Call for a review of the Mortgage Credit Directive

September 2025

1. Context: Building renovation is a strategic imperative with major benefits for the EU

Buildings play a central role in achieving the EU's 2030 and 2050 climate targets, as they account for 35% of energy-related greenhouse gas emissions and **42% of total energy consumption**.[1] This is largely due to an **ageing building stock**, much of which was constructed before modern energy efficiency standards. As a result, residential buildings consume a **disproportionate amount of energy for space heating** (63.5% of energy use in the residential sector).[2]

Massive win-wins for the EU

Enhancing energy efficiency in buildings is therefore crucial – not only to reach the EU's environmental targets but also to bring essential economic, social and geopolitical benefits.[3] Indeed, energy efficiency improvements typically lead to **increased energy savings, effectively lowering household energy consumption and, consequently, energy bills and inflation-related difficulties**. Accelerating building renovation is also critical to **reducing the EU's dependence on costly fossil fuel imports, particularly from third countries, such as Russia**, which still supplies 19% of EU's gas imports (pipelines and Liquefied Natural Gas combined).[4] Many Member States still continue to rely on polluting external sources for heating homes, such as gas (e.g., Netherlands 79%) and petroleum products (e.g., Ireland 54%).[5] **Reducing this reliance directly strengthens Europe's energy security and sovereignty**. Additionally, energy efficiency improvements have **major economic benefits for local communities**: for every million invested in energy-efficient building renovation, an average of 18 jobs are created in the EU, most of which are local and non-delocalisable, as they rely on skilled labour within regional supply chains and small businesses.[6]

All of this makes accelerating buildings' energy renovation a clear overarching priority for the current Commission mandate. These efforts should build on key initiatives launched under the previous mandate, including the 2020 **Renovation Wave Strategy**, which set out to double the annual renovation rate, and the 2024 recast of the Energy Performance of Buildings Directive (**EPBD**), which established a target of a zero-

[1] European Environment Agency, Greenhouse gas emissions from energy use in buildings in Europe (2023).
[2] Eurostat, Energy consumption in households – Statistics explained (2024).
[3] International Energy Agency, Multiple Benefits of Energy Efficiency (2019).
[4] Council of the European Union, Where does the EU's gas come from? (2024).
[5] Eurostat, Energy consumption in households – Statistics explained (2024).
[6] Renovate Europe, Building Renovation: a kick-starter for the EU recovery (2020).

emission building stock by 2050.[7] The appointment of the EU's first-ever Commissioner for Housing, Dan Jørgensen, who is preparing a European Affordable Housing Plan for 2026, further signals growing political recognition of the strategic importance of building renovation in delivering both climate and social objectives. Commissioner Jørgensen's 2024 mission letter also points out that Member States should be better supported "to address structural drivers and unlocking public and private investment for affordable and sustainable housing".[8]

While public funding should play an essential role in supporting vulnerable households, leveraging private investment, and building trust in renovation programmes, it will not be sufficient to cover the scale of renovations required. Closing the funding gap, estimated at €335 billion per year between 2024 and 2030[9], will require a **significant mobilisation of private capital**. In this context, **bank lending in particular can be a powerful driver to match the size of the challenge**. Banks hold an estimated **€6.5 trillion in outstanding residential mortgages in the EU** – a market that grew by around 27% between 2014 and 2021[10] – placing them in a pivotal position to seize the opportunities offered by energy efficiency renovations.

2. The MCD needs to be revised to accelerate the transition to energy-efficient homes

Yet, **the European mortgage market remains highly fragmented and heterogeneous**. This fragmentation limits consumers' ability to obtain clear, comparable information, apply for green mortgages with confidence, and access such products under favourable conditions.[11] In its 2025 study assessing the impacts of a possible revision of the Mortgage Credit Directive (MCD), **the European Commission finds that this fragmentation and lack of consumer protection directly stems from the very limited harmonisation approach of the MCD**, which has allowed Member States to adopt divergent rules and practices. Differences in scope, definitions, and implementation have resulted in inconsistent consumer protection standards, reduced comparability of mortgage offers, and limited cross-border provision of mortgages – ultimately hindering the development of a coherent EU market for mortgages.[12]

In particular, the Commission's study finds that the MCD, **unchanged since 2014**, does not adequately support the European Green Deal nor the Sustainable Finance agenda. **While interest in green mortgages is growing, uptake remains limited and uneven due to the absence of standardised definitions, comparable consumer information, and consistent eligibility or incentive schemes across Member States**. The MCD does not require creditors or intermediaries to inform consumers about such products, nor

[7] Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings (recast), Article 1 (2024).

[8] Ursula von der Leyen, Mission letter to Dan Jørgensen, Commissioner-designate for Energy and Housing (2024).

[9] Institute for Climate Economics, European Climate Investment Deficit Report – An investment pathway for Europe's future (2024).

[10] European Mortgage Federation, Hypostat 2021 – A Review of Europe's Mortgage and Housing Markets (2021).

[11] BEUC, Affordable green loans: getting consumers on board of the green transition (2021).

[12] European Commission, Study on impacts of a possible revision of the Mortgage Credit Directive (2025).

guarantee lenders access to Energy Performance Certificates (EPCs) to assess a property's energy performance. As a result, **many consumers remain unaware of the possibility of obtaining mortgages** (potentially on more favourable terms) **to purchase energy-efficient properties or carry out renovations**, while lenders face barriers to evaluating and promoting such mortgages. This lack of transparency also leaves consumers without a clear understanding of their property's climate performance and the future investments needed to align it with net-zero targets, effectively masking the true long-term costs of ownership. The European Central Bank (ECB)'s 2022 climate risk stress test shows that **rising energy prices hitting households with poorly performing buildings could lead to a wave of insolvencies** in banks' mortgage portfolios, underscoring the financial stability risks linked to low energy performance in the housing stock.[13]

The Commission's study therefore recommends that **any revision of the MCD should directly address sustainability and energy efficiency**. The absence of a common definition and framework for green or energy-efficient mortgages currently limits their uptake and increases the risk of greenwashing.[14] Removing these structural barriers through a **targeted MCD revision is essential to scale up green mortgages and mobilise the private capital needed to meet the EU's building renovation goals**.

3. WWF recommendations

In light of the above, WWF calls for the MCD revision to implement the following changes:

1. Introduce clear and harmonised definitions of green mortgages and energy renovation mortgages

There is still no harmonised EU definition of what constitutes a green mortgage. This fragments the market and increases the risk of greenwashing, as products labelled 'green' in one jurisdiction may not qualify as such in another. In its December 2023 opinion[15] and report[16] on the MCD review, the **European Banking Authority** (EBA) acknowledged this gap and **recognised the need for an EU definition of green mortgages** to create a level playing field for lenders and ensure adequate consumer protection for borrowers.

This is also particularly relevant economically: MEP Sean Kelly pointed out that "72% of renovations are self-funded and only 18% consumers are taking loans to renovate".[17] This means that there is room to boost the EU lending market for building renovation.

This was also supported by the **Commission's 2025 study on impacts of a possible revision of the MCD**, which examines a range of policy options (from non-intervention to full EU harmonisation) aimed at addressing energy efficiency, based on effectiveness,

[13] ECB, 2022 climate risk stress test (2022).

[14] Ibid, p.286.

[15] EBA, Opinion of the European Banking Authority on green loans and mortgages (2023).

[16] EBA, Report in response to the Call for Advice from the European Commission on green loans and mortgages (2023).

[17] European Parliament's plenary Strasbourg debate, verbatim report (p.83), July 2022.

efficiency, and coherence. The Commission's study points to adopting at least an **enhanced minimum harmonisation approach through five specific measures:**

- **establishing EU-wide definitions and eligibility criteria for green mortgages,**
- **ensuring consumers are informed about green mortgage opportunities and conditions,**
- **ensuring lenders have access to Energy Performance Certificates (EPCs),**
- **require lenders to provide a lower rate or better conditions for green mortgages or energy renovation mortgages,**
- ensuring that Member States **report on industry best practice** on green mortgages.[18]

This would strengthen the green mortgage market by increasing comparability, visibility and consumer confidence, thereby supporting wider uptake.

However, green mortgages alone may have limited impact, as they mostly benefit wealthier consumers and apply to the purchase of homes that already have a high energy performance rating. This means they add little in terms of additional emission savings. By contrast, products that finance the renovation of existing buildings can deliver far greater climate benefits. Today, both are often grouped under the "green mortgage" label, which creates confusion and risks misleading policymakers when designing incentives. **A clear distinction is needed between:**

- **green mortgages**, aligned with the EU Taxonomy criteria for the construction of new buildings[19] and the acquisition and ownership of buildings[20].
- **energy renovation mortgages**, aligned with the EU Taxonomy criteria for renovating existing buildings.[21] This should include cases where households take out a loan specifically for renovation, top up an existing mortgage, or renegotiate it for energy efficiency improvements.

Basing the definitions of both products on **science-based criteria of the EU Taxonomy** is the most logical option for ensuring consistency of the EU regulatory framework and streamline banks' reporting, notably for the Green Asset Ratio (GAR).

As part of the Simplification Omnibus discussion, the Commission committed to review the existing climate Taxonomy criteria, based on the technical recommendations of the EU Platform on Sustainable Finance[22]: there is indeed a need to update them for the building sector, notably given the entry into force of the recast EPBD in May 2024.

[18] European Commission, Study on impacts of a possible revision of the Mortgage Credit Directive, p.152-153 (2025).
[19] First Climate Taxonomy Delegated Act (Annex 1) 7.1. Construction of new buildings (2021).
[20] First Climate Taxonomy Delegated Act (Annex 1) 7.7. Acquisition and ownership of buildings (2021).
[21] First Climate Taxonomy Delegated Act (Annex 1) 7.2. Renovation of existing buildings (2021).
[22] EU Platform on Sustainable Finance, Advancing Sustainable Finance: Technical Criteria for New Activities & First Review of the Climate Delegated Act (2025).

Recommendation 1: Introduce clear definitions of green mortgages and energy renovation mortgages in Article 4 (definitions), using science-based criteria aligned with the EU Taxonomy.

2. Deploy de-risking mechanisms to accelerate the uptake of green financial products

Conceived as internal or external buffers against potential defaults or losses, de-risking tools are designed to lower the risks lenders face when financing energy-efficient renovations. They are particularly effective in **boosting renovation uptake by households with limited borrowing capacity or higher credit risk**. Guarantee funds typically cover up to 80% of potential loan defaults[23], thereby reducing lenders' perceived risk and enabling them to offer more favourable terms such as lower interest rates or longer repayment periods. By sharing risk between lenders and the guarantee fund, these mechanisms have **three major benefits**:

- make financing more accessible to households that might otherwise be excluded,
- while still encouraging responsible risk assessment,
- in a very cost-effective way given the usually high leverage ratio of guarantee funds.

The creation of an **EU-wide renovation guarantee fund**, built on harmonised criteria and applied consistently across Member States, **would reduce banks' risk exposure on green mortgage portfolios while improving access to energy renovation mortgages for vulnerable households**. The proposal has received support from European Investment Bank (EIB)[24]; and the **Letta report** further reinforced this idea by recommending the creation of a **European Green Guarantee scheme**, which would be developed jointly by the European Commission and the EIB to establish a robust framework to support bank lending for green investment projects, including energy-efficient home renovations.[25]

Recommendation 2: Introduce a new article mandating the European Commission and the EIB[26] to establish an EU-wide renovation guarantee fund.

3. Incentivise consumers to uptake green and energy renovation mortgages

The only EU laws currently mentioning green mortgages are the EPBD and the Energy Efficiency Directive (EED). However, these merely state that such products should be available, without addressing the lending conditions attached to them. Additionally, **today,**

[23] CLIMACT, EnergInvest, Upscaling the financing of Residential Renovation in Belgium (2024).

[24] European Parliament's plenary Strasbourg debate, verbatim report (p.85), July 2022.

[25] Enrico Letta, Much more than a market (2024).

[26] In order to pursue the objectives of the mission letter of Commissioner Dan Jørgensen, to be established alongside the EIB's pan-European investment platform for affordable and sustainable housing.

green and renovation mortgages remain costly, scarcely available, not always advertised, and often not more attractive than traditional mortgages.[27] [28]

To ensure proper uptake, the MCD should not only provide harmonised definitions for green and energy renovation mortgages but also **establish incentives that guarantee such loans are offered on genuinely favourable terms**. Competitive pricing and tangible benefits such as caps on the total cost of credit and flexible, longer repayment options are key to making these products attractive to consumers.

In particular, lowering the Annual Percentage Rate of Charge (APRC), i.e. the total cost of borrowing for a year (including interest, administrative fees, and insurance), would be a very effective tool: by applying reduced APRC caps to green consumer credit products, borrowers gain easier access to affordable financing for green investments with long-term benefits. **There are national precedents: for example, Portugal's central bank** sets lower caps for certain green loans than for other consumer credit products.[29] Extending such preferential conditions to green and renovation mortgages would stimulate demand and accelerate the transition of the building stock. Ensuring that the conditions to access green and energy renovation mortgages are not worse than those to access regular mortgages is an absolute minimum.

Such policies to require lenders to provide a lower rate or better conditions for green or energy renovation mortgages are already featured in the Commission' study, in all legislative options.[30]

Recommendation 3: Introduce provisions requiring banks to include a range of standardised green and energy renovation mortgages in their product catalogue, offered at preferential terms and conditions (e.g. lower APRC caps, flexible repayment options).

4. Make energy performance part of mortgage information

Reliable data on the EU building stock and the energy performance of mortgage portfolios is essential for monitoring progress under the Renovation Wave strategy, audits, and designing effective public policies and incentives for renovation. Yet, a significant data gap persists.[31]

Under the EPBD recast, Member States are already required to establish national databases for EPCs[32], and oblige sellers and landlords to disclose EPCs at the point of transaction.[33] While these measures strengthen transparency, they do not ensure EPCs are systematically integrated into mortgage processes in a standardised way.

27 BEUC, Affordable green loans: getting consumers on board of the green transition (2021).

28 European Commission, Evaluation of the Mortgage Credit Directive (2020).

29 Banco de Portugal, Interest rates in consumer credit (2022).

30 European Commission, Study on impacts of a possible revision of the Mortgage Credit Directive, p.152-153 (2025).

31 EBA, Opinion of the European Banking Authority on the European Commission request for technical advice on issues related to the Mortgage Credit Directive (2022).

32 Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings (recast), Article 22(1) (2024).

33 Ibid, Article 20(2).

Including the EPC rating in the European Standardised Information Sheet (ESIS), alongside key financial information, would make energy efficiency a visible part of households' financial decisions, while also generating standardised, comparable data for lenders and supervisors. It would give consumers a clearer picture of the building's current status and its potential for energy efficiency gain, together with possible renovation advice (see point 5).

Recommendation 4: Amend Article 14 to require that the EPC of the property is included in pre-contractual information.

5. Introduce a duty of information and advice on green and energy renovation mortgages for lenders

The energy performance of buildings must become a core part of the dialogue between lenders and potential property owners, especially in light of high and volatile energy costs. Expanding the availability of green and renovation mortgages therefore needs to be complemented by stronger support from mortgage providers. Effective green and energy renovation mortgages require investment in staff capacity, information systems, risk assessment, eligibility checks, reporting, and marketing.[34]

Lenders should therefore be equipped with a minimum level of expertise on sustainable lending, enabling them to offer products that align with clients' needs. This could be achieved through targeted **training and/or certification schemes**. As the Commission underlined in its 2021 Strategy for Financing the Transition to a Sustainable Economy, financial advisors must be qualified to guide retail investors in sustainable finance[35]; the same principle should logically apply to mortgage providers. There are already several precedents of banks training their relevant staff.

Additionally, to avoid overburdening banks with technical expertise, **lenders should also bear the clear-cut obligation to inform consumers of the existence of one-stop shops** (OSS) where they can obtain additional information before concluding the contract. **Already required under the EED and the EPBD recast**, OSS are designed to help households plan and implement renovation projects by providing tailored advice and technical guidance: there is therefore room to ensure consistency, maximise OSS impacts and minimise burden.

Finally, the MCD should **address both climate mitigation and adaptation**. Beyond energy performance, buildings can be highly vulnerable to climate change due to their design (e.g. poor resistance to storms) or location in areas prone to sea level rise, floods, wildfires, or avalanches. Rising temperatures are already amplifying the frequency and severity of such risks. **Mortgage lenders should therefore be required to provide borrowers with information on a property's exposure to physical risks, using available hazard maps and certified data sources.**[36] Lenders would not be expected to generate or

[34] OECD, Environmental Policies and Risk Finance in the Green Sector: Cross-country Evidence (2014).

[35] European Commission, Strategy for Financing the Transition to a Sustainable Economy (2021).

[36] More broadly, the construction and financing of new buildings in high-risk areas should be prohibited, while existing buildings in such high-risk areas should be considered for relocation or replacement rather than refurbishment. This principle should be enshrined in the forthcoming EU Climate Adaptation Strategy.

interpret this data themselves, but to rely on assessments from accredited providers or public authorities.

Recommendation 5: Amend Article 9 to introduce knowledge and competence requirements for staff involved in mortgage distribution. Staff should (1) inform consumers about minimum energy performance standards and available loans to meet them, (2) explain potential renovation opportunities and costs, and climate physical risks to the property, and (3) direct clients to the nearest one-stop shop for renovation support. Sustainability staff training and certifications should be mandatory to ensure that banking staff provide consumers with the right advice.

Recommendation 6: Amend Article 14 to introduce an obligation for lenders (1) to inform borrowers of potential climate physical risks linked to the mortgaged property, to the extent that such risks can reasonably be assessed, using available hazard maps and certified data sources, and (2) to inform borrowers about potential renovation opportunities and costs, in particular deep renovation consistent with the Paris Agreement objectives, notably by redirecting them to one-stop-shops.

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