

4 February 2025

## **Call for Feedback by the Platform on Sustainable Finance on the draft report on preliminary recommendations for the review of the Taxonomy Climate Delegated Act and additional technical screening criteria for the EU Taxonomy**

### **Section 2: Targeted feedback on the TWG report**

#### **Section 2.1.1. Review of Mitigation Annex**

##### *Construction and real estate*

#### **Would you like to give specific feedback on the recommendations made in this chapter?**

Yes

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For an introduction to INREV and its perspective on the sector and regulatory challenges, please refer to Section 3 of the questionnaire.

INREV welcomes the proposed revisions, which enhance the clarity, usability, and ambition of the EU Taxonomy for real estate. However, clearer guidance, phased implementation, consistency and harmonisation across jurisdictions are essential to facilitate sustainable investment.

Short-term recommendations:

- Support use of high-ambition certification systems, but clearer guidance on recognised schemes and consistent application across jurisdictions needed
- Updating cross-references and stipulating energy/carbon requirements with EPBD will improve usability
- A phased approach for a fossil fuel equipment ban is needed, considering technical and economic feasibility, alongside a clear definition of 'fossil fuel equipment'
- Transitional labels (7.1 & 7.7): Beneficial, but clear decarbonisation pathways, timeframes, and impact on valuations should be defined

Future development recommendations:

- A. Prefer integration of redevelopment as an activity into 7.1 or 7.2, with demolition limitations and efficiency requirements
- B. Support reduced DNSH reporting burdens but seek clearer guidance on certification-based compliance with e.g. INREV
- C. Data transparency: Strengthening data collection, anonymised disclosure, and EPC equivalency mapping is beneficial but challenging
- D. Standardised reporting frameworks are key to usability

Recommendations for the construction of new buildings & renovation of existing buildings:

- EU-wide life-cycle carbon methodology & limits require phased implementation and financial support
- Deep renovation over major renovation improves consistency, but clear integration of embodied carbon is needed
- Support GWP disclosure for large buildings but requires guidance and financing mechanisms

Recommendations for the acquisition & ownership of buildings:

- Allow proxies, but standardisation and transparency are needed
- Aligning energy reporting with real consumption requires clear calculation methods
- Decarbonisation pathways should align with national energy strategies

### **Section 3: General feedback on the draft report**

**Do you have any comments on the written report that you would like to make?**

Yes

**If yes, please provide brief comments in the comment box below:**

INREV, the European Association for Investors in Non-Listed Real Estate Vehicles, welcomes the opportunity to provide comments on the Recommendations. Representing institutional investors, including pension funds, insurance companies, sovereign wealth funds, investment banks, fund managers, fund of funds managers and advisors across the globe, INREV supports the Platforms' efforts to improve the sustainable finance framework. Our members are committed to advancing the objectives of the European Green Deal.

INREV's feedback focuses on construction and real estate within Section II of the Climate Delegated Act Review, particularly focusing on non-listed real estate investment.

#### ***Clarifying real estate investment activities***

INREV supports the Platform's vision and recommendations, specifically those for improving Taxonomy usability, sectoral alignment, and capital mobilisation. However, we stress that the real estate investment sector (i.e. investment decision makers) differs fundamentally from construction and development sector (i.e. service providers). The Taxonomy must properly reflect how the market operates.

INREV's concern is a prevailing confusion of how the nonlisted real estate market functions. While developers and construction firms can report income generated from construction and renovation, long-term property investors cannot, despite their role in maintaining and improving buildings for sustainable use. This discrepancy suggests a lack of sectoral understanding. INREV members primarily:

1. Develop new buildings to keep in their portfolios long-term, renting them out rather than selling them. This economic activity falls under 7.7 Acquisition & ownership as eligible for climate change mitigation (CCM) and climate change adaptation (CCA).
2. Renovate buildings they own.
3. Acquire existing buildings to renovate first and then to rent out.

4. Own and manage those buildings as part of their long-term investment portfolios.
5. Maintain buildings and support community initiatives with social impact.

In this regard, INREV offers the Platform – when and where it is relevant – a meeting to help understand this complex sector.

### **Key areas of support**

#### A. Recognising Label 7.7 as a transitional activity

Aligning with INREV members' activities, we support the change as it was previously treated as a sustainable activity within the Taxonomy, provided the buildings met the necessary technical screening criteria for substantial contributions to climate change mitigation.

#### B. Recognising “redevelopment” as a new economic activity.

Redeveloping existing buildings can significantly reduce whole-life carbon emissions, e.g. by retaining structural elements and lowering operational carbon. Given that most buildings will remain in use beyond 2050, retrofitting offers the greatest potential for emissions reduction. Yet, the Taxonomy fails to recognise income from energy-efficient renovations as sustainable activities. The framework should assess activities based on their whole life impact rather than comparing new vs. renovated buildings.

Without this recognition, the legislation risks incentivising demolition over renovation, leading to higher whole-life carbon emissions. INREV urges the Platform and the Commission to prioritise deep renovations over new builds to support EU decarbonisation goals effectively.

We want to stress that, if this part is missing in the future EC proposal, the legislation motivates stakeholders to demolish existing buildings and build new ones with the consequent higher whole life carbon being emitted. We invite the Platform and the Commission to incentivise deep renovations of existing buildings rather than prioritising new builds to align with EU decarbonisation goals.

#### C. Reviewing building-specific DNSH criteria & simplifying reporting

A clear and practical regulatory framework is essential to support energy-efficient renovations in Europe. Simplifying reporting requirements will enhance usability and facilitate the transition. INREV supports:

1. Streamlining reporting by incorporating building certifications or passports as evidence, ensuring alignment with real estate market needs.
2. Harmonising reporting criteria with existing frameworks, particularly the Energy Performance of Buildings Directive (EPBD), to promote international consistency in energy efficiency standards and green building labels.

To strengthen compliance with DNSH requirements, INREV advocates for differentiated requirements based on asset types and geographic context. Sectors like logistics face unique challenges in meeting strict criteria, requiring tailored solutions to ensure fairness and feasibility across the real estate sector.

Finally, policymakers should align regulatory milestones with the EPBD timeline to ensure a stable and predictable implementation framework.