

Press release

Potential of green securitisation could exceed €300 billion annually by 2030

New report finds Europe lagging far behind US & China on using green securitisation to channel capital to green lending

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The Association for Financial Markets in Europe (AFME) has today published a study setting out a comprehensive overview of the current European regulatory landscape for green securitisation, highlighting the challenges preventing it from fully contributing to Europe's green transition, as well as the full scale of its potential growth by 2030.

Shaun Baddeley, Managing Director of Securitisation at AFME, said: *"Through this report, we are aiming to provide a clear picture of the current status of the European green securitisation market and to highlight the huge potential that it has to contribute to Europe's green financing needs. Outside Europe, securitisation has already become an important tool to channel capital into green lending, however Europe is lagging far behind other global markets such as the US and China. This is partly due to regulatory impediments which prevent the growth of the wider European securitisation market. Another reason is the current lack of green assets to be securitised – although, this is expected to increase in the coming years.*

"The EU Green Bond Standard legislation (EuGBS) has the potential to be an important enabler for the growth of the market. However, it is vital that a well-designed framework for green synthetic securitisation is incorporated into the EuGBS at the earliest opportunity as it is the most cost effective way of securitising project finance and other green assets which cannot be easily securitised via true-sale (or traditional) securitisations."

AFME's latest report highlights that the European green securitisation market is lagging behind other global jurisdictions, including:

- In the course of five years, only 24 securitisation transactions with ESG characteristics have been issued.
- Although Europe is a leading region for green and sustainable bonds, Europe's green securitisation market remains subdued. For instance, between 2019-2022 green securitisation issuance represented only 1.4% of total European green issuance, whereas it accounted for 8.1% in China and 32.3% in the US.

The report goes on to highlight the potential scale of future green securitisation issuance by 2030 providing estimates for growth based on data from S&P Global Ratings. The findings are:

- **Residential mortgage loans on energy-efficient properties:** Gross green mortgage lending could reach **€125 billion** annually across eight European RMBS markets, i.e. Belgium, France, Ireland, Italy, the Netherlands, Portugal, Spain and the U.K.
- **Lending for green home renovation:** If residential buildings reach a 3% renovation rate by 2030, this could generate an annual funding requirement of about **€75 billion**, which may partly be addressed by further mortgage advances that are securitisable. This figure assumes a fully-funded typical renovation cost of about €17,000 per property, and considers the same eight European RMBS markets mentioned above.

- **Electric auto financing:** In respect of new battery electric vehicles, securitisable financing could reach **€80 billion** annually, while there could be a further **€30 billion** in annual financing required for used ones. These estimates concern only the five major European auto ABS markets, namely France, Germany, Italy, Spain and the U.K.

AFME's key recommendations for unlocking the potential of the green securitisation market, include:

- Introducing a framework for green synthetic securitisation in the scope of the EuGBS in short order.
- Addressing the imbalances in the broader securitisation framework which hold the wider European securitisation market back;
- Ensuring a well-designed EuGBS which fully accommodates the characteristics of securitisation; and
- Pursuing a proportionate approach to sustainability-related disclosures under the EuGBS framework and more broadly;

- ENDS -

Notes to Editors:

*Definition of synthetic securitisation - a securitisation where the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originator.

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.

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