



CAPITAL REQUIREMENTS AND OTHER REGULATORY TOOLS – IN SEARCH OF NEW APPROACHES TO SUPPORT EE IN THE RESIDENTIAL SECTOR



WHY IS ENERGY EFFICIENCY IMPORTANT FOR A FINANCIAL REGULATOR?



Reduction of transition risks at the macro level



Assumed lower credit risk at the micro level



Banking Package 2021: new EU rules to strengthen banks' resilience and better prepare for the future

EBA to assess if and how capital requirements could be differentiated depending on the environmental and social impact of the assets held by institutions. The final results of that analysis are expected in 2023.

Positions: „neutrals” vs. „brown penalizing” vs. „green support”

THE CENTRAL BANK OF HUNGARY'S PRACTICE



Capital requirement discount for green loans
and green bond investments until 2025
Mixed experience so far

First retail energy
efficient mortgage
scheme not used
by banks

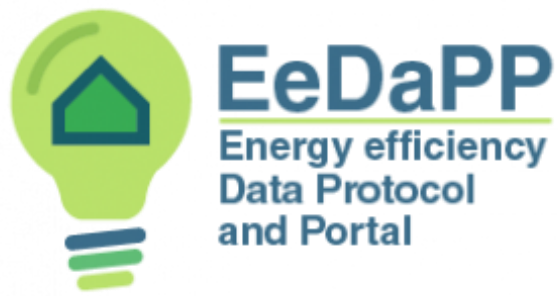
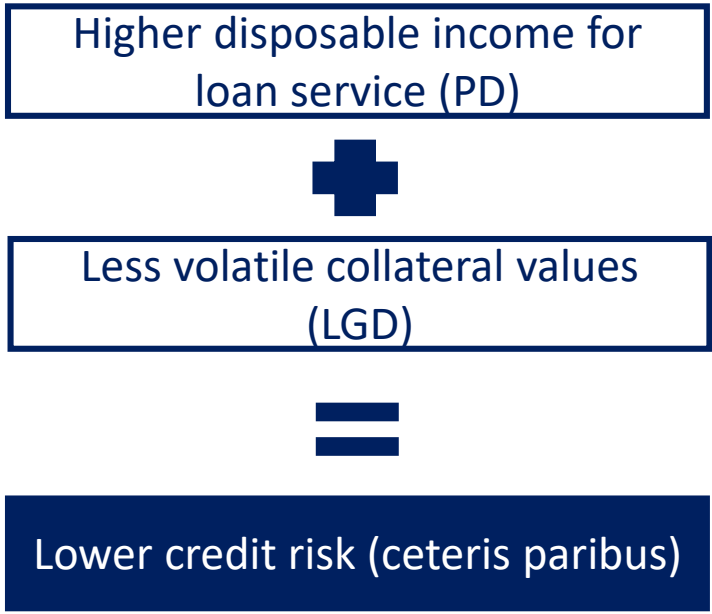
Corporate scheme
used by almost all
banks



KEY AREA:
ENERGY EFFICIENT LENDING



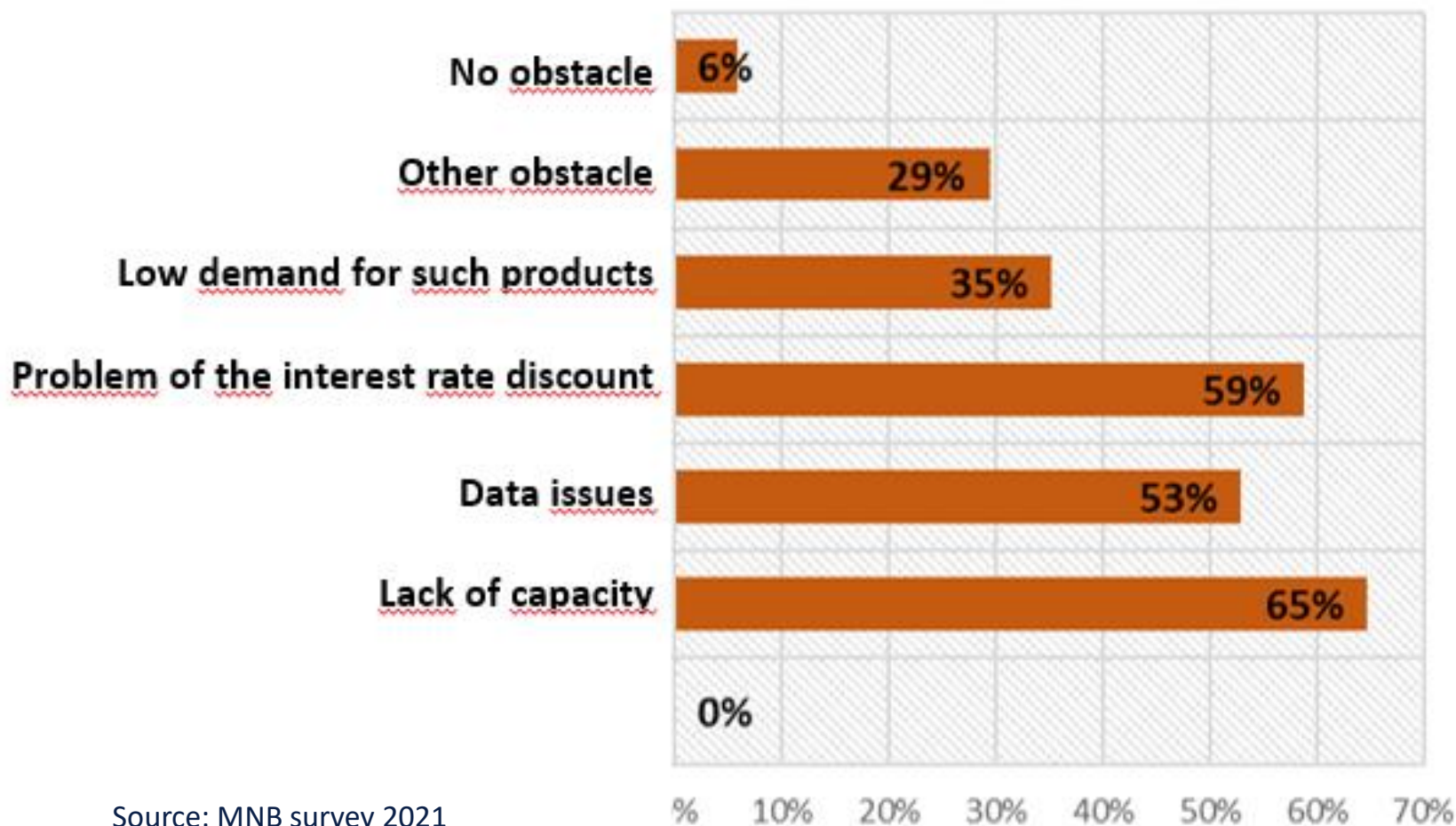
MNB provides incentives to Hungarian banks incentives to prioritize energy efficient properties in lending



LESSONS WITH THE FIRST RETAIL SCHEME



More than half of the respondents planned to provide a green mortgage or green renovation loan, but only at a later stage....why?



Source: MNB survey 2021

LESSONS WITH THE FIRST RETAIL SCHEME



Access to EPC data can be a huge obstacle



Legal (GDPR) and IT issues



Outstanding loan stock poses the biggest challenge



Burden of reporting requirements



Question of mandatory interest rate discounts

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Revised scheme to address most of this points and linked to the Central Bank's green mortgage refinancing program

SOME THOUGHTS ON OUR CORPORATE SCHEME

With no micro-level hypothesis on risk differentials in place, the goal is to reduce transition risks in bank balance sheets and to reduce macro-level climate risks

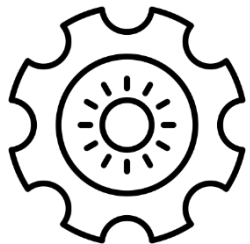


Buying green bonds



Financing renewable energy production

Energy efficiency investments



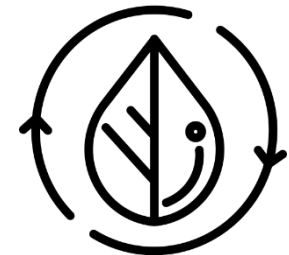
Sustainable agriculture



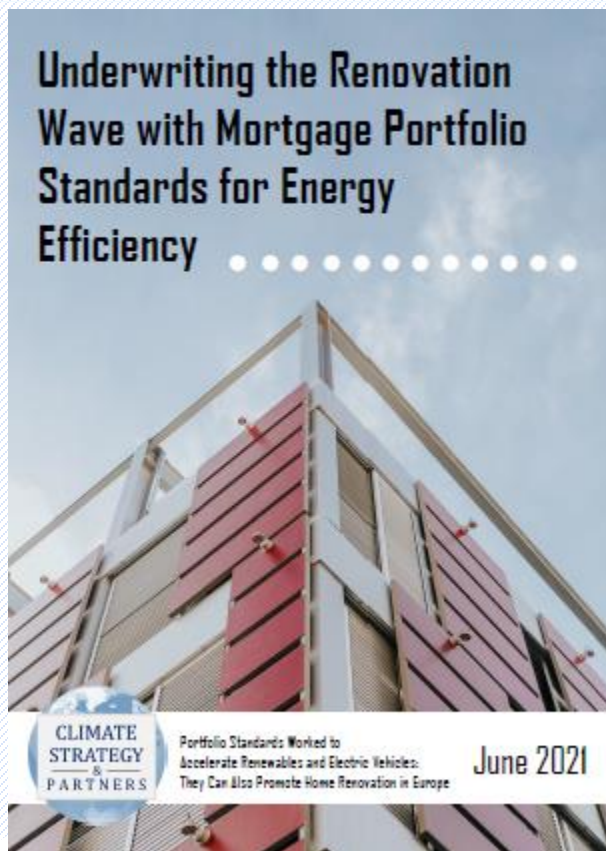
Green transportation



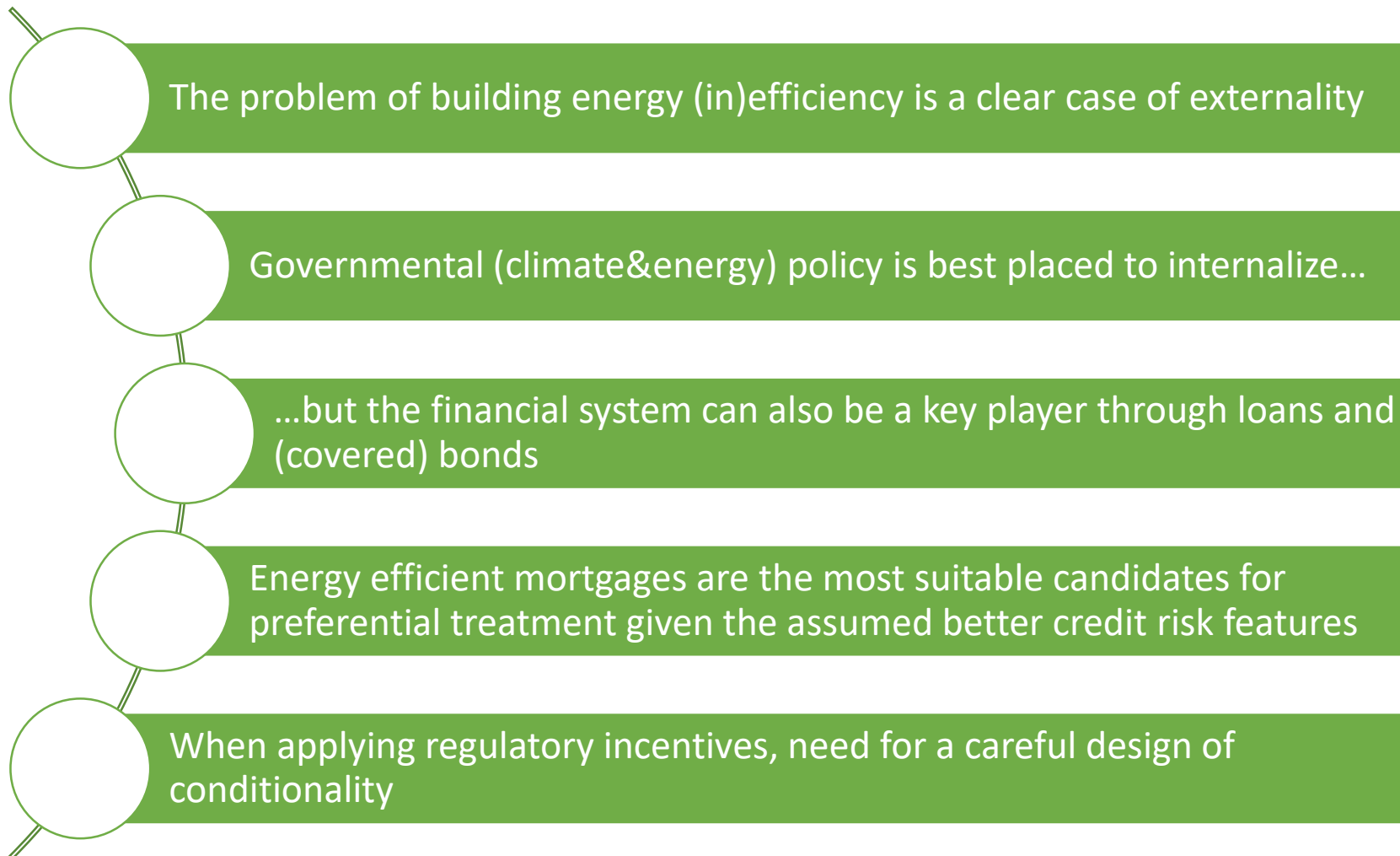
Circular economy



FURTHER RECOMMENDED READING...



MAIN POINTS





THANK YOU FOR YOUR ATTENTION!

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