

## Press release

Berlin, 18 December 2023

### **vdp welcomes trilogue agreement on Energy Performance of Buildings Directive**

**Positive aspects include voluntary nature of mortgage portfolio standard  
and waiver of refurbishment obligation for individual residential buildings**

The Association of German Pfandbrief Banks (vdp) welcomes the compromise reached in Brussels on the Energy Performance of Buildings Directive (EPBD). It particularly supports the trilogue agreement between the European Parliament, the Council of the European Union and the European Commission on mortgage portfolio standards (MPS), which will be voluntary and incentivised rather than presenting unrealistic obligations.

Mortgage portfolio standards create incentives for lenders to improve the median energy performance of the portfolio of buildings covered by their mortgages, which should in turn encourage their potential clients to refurbish their properties in line with the EU's energy-saving and decarbonisation targets, through attractive financing products for property renovations.

**“The agreement on the Energy Performance of Buildings  
Directive is a huge step towards achieving the European  
climate targets.”**

Sascha Kullig

“We have been against mandatory MPS from the start, because they would have made it difficult for many private customers and property owners to access loans. Banks would have been forced to favour energy-efficient buildings over lower performing properties in their lending. But the key to success is actually in making the portfolio of buildings that are not yet energy efficient as green as possible,” said vdp Management Board member Sascha Kullig. He also pointed out that banks are not the owners of the properties they finance, “The banking industry cannot force anyone to refurbish their building.” He said that the building owners should be the ones to decide to improve their energy efficiency. “The agreement on the Energy Performance of Buildings Directive is a huge step towards achieving climate targets in Europe.”

The vdp also supports the EPBD requirement that every EU Member State establish a national data register of energy certificates, comprising energy data on individual buildings as well as the national building stock. Kullig stressed the

importance of this transparency and said, “It is vital that banks have access to the energy certificates for the buildings in their mortgage and investment portfolios. It is not feasible for them to finance the transformation of the building stock without comprehensive energy data.”

The vdp was critical of the insufficient harmonisation of energy certificates at European level in the compromise. “The lack of comparability of energy certificates in Europe is not only problematic with a view to regulation such as the EU taxonomy, but also makes things difficult for international banks,” said Kullig.

### **No refurbishment obligation for individual residential buildings**

As regards improving the energy performance of residential buildings, the agreement reached by the trilogue negotiators provides for EU Member States to each set their own national trajectory to reduce the average primary energy use of residential buildings by 16% by 2030 and 20-22% by 2035. At least 55% of these reductions should be achieved through the renovation of the worst-performing buildings – which comprises 43% of all residential buildings in the EU. For non-residential buildings, the aim is to renovate the worst-performing 16% of buildings by 2030 and the worst-performing 26% by 2033. Member States will be able to exempt certain categories of residential and non-residential buildings, such as listed buildings, from these obligations.

### **“Obligation to refurbish non-residential buildings is not comprehensible.”**

Sascha Kullig

The Pfandbrief banks welcome the fact that there are no requirements at the level of individual residential buildings. Refurbishment obligations for every single residential building would have been too much to ask of households under financial strain. “Refurbishments must always be carried out on a case-by-case basis, with a view to technical feasibility, economic viability and cost efficiency, and this will be much easier to achieve with residential buildings under the newly adopted approach,” said Kullig. He cannot understand why, on the other hand, an obligation to refurbish non-residential buildings was agreed upon, “Requirements based on the condition of the building stock would have been a more suitable solution here too, to better address the different ways of improving energy performance in each individual building.” He also wonders how the large amount of refurbishment work needed on non-residential buildings can be completed given the limited capacity of tradespeople in Europe.

Following the trilogue agreement, the compromise now requires formal adoption by the European Parliament and the Council of the European Union. The EPBD must be implemented at national level no more than 24 months after publication

in the Official Journal of the European Union. In Germany this will be effected through the Buildings Energy Act (*Gebäudeenergiegesetz*).

### ***About the Association of German Pfandbrief Banks (vdp)***

*The Association of German Pfandbrief Banks is one of the five associations that make up the German Banking Industry Committee. It represents the sector's most important providers of financing for residential and commercial property construction, governments and public-sector institutions.*

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