German Banking Industry Committee

Die Deutsche Kreditwirtschaft

Comments

Review of the EU taxonomy climate delegated act

Lobby Register No R001459
EU Transparency Register No 52646912360-95

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks.

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Executive Summary

The current draft of the EU Taxonomy Technical Screening Criteria does not yet provide a framework that is operationally feasible or scalable for financial institutions, particularly for exposures in the buildings sector.

The buildings sector (EAs 7.1, 7.2, 7.7) is a key lever for achieving climate neutrality. However, the current requirements do not enable financial institutions to demonstrate taxonomy alignment of real estate portfolios at scale. DNSH criteria remain overly complex and are not operational, especially in retail lending, where banks cannot verify highly technical requirements. In addition, requirements are not sufficiently aligned with real estate market practices and existing data flows. Taxonomy assessments must be feasible at loan origination based on available documentation. This requires a substantial simplification of DNSH and a centralized data infrastructure with mandatory provision of standardized data such as Energy Performance Certificates (EPCs).

A key barrier is the lack of data and documentation. Essential data points, in particular life cycle GWP, are neither available in a standardized form nor widely available. As GWP calculations will only become mandatory from 2030 onwards under the EPBD, data for buildings constructed between 2022 and 2030 will remain scarce and non-standardized, leading to systematic non-alignment. Even beyond 2030, GWP data will only be included in EPCs if available. Requirements must therefore be aligned with EPBD timelines and limited to EPC-based data.

Targeted adjustments are required to ensure applicability. For EA 7.1, expanded requirements such as lower thresholds for technical assessments and mandatory GWP calculations significantly increase complexity and reduce usability and should be reconsidered. For EA 7.2, DNSH requirements, particularly for water, circular economy and pollution prevention, are not evidencable and disproportionate; these should be waived and considered as observation criteria, while efficiency gains must be fully recognized. For EA 7.7, the requirement of a 60% energy reduction within 10 years is not operationally feasible. The compliance check (also applies to 7.2) should take into account lending practices and data availability – such as a roadmap for future renovations: the taxonomy compliance check should be possible at the time of loan origination without the need for a further subsequent check or the collection of additional data. In addition, the lack of a clear framework for combined financing across EAs 7.1, 7.2 and 7.7 creates legal uncertainty and prevents consistent classification.

While alignment with existing EU legislation has improved, this approach is not applied consistently. Compliance with existing regulation, including EIA outcomes and permits, should generally be considered sufficient. At the same time, proportionality remains insufficient, with no risk-based differentiation and disproportionate effort for retail exposures. The use of existing documentation should be expanded systematically to improve usability.

Further practical challenges arise in other areas. Biodiversity requirements, in particular the mitigation hierarchy, are not operational for financial institutions and risk limiting financing of otherwise sustainable activities. For vehicles, DNSH requirements for financing and leasing should not exceed those applicable to manufacturing, in particular regarding tyres and circular economy thresholds. For energy storage, additional references to battery manufacturing criteria create unnecessary complexity. For heat pumps, the framework should ensure that operation remains covered as a taxonomy aligned activity (EA 4.16).

Overall, without substantial simplification, improved data availability and stronger alignment with existing regulation and market practice, the EU Taxonomy will not be implementable at scale, particularly in the buildings sector.

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Required amendments and clarifications in general

Alignment with existing EU legislation

The GBIC notes efforts to better align the Technical Screening Criteria with existing EU regulation, including references to the EPBD and NZEB framework under EA 7.1 and circular economy aspects in EA 7.2.
It is positive that DNSH criteria increasingly rely on existing Union law.

However, this approach is not yet applied consistently across all sectors. A more systematic principle should be established whereby compliance with existing EU regulation is, wherever appropriate, considered sufficient evidence for meeting Taxonomy requirements.

National implementation of EU environmental legislation, in particular the outcomes of Environmental Impact Assessments (EIA), should be consistently reflected in the DNSH criteria. Appendix D/CCM introduces a requirement whereby activities that rely on compensatory measures following an EIA are deemed non-compliant. This creates a potential misalignment with approval decisions by competent authorities and introduces additional complexity for financial institutions. Requiring them to assess in detail the permit conditions resulting from the EIA process goes far beyond legal compliance and a workable level of assessment.

Where national competent authorities have approved compensation measures, this should be reflected in the EU-Taxonomy requirements. Otherwise, practical challenges arise, for example in the financing of renewable energy projects, where assessments would become more complex and less operational (in EA 4.1 Electricity generation using solar photovoltaic technology, EA 4.2 Electricity generation using concentrated solar power (CSP) technology, EA 4.3 Electricity generation from wind power, EA 4.10 Storage of electricity).

We therefore propose to remove the sentence from Appendix D (2nd para including footnotes): "Activities that require compensatory measures to offset significant negative impacts on habitats or species identified in the assessment (*6) do not comply with Appendix D (*7)".

Simplification and usability

The GBIC supports the Commission's objective of simplifying the Technical Screening Criteria (TSC).
The revised draft introduces improvements, including a clearer structure of criteria and a more stepwise approach to certain assessments. In some areas, the draft also introduces elements that improve usability, such as group-based assessments and certain proportionality elements, for example for smaller forest holdings.

While these changes are welcome, they remain selective and insufficient. The overall level of complexity remains high, and many criteria continue to be difficult to interpret, verify and apply in practice. At some points the complexity even increases due to changes in the TSC e.g. in SC I for EA 7.1 or DNSH VI on biodiversity (Appendix D).
From the perspective of financial institutions, simplification has not yet reached a level that would enable scalable and cost-efficient application across large portfolios.

Use of existing assessments and documentation

The GBIC notes that the draft makes greater use of existing instruments and documentation, such as plans, permits and EIA-related evidence, in the assessment process. A positive element is the explicit clarification that

financial institutions may ensure alignment with DNSH criteria for Climate Change Adaptation through contractual arrangements with their clients, allowing financed activities to be considered compliant (e.g. Appendix A (*7) CCM). We therefore call for the consistent inclusion of such provisions across both Climate Change Mitigation and Climate Change Adaptation objective. In other words, we are calling for this sentence to be added in Annex 2 as well. Overall, the principle of relying on contractual clauses for DNSH-verification should be used more widely within the TSC.

However, the draft does not yet establish a consistent and horizontal approach allowing financial institutions to rely on recognized certifications or existing assessments in a systematic way. Further clarification and expansion of this approach would significantly improve usability and reduce administrative burden.

Proportionality

The GBIC notes that the draft introduces some elements that may improve proportionality in specific areas, such as simplified requirements or group-based assessments.

However, these remain limited and do not establish a consistent, risk-based approach across the framework. In particular, there is no meaningful simplification for retail or small-scale exposures, and the effort required to demonstrate taxonomy alignment often remains disproportionate to the underlying risk.
Complex and data-intensive DNSH assessments in general, and especially for standardized, low-risk transactions, create a significant administrative burden and limit scalability.

Data availability and operational feasibility

Data availability remains one of the most significant barriers to implementation.
The draft does not introduce measures to improve access to relevant environmental data or to enable the use of existing data sources and counterparty disclosures. As a result, financial institutions are required to perform complex and resource-intensive assessments without having access to the necessary data, which significantly limits the usability of the framework.

Required amendments in detail

Real estate and buildings

As the buildings sector, both through the transformation of the existing stock and new construction, is one of the most critical levers for achieving climate neutrality, adjustments to the EU Taxonomy TSC should facilitate the ability of financial market participants to demonstrate taxonomy alignment of their real estate portfolios. This would support climate targets and enable the scaling of sustainable finance in this key sector. However, the current draft does not sufficiently meet this objective and remains limited in its practical applicability.

<u>Overarching issues (EAs 7.1, 7.2, 7.7):</u>
From a practical perspective, the DNSH framework does not sufficiently reduce complexity for credit institutions. While the criteria are conceptually important, their verification, cannot realistically be performed by banks, which act as financial intermediaries rather than technical building assessors. Addressing this requires a fundamental simplification of DNSH requirements and a standardized infrastructure for data provision and verification. This should include a regulatory obligation for property owners to provide relevant data and

certification, such as EPCs or life cycle Global Warming Potential (GWP), in a centralized, publicly accessible system, enabling efficient and scalable assessments. Until such an infrastructure supplying the necessary data exists, the requirements should be removed. In addition, taxonomy assessments must be feasible at loan origination based on available documentation. Ex post verification or reclassification is not compatible with lending practice.
The draft also lacks clear and comprehensive adjustments regarding the interaction between renovation and acquisition and ownership activities. Although usability is addressed at a general level, a concrete and operational solution for combined financing structures relating to the same asset in EAs 7.1, 7.2 and 7.7 is not established. As a result, core challenges, particularly the complexity of DNSH requirements and the feasibility of data collection, remain largely unresolved.

EA 7.1 Construction of new buildings:
The revised TSC criteria significantly expand data requirements. Lowering the threshold for air tightness and thermal integrity testing from 5000 m² to 1000 m² and removing thresholds for life cycle GWP assessments will require certification for a substantially larger number of buildings. Through the link in EA 7.7, these requirements also extend to existing buildings ("For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.").
At the same time, the required GWP data is not available in a standardized form nor widely available. As life cycle GWP calculations will only become mandatory for all new buildings from 2030 onwards under the EPBD, there is currently no obligation to generate or disclose this data. For buildings constructed between 2022 and 2030, GWP data will therefore only be available on a voluntary basis and remain scarce and non-standardized, leading to systematic non-alignment. Moreover, even beyond 2030, GWP data will only be included in EPCs if available, as set out in EPBD Annex V 1e, meaning that consistent availability cannot be expected.
Against this background, at least the deadlines for the ZEB standard and the GWP analysis should be aligned with the EPBD deadlines.

EA 7.2 Renovation of existing buildings:
DNSH requirements, particularly DNSH IV and V, are in practice not evidencable and operational. Requirements related to water protection, circular economy and pollution prevention are disproportionate to typical loan volumes and not aligned with current data availability. These criteria should be waived for renovation activities and considered as observation criteria. In addition, the continued exclusion of efficiency gains from renewables is not feasible in practice. Efficiency gains should be fully recognized.

EA 7.7 Acquisition and ownership of buildings:
The requirement to achieve a 60 percent reduction in primary energy demand within 10 years is overly ambitious and operationally not feasible. Financial institutions lack access to historical EPC data and cannot perform before and after comparisons or ex post verifications. Taxonomy alignment must therefore be determinable at loan origination based on available documentation. Furthermore, international standards should be accepted where EPCs are not available. Requirements should also reflect realistic financing horizons such as 3 to 5 years. The compliance check (also applies to 7.2) should take into account lending practices and data availability – such as a roadmap for future renovations: the taxonomy compliance check should be possible at the time of loan origination without the need for a further subsequent check or the collection of additional data.

It should also be clarified that, where defined energy performance targets are met, the entire loan (and not just the portion of the loan for renovation) can be classified as taxonomy aligned.

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For supporting practical applicability, it is also recommended to include international standards or methodologies for demonstrating energy efficiency in the TSC as appropriate documentation when EPC, as EU standard, is not available.

Furthermore, the avoidance of disproportionate additional effort for duplicative assessments of the same aspect (building energy efficiency) for buildings built after 2020 is highly recommended by changing the place of the words "For buildings built before 31 December 2020" under point 1. These should not be placed in point a) but directly after point 1.

Biodiversity (relevant across EAs, in particular EA 7.1 DNSH):
Assessing adherence to the mitigation hierarchy for biodiversity remains highly complex and not operational for financial institutions. The required assessments depend on project specific ecological expertise and data that are not available to banks. Without standardized data and processes, these requirements cannot be verified in a scalable way and therefore limit applicability.

Combined financing (EAs 7.1, 7.2, 7.7):
The framework must clearly define how acquisition and ownership and renovation activities are assessed within one financing structure. A consistent and operational approach is required that avoids double counting and enables a clear classification of the overall exposure.

Financing and leasing of motor vehicles

The DNSH criteria applicable to financed and leased vehicles should not go beyond the DNSH criteria applicable to the manufacture of vehicles. Otherwise, a high number of vehicles that are classified as taxonomy-aligned under Activity 3.3 would be classified as non-taxonomy-aligned under Activity 6.5.

This concerns, first, additional requirements relating to tyres, which would require costly establishment and adaptations of IT interfaces with the various manufacturers in order to obtain the necessary information, given the large number of vehicles involved. In addition, the requirements relating to the transition to a circular economy go beyond those applicable under Activity 3.3. This concerns, in particular, the minimum thresholds for the reuse or recyclability (85%) and the reuse or recoverability (95%) of vehicles, which are not aligned with the minimum thresholds for the recyclability and recoverability of vehicle batteries under the EU Batteries Regulation (EU) 2023/1542 for lithium-ion batteries. Pursuant to Annex XII, Part B, of the EU Batteries Regulation (EU) 2023/1542, a target for recycling efficiency of 65 % of the average weight of lithium batteries is applicable since 31 December 2025, increasing to 70 % by 31 December 2030. For the recovery of lithium in lithium batteries a target ratio of 50% until 31 December 2027 has to be achieved that will increase to 80% until 31 Dezember 2031.

Further recommendations

Avoid Additional Burdens for Energy Storage in the EU Taxonomy

The energy transition including the extension of renewable energy projects and energy storage for stabilizing the energy network is the backbone of the European Clean Energy Strategy and the EU net-zero goal. However, increasing the complexity of EU-Taxonomy assessment for SC I CCM for the EA 4.10 (Storage of electricity) risks undermining the financing of the energy transition.

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In particular, the additional reference to the SC criterion of EA 3.4 (Manufacture of batteries) creates an unnecessary burden. This criterion, which requires that electricity storage solutions "enable substantial GHG emission reductions" is redundant, as this outcome is inherent in their core function of balancing fluctuating renewable electricity in the electricity grid.

We therefore propose to eliminate this reference stating that "In case of using batteries as electricity storage, those batteries comply with the technical screening criteria specified in section 3.4 of this Annex" and to maintain the existing criteria.

Keep activity 4.16 for heat pumps

Heat pumps are a key technology for the electrification and decarbonization not only of real estate heating, but also to utilize the excess heat from server farms or wastewater treatment and other industrial processes. The taxonomy currently splits heat pump activities across several sections (notably Activities 4.16, 7.6 and 3.5). The current draft seemingly aimed to simplify this, but in doing so effectively removes the operation of heat pumps as an economic activity (4.16). While manufacturing and installation of heat pumps remain covered, the operation of large-scale heat pumps, for example in district heating, would no longer be recognized under the taxonomy. We see this as a clear gap and invite the Commission to correct this in the final version of the delegated act by reinstating EA 4.16.

Clarify the Application of the Grandfathering Rule to Non-Aligned Exposures

For taxonomy-aligned exposures, Commission Delegated Regulation (EU) 2021/2178, Article 7(5), provides for a five-year grandfathering period, after which the amended criteria must be reflected in the corresponding assessments. It should be clarified that this grandfathering rule also applies to non-aligned exposures. Otherwise, financial undertakings would struggle to meet the 10% materiality thresholds for use-of-proceeds financings, as all non-aligned assessments would have to be revised immediately.