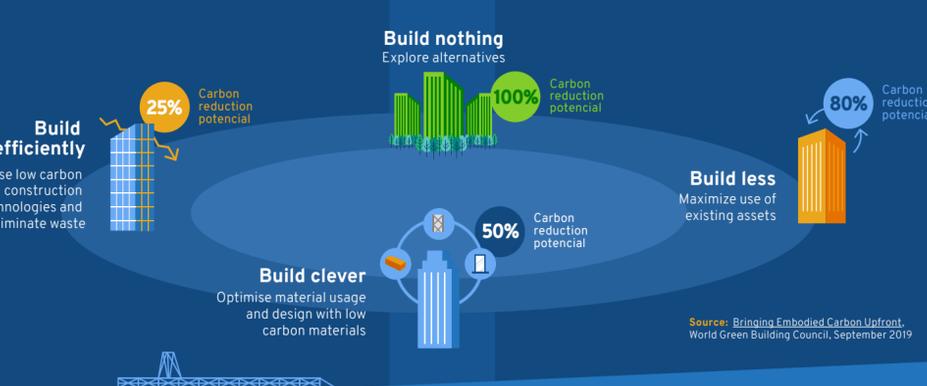
DECARBONISE

the built environment in Europe

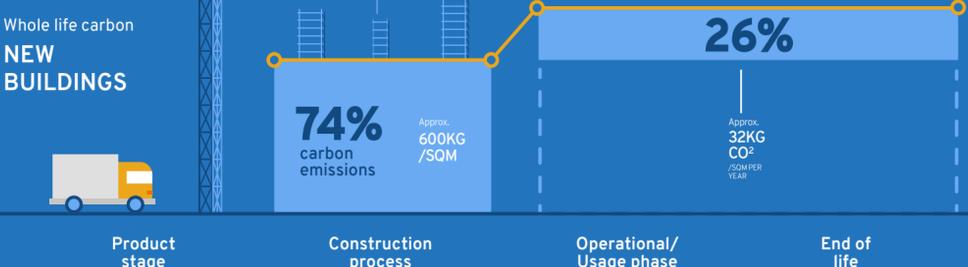
Energy efficiency is an important tool to enable the built environment in Europe to decarbonise. However, we must look at buildings' whole life cycle and the embodied carbon footprint, and incorporate this approach into the EU Taxonomy's DNA. If not, we will not align the built environment with the European climate objectives.

³ As indicated in the EU Renovation Wave Strategy, published in October 2020. ⁴ Renovation Wave: doubling the renovation rate to cut emissions, boost recovery and reduce energy poverty. Press Release, October 2020. ⁵ Status of the EU Taxonomy aligned residential buildings in Europe. Energy Performance Certificates in Europe - Assessing their status and potential. EPF, 2020.

3. Importance of the whole life carbon approach to align with 1.5°C Paris objective



Source: Bringing Embodied Carbon Upfront, World Green Building Council, September 2019



4. Industry recommendations for the EU Taxonomy



⁶ EPRA recommendations are specific for the climate change mitigation environmental objective of the EU Climate Taxonomy. The full text of the EU Climate Taxonomy is available [here](#).

About EPRA

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.