

30 January 2026

## Entity-level Transition Finance Guidelines

The European Association for Investors in Non-Listed Real Estate Vehicles<sup>1</sup> (INREV) welcomes the opportunity to provide feedback to the Transition Finance Council's consultation on the draft Transition Finance Guidelines (the Guidelines).

As the European association representing the non-listed real estate investment industry, INREV supports the development of practical, internationally applicable guidance that helps mobilise capital towards credible transition activities while avoiding unnecessary complexity or duplication. Our members primarily include real estate investment managers and institutional investors operating across multiple jurisdictions and regulatory frameworks, many of whom are already implementing transition strategies and disclosures aligned with existing international and European standards.

Against this background, INREV's response focuses on the importance of interoperability with established frameworks, proportional and practicable application across real asset classes, and the need for guidance that supports effective capital allocation to transition activities in the real estate sector.

### Interoperability

Business and Industry Advisory Committee at [OECD \(BIAC\)](#) found that 57% of companies now spend over \$1 million annually on ESG reporting and 83% expect these costs to rise further. Thus, the Guidelines should integrate seamlessly with existing frameworks – like Carbon Risk Real Estate Monitor (CRREM), Science Based Targets initiative (SBTi), [INREV's](#) and European Public Real Estate Association (EPRA)'s standards – to prevent market fragmentation and reduce compliance costs.

The urgency is underscored by the fact that nearly half of companies are dedicating at least 25% of their sustainability budgets to reporting compliance rather than actual project implementation. Fortunately, foundational work toward interoperability is already underway. The [Aligning Real Estate Sustainability Indicators \(ARES\)](#) initiative addresses KPI ambiguities within European frameworks,

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#### <sup>1</sup> About INREV: the European Association for Investors in Non-Listed Real Estate Vehicles

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property funds industry across Europe.

INREV currently has around 500 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds that provide critical income security for more than 172 million people, as well as investment banks, investment managers, fund-of-funds managers and advisors representing all facets of investing in non-listed real estate vehicles in Europe. Our investment manager members manage more than 500 non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors.

while recent simplifications create stronger linkages between INREV and EPRA standards. EPRA's [Carbon Transition Playbook](#), developed in collaboration with JLL, demonstrates practical progress in mapping and aligning carbon initiatives across the real estate sector, providing clear pathways for framework integration.

Building on this progress, we recommend the Guidelines explicitly reference these established frameworks and provide clear mapping to avoid creating parallel reporting requirements that compound these already substantial compliance burdens.

## Scope

Scope 3 emissions are not currently mandated despite their materiality in CRREM and SBTi standards. This creates decarbonisation gaps and undermines investor confidence, particularly in real estate where tenant energy represents 60-80% of building emissions.

Partnership for Carbon Accounting Financials (PCAF)'s [GHG Emissions Real Estate Guidance](#) already provides established 'whole-building' standards that capture all operational emissions, aligning with SBTi requirements for comprehensive Scope 3 reporting.

The Guidelines should build on PCAF's proven framework and mandate Scope 3 inclusion, where material, leveraging existing PCAF-SBTi interoperability rather than creating parallel requirements

## Proportionality

Verification and assurance costs can be prohibitive, requiring clear threshold examples for different asset sizes. The EU Commission estimates that Corporate Sustainability Reporting Directive (CSRD) [compliance](#) will cost companies an average of €100,000 each in the first two years, with total annual recurring costs of €3.6 billion across affected organisations.

Compliance costs are estimated at hundreds of thousands annually for larger organisations. We recommend materiality thresholds scaling with transaction size. This tiered approach ensures proportionate requirements while maintaining market integrity and preventing smaller player exclusion.

## Incentivisation

[JLL research](#) identifies a price mismatch in the market where current green finance rates are not attractive enough to mobilise take-up, with historical discounts of up to 20 basis points (0.02%) proving insufficient for widespread adoption. We suggest enhanced incentives – including regulatory capital relief, extended tenor options, or covenant flexibility – with pricing benefits exceeding current marginal discounts to better reflect fundamental risk reduction and value enhancement.

## Retrofits

Market momentum is building, with 69% of [surveyed](#) organisations reporting a shift in their business mix towards retrofitting over the past three years. Despite this progress, retrofitting rates must increase fivefold – from 2.4% today to 13.2% of existing buildings annually – to meet decarbonisation targets. Tightening Minimum Energy Efficiency Standards (MEES) regulations in the UK and Energy Performance of Buildings Directive (EPBD) across Europe make retrofit financing essential for asset value preservation.

Energy-smart retrofits create value through reduced costs and enhanced tenant appeal, with efficiency improvements potentially increasing revenue by 25-50%. The Guidelines should explicitly recognise

project finance structures alongside entity-level financing to accelerate retrofitting at the scale required.

## **Infrastructure**

Buildings are evolving into active energy resources that generate, store, and manage power, with comprehensive system solutions unlocking 25-50% revenue increases through grid services participation.

The Guidelines should recognise infrastructure investments – including electric vehicle (EV) charging, battery storage, and smart technologies – as eligible transition activities, given their critical role in grid stability and broader energy system decarbonisation.

## **Conclusion**

Overall, INREV supports the objectives of the Transition Finance Guidelines and considers them a potentially valuable tool for strengthening market confidence in transition finance. To maximise their effectiveness, it is essential that the final Guidelines build on existing frameworks rather than create parallel requirements, embed proportionality to reflect differences in asset size, structure and market context, and explicitly recognise the role of real assets in delivering the transition. Clear interoperability, realistic evidencing expectations and recognition of both entity-level and project-level financing structures will be critical to ensuring the Guidelines are usable in practice and capable of mobilising capital at the scale required.

INREV would welcome continued engagement with the Transition Finance Council as the Guidelines are finalised and implemented.