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EBA Seeks Input from Credit Institutions on Green Loans and Mortgages

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By Sukhvir Basran
Partner | Financial Services



By Duncan Grieve
Special Counsel | White Collar Defense and Investigations

On February 13, 2023, as part of the European Commission's Strategy for financing transition to a sustainable economy, the European Banking Authority (EBA) launched an **industry survey** seeking input on green loans and mortgages and market practice relating to such loans. Credit institutions that intend to participate in the survey must contact their national competent authority to receive the survey templates as well as information on the process.

Participating credit institutions should reply to the survey no later than April 7, 2023.

Background

In November 2022, the EBA received a **Call for Advice** from the European Commission (EC) on the definition and possible supporting tools for green loans and mortgages for retail and small medium enterprise (SME) borrowers. The Call for Advice focused on four major areas:

- An overview on existing market practices: The EBA was invited to provide an overview of the green loans market and related market practices. This would include identifying the areas in which retail borrowers and SMEs are most active and would benefit from access to sustainable finance and also cover the standards and classifications in use for green loans in the market, public schemes in place to encourage green loans and mortgages in the European Union (EU), as well as an overview of gaps and regulatory barriers to the development of a green loan market.
- Green loan definitions based on the EU Taxonomy: The EBA was asked to propose specific features for a voluntary EU definition of green loans based on the EU Taxonomy Regulation

(EU Taxonomy) and its disclosure requirements. This would include detail around key features and processes for the purposes of originating such loans, as well as assessing alignment with the EU Taxonomy criteria and sustainability assessment of collateral of green mortgages and loans. The EBA was also asked to consider the merits of such a definition, taking into account benefits, cost impacts, and any risks associated with the use of such definition.

- Measures to encourage and facilitate the uptake of green loans while ensuring the protection of retail borrowers: The EBA was requested to identify and assess potential legislative and non-legislative measures to encourage and facilitate the uptake of green loans by retail borrowers based on the Taxonomy and stimulate the origination of such assets by credit institutions. The EC noted that the mitigation of any potential risks to consumers and SMEs are important considerations in this context.
- Green loan origination process: The EBA was requested to assess the merits of further specifying loan origination process requirements for credit institutions, with the aim to facilitate the development of the green loans market and their origination while also safeguarding credibility and consumer protection in the green retail loan market.

The EBA was requested to deliver advice by December 29, 2023, covering the most important types of green loans offered by credit institutions in the EU and focus on loans provided to retail borrowers, including green mortgages and other loans with environmentally sustainable features.

The request from the EC complements ongoing work on the EU sustainable finance framework including the Sustainable Finance Disclosure Regulation, the EU Taxonomy, and European Green Bonds Standard proposal.

Taking the Temperature: We have [previously written](#) on the inconsistent regulations across jurisdictions on climate-change disclosure. There is currently no consistently used EU-wide regulatory definition of what constitutes “green loans” and differences arise within members states. Industry definitions have been created by the Loan Market Association, the Loan Syndications and Trading Association, and the Asia Pacific Loan Market Association; however these are voluntary standards and are jurisdiction-agnostic. The survey is an important step towards creating a harmonized definition with a standardized approach, as well as alignment with existing regulation (such as the EU Taxonomy). The focus on consumer protection and SMEs in this context is an important consideration to create a just transition to a sustainable future in line with the overarching goals of the EU sustainable finance framework.