

Financing the Transition: Harnessing Securitisation Reform to Decarbonise Buildings, Empower SMEs, and Transform Transport

May 2026

▶▶ Background

Europe needs to invest over €600 billion annually to deliver the net-zero energy transition and its predominantly bank-based financial system potentially lacks the balance sheet capacity to deliver this. Securitisation could bridge this gap by transferring risk and funding to long-term institutional investors, freeing further lending capacity and mobilising private capital. Both the Draghi and Letta Reports underscore the importance of deeper capital markets as critical to advancing Europe’s strategic priorities and more securitisation options provide this.

However, securitisation’s potential to support climate finance is constrained by one fundamental structural problem: the absence of standardised, mandatory climate-related data in underlying disclosure templates. Without such data, green and carbon-intensive assets are indistinguishable to investors and the EU’s own frameworks, the Taxonomy, SFDR, and MiFID II, lose their effectiveness.

The eight recommendations below are directed at the European Commission, European Banking Authority (EBA), and European Central Bank (ECB) to address this problem across real estate, transport, and SMEs.

▶▶ Recommendations at a Glance

Institution	Recommended Action
Cross-Cutting: Harmonise Disclosure Across All Secured Lending Instruments	
European Commission	Mandate equivalent climate disclosure across all secured lending instruments. Securitisations, covered bonds, synthetic structures etc. must be subject to the same requirements, closing regulatory arbitrage.
Commission, EBA & ECB	Initiate a joint review of preferential treatment for green bonds. Preferential CRR capital, LCR eligibility, ECB haircuts for bonds backed by high-EPC or zero-emission collateral to incentivise green origination.
Real Estate: Mandatory EPC Disclosure Across All Templates	
EBA & Commission	Upgrade EPC fields from optional to strictly mandatory. EPC fields exist in ESMA templates and the HTT for covered bonds but are currently optional, enabling issuers to sidestep disclosure. Making them mandatory creates direct capital markets pressure on banks to collect EPCs at origination, driving EPBD compliance without new public enforcement.
EBA	Add four mandatory fields across all secured lending templates. Supplemental data: insulation type, glazing, heating source, and alternative energy provides consistent cross-border basis to assess energy performance regardless of differing EPC methodologies.
Transport: Mandatory Fuel and Powertrain Disclosure	
EBA	Introduce a mandatory fuel/powertrain dropdown in all transport applicable ABS templates. Originators already hold auto, lease and equipment fuel/powertrain data, template implementation should be straightforward mapping exercise.
EBA & Commission	Extend mandatory fuel classification to shipping and aviation ABS. As ReFuelEU Aviation and FuelEU Maritime proceed, standardised fuel classification future-proofs the framework for hard-to-abate sectors and enables taxonomy-aligned issuance.
SMEs: Reduce Barriers to Direct Securitisation	
Commission & EIF	Develop EU-wide securitisation legal documentation framework with national annexes. Harmonised EU documentation modelled on Spain’s MARF, would reduce costs and support the InvestEU goal of mobilising private capital for SME growth.
EIF	Establish SME warehouse facilities with EIF guarantees. A guarantee for the SME’s 2–3 year ramp-up period allows performance data to accumulate and portfolios to reach transaction scale.

▶▶ 1. The Problem: A Financing Gap and Data Gap -----

Delivering the EU's climate, energy, and competitiveness agenda requires investment at a scale its predominantly bank-based financial system cannot provide without structural reform. Constrained balance sheet capacity and unfavourable regulatory treatment have held back the climate transition and suppressed the SME-driven innovation essential to delivering it. Securitisation offers a solution by transferring risk and funding to long-term institutional investors, and freeing up further lending capacity at the scale the transition demands.

What is Securitisation?

Securitisation is a financing technique through which banks or credit institutions bundle loans — mortgages, car loans etc. — into a special purpose vehicle (SPV) and issue bonds backed by them to capital market investors as tradable securities. By transferring risk and funding to long-term investors, banks free up balance sheet capacity to extend new lending without requiring additional capital.

In Europe, securitisation markets are fragmented and significantly smaller than in the United States and other major economies, limiting their role in financing strategic priorities at the scale required.

Both the Draghi Competitiveness Report (2024) and the Letta Single Market Report (2024) identified the deepening of European capital markets as critical to competitiveness and to closing the investment gap.

European securitisation markets have been structurally disadvantaged since the Global Financial Crisis, a crisis that originated in the US mortgage market, where “originate-to-distribute” practices prioritised volume over accountability. Loans were structured, sold on, and forgotten, with originators retaining no skin in the game. Contagion spread to Europe through bond markets, even though the European securitisation had no comparable structural failures. Subsequent reforms -risk retention rules, tighter disclosure, and higher capital requirements- addressed real problems, but their cumulative effect was to close structuring desks, shrink markets, and suppress an instrument that, properly calibrated, is precisely what Europe needs today.

But securitisation can only play this role if three structural barriers are addressed. First, the **absence of mandatory carbon and EPC data in disclosure templates**, making green and carbon-intensive assets indistinguishable to investors, undermining the Taxonomy, SFDR, and MiFID II sustainability frameworks. Second, **punitive capital treatment** continues to suppress European securitisation volumes relative to comparable markets. Third, **non-standardised documentation across Member States** raises costs and deters issuance, particularly for SMEs. Looking ahead, preferential regulatory treatment for green-backed securities would create the commercial incentive to drive large-scale origination of greener loans.

▶▶ 2. Three Asset Classes, Three Disclosure Gaps -----

Real Estate

Buildings account for roughly 36% of EU CO₂ emissions, yet the energy performance data needed to drive decarbonisation is not systematically captured in mortgage-backed or covered bond securities. Energy Performance Certificates (EPCs) are legally required at the point of sale or rental under the EPBD, but EPC fields in both the ESMA securitisation templates and the HTT for covered bonds remain optional, this allows issuers to sidestep disclosure without breaching regulation. EPC compliance rates at origination vary sharply across Member States, and the countries with the lowest rates are often those where building performance is worst and the data most urgently needed. Making EPC fields mandatory in securitisation templates offers a practical enforcement mechanism that public authorities have struggled to deliver: capital markets pressure. Banks that cannot demonstrate EPC coverage in their mortgage pools will face direct questions from investors and rating agencies, creating an origination-level incentive to collect EPCs that no national enforcement regime has yet achieved at scale.

The commercial case is equally compelling. Banks that systematically collect EPC data gain a material advantage: the ability to price retrofit risk accurately, structure green mortgage products, and access preferential funding through green bond programmes. Mandatory disclosure would make the link between EPC ratings and funding costs visible, intensifying competition for high-EPC borrowers and incentivising the offer of retrofit loans at preferential rates to improve lower-rated properties. Once upgraded, the EPC qualifies the loan for green bond inclusion, creating a self-reinforcing cycle between disclosure, lending behaviour, and building decarbonisation.

Adding four supplementary fields -insulation type, glazing, heating source, and alternative power-addresses a key limitation: the same building can receive vastly different ratings across Member States, not because the building has changed, but because methodologies and thresholds differ. For new mortgage origination, these fields provide a consistent, cross-border basis for assessing energy performance that the EPC rating alone cannot deliver. For the back book of existing mortgages (where EPCs may be absent) digital and AI-based modelling services now exist to fill the gap, inferring building performance from registry data, construction records, and physical characteristics. Energy-efficient homes carry lower credit risk and higher valuations; this supplementary data is not an administrative burden, but a critical input for credit modelling, climate stress testing, and fiduciary responsibility. **Importantly, these upgrades can be implemented while still reducing the template field burden by more than 35%.**

Why EPC Data Matters to Investors

Homes with poor EPC ratings are associated with higher delinquency and default rates. Energy-efficient properties carry lower credit risk and support higher valuations. Institutional investors with long-term liabilities — pension funds and insurers — face systemic climate risk that cannot be diversified away. Reinforced carbon data is a necessary input for credit modelling, climate stress testing, and fiduciary responsibility under NZAOA and PCAF frameworks.



Transport

Transport accounts for over 25% of EU greenhouse gas emissions and is central to Europe's energy resilience and independence. However, European Securities and Markets Authority (ESMA) securitisation templates contain no mandatory field for fuel type or propulsion type across transport and equipment ABS.

In the mature auto Asset-Backed Securities (ABS) market, originators hold full vehicle data at origination, yet only make and model are disclosed. Adding a mandatory fuel/powertrain field is a simple mapping exercise at no cost. As EV penetration approaches 20–30% of new sales in EU Member States and the 2035 ICE-limit draws closer, the absence of propulsion-type data leaves green and carbon-intensive pools indistinguishable to investors, blocking credible green ABS issuance and misaligning transport finance with the EU Taxonomy and Europe's energy transition.

The same logic applies across the full transport spectrum: commercial vehicles, equipment, and — as ReFuelEU Aviation and FuelEU Maritime implementation proceeds — shipping and aviation, where standardised classification of LNG, SAF, green ammonia, and green methanol is essential to enable taxonomy-aligned issuance in these hard-to-abate sectors.



SMEs

SMEs represent 99% of EU businesses but face high financing costs and fragmented access to capital. Direct SME securitisation remains rare in Europe due to two structural barriers: the absence of reliable long-term performance data on SME loan portfolios, and upfront legal and structuring costs, which are — disproportionately burdensome for smaller issuers.

A pan-European securitisation legal framework with country-specific nuances handled in the documentation schedules or appendices would dramatically reduce these upfront legal and structuring costs that currently deter first-time SME issuers. Spain's Alternative Fixed-Income Market (MARF) demonstrates that standardised, low-cost documentation can sustain a functioning market at the €10–50 million transaction scale currently underserved by traditional bank financing and capital markets. The EIF's role is complementary: providing guarantees and warehouse support while SMEs accumulate the performance data needed to access capital markets directly. This approach diversifies their financing, and creates the conditions for sustainable growth.



▶▶ 3. How Disclosure Reshapes Originator Economics -----

Mandatory disclosure does not merely improve transparency; it reshapes the economics of origination. This is the key mechanism through which regulatory reform translates into real-world decarbonisation.

Preferential capital requirements, liquidity coverage ratio (LCR) eligibility, and ECB haircut adjustments for green bonds backed by high-EPC or zero-emission collateral create a direct funding cost advantage. This advantage gives originators a commercial incentive to collect climate data at origination. In real estate, where EPC ratings are low, the same incentives encourage lenders to offer retrofit loans at preferential rates (an effect already seen in several EU jurisdictions) with the upgraded EPC then qualifying the loan for downstream green bond inclusion. In transport, similar incentives drive originators towards pools of EVs and zero-emission vehicles.

Banks dependent on securitisation or covered bond programmes for wholesale funding will face direct internal pressure on retail lending teams to collect EPCs at origination. In this way, EPBD compliance can be enforced through capital markets incentives rather than public enforcement, aligning financial and climate objectives efficiently.

The Virtuous Cycle

Mandatory disclosure → price differentiation between green and carbon bonds → commercial incentive for banks to collect EPC and emissions data → preferential products for high-EPC homes and EV portfolios → retrofit lending at scale → improved EPC ratings → further green bond eligibility.

Each step reinforces the next. The disclosure framework reform is the trigger. The proposed review of preferential capital treatment for green bonds will determine how fast and how far this cycle runs.



▶▶ 4. Why the Current Review is the Moment to act -----

The Commission's June 2025 securitisation reform proposals present a unique opportunity to implement these changes. **Even with strengthened EPC and carbon data requirements, a reduction of at least 35% in template fields is achievable, lowering the net disclosure burden, while ensuring that the remaining fields are meaningful.**

The necessary legal and institutional levers are already in place. The EBA has full oversight of securitisation template design, the Commission has delegated authority to amend CRR Article 129, and the EIF has the mandate to support SME market development under InvestEU. **No new primary legislation is required.**

On proportionality: implementation costs are modest relative to major bank IT budgets, and established mortgage lenders have already demonstrated its commercial viability in practice.

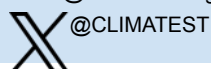
The timing could not be better aligned. The EPBD recast requires national energy performance databases by May 2026. The EU Green Bond Standard, the Taxonomy, and SFDR all depend on consistent asset-level environmental data to function as intended. Securitisation disclosure reform is the missing link — and the window to act is now.

CLIMATE STRATEGY SL

Paseo de Recoletos, 5,
28004 Madrid SPAIN

EMAIL

info@climatestrategy.es



PHONE NUMBER:

Tel local: +34 91 576 4837
Tel UK: +44 (0) 20 7193 4807
Fax: +34 91 435 5983

THIS DOCUMENT HAS BEEN PREPARED FOR SPECIFIC USE AND SHOULD NOT BE PUBLISHED OR CIRCULATED OUTSIDE OF ITS INTENDED AUDIENCE. THE FACTS AND FIGURES ARE DERIVED FROM PUBLIC SOURCES AND HAVE NOT BEEN INDEPENDENTLY VERIFIED BY CLIMATE STRATEGY WHO PROVIDES NO GUARANTEES FOR ITS ACCURACY NOR COMPLETENESS NOR WILL ASSUME ANY LIABILITIES FOR SUCH ARISING FROM ANY THIRD PARTY USE OF THE CONTENTS. ANY OPINIONS IN THIS DOCUMENT CONSTITUTE THE PRESENT OPINION OF CLIMATE STRATEGY WHICH IS SUBJECT TO CHANGE WITHOUT NOTICE. THERE ARE NO FINANCIAL SERVICES MARKETED HERE NOR INTENDED AS PROMOTED HEREIN.

PLEASE REFER TO WEBSITE FOR FURTHER INFORMATION.