



Climate Ambition Intact, Usability Enhanced

A market-based proposal to
update the EU Taxonomy for
Residential and Commercial
Real Estate

Joint White Paper
November 2025
vdp & EEM NL Hub

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1. Executive Summary

This paper provides practitioner-based recommendations for updating Section 7 of the EU Taxonomy, drawing on the experience of financial institutions active in Germany and the Netherlands. It does not advance national positions but conveys shared implementation challenges observed in practice, which are expected to be relevant across all EU Member States. The findings show that while the Technical Screening Criteria are scientifically robust, they are often too complex, insufficiently aligned with national frameworks and difficult to apply in practice.

The proposals in this paper address seven observation areas and aim to simplify and clarify the criteria of Section 7 of the EU Taxonomy for Construction and Real Estate so that they remain ambitious yet workable and coherent across the Union. This paper provides input to the ongoing review process, offering practical suggestions that can improve usability and consistency while supporting the broader objectives of the European Green Deal and the development of a strong and competitive Savings and Investment Union.

Observations:

1. The requirements of the Climate Delegated Act go beyond the transposition of the Energy Performance of Buildings Directive (EPBD) by Member States.
2. The renovation criteria are biased towards buildings that are already efficient.
3. The renovation criteria are not user-friendly, overly technocratic and require fractional loan tracking.
4. The DNSH criteria are complex and difficult to verify in practice.
5. Frequent and contradictory Q&As and Commission notices give rise to confusion, leave room for interpretation and legal uncertainty.
6. The actual availability of data and data protection regulations are not taken into account.
7. The application of minimum safeguards is disproportionate, particularly for residential property loans.

The vdp and the EEM NL Hub believe that the following measures can contribute to the successful implementation of the EU Taxonomy. These measures are described and justified in detail in Chapter 6.

Proposals:

1. Align EU Taxonomy with national EPBD implementation requirements
 - Nationally defined (N)ZEB levels should suffice for alignment, avoiding deterministic EU-wide uplifts until ZEB definitions are fully in force.
2. Update renovation criteria to promote renovation of buildings
 - Introduce eligibility based on relative improvement (e.g., multiple-class EPC upgrades) so that deep renovations of poor-performing properties qualify as sustainable.
 - Introduce eligibility of the entire property financing under defined renovation conditions.

3. Simplify Renovation Criteria, make them more (finance) user-friendly
 - Introduce measurable standards – such as EPC improvements or compliance with Renovation Passports.
 - Consider financing practices and allow whole renovation loans to be EU Taxonomy-aligned (not only the accounting partial loan amounts that are financing certain renovation activities) under defined conditions.
4. Streamline the “Do No Significant Harm” (DNSH) criteria to allow for a flexible approach
 - Introduce the option to report on the DNSH criteria as observation criteria but not as a requirement for EU Taxonomy-alignment.
 - Only the climate risk assessment could be considered to remain mandatory.
5. Improve guidance and transparency of regulatory process to avoid uncertainty
 - This should feature public consultation windows, clear timelines, and a defined legal status in order to prevent interpretative overreach and ensure consistent application across MS.
6. Address Data Availability and GDPR barriers to allow financial institutions to use property-level data
 - Seek legal recognition under GDPR Article 6 that sustainability-related data can be lawfully processed for regulatory and reporting purposes.
7. Clarify the application of minimum safeguards to ensure proportionality
 - Remove the application for residential property loans. Presume compliance for commercial mortgages in jurisdictions with robust labour and social laws.

2. Introduction

This collaboration brings together two national representative organisations, the vdp and the EEM NL Hub, each supporting their members in interpreting the EU Taxonomy through regular working group sessions on sustainable finance policies and regulations. The vdp and the EEM NL Hub each play pivotal roles in bridging the gap between regulatory frameworks and financial market implementation, particularly in the context of mortgage lending, capital markets, and disclosure requirements. Although the vdp and the EEM NL Hub operate within their respective national contexts, drawing on local building codes, lending standards, and EPC methodologies, both organisations reach broadly similar conclusions in applying the EU Taxonomy to real estate.

The proposals captured in this joint white paper, builds on the shared purpose to offer concrete, actionable recommendations for a revised EU Taxonomy approach that is fit for purpose, scalable, and more pragmatic to use. At the same time, it is aimed at reflecting on-the-ground realities while preserving the climate ambition as set in the EU Green Deal.

Some key statics on the German & Dutch market

As of 2024, Germany and the Netherlands together account for just over one hundred million citizens, representing about 22.5% of the European Union's population¹. Dutch households held more than €851 billion in outstanding residential mortgage debt at year-end 2024², while Germany reported approximately €1.87 trillion³.

Combined, this amounts to nearly €2.72 trillion in residential mortgages, equivalent to almost one third of the EU total of €8.34 trillion in the first quarter of 2024⁴. Regarding commercial mortgages, the reported volume of outstanding debt in Germany⁵ at the end of 2024 amounts to €981 billion, which makes up roughly 75% of the total lending in the Euro area⁶. Taken together, Germany and the Netherlands therefore represent a significant share of the EU's population and mortgage exposure, highlighting their central role in Europe's housing and financial landscape.

3. The vdp and EEMNL Hub call for changes to regulatory framework

An acceleration of the renovation of the EU building stock is critical to achieving the EU's 2050 climate goals⁷. The EU Taxonomy can play an important role in steering financing to (and thus enabling) this renovation wave. However, as highlighted in the Platform on Sustainable Finance (PSF) report on simplifying the EU Taxonomy⁸, the current Technical Screening Criteria (TSC) require urgent *simplification* to be usable in practice at scale.

To date, the EU Taxonomy has primarily reflected the corporate perspective rather than that of financial institutions or citizens. Particularly, owners of residential properties are among the most significant indirect stakeholders, and their role remains insufficiently addressed. They are critical actors in decarbonising the built environment and their engagement is essential for expanding sustainable finance in such a way that it can actually serve as a catalyst to undertaking sustainability renovations.

Financial institutions have reported minimal EU Taxonomy-aligned financing of renovations or new constructions, highlighting the complexity of applying the criteria in practice. ING has assessed that for 2024 the average GAR reached only 3.7%, up from 3% a year earlier⁹. This is especially striking considering that a core ambition of the EU Green Deal is to see such renovations more than triple in the coming years. Most institutions limit their EU Taxonomy reporting to activities according to Section 7.7 (financing of existing buildings), underscoring the need for updated and more pragmatic and consistent criteria. While science-based criteria are crucial, they must be usable, too.

The current framework prioritises theory over implementation, ignoring data constraints, data governance considerations, proportionality and market readiness.

¹ Eurostat, *Demography of Europe 2024*.

² De Nederlandsche Bank, *Size and breakdown of the mortgage market, end 2024*.

³ European Mortgage Federation, *Hypostat Country Note: Germany (2024)*.

⁴ European Mortgage Federation, *European Mortgage Market Quarterly Review Q1 2024*.

⁵ BaFin: Risks arising from corrections on the real estate markets(2025), [Banking statistics](#) | Deutsche Bundesbank: Balance sheet items of German banks (MFIs) Okt. 2025.

⁶ *Mapping the maze: a system-wide analysis of commercial real estate exposures and risks* (Nov. 2024).

⁷ As part of the Energy Performance of Building Directive (EPBD IV) all buildings in the EU must be Zero Emission Buildings by 2050 at latest.

⁸ Platform on Sustainable Finance report: Simplifying the EU taxonomy to foster sustainable finance, 5 February 2025.

⁹ <https://think.ing.com/articles/taxonomy-disclosures-poor-results-and-an-uncertain-future/>

We reiterate our support for the measures that would enhance the applicability of the EU Taxonomy and support the broader goal of building stock decarbonisation. Additionally, we welcome the PSF's recommendation to allow proxy solutions for documenting EU Taxonomy compliance, given current data limitations¹⁰. A balanced approach is needed to progress and to lead to climate goals being achieved while ensuring broad adoption across Europe is possible.

4. Grounds for collaboration

The practical challenges encountered in applying the EU Taxonomy in both the Dutch and German mortgage markets reveal that the framework faces structural limitations. These are not isolated issues confined to national contexts but reflect systemic barriers to implementation.

By offering a joint perspective, this white paper moves beyond national advocacy. It reflects shared regulatory and application experience and supports a more comprehensive understanding of the technical and legal challenges embedded in the current criteria.

Despite the technical rigour behind the criteria, their application often falters due to complexity, economic infeasibility, or data unavailability. In many instances, the prescribed methods do not exist in national systems, or the required granularity cannot be reliably assessed. In other instances, the data is available but cannot be accessed and used by financial institutions because it is prohibited under data-protection laws. The information, where available, is frequently non-digitised, and the administrative burden of compliance is disproportionate to the intended benefit. These are not minor implementation details—they are substantive hurdles that call into question the operability of the framework as a whole.

A further structural issue lies in the legal hierarchy of the Climate Delegated Act (CDA). As a Level 2 regulation, the CDA has direct effect and supersedes national norms. Yet building codes, EPC methodologies, and energy performance standards remain largely governed at national or regional level. This creates legal and administrative tension, particularly in sectors such as real estate, where implementation depends heavily on domestic rules and procedures. The result is often a misalignment that produces outcomes which are neither workable nor verifiable and end up being confusing for consumers.

In advancing the goals of the European Green Deal and a European Savings and Investment Union, we must remain attentive not only to what is environmentally ideal but also to what is administratively possible and efficient to achieve in steps. The lessons from Germany and the Netherlands show that there need not be a contradiction between ambition and usability. On the contrary, the only path to a scalable and credible green finance framework is through simplification, coordination, and fostering of a shared understanding.

¹⁰ Feb 25, page 23: Allow for the use of EPCs, including (implied) changes in EPC for renovation, as well as building codes and building years as proxies and estimates for credit institutions to assess their mortgages against the EU Taxonomy, as relevant. Mortgage loans make up a significant portion of many credit institutions' reported GAR.

5. The revision process of the EU Taxonomy

The Platform on Sustainable Finance (PSF), created under Article 20 of the EU Taxonomy Regulation, advises the European Commission on the framework's development. While its output in 2023–2024 was limited for the EU Taxonomy section on Construction and Real Estate, their activity increased in 2025 with reports on the Climate Delegated Act, SME access, transition planning, and renovation finance. In early 2025, the Technical Working Group issued a draft report on criteria for new construction (7.1, 7.2, 7.7) but left out key renovation activities and did not address “Do No Significant Harm” (DNSH) or Minimum Safeguards. A follow-up report in April largely repeated earlier analysis without integrating consultation feedback and raised concerns that the PSF continues to advise setting thresholds above or beyond the requirements of EPBD IV, potentially undermining alignment and usability.

By contrast, the February 2025 report *Simplifying the EU Taxonomy* took a far more pragmatic approach. It identified market usability challenges and suggested simplification measures, giving stakeholders a sense of hope that future revisions could become more workable.

On 21 May 2025, DG FISMA announced that the Commission is undertaking a review of the existing EU Taxonomy screening criteria, including the DNSH criteria, with the aim of updating, simplifying, and improving their usability. The consultation period is tentatively scheduled for early 2026, with adoption of a delegated act planned for the second quarter of 2026.

6. Proposals for updated EU Taxonomy Criteria

The following section contains our proposals for a more balanced and pragmatic approach to the technical screening criteria for Construction and Real Estate under the environmental objective of Climate Change Mitigation. We adopt a pragmatic approach by identifying key bottlenecks and providing a grounded rationale for why specific criteria are complex or challenging to apply in practice. In parallel we formulate constructive proposals to update and where appropriate simplify these criteria while preserving their original intent and ensuring that the underlying sustainability objectives remain fully achieved.

6.1 Align EU Taxonomy criteria with national EPBD implementation requirements

As relevant for economic activities 7.1 and 7.7.

Short description

Proposal to adjust and simplify criteria that exceed the national implementation of the EPBD, such as the requirement for new constructions to demonstrate energy performance at least 10 percent stricter than the nationally defined NZEB standard.

Rationale

The current Climate Delegated Act (CDA) criteria, notably under Economic Activity 7.1, establish energy performance thresholds that exceed those defined in Member States' national implementation of the EPBD. This creates regulatory misalignment and diminishes the flexibility and subsidiarity that EPBD IV seeks to maintain.

The introduction of such stringent technical criteria through a Level 2 legislative instrument such as the EU Taxonomy CDA is disproportionate. Level 2 regulations are intended to provide detailed implementation guidance within the boundaries set by higher-level legislation, not to redefine or tighten policy objectives determined by co-legislators. By setting requirements that go beyond the EPBD, the CDA effectively overrides national discretion and the principle of subsidiarity, leading to unnecessary complexity and potential conflict between legal instruments.

This approach also contradicts the design of the EPBD itself, which deliberately avoids deterministic or uniform performance thresholds and leaves Member States the flexibility to define nationally appropriate NZEB or ZEB levels based on climatic, economic and technical conditions. By imposing an EU-wide threshold, the CDA undermines this intent and risks creating parallel compliance regimes.

From a usability perspective, this lack of alignment renders the framework less accessible to the end users it aims to mobilise. Owners of residential properties and small-scale developers are primarily guided by national or local building regulations and have limited awareness or concern about the implications of Level 2 regulation under the EU Taxonomy. Consequently, the criteria fail to incentivise behavioural change at the household level and risk reducing the practical impact of the EU Taxonomy in the residential sector.

Finally, in the same context, the CDA should recognise national laws and standards to improve usability. For example, the current economic activity criteria (7.7) require evidence that a non-residential building with a certain heating system output rating is operated efficiently through energy performance monitoring and assessment. This requirement is legally binding under national law (e.g. German Building Energy Act (GEG §71a)) and it is often not possible to provide the necessary evidence for loans financing property acquisition.

Potential Solution

The revised CDA should ideally be fully aligned with the EPBD III and IV as implemented at national level. Level 2 legislation (such as the CDA) should ideally serve to operationalise and support the co-legislated EPBD, not to extend or reinterpret its scope. Respecting the foundations of the EPBD is essential to maintain coherence within the EU's legislative hierarchy. Overreach through delegated acts risks exceeding the Commission's implementing mandate and undermining legal certainty for both public and private stakeholders.

Simplified and EPBD-consistent criteria will enhance usability and market uptake while ensuring continued progress toward the Union's climate-mitigation objectives.

Proposal for improvement

We propose that new constructions meeting the nationally implemented EPBD (N)ZEB requirements should be considered sufficient to qualify for EU Taxonomy-alignment. Setting performance thresholds stricter than national implementation may be desirable but should remain optional rather than mandatory.

Once EPBD IV provisions, including the definition of Zero-Emission Buildings (ZEB), are fully implemented across Member States, alignment with those national transpositions should follow. The EU Taxonomy should avoid prescribing deterministic thresholds, such as a fixed percentage improvement beyond ZEB, and instead recognise compliance as defined at national level. We further recommend that ZEB-level requirements not be imposed under the EU Taxonomy before their full implementation within Member States, to ensure legal consistency and practical feasibility.

6.2 Update renovation criteria to promote renovation of buildings

As relevant for economic activities 7.2.

Short description

The current renovation criteria, particularly under Substantial Contribution Criterion (SCC) 7.2, have the unintended policy effect of favouring renovation projects that can achieve an energy label A after completion.

Rationale

Under the renovation criteria in Substantial Contribution Criterion (SCC) 7.2, only the small portion of the loan directly financing the renovation can be assessed against the SCC and the extensive DNSH requirements. As a result, there is a clear incentive to prioritise buildings that can more easily reach a post-renovation EPC A or qualify within the top 15 percent of the national building stock. In such cases, the building can subsequently be classified under Economic Activity 7.7, allowing the entire loan to be considered EU Taxonomy-aligned.

This structure effectively disadvantages loans for the renovation of poorly performing buildings with EPC classes E, F or G, as they are unlikely to be upgraded to EPC A in a single renovation step and thus become EU Taxonomy-aligned under 7.7. However, these are precisely the buildings where the greatest energy efficiency gains can be achieved and should be prioritised to meet climate and social objectives.

Proposal for improvement

Targeted incentives should be introduced to support the renovation of energy-inefficient buildings (EPC D–G or *unknown*), ensuring alignment criteria reflect the need to address these properties first. SSC could include thresholds based on EPC label improvements. To improve representativeness in sustainable finance, eligibility of the entire property financing should be permitted to be considered for EU Taxonomy-alignment under defined renovation conditions, for instance when nationally acknowledged measures are implemented. The Platform on Sustainable Finance has also flagged the need to improve the usability of renovation criteria¹¹.

¹¹ PSF report January 2025, page 89, Renovation to acquisition and ownership.

6.3 Simplify renovation criteria, make them more (finance) user-friendly

As relevant for economic activities 7.2, 7.3, 7.6, 3.1, 3.5.

Short description

The renovation criteria are too technocratic, are not applied and require working with fractions of loans.

Rationale

The current SCC under Economic Activity 7.2 are excessively technocratic and remain largely impracticable for implementation and verification. Major renovations are not systematically tracked in national EPC databases, which makes it nearly impossible to document or audit EU Taxonomy compliance at portfolio level.

Equally, the requirement to calculate ex-ante reductions in primary energy demand (PED), while excluding contributions from renewable energy sources, is technically unfeasible in most Member States, as such data points are either absent or inconsistent within EPC methodologies. The absence of practical and scalable EU Taxonomy renovation criteria that are accessible to end-users has resulted in virtually no financial institution reporting renovation activities as EU Taxonomy-aligned, even though energy-efficiency improvements are taking place in practice.

In practice, renovation loans usually finance a combination of measures such as insulation, heating systems and solar installations. Under Economic Activities 7.2, 7.3, 3.1, and 3.5¹², only the portion of the loan directly allocated to that activity qualifies as EU Taxonomy-aligned, which would require tracking partial loan amounts.

The Q&A guidance document, in particular answer 62, suggests that activities under criteria 7.3 and 7.6 should be assessed with reference to economic activities 3.5 and 3.1 respectively. This cross-reference approach significantly increases complexity and creates operational burden as it requires market participants to consult and reconcile criteria across multiple activity chapters for comparatively small-scale residential renovation loans, which undermines the principles of proportionality and usability.

Separating and verifying individual loan components is not practical. Recognising full renovation loan eligibility would better reflect real financing structures, improve reporting accuracy and accelerate the uptake of renovation. Revising the criteria to be more data/finance practice aware would improve usability, encourage renovation lending and enhance the real-world impact of the EU Taxonomy on energy efficiency.

Proposal for improvement

The criteria should be simplified through clear and measurable standards such as EPC label improvements or compliance with Renovation Passports under Directive (EU) 2024/1275. As an alternative, under conditions, proxies should be allowed to measure or gauge renovation impact.

¹² DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the EU Taxonomy Environmental Delegated Act, the EU Taxonomy Climate Delegated Act and the EU Taxonomy Disclosures Delegated Act.

Substantial contribution criteria could incorporate thresholds based on such measurable improvements, while eligibility of the whole renovation loan should be permitted under defined renovation conditions.

Approaches must remain flexible and coincide with national implementation of EPBD IV, including related policy instruments such as the National Building Renovation Plans (NBRP), Minimum Energy Performance Standards (MEPS) and national renovation passport frameworks.

They should also reflect how owners of residential properties act under national renovation policies, since attempts to steer renovation behaviour solely through the EU Taxonomy have proven ineffective in practice.

To safeguard clarity, proportionality and consistent implementation the Climate Delegated Act should explicitly state that cross chapter interpretation and application is not required for residential renovation loans under criteria 7.3 and 7.6. This clarification would ensure that market participants can apply the relevant criteria in a straightforward and practicable manner, facilitating efficient deployment of renovation finance while maintaining fidelity to the EU Taxonomy's environmental objectives.

Suggestions

- **EPC label upgrade:** A renovation qualifies if the EPC rating improves by at least two classes, in accordance with the national implementation of Directive (EU) 2024/1275.
Rationale: Aligns with EPBD IV energy performance goals and provides a clear, measurable benchmark.
- **Primary energy reduction:** A renovation qualifies if primary energy demand (PED) is reduced by at least 30 percent (including energy reductions stemming from renewable energies), calculated post-renovation only.
Rationale: Reflects EPBD IV efficiency objectives and ensures flexibility across different building types.
- **Renovation passport or staged plan:** A renovation qualifies if it follows a Renovation Passport under Directive (EU) 2024/1275, or achieves a 30 percent reduction in energy demand over ten years through a staged approach.
Rationale: Supports long-term energy improvements and accommodates owners of residential properties with limited financial means.
- **Government or EPC-based qualification:** A renovation qualifies if it meets nationally or regionally defined criteria for energy-efficient renovation, or where recognised EPC-based schemes confirm compliance.
Rationale: Ensures coherence with national frameworks and enables practical verification through existing systems.
- **Proxies:** EPC or other energy demand or usage proxies can be valuable and a cost-effective tool to make renovation advice or measure (potential) impact. It can also be a useful tool to gauge the energy efficiency for expired or missing EPC's.
Rationale: not in all countries there are open and public EPC databases. And even in countries where these are available often a large percentage of the building stock does not have a valid EPC. Therefore proxies can be valuable and cost-effective measures to gauge renovation impact. Needing an EPC both before and after a renovation is costly for owners of residential properties.

6.4 Streamline DNSH criteria to allow for a flexible approach

As relevant for economic activities 7.1 – 7.7.

Short description

DNSH criteria are excessively complex and, in most cases, impossible to substantiate in the context of residential mortgage loans.

Rationale

In practice, only the DNSH criterion for Climate Adaptation is partially applied, usually through a (partially completed) Climate Risk and Vulnerability Assessment (CRVA) for Activity 7.7. Other DNSH requirements, such as those concerning water efficiency, circular economy and biodiversity, are either unsupported by public data or lack grounding in existing regulations, making compliance largely infeasible.

The disproportionate compliance burden and the absence of standardised procedures make DNSH verification unrealistic for Economic Activities 7.1 to 7.6.

This challenge is compounded by the fact that EPCs do not include DNSH-related information, leaving no data at the property-level to substantiate compliance. Moreover, most DNSH provisions are not incorporated into national or local building legislation, further undermining their practical applicability. A good example is DNSH criterion (3) for activity 7.1 which is not embedded into national regulation nor is there a public open resource to check building unit-level compliance.

Imposing DNSH requirements on renovation-related activities such as 3.1, 3.5, 7.2, 7.3 and 7.6 is therefore disproportionate and economically unfeasible, if technically possible at all. These obligations are particularly unsuitable for renovation loans to owners of residential properties, which are often small in size, sometimes as little as 5,000 euros, and cannot absorb the administrative and evidentiary costs associated with such compliance.

This inability to assess and demonstrate conformity with the DNSH criteria prevents the designation of an economic activity as EU Taxonomy-aligned, even in cases where the Substantial Contribution Criteria are fully met.

Proposal for improvement

DNSH criteria for renovations and new constructions should be substantially simplified or deemed not applicable, except for Climate Risk and Vulnerability Assessments (CRVA) where clearly justified. Compliance costs currently exceed the value of most small-scale loans and cannot be absorbed without reliable and accessible data sources. Integrating relevant DNSH themes into EPC frameworks could provide a long-term solution, but until such integration occurs, greater flexibility should be granted to lenders. Implementing the PSF recommendation would help reduce fragmentation and ensure a more proportionate approach to green retail lending across Member States.

For commercial mortgage loans, the criteria should likewise be simplified and standardised to allow financial institutions to perform assessments effectively while creating a positive incentive for financing new constructions and renovations.

Suggestion

DNSH criteria should be reclassified as “observation criteria”, ensuring that non-compliance does not automatically preclude EU Taxonomy-alignment. Only the DNSH criterion for Climate Change Adaptation should remain applicable for 7.7 and 7.1 to the degree the criteria are practically feasible to check. The DNSH criteria should neither require owners of residential properties to provide additional evidence of compliance nor oblige financial institutions to collect or verify such documentation.

DNSH criteria for climate objectives 3, 4, 5 and 6 must not serve as a precondition for EU Taxonomy-alignment in the context of residential properties. This approach, consistent with the PSF simplification report, reflects the disproportionate administrative and financial burden such requirements impose. For other counterparties, these criteria should be substantially simplified and applied only above a defined materiality threshold, with the Substantial Contribution Criteria serving as the core condition below that level.

6.5 Improve guidance and transparency of regulatory process to avoid uncertainty

Rationale

The increasing number of Commission Notices and Q&A documents related to the EU Taxonomy has created a fragmented and evolving body of interpretations. These are issued without prior or incomplete consultation, offer no formal mechanism for stakeholder input, and sometimes introduce new interpretations that supersede or contradict earlier guidance.

Cross-references and overlapping provisions contribute to legal uncertainty and complexity for market participants. This dynamic environment requires constant reassessment of earlier positions to stay aligned with evolving interpretations.

Suggestion

While Commission Notices serve a valuable clarifying role, their governance should be improved through structured stakeholder engagement. A formalised process, including public question windows and transparent timelines for upcoming guidance is needed.

The legal scope of such documents must be clearly defined to prevent administrative overreach, as seen in answer 62 of the draft Notice of 29 November 2024. Strengthening transparency and delimiting interpretative authority would enhance legal certainty and regulatory coherence across EU sustainable finance legislation.

6.6 Address Data Availability and GDPR Barriers to allow financial institutions to use property-level data

Rationale

Applying the EU Taxonomy to mortgage loans and demonstrating compliance with the Substantial Contribution and DNSH criteria is constrained by limited data availability and restricted access to key information.

Currently there is a lack of data on property-level, the cost involved in obtaining this data is high but most importantly, it is not clear if this data can actually be obtained and processed by financial institutions and installation companies under the GDPR regulation.

GDPR interpretation and enforcement vary across Member States, creating legal uncertainty regarding the lawful processing of sustainability-related data. The EU Taxonomy's data requirements are not explicitly addressed in either Level 1 or Level 2 legislation, leaving institutions without clear legal grounds to collect or process such information. This gap complicates efforts to achieve robust ESG reporting, it undermines progress toward greater transparency and it prohibits the development of customer specific products and propositions.

Potential Solutions

Establishing a clear legal basis within the EU Taxonomy for financial institutions to collect, access and process property-level data for reporting and homeowner advisory purposes would enable significant progress in compliance, transparency and the development of effective customer propositions.

It appears neither feasible nor proportionate to prescribe a uniform solution at Union level. The most effective approach is to avoid overly deterministic Level 2 criteria, such as rigid thresholds or prescriptive methodologies, and instead rely on national implementation consistent with the EPBD IV.

This approach aligns with the EPBD's rationale, which grants Member States flexibility to reflect local regulatory frameworks, market structures and data protection practices, including those derived from the GDPR.

Regulatory guidance should therefore allow for the use of nationally recognised measures, methodologies and data sources to address data and GDPR related issues, rather than attempting to define a uniform standard across all jurisdictions.

Suggestion

- The EU Taxonomy should explicitly recognise lawful data processing under Article 6 of the GDPR, particularly grounds (c), (e) and (f), confirming that the use of data for sustainability reporting and regulatory purposes is permitted when privacy safeguards are maintained.
- The Commission should consider embedding this legal basis in the forthcoming Omnibus or Climate Delegated Act revision to ensure legal clarity, data accessibility and coherence between the EU Taxonomy, GDPR and national EPBD implementation.

6.7 Clarify the application of minimum safeguards to ensure proportionality

The Platform on Sustainable Finance concluded in 2022 that Minimum Safeguards (MS) do not apply to households, as they are not undertakings. However, this interpretation has not been formally confirmed by the European Commission, creating continued uncertainty for institutions offering residential loans, particularly in the absence of concrete compliance criteria under Article 18 of the EU Taxonomy Regulation for households.

Commission Notice answer 37¹³ suggests assessing manufacturer compliance, even where lenders have no direct relationship with them. This approach is impractical and disproportionate, especially in the context of household-level renewable energy investments. Such guidance risks discouraging the adoption of sustainable technologies from a EU Taxonomy perspective, which is potentially unconstructive for the EU climate objectives.

In the real estate sector, many borrowers are small or medium-sized companies with limited public disclosure. They do not publish sustainability reports or comparable documentation, which makes verification of social compliance difficult. In Member States with robust legal frameworks—such as Germany and the Netherlands, where occupational safety, minimum wage and working time are well regulated—financial institutions already assume borrowers meet these standards. Additional MS checks in such jurisdictions create administrative burden without meaningful added value.

Potential solution

It should be explicitly stated that MS requirements do not apply to property finance loans taken out by households or small or medium-sized companies, or that, in the absence of any known indications of violations, these requirements are considered fulfilled. The intended social protections are already ensured through existing EU and national legislation, rendering further verification unnecessary.

If supply chain checks are required, they should fall under the scope of the Corporate Sustainability Due Diligence Directive (CSDDD) rather than the EU Taxonomy Regulation. This would maintain the EU Taxonomy's environmental focus and prevent the extension of corporate due diligence obligations to households. Clarifying this boundary would reduce unnecessary administrative costs and support wider uptake of sustainable housing improvements.

Suggestions

We propose that the application of the Minimum Safeguard criteria under Article 18 of the EU Taxonomy Regulation be clarified to ensure proportionality and consistency with existing legal and regulatory frameworks. Residential mortgage loans should be considered outside the scope of the MS requirements, as such loans are granted to natural persons acting in a private capacity and therefore do not constitute financing to undertakings within the meaning of EU law. And although technically SMEs might qualify as undertakings, mortgage loans to SMEs often combine residential and business within a single property, making it equally hard to determine how to demonstrate compliance with the MS requirements as there is no data available.

We further propose that commercial mortgage loans within the European Union be presumed compliant with the MS, unless there are reasonable grounds or specific indications of non-compliance with applicable national or Union social and labour legislation. These adjustments would improve legal certainty, reduce unnecessary administrative burden and ensure that the EU Taxonomy remains both effective and proportionate in supporting sustainable housing finance.

¹³ COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU taxonomy Regulation on the reporting of taxonomy-eligible and Taxonomy-aligned economic activities and assets (approved in principle).

7. Conclusion

This paper does not seek to address specific national interests but instead, it aims to provide recommendations based on thorough analysis and expertise gained in applying section 7 of the EU Taxonomy. It is a reasoned contribution to a stronger, more functional EU Taxonomy Union. Its proposals are grounded in operational reality and shaped by both legal and practical analysis. They offer solutions intended to support not only Germany and the Netherlands, but all Member States, financial institutions, and citizens working to implement the EU Taxonomy effectively.

We recognise that constructive engagement with EU institutions is not merely a right—it is a responsibility. Where technical standards fall short of practical applicability, it becomes the duty of market participants and national stakeholders to articulate these barriers and propose solutions. That is what we have done. In doing so, we seek to reinforce—not weaken—the objectives of the Green Deal, the EPBD IV, and the European Savings and Investment Union.

Crucially, this is a call for coherence. Europe’s regulatory frameworks must speak the same language. Environmental criteria, data requirements, and disclosure obligations should not operate in isolation. A more interoperable design is needed—not only to ease implementation, but to create a regulatory environment where capital can move more freely across borders, sectors, and use cases. Simpler, clearer rules are not a concession to complexity—they are the foundations of trust, scale, and compliance.

The road to climate neutrality will not be paved with technical excellence alone. It will be built through collaboration, simplification, and relentless practicality. This paper stands as an invitation—not to dilute ambition, but to channel it more effectively. High standards must not only inspire—they must also be implementable.

Europe’s greatest strength lies in its ability to reconcile ambition with reality. Making the EU Taxonomy more usable is not a step backwards—it is a step forward in unity and purpose. The challenges we identify are real, but so is our commitment to solving them. Together, through shared experience and joint effort, we can ensure that sustainable finance becomes a true driver of investment and innovation, unlocking the funding necessary to deliver the European Green Deal.

About us

Verband deutscher Pfandbriefbanken

The Association of German Pfandbrief Banks (vdp) is one of the five associations that make up the German Banking Industry Committee (GBIC). It represents the most important banks for residential and commercial property financing as well as for municipal and public sector financing. The German Pfandbrief banks are committed to the climate objectives and want to play their part in making sure that the carbon footprint can be reduced.

Energy Efficient Mortgages Hub- Netherlands

The Energy Efficient Mortgages Hub Netherlands (EEM NL Hub) is a collaborative initiative of 22 members, representing around 90 percent of the Dutch residential mortgage market, together with investors, service providers and public institutions. It publishes and maintains the Dutch Energy Efficient Mortgage Framework (DEEMF), setting common standards for green mortgage loans in alignment with EU Taxonomy and the forthcoming EPBD IV.

By fostering transparency, improving access to funding and ensuring policy alignment, the EEM NL Hub supports the transition to a climate-neutral housing stock while providing clarity to both market participants and consumers.

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