

Notes on Financial Stability and Supervision

N. 52
October 2026

Table of contents

1. Introduction	2
2. Green loan classification criteria: the status quo	5
3. A possible way forward on the definition of green loans	7
4. Conclusions	9
Appendix	11
References	12

*The papers published in the
Notes on Financial Stability
and Supervision series
reflect the views of the authors
and do not involve
the responsibility
of the Bank of Italy*

Green Loans: A proposal for a simplified EU Definition

Valeria Lionetti – Tommaso Loizzo**
Ludovico Ridi* – Federico Schimperna***

Abstract

Despite the diffusion of lending products that support energy-efficient construction and real estate activities, there is still no widely used definition of a green loan in the EU. The reference definition, based on the EU Taxonomy, is often perceived by banks as being difficult to apply, notably because of data gaps and the operational burden of assessing the 'Do No Significant Harm' (DNSH) criteria and the minimum safeguards (MS). As a result, market standards and banks' internal criteria have proliferated, thereby fragmenting practices and reducing comparability across institutions.

Building on the European Banking Authority's (EBA) work on green loans and mortgages, the paper argues that the lack of a harmonized and operational definition of what constitutes a green loan is a significant obstacle to the expansion of green lending and to the collection of consistent evidence on its risk profile. We suggest a possible harmonized definition of green loans that keeps the EU Taxonomy as the anchor (Tier 1) but adds a simplified, performance-based pathway for loan financing construction and real estate activities (Tier 2). A clear and usable definition would support the orderly development of the market and help improve the energy efficiency of buildings, reduce households' expenditure and strengthen their resilience to energy price shocks.

* Banca d'Italia, Secretariat to the Governing Board, Climate and Sustainability Division.

** Banca d'Italia, Directorate General for Financial Supervision and Regulation.

1. Introduction ¹

The real estate sector is a very important source of demand for energy. In the European Union (EU), buildings absorb approximately 40 per cent of total energy consumption and are responsible for 36 per cent of total CO₂ emissions (Energy Performance of Buildings Directive; EBA, 2023a). Policies aiming at increasing the efficiency and the strategic autonomy of the EU economy and achieving the goals of the Paris Agreement need to consider this sector carefully (Abate et al., 2024).

Private financing plays an essential role in achieving the energy efficiency targets included in the Energy Performance of Buildings Directive (EPBD). The banking sector has undertaken meaningful steps to promote the energy efficiency of real estate assets. Specifically, credit institutions have started offering green loans (a shorthand used henceforth for secured and unsecured loans for energy-efficient construction and real estate activities, as described in section 2) (EBA, 2023a). According to the most recent data available for the period 2022-24, most banks claim to offer this type of product, and their green portfolio mainly finances households, with green mortgages for the acquisition and renovation of residential real estate accounting for 11-12 per cent of new loan originations to households (EBA, 2023a; Abate et al., 2024; Michelangeli et al., 2026).

One of the obstacles to the development of green loans is considered to be the lack of a harmonized definition. The definition relying on the EU Taxonomy² is often regarded by banks as too complex to apply, also due to limited data availability at the national level. This has prompted stakeholders to develop alternative definitions with different criteria. Notable examples include the standards established by the Energy Efficient Mortgages Initiative (EEMI)³ and the Green Loan Principles developed by the Loan Market Association (LMA)⁴ (EBA, 2023a). Moreover, credit institutions have also developed simpler internal standards, leveraging any relevant market initiatives and the technical criteria of the Taxonomy.

Research from the EBA shows that, when asked about the standards and criteria in use, 83 European banks indicated a flexible approach: of these, 50 apply internal standards, 12 follow the rules set out in the EU Taxonomy but limited to the technical screening criteria (TSC), 7 apply the EU Taxonomy rules including the provisions on Do No Significant

¹ The views expressed reflect the authors' opinions alone. The authors would like to thank P. Angelini, E. Bernardini, E. M. Bevan, M. Bofondi, F. Cannata, G. Cannistrà, I. Faiella, M. Lanotte, B. Mastroianni, L. Mellone, P. Pagano, R. Parrella, A. Schifino, L. Serafini and C. Torriero (Banca d'Italia) for their support and their helpful comments on a first version of the text.

² In 2020, the European Commission issued Regulation (EU) 2020/852 (Taxonomy Regulation) to establish a classification system defining which economic activities can be considered environmentally sustainable, thereby helping to direct private finance towards sustainable assets and economic activities. It subsequently published Delegated Regulation (EU) 2021/2139 (Climate Delegated Act) in 2021, which sets out the technical requirements for considering an exposure to the construction and real estate sector as 'Taxonomy-aligned' (Loizzo and Schimperna, 2022; Lavecchia et al., 2022; Abate et al., 2024).

³ A market association that promotes a pan-European private banking financing mechanism. The initiative aims to stimulate private finance and foster investments in energy-efficient buildings and in renovations designed to improve the energy performance of real estate assets.

⁴ An international association that aims to promote the development of lending markets.

Harm (DNSH), 6 adopt the LMA Green Loan Principles, 5 use the EEMI standards and 11 rely on other standards (EBA, 2023a).⁵ Abate et al. (2024) report similar evidence for a large sample of Italian banks. Furthermore, approximately 80 per cent of respondents stated that information on the energy class of properties was acquired at the time of loan origination, but only 14 per cent were willing to share information about the phenomenon, and an even smaller share (11 per cent of respondents) was willing to provide data on green mortgages. Overall, this evidence suggests that banks encounter difficulties in applying the EU Taxonomy criteria, and that they may be wary of even speaking about green loans to avoid accusations of greenwashing due to the lack of a commonly agreed, viable definition.

This situation is likely to jeopardise the development of a healthy market for green loans and has important practical implications. Improving the energy efficiency of real estate assets may contribute to mitigating transition risks in banks' loan and mortgage portfolios across several dimensions. For example:

- mortgages financing properties with higher energy efficiency are associated with lower default rates on average, as they can help bear lower costs for managing the property (i.e. heating and electricity costs) and reduce borrowers' exposure to energy price fluctuations by mitigating the transmission of energy price shocks to housing expenditures, thereby preserving households' disposable income;⁶
- in the event of a borrower's default, mortgages that finance the acquisition or construction of properties with high energy efficiency or improvements in their energy efficiency can help reduce banks' losses through better valuation of properties held as collateral;^{7 8}
- unsecured lending for renovation purposes can not only help reduce the risk associated with the loan – as the borrower faces lower energy costs – but can also make a positive contribution to climate change mitigation.

Green loans do not currently benefit from an explicitly preferential prudential treatment and, specifically, do not absorb less capital than other exposures. Looking ahead, should the evidence on the reduction of risk parameters (probability of default - PD - and loss given default - LGD) become robust enough to be used for new estimates

⁵ In the EBA ad-hoc data collection on green loans and mortgages, banks were allowed to select multiple standards and frameworks for green lending. Accordingly, the category totals exceed 83.

⁶ See: European Commission (2021). Report on risk assessment: The Quantitative Relationship between Energy Efficiency Improvements and Lower Probability of Default of Associated Loans and the Increased Value of the Underlying Assets; M. Billio, M. Dragotto, A. Dufour, S. Segato and S. Varotto, 'Energy Costs and Default Risk in Green Mortgage Securitisations', available at SSRN, 2025; V. Michelangeli and A. Nunnari, 'Greener homes, safer loans? Evidence on Mortgage Repayment Risk', mimeo, 2026.

⁷ In this regard, Article 229 of the CRR states that 'The property value may exceed that average value or the value at origination, as applicable, in the case of modifications made to the property that unequivocally increase its value, such as improvements of the energy performance or improvements to the resilience, protection and adaptation to physical risks of the building or housing unit'.

⁸ See P. Angelini, 'Opening remarks at the conference on "UN Principles for Green Financing for Sustainable Real Estate, Infrastructure and Urban Transformation Projects', 2024.

through banks adopting internal models, or to justify a review of the standard method for calculating capital requirements, the discount on the pricing on ‘green’ loans could increase further. Clearly, this could start a virtuous circle: from easier credit conditions for green loans to improved energy efficiency of buildings and to lower credit risk, which again would feed back into easier credit conditions. This virtuous circle could make a substantial contribution to the energy resilience and strategic autonomy of the EU economy, as well as to the decarbonization process.

In its reply to a specific call for advice of the EU Commission⁹, the EBA argued that a proper definition of green loans should be based on the EU Taxonomy but should also give appropriate recognition to market practices and prevailing industry standards. Various commentators have expressed similar positions, emphasizing the need for measures to improve the green financing market (e.g. Italian Banking Association),¹⁰ as well as the need to develop a common definition of green loans that should be simpler than the one derived from the Taxonomy (e.g. interventions by the European Association of Co-operative Banks (EACB) and by the banks included in the EBA report sample).^{11 12}

Hence, it is important to give full weight to the policy recommendations outlined by the EBA in its *Opinion and Report on green loans and mortgages* (2023a, 2023b), with a specific focus on promoting the energy efficiency of buildings. Specifically, the EU legislators and Member States could agree on a complementary definition of green loans that goes beyond mere compliance with the EU Taxonomy, making it broader and more manageable for banks and borrowers. This definition could also leverage the policy recommendations that the EU Platform on Sustainable Finance¹³ presented to the European Commission in the report on *Simplifying the EU Taxonomy to foster sustainable finance* (2025), with specific reference to green retail lending, including mortgages that finance improvements in the energy efficiency of buildings.¹⁴

Such a policy initiative would be important for supervisory authorities as it would support banks in meeting expectations and guidelines on the management of climate-related and environmental risks (ECB, 2020; EBA, 2020, 2025), in aligning their strategies with climate-related objectives, reducing the impact of transition risks on their loan and mortgage portfolios, and in enhancing their reputation (Wu and Shen, 2013; Xi et al., 2022; Abate et al., 2024). These actions may be relevant also for other

⁹ See EBA, *Opinion of the European Banking Authority on green loans and mortgages*, 2023b.

¹⁰ See https://www.greenroadproject.it/wp-content/uploads/2024/01/2_ABI_10_prop-mutui-green.pdf

¹¹ The EACB expressed its support for the EBA opinion, specifying that any potential label that might be introduced should also be based on criteria other than those set out in the Taxonomy and that its use should remain voluntary. See https://v3.globalcube.net/clients/each/content/medias/final_each_position_paper_on_green_loans_and_mortgages.pdf

¹² This refers to 83 European banks. It should be noted that these banks expressed general support for the potential introduction of a harmonized definition of green loans, provided that it allows for a certain degree of flexibility and does not hinder the financing of the transition.

¹³ Acting as a consultative body under the mandate of the European Commission, the EU Platform on Sustainable Finance has been preparing reports and recommendations to improve the usability and applicability of the Taxonomy Regulation and of its Delegated Acts. The Platform includes members and observers from the private and public sectors.

¹⁴ Among them, the EU Platform on Sustainable Finance suggested: i) simplifying the Technical Screening Criteria (TSC); ii) using energy performance certificate (EPC) ratings and their upgrade; and iii) not considering the Do No Significant Harm (DNSH) and minimum safeguards (MS) requirements.

policy initiatives, such as the delegated acts under the Energy Performance of Buildings Directive (2025)¹⁵ or for the review of the Mortgage Credit Directive¹⁶ (EBA, 2023a).

Our focus on loans financing construction and real estate projects does not imply that other forms of green financing to households, businesses or other entities (e.g. the purchase of electric vehicles, project finance loans to enterprises, etc.) are irrelevant. In principle, issuing an adequate definition arises for these loans as well, and there is nothing to prevent further consideration being given to this matter in the future.

The remainder of this paper is divided into three sections: the first provides an overview of the existing criteria for classifying a loan as ‘green’ (Section 2), the second makes suggestions regarding the possible introduction of a harmonized definition of green loans at the European level (Section 3), while the last provides the conclusions (Section 4).

2. Green loan classification criteria: the status quo

In 2020, the European Commission published the Taxonomy Regulation with the aim of establishing the criteria for classifying economic activities as ‘environmentally sustainable/green’ (i.e. Taxonomy-aligned). For an activity to be considered as such, it must satisfy the following conditions: i) it contributes substantially to at least one of the six environmental objectives defined in the Regulation;¹⁷ ii) it does not cause significant harm to any of the environmental objectives (DNSH); iii) it complies with minimum safeguards (human and labour rights as set out in UN guiding principles and international conventions); and iv) it meets the Technical Screening Criteria (TSC) published by the European Commission for each objective. Regarding this last condition, the Climate Delegated Act was published in 2021 that, in defining the TSC relating to climate change mitigation¹⁸ and adaptation,¹⁹ specifies the technical

¹⁵ In the Energy Performance of Buildings Directive (Directive (EU) 2024/1275), green loans and mortgages are indicated as financial products which can contribute substantially to transforming the economy and reducing carbon emissions (Recital 61). In addition, Article 17 states that ‘Member States shall adopt measures that promote energy efficiency lending products for building renovations, such as green mortgages and green loans, secured and unsecured, and ensure that they are offered widely and in a non-discriminatory manner by financial institutions and are visible and accessible to consumers’.

¹⁶ In this case, the proposed definition could be the basis for the concept of green mortgages and their features in the Mortgage Credit Directive.

¹⁷ The six environmental objectives defined by the Taxonomy Regulation are: i) climate change mitigation; ii) climate change adaptation; iii) sustainable use and protection of water and marine resources; iv) transition to a circular economy; v) pollution prevention and reduction; and vi) protection and restoration of biodiversity and ecosystems.

¹⁸ Taxonomy Regulation, Article 10: ‘An economic activity shall qualify as contributing substantially to climate change mitigation where that activity contributes substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement through the avoidance or reduction of greenhouse gas emissions or the increase of greenhouse gas removals, including through process innovations or product innovations [...]’.

¹⁹ Taxonomy Regulation, Article 11: ‘An economic activity shall qualify as contributing substantially to climate change adaptation where that activity:
(a) includes adaptation solutions that either substantially reduce the risk of the adverse impact of the current climate and the expected future climate on that economic activity or substantially reduce that adverse impact, without increasing the risk of an adverse impact on people, nature or assets; or
(b) provides adaptation solutions that, in addition to satisfying the conditions set out in Article 16, contribute substantially to preventing or reducing the risk of the adverse impact of the current climate and the expected future climate on people, nature or assets, without increasing the risk of an adverse impact on other people, nature or assets. [...]’.

requirements for considering an exposure to construction and real estate activities as ‘green’.²⁰ More specifically, it sets out requirements for them concerning: i) the construction of new buildings; ii) the renovation of existing buildings; and iii) the acquisition and ownership of buildings. In addition, the Climate Delegated Act covers the following activities relating to the construction and real estate sector: i) installation, maintenance and repair of energy efficiency equipment; ii) installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings); iii) installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings; and iv) installation, maintenance and repair of renewable energy technologies.

The criteria for green loans resulting from the EU Taxonomy are highly complex,²¹ especially due to the difficulty in applying DNSH and minimum safeguards; not surprisingly, they are not widely used by the industry. For these reasons, market players have developed over time standards for the classification of sustainable assets and economic activities, also leveraging the TSC (e.g. EEMI standards and the LMA Green Loan Principles) (EBA, 2023a; see the Appendix for a brief description). While they are simpler than the Taxonomy classification, the use of these standards is fragmented.

Drawing on the TSC set out in the Taxonomy and the standards developed by market associations, also credit institutions are establishing their own internal criteria, based on a simplified interpretation of the former (EBA, 2023a). Discussions with the industry have shown that most banks actually use an energy performance certificate (EPC) with an A or B energy rating (and occasionally C) to classify a loan as ‘green’ in the case of the construction or purchase of properties. For the purpose of renovation, the criteria applied include an improvement in energy performance of at least 30 per cent or an upgrade of one or two energy classes.²² The table below shows a high-level comparison of the criteria set out in the EU Taxonomy, the EEMI framework,²³ and the banking practices prevailing among Italian banks observed from publicly available information and interactions with the industry. The result is that – excluding the DNSH requirements and the minimum safeguards mandated by the Taxonomy – the classification criteria appear to show some convergence across the EU Taxonomy, the EEMI framework and the prevailing Italian banking practices (see Table 1).

²⁰ See T. Loizzo and F. Schimperna, ‘ESG disclosure: regulatory framework and challenges for Italian banks’, Banca d’Italia, Questioni di Economia e Finanza (Occasional Papers) 744, 2022. L. Lavecchia, J. Appodia, P. Cantatore, R. Cappariello, S. Di Virgilio, A. Felettigh, A. Giustini, V. Guberti, D. Liberati, G. Meucci, S. Piermattei, F. Schimperna and K. Specchia, ‘Data and methods to assess climate-related and environmental risks in Italy’, Banca d’Italia, Questioni di Economia e Finanza (Occasional Papers), 732, 2022. L. Abate, V. Lionetti and V. Michelangeli, ‘Is the Italian green mortgage market ready to take off?’ Banca d’Italia, Questioni di Economia e Finanza (Occasional Papers), 868, 2024.

²¹ For more details, see the criteria required by the Climate Delegated Act for defining a substantial contribution to climate change mitigation in the construction and real estate sector.

²² The energy rating is the class assigned to the building based on its energy performance (i.e. A, B, C, D, and so on). Therefore, an upgrade of one energy class means moving from the current class to the next best class (e.g. from D to C), while an upgrade of two energy classes means moving from the current class to a class that is two levels higher (e.g. from D to B).

²³ The LMA Green Loan Principles were not included in the comparison, as they do not set out specific criteria.

Table 1: Comparison of the criteria set out in the EU Taxonomy, the EEMI framework, and the main banking practices

	EU Taxonomy <i>Financing Taxonomy-aligned activities (climate change mitigation) if:</i>	EEMI standards <i>Green loan if:</i>	Main banking practices¹ <i>Green loan if:</i>	Level of convergence among the criteria
Construction of new buildings	The Primary Energy Demand (PED)² is at least 10% lower than the threshold set for a nearly zero-energy building (NZEB)	EPC with an A or B energy rating	EPC with an A or B energy rating (and occasionally C)	Low-Medium
Acquisition and ownership of buildings (old and new)	- EPC with an A energy rating; or - The building is within the top 15% of the national or regional building stock in terms of PED	EPC with an A or B energy rating	EPC with an A or B energy rating (and occasionally C)	Medium
Renovation of existing buildings	Improvement in energy performance of at least 30% ³	Improvement in energy performance of at least 30%	- Improvement in energy performance of at least 30%; or - Upgrade of one or two energy classes	High
Other criteria				
DNSH⁴	Mandatory in all of the above cases.	N.A.	N.A.	Low
Minimum safeguards⁵	Mandatory in all of the above cases.	N.A.	N.A.	Low

1) Please note that the content in this column is based on information published by banks and on interactions with the industry. – 2) According to the EPBD, primary energy ‘means energy from renewable and non-renewable sources which has not undergone any conversion or transformation process’. – 3) The 30 per cent improvement results from an actual reduction in PED. – 4) The DNSH principle entails compliance with additional criteria to ensure that no significant harm is caused to any of the environmental objectives set out in the Taxonomy Regulation. These criteria are particularly complex and include, for example, requirements on the water flow per minute for taps, the litres of water used for urinal flushing, the recyclability percentage of construction waste, and the formaldehyde permissible in materials used for renovation. – 5) Minimum safeguards refer to procedures implemented by a firm carrying out an economic activity to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights established by the eight fundamental conventions set out in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, as well as the International Bill of Human Rights.

3. A possible way forward on the definition of green loans

The above considerations point to the need for an EU-level definition that is sufficiently robust to safeguard credibility, but also simple enough to be applied by lenders and borrowers. In the building sector, one pragmatic option is to complement the Taxonomy-aligned concept with a performance-based pathway grounded in metrics that are already widely used in credit origination (notably EPCs and energy-saving assessments).

Proposed definition. A loan financing construction and real-estate activities (as described in Section 2) may be classified as a green loan if it follows either of the following two routes:

1 Taxonomy-aligned green loan (Tier 1). The underlying activity is Taxonomy-aligned under the EU Taxonomy, including compliance with TSC, DNSH and minimum safeguards.

2 Operational (performance-based) green loan (Tier 2). The loan meets the activity-specific eligibility criteria below, based on standardized energy-performance metrics (e.g. EPC classes or PED). DNSH and minimum safeguards are not required under this route, but lenders may apply them voluntarily and disclose their approach.

Leveraging the analysis presented in Section 2, one possible starting point for defining eligibility criteria under Tier 2 is the following:

- **Construction of new buildings.** Evidence of high energy performance demonstrated by either:
 - (i) an EPC rating in the top two classes of the relevant national EPC scale (typically class A or B); or
 - (ii) a Primary Energy Demand (PED) at least 10 per cent lower than the threshold set for nearly zero-energy buildings (NZEBs), based on the applicable national methodology.
- **Purchase of buildings (new or existing).** Either:
 - (i) an EPC rating in the top two classes of the relevant national EPC scale (typically class A or B); or
 - (ii) the building falls within the top 15 per cent of the national or regional building stock in terms of PED, calculated on a best-effort basis using the available public databases, EPC registries or other official sources.
- **Renovation of buildings.**²⁴ The loan finances renovation measures expected to deliver (verifiable upon completion through an EPC or an equivalent energy audit) at least one of the following outcomes:
 - (i) a reduction in PED of at least 30 per cent; or
 - (ii) an upgrade of at least one EPC class.^{25 26}
- **Other construction and real estate-related activities covered by the Climate Delegated Act.**²⁷ Compliance with the relevant Taxonomy Technical Screening Criteria (TSC) for the specific activity (e.g. installation, maintenance and

²⁴ Please note that a renovation can be either linked to the purchase of a building or carried out independently.

²⁵ It should be noted that a 30 per cent reduction in PED does not necessarily translate into an improvement of one energy class. A property may achieve a 30 per cent reduction in PED and still remain in the same energy class if the post-retrofit energy performance does not cross the relevant thresholds. Conversely, in some instances, a smaller reduction in PED can be sufficient to move the property to a higher class.

²⁶ Given the widespread prevalence across Europe of properties with low energy efficiency, this criterion would make a significant contribution to the energy transition, leaving it to the banks to decide on the pricing to be applied, based on the actual energy efficiency gains resulting from the loan granted.

²⁷ These are the activities, other than the previous three, relating to the construction and real estate sector and listed in Section 2. These include, for example, installation, maintenance and repair of solar photovoltaic systems on buildings.

repair of eligible energy-efficiency equipment or renewable energy technologies in buildings).

Implementation considerations:

- **Scope.** To support market development, the definition should apply to all forms of bank debt financing (secured and unsecured), including mortgages and renovation loans, while excluding bonds and other securities issuances.
- **Eligible borrowers.** The definition should be usable for households, businesses (including SMEs), non-profit organizations, and public administrations, provided that the proceeds are used for eligible activities or that the financed asset meets the relevant energy-performance criteria.
- **Timing and review.** Classification should be determined at origination based on the evidence available. For renovation loans, lenders may rely on ex ante documentation (e.g. an energy audit or an expected EPC upgrade) and confirm eligibility once work has been completed; reclassification should only occur if there is reasonable certainty that the eligibility conditions will not be met. Similar considerations should also apply to construction loans, based on the borrower's effective fulfillment of the commitment undertaken.
- **Transparency.** Where Tier 2 is used, disclosures should clearly distinguish between Taxonomy-aligned exposures (Tier 1) and performance-based green loans (Tier 2), to preserve comparability with the EU sustainable finance framework.

In our view, this approach would be relatively straightforward to implement and would address the current fragmentation of market standards, while remaining anchored to the EU Taxonomy. It also reflects the empirical convergence already observed across the Taxonomy TSC, the EEMI framework and the prevailing banking practices for the building sector (Table 1). Finally, by explicitly distinguishing Taxonomy-aligned lending from a simplified performance-based route, the proposal supports transparency and can be integrated into future disclosure requirements (e.g. Pillar 3)²⁸ without conflating different levels of alignment.

4. Conclusions

In this paper we propose a harmonized EU definition of green loans. Building on the EBA recommendations and on prevailing market practices, the proposal keeps the EU Taxonomy as the anchor, while introducing a complementary, rather than substitutive, operational pathway based on energy-performance metrics that are already widely used in lending processes.

With regard to the policy option deemed most appropriate for introducing the proposed definition, both options suggested by the EBA (i.e. a recommendation on a conceptual

²⁸ Implementing Technical Standards (ITS) on prudential disclosures on ESG risks in accordance with Article 449a CRR (EBA/ITS/2022/01).

framework for green loans or a specific legislative initiative) might be supported. In both cases, however, it would be advisable for i) the adoption of the classification as an 'EU green loan' to remain voluntary, so as not to hinder the market practices that lenders consider most appropriate for their business models; and ii) the inclusion of the loan within the scope of green loans to be made at origination and only reviewed when there is reasonable certainty that the commitment cannot be met. Furthermore, additional criteria could be suggested at a later stage, for example taking into account the development of a comprehensive portfolio framework (as suggested by the EPBD).

Banca d'Italia remains committed to maintaining an open and constructive dialogue with all the relevant authorities and stakeholders and stands ready to contribute to the ongoing policy discussion.

Appendix

EEMI standards and LMA Green Loans Principles

a) **EEMI standards:**²⁹

- purchase/construction and/or renovation of both residential (single family and multi-family) and commercial buildings where there is evidence of:
 - 1) energy performance which meets or exceeds the relevant market best practice standards in line with the current EU legislative requirements;³⁰ and/or
 - 2) an improvement in energy performance of at least 30 per cent.

b) **LMA Green Loans Principles:**³¹

- the key determinant of a green loan is the use of the loan proceeds for green projects. These principles recognize several eligibility categories, including projects aimed at addressing climate change, the depletion of natural resources, biodiversity loss, and air, water and soil pollution;
- the principles do not take an explicit position on which taxonomies, standards or technical criteria should be used to assess the sustainability characteristics of the economic activity, leaving banks the discretion to select the criteria deemed most appropriate based on the regulatory framework applicable in their respective jurisdictions.

²⁹ See EEMI (2018), [Definition of an Energy Efficient Mortgage](#). It should be noted that the EEMI is a European initiative launched in 2016, promoted by a network of banks, European regulators and institutions (coordinated by the European Mortgage Federation and the European Covered Bond Council – EMF/ECBC), with the aim of creating a standardized market for ‘energy-efficient’ mortgages.

³⁰ On this point, the Italian EEMI Hub, which includes the banks participating in the initiative, suggested that properties in class A or class B should be included.

³¹ See LMA (2018), [Green Loan Principles](#). It should be noted that these principles are based on the Green Bond Principles (GBP) of the International Capital Market Association (ICMA), an international association that aims to promote the development of international capital and bond markets.

References

- Abate, L., Lionetti, V. and Michelangeli, V., 'Is the Italian green mortgage market ready to take off?' Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 868, 2024.
- Angelini, P., Opening remarks at the conference on 'UN Principles for Green Financing for Sustainable Real Estate, Infrastructure and Urban Transformation Projects', 2024.
- Billio, M., Dragotto, M., Dufour, A., Segato, S. and Varotto, S., 'Energy costs and Default Risk in Green Mortgage Securitisations', available at SSRN, 2025.
- EBA, 'Guidelines on the management of ESG risks', 2025.
- EBA, 'EBA report in response to the call for advice from the European Commission on green loans and mortgages', 2023a.
- EBA, 'Opinion of the European Banking Authority on green loans and mortgages', 2023b.
- EBA, 'Guidelines on Loan Origination and Monitoring', 2020.
- ECB, 'Guide on climate-related and environmental risks. Supervisory expectations relating to risk management and disclosure', 2020.
- EEMI, 'Definition of an Energy Efficient Mortgage', 2018.
- European Commission, 'Report on risk assessment: The Quantitative Relationship between Energy Efficiency Improvements and Lower Probability of Default of Associated Loans and the Increased Value of the Underlying Assets', 2021.
- European Platform on Sustainable Finance, 'Simplifying the EU Taxonomy to foster sustainable finance', 2025.
- Lavecchia, L., Appodia, J., Cantatore, P., Cappariello, R., Di Virgilio, S., Felettigh, A., Giustini, A., Guberti, V., Liberati, D., Meucci, G., Piermattei, S., Schimperna F. and Specchia, K., 'Data and methods to assess climate-related and environmental risks in Italy', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 732, 2022.
- Lionetti V., Michelangeli V. and Ridi L., 'From bricks to green bricks: evidence from the Italian green mortgage market in 2022-24', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 1013, 2026.
- LMA, 'Green Loan Principles', 2018.
- Loizzo T. and Schimperna, F., 'ESG disclosure: regulatory framework and challenges for Italian banks', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 744, 2022.
- Michelangeli, V. and Nunnari, A., 'Greener homes, safer loans? Evidence on Mortgage Repayment Risk', mimeo, 2026.

Wu, M-W., and Shen, C-H., 'Corporate social responsibility in the banking industry: Motives and financial performance', *Journal of Banking & Finance*. 37, pp. 3529-3547, 2013.

Xi, B., Wang, Y. and Yang, M., 'Green credit, green reputation, and corporate financial performance: Evidence from China', *Environmental Science and Pollution Research*, 29, 2401-2419, 2022.