

Press release

Berlin, 2 July 2024

vdp updates Minimum Standards for Green Pfandbriefe

Changes focus on criteria for eligible assets

The Association of German Pfandbrief Banks (vdp) has, together with the issuers of Green Pfandbriefe, updated the Minimum Standards for Green Mortgage Pfandbriefe and Green Public Pfandbriefe. The amendments to the Minimum Standards will come into force with effect from 1 January 2025, with member banks free to apply them before that date should they so wish. The Minimum Standards in the version in force on the issuance date in each case will apply to Pfandbrief issues already outstanding.

The most important changes to the Minimum Standards for Green Mortgage Pfandbriefe concern the **criteria for eligible assets**:

In the case of **new construction financing**, the property will in future have to have a primary energy requirement of at least 10% below the national standard for nearly zero energy buildings (NZEB). Up until now, it has been sufficient for the property to comply with statutory energy standards for new buildings.

When financing **existing residential properties**, it must in future be possible to assign the residential property to at least energy efficiency class A. *Up until now, energy efficiency class B or better has been sufficient.*

The criterion that the commercial property can be assigned to at least energy efficiency class A will also be added for the financing of **existing commercial properties**.

In addition, a number of formal changes will be made to the framework. The amendments to the Minimum Standards for Green Public Pfandbriefe will merely serve to harmonise the wording with that of the standards for Green Mortgage Pfandbriefe, but will not affect the definition of eligible assets, i.e. the content.

“By updating the Minimum Standards, the requirements that green cover assets must meet will be more closely aligned with the EU taxonomy.” It is not possible, nor is it planned in the foreseeable future, to gear them to all requirements of the taxonomy due to the complexity, the lack of practicability and the insufficient transformation concept of the taxonomy criteria, Sascha Kullig, member of the vdp’s Management Board, commented.

Pleasing development on the market for Sustainable Pfandbriefe

The market segment for Sustainable Pfandbriefe has seen a positive development since the first issue was placed by a vdp member bank in 2014. So far, 14 Pfandbrief banks have Green and Social Pfandbriefe outstanding with a total volume of EUR 28.5 billion. Of this, Green Pfandbriefe account for EUR 23.6 billion and Social Pfandbriefe for EUR 4.9 billion. Thus, Sustainable Pfandbriefe currently make up just over 7% of the total volume of outstanding Pfandbriefe. By comparison, they today represent a share of around 20% of newly issued Pfandbriefe in benchmark format (at least EUR 500 million).

“The pleasing growth seen in the segment for Sustainable Pfandbriefe demonstrates, moreover, how successful market-oriented models can be if they promote practicable sustainable financing and offer investors the investment opportunities they are looking for,” said Kullig.

Additional information about Minimum Standards and Green Pfandbriefe are on the vdp’s website under the following link: [LINK](#).

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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