PROJECT STRUCTURE

EU, INTERNATIONAL POLICY
- Financing Green Deal-aligned COVID-19 recovery
- EU Financial regulation (Basel III, Solvency II)
- NGFS data gap workgroup

WP5: Dissemination and capacity building:
- Research, business and policy-oriented dissemination (including web-based)
- Training of financial industry and supervisors about disclosure and greenwashing

WP6: Project management

WP2: EE-ESG SME's survey
- Design of the questionnaires
- Implementation on the Italian SMEs' market
- Analysis of results

WP3: EE-ESG rating
- Design of the questionnaires
- Implementation on the Italian SMEs' market
- Analysis of results

WP4: EE-ESG securitization
- EE-ESG disclosure (covered bonds, European Secured Notes)
- Financing mechanisms for EE renovation of social housing
- Pilot testing of EE-ESG rating

WP1: large-scale EE-ESG database
- Collection, standardization of EE, ESG and financial firm primary and secondary data, including SMEs
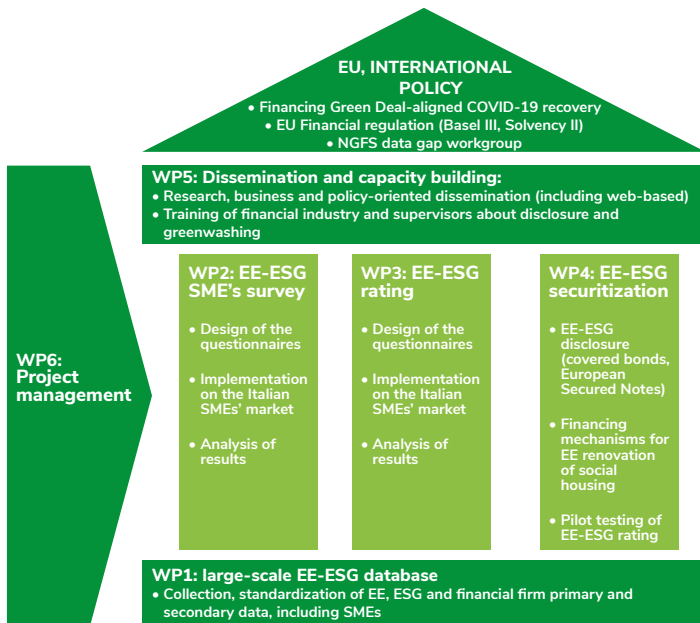
# ENERGY EFFICIENT MORTGAGE ECOSYSTEM

TranspArEEnS builds on the efforts of the Energy Efficient Mortgages Initiative. Since 2016 EEMI has been working to develop a new, integrated, multi-stakeholder energy efficient mortgages ecosystem, of which SMEs are a critical element.

By facilitating and promoting the standardised disclosure of information on EE-ESG risk at firm level, including SMEs, TranspArEEnS will further support banks in financing EE projects and contributing to the smooth development of an ESG ecosystem.

EEMI is based on three inter-related EU-funded projects:

EeMAP - Energy efficient Mortgages Action Plan
EeDaPP - Energy efficiency Data Protocol and Portal
EeMMIP - Energy efficient Mortgage Market Implementation Plan
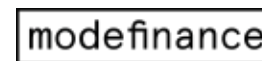
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TranspArEEnS
A GREAT OPPORTUNITY

TranspArEEnS

mainstreaming Transparent Assessment of Energy efficiency in Environmental social governance ratingS

WHAT IS IT?

TranspArEEns is a 30-month EU-funded project that aims to develop a qualitative-quantitative framework for the standardised collection and analysis of EE (Energy Efficiency) and ESG (Environmental Social Governance) information of Small and Medium-sized Enterprises and deliver a standardised EE-ESG rating in accordance with the recommendations and benchmarks provided at European level by the EU Technical Expert Group on Sustainable Finance (TEG).

The main objective is to enhance standardised disclosure of EE (Energy Efficiency) and ESG (Environmental Social and Governance) information at firm level, to foster access to long term financing and better risk assessment, while taming the risk of greenwashing.

The unique added value of this project is to cover non-listed Small and Medium Enterprises, so as to meet an important market need. TranspArEEnS' EE-ESG rating will be tested in pilot case studies and capacity building sessions with leading representatives of the financial industry and supervisors.

The project runs from June 2021 to November 2023.

FIVE KEY OBJECTIVES

1. Develop a standardized large-scale EE-ESG database;

2. Develop a standardized EE-ESG SMEs (Small and Medium Enterprises) survey;

3. Develop standardized EE-ESG rating;

4. Support long term EE-securitization;

5. Dissemination and capacity building.

STRATEGICAL RELEVANCE

Achieving the EU2030 climate and energy targets requires massive additional investments, estimated by the European Commission (EC) in € 260 billion per year. With the European Green Deal launched in 2019, the European Union (EU) scales up its sustainability ambition, aiming to be climate neutral by 2050. Energy Efficiency (EE) investments (e.g. building retrofitting and construction of less energy consuming buildings) have been considered an important tool for addressing climate change mitigation and adaptation.

The EE-ESG rating developed by TranspArEEnS will make a key contribution to enhance disclosure of firms' alignment to EU2030 objectives, the EU Taxonomy and ESG benchmarks, focusing on EE investments. Its attention to Small and Medium-sized Entreprises (SMEs) makes it of strategic relevance considering that 99% of all European companies are SMEs and thus their potential impact is very high.

CHALLENGES

TranspArEEnS adresses 4 main challenges:

◆ To develop a standardised and transparent framework to collect and assess EE investements and ESG performance of **Small and Medium-sized Enterprises**, which represent 99% of all businesses and are a driving force of economic growth in the EU.

This aspect is crucial to increase market confidence and thus mobilize private capital including long term EE-financing via securitization.

A survey involving a large number of Italian SMEs will be conducted to collect **quantitative and qualitative information on the EE and ESG dimensions** in different sectors.

◆ To promote a robust understanding of SMEs' EE and ESG credentials and therefore **enhance banks' understanding** to the extent to which these ESG credentials influence SMEs creditworthiness and the subsequent performance of exposures to these firms over time.
Data collected via the standardised survey and stored in the firm-level database will be used to generate **EE-ESG rating** using Artificial Intelligence and Machine Learning techniques.

◆ To identify **securitization instruments for EE-financing**. Currently, the lack of data on firms - and in particular SMEs - EE and ESG performance and the subsequent impact on their risk profile, continues to present an obstacle to the financing of SMEs' EE investments. TranspArEEnS will address this need by developing covered bonds and ESN for securitized EE investments.

◆ To develop a protocol for greenwashing detection in EE and ESG products.
TranspArEEnS will provide recommendations for detecting greenwashing in the assessment of EE and ESG credit risk.