



EPRA FEEDBACK

on the EC's Inception Impact Assessment on the Commission Delegated Regulation on a climate change mitigation and adaptation taxonomy

EPRA, representing the listed real estate sector in Europe, thanks the Commission for the opportunity to provide feedback on the EU taxonomy criteria. We consider the work of the Technical Experts Group (TEG) important in guiding investors to support businesses on their transition path towards sustainability. There are few out of many positive measures which we would like to highlight:

- Alignment with the Non-Financial Reporting Directive (NFRD) is an encouraging step towards greater transparency;
- Buildings have been recognised as effectively the largest energy consuming sector;
- TEG's focus on real estate with four distinct 'economic activities';
- The ambition to go beyond the current standards for new buildings;
- Measures to facilitate immediate functionality of the taxonomy outside the EU (e.g. for building renovation);
- Measures to improve the EU's renovation rate from the current 0.4%-1.2% (e.g. the 'individual measures and professional services' economic activity);
- Measures to help improve the operational phase of the building's life cycle (e.g. 'acquisition and ownership' as an economic activity).

Considering the scale of the project, it is only expected that we would need further clarification on certain details. With that vision, EPRA welcomes the TEG EU Taxonomy Webinar Series which are to provide clarity by answering to questions that stakeholders may have. We would like to point that the [EU Taxonomy Webinar on Buildings](#), held on April 2nd, was particularly helpful in clarifying the possibility to count revenue of eligible assets for climate change mitigation under the 'acquisition and ownership' economic activity. In fact, TEG's Report explains at page 16 that for climate change mitigation, an economic activity can count turnover for the economic activity which meets technical screening criteria. On the other hand, for climate change adaptation, turnover can only be counted where the activity is enabling adaptation by others. Therefore and in line with the additional clarifications provided by the TEG experts, it is our understanding that real estate activities (L68.2) should be enabled to capture the proportion of turnover related to the rental income of the assets meeting technical screening criteria set by the EU Taxonomy.

There are few areas where we have further questions referring to the classification of the economic activities in the Taxonomy and its consistency with the NACE Rev. 2 Statistical classification of economic activities in the EU. We provided the Commission with a few practical case studies to simulate the application of the current Taxonomy by the listed real estate sector. Based on the simulated case studies, we had a few follow-up questions regarding the application of the Taxonomy to the industrial building and buildings in the logistics, student housing or healthcare sectors [sub-sectors of the real estate business]. We also sought a confirmation about the classification of the development projects and understanding of the distinction NACE uses for development intended for either sale or for own portfolio. We note that listed property companies in vast majority of cases develop buildings for own portfolio, however, it may happen particularly in the emerging markets that they also do development projects for sale.

On that note, we would like to point out that Eurostat has been consulting on the classification's revision during the summer 2019 and therefore we wonder whether there will be changes to the NACE classification before the EU Taxonomy will be applicable.

We remain available to discuss this further at your convenience. The original EPRA submission is available [here](#).

About EPRA

EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the general operating environment, promotion of best practices and the cohesion and strengthening of the industry. Find out more about our activities on www.epra.com.