

Press release

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vdp and Drees & Sommer unveil benchmarking tool for top 15% criterion for buildings

Definition helps banks prove taxonomy compliance

The Association of German Pfandbrief Banks (vdp) and the professional services company Drees & Sommer have presented a benchmarking tool to assist banks in providing evidence of compliance with the EU taxonomy in their real estate financing. More specifically, the tool determines benchmarks for meeting the top 15% criterion.

Pursuant to the EU taxonomy, the acquisition or ownership of a building built before 31 December 2020 makes a substantial contribution to achieving the objective of climate change mitigation if one of the following two conditions are met: the building has at least an energy performance certificate (EPC) class A or the building is within the top 15% of the national or regional building stock expressed as operational primary energy demand (PED) and demonstrated by adequate evidence. A distinction is made between residential and non-residential buildings. The “Do no significant harm” criteria must also be complied with, i.e., it must be ensured that the building does not harm the other five environmental objectives.

On behalf of the vdp, Drees & Sommer has now identified which criteria need to be met in order for buildings to be in the top 15% and, therefore, to provide evidence that the building makes a substantial contribution to achieving the objective of climate change mitigation. According to Drees & Sommer’s calculations, single-family houses meet the 15% criteria if they have a class A+, A or B energy performance certificate. For apartment blocks, class A+ or A energy performance certificates are required. If a residential building does not have an energy performance certificate, evidence of it belonging to the top 15% can also be provided via its primary energy demand (PED), which must be lower than 74 kWh or 70 kWh per square metre.

For commercial properties, on the other hand, evidence can be provided by way of the Energy Conservation Regulation (*Energieeinsparverordnung, EnEV*) that was in force when the building was constructed. In this manner, Drees & Sommer came to the conclusion that office and retail properties are within the top 15% of their property class if they, at a minimum, comply with the requirements of the EnEV 2009. For logistics buildings, it can be assumed that a property belongs to the top 15% if it was built in line with the requirements of the EnEV 2014 or a more recent regulation.

“A sustainability regulation that sets uniform standards and thereby provides orientation is all well and good. The associated complexity of the EU taxonomy, however, makes it harder to provide further impetus for banks’ sustainable finance activities, which have been ongoing for many years,” points out Sascha Kullig, Member of the Board of Directors of vdp. “By defining benchmarks, we are giving banks an important tool to facilitate their property financing business. They can now check whether a building is within the top 15% of its property class.”

Kullig also pointed out that, in future, taxonomy compliance would also play a key role in funding: “The draft EU Green Bond Standard sets forth that funded buildings must comply in full with the taxonomy. If this requirement is adopted as it stands, many real estate lenders would find it difficult, at least in the short term, to issue bonds that meet that standard,” warned Kullig. That is why the vdp is calling for a transitional phase in which only 80% taxonomy compliance would be required, he said.

“Drees & Sommer has long made a name for itself in sustainable real estate projects and green building certificates. Over the past five years, despite limited information, we have begun to develop a reliable and taxonomy-compliant methodology for green bonds and have drawn robust conclusions on energy efficiency. We are now actively supporting more than 20 financial market participants and companies. We contributed our know-how to the benchmarking tool for the members of the vdp, whose offering makes it a clear industry pioneer,” said Drees & Sommer Project Manager, Claudio Tschätsch.

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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***About Drees & Sommer: Innovative partner for consulting, planning,
construction and operation***

As Europe's leading international professional services company focusing on the property sector, Drees & Sommer SE has supported private and public clients and investors for over 50 years in all aspects of real estate and infrastructure. The company's some 4,000 employees in 46 locations around the world work in interdisciplinary teams to provide support for clients from a wide variety of sectors. All the services provided by the partner-run company take into consideration both economic and ecological concerns. Drees & Sommer calls this holistic approach 'the blue way'.

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