

The SMARTER initiative

Best in class residential green finance program

Improving Citizens' Health, Comfort and Financial Wellbeing by supporting Banks, Residential Investors and Solution Providers with Green Homes & Green Mortgage programs



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This initiative has received funding from the European Union's Horizon 2020 program under grant agreement 847141





The SMARTER initiative

supported by the EU H2020 program, launched in May 2019, to expand an existing, successful Green Homes & Green Mortgage program to 12 European countries. Initial success of the program's uptake with citizens and the business community is demonstrated with **21.500 housing units certified or under agreement to certify across over 69 residential projects representing over €3,125,000.000 of project value, as of October 2021**



Improving Citizens' Health, Comfort and Financial Wellbeing by supporting Banks, Residential Investors and Solution Providers with Green Homes & Green Mortgage programs

The SMARTER initiative was recognized by the European Commission as a case study for green finance programs www.EEFIC.org and awarded as a Finalist in the EU Sustainable Energy Week Awards in 2019

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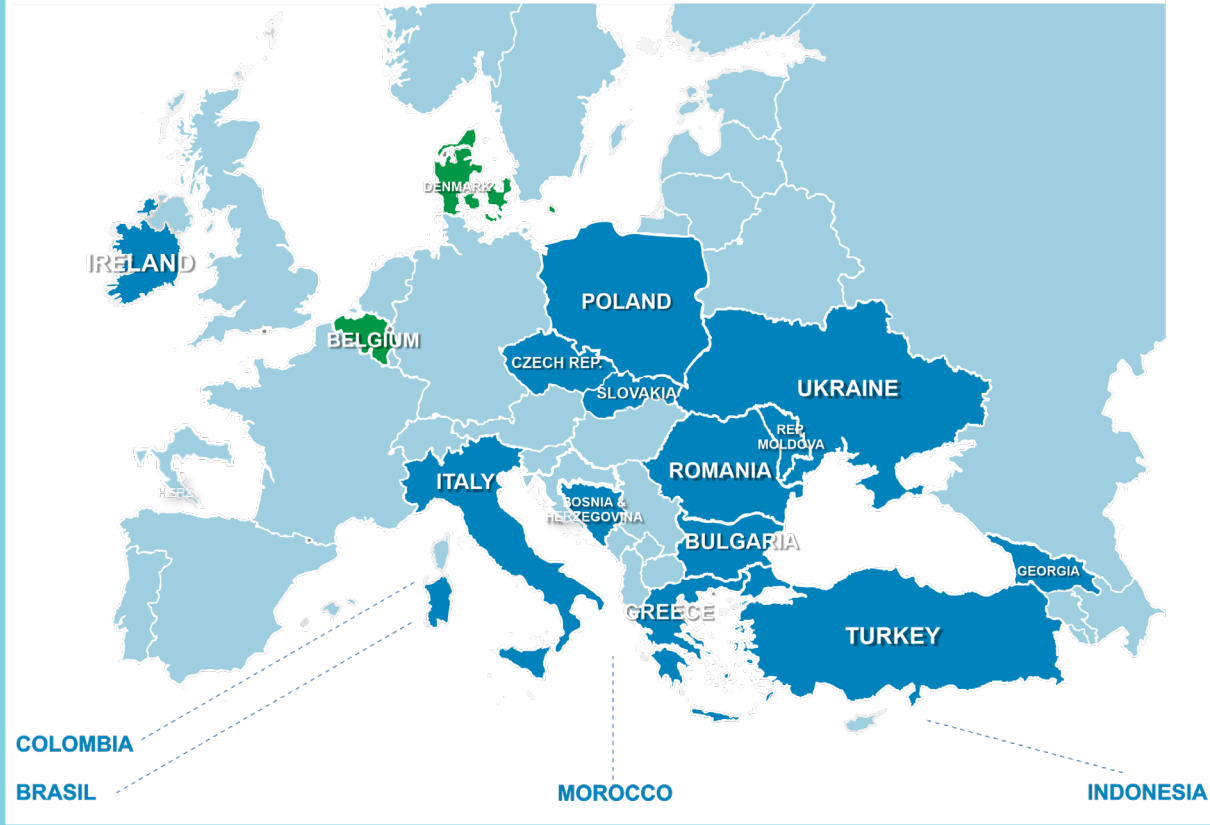




5 new partners in SMARTER bringing the total green certification programs to 17



 EXPERTISE PROVIDERS
 IMPLEMENTING COUNTRIES



The SMARTER program combines the efforts of local Green Building Councils, national energy agencies, academic and other expert energy and environmental organizations such as the UN-affiliated Copenhagen Centre on Energy Efficiency



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Partner Financial Institutions implementing Green Mortgage programmes
& development loans with green certification

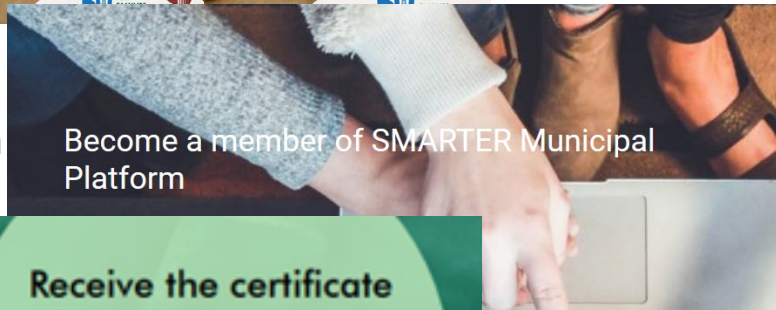
SMARTER successfully

- Developed and adapted the essential [tools](#) to manage, explain and promote the Green Homes & Green Mortgage programs
- Created tools to help mitigate Energy Poverty by partnering with local governments
- Signed partnerships with residential real estate developers/investors, banks offering discounted “green” mortgages
- Launched a Green Homes Investment Platform
- Launched a Green Homes Solution platform for companies providing the services, materials, technologies and other products necessary to build exemplary green homes projects.

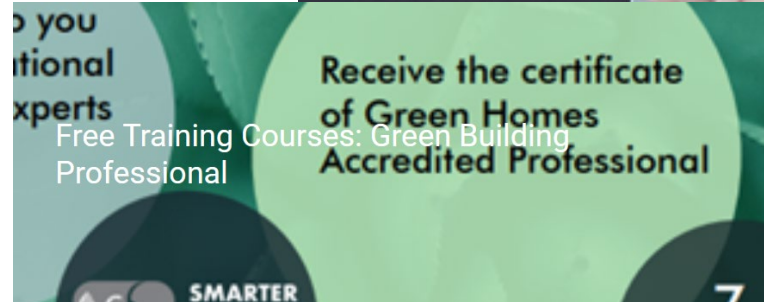


Toolkits

Municipal platform



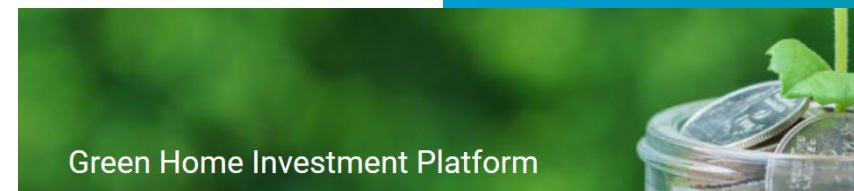
Become a member of SMARTER Municipal Platform



Free training for municipalities

Guidance for property evaluators

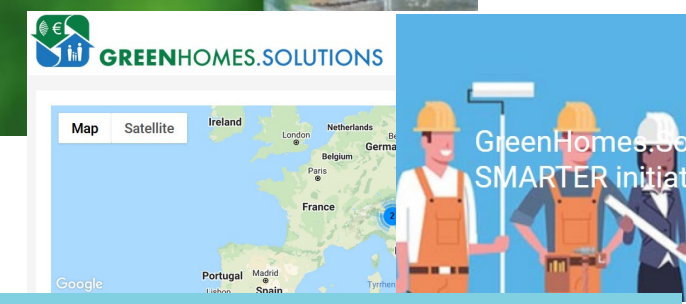
Guidance Document For Property Evaluators: Green Homes Appraisal Toolkit



Green Home Investment Platform

GHIP

Green Homes Solutions Platform



GreenHomes.Solutions SMARTER initiative

SMARTER Meets or Exceeds EU Taxonomy Objectives

The SMARTER program is designed to support residential projects that meet or exceed the requirements of the [EU Taxonomy for Sustainable Activities \('EUT'\)](#); which brings science-based clarification on what institutional investors and financial markets should consider “green”

The SMARTER certification

- meets or exceeds the EUT Technical Screening Criteria for Substantial Contribution to Climate Change Mitigation at over 20 discrete points
- meet or exceeds the 5 objectives of the EUT Do No Significant Harm Assessment Criteria at over 70 discrete points
- **The Do No Significant Harm Assessment Criteria** has been one of the most challenging areas of EUT alignment for the banking sector and is simplified through the SMARTER certification ensuring EUT alignment at a property, project and portfolio level

APPROACH The initiative combines a comprehensive and credible green residential certification and verified high achievement on a home’s Energy Performance Certificate with a discounted ‘green mortgage’ from a partner bank. [Green Homes & Green Mortgages: a Toolkit for Residential Investors & Developers](#) provides a comprehensive explanation of how the program functions. Implementing partners are free to develop their own or adapt a partner’s green residential rating system or utilize certification programs such as LEED, HQE, DGNB, BREEAM and Living Building Challenge to assess the homes locally.

Ongoing Key Activities

- **Researching and continuously improving and adapting a full set of “Essential Tools”** describing the Green Homes & Green Mortgage programme to grow the initiative
- **Identifying and certifying new construction and renovation projects of residential investors, developers and homeowners** who will qualify for discounted financing by achieving ambitious energy and other green criteria
- **Facilitating the exploration and launch of innovative, finance products in each partner country by supporting banks providing renovation loans and mortgages for new construction** to partner with local Green Building Councils and other expert non-profit organizations administering the Green Homes & Green Mortgage programme. Potential policy barriers are addressed through discussions with key institutions Network For Greening the Financial System, National Banks, Finance Ministries, and Bank Regulators to present the benefits of ambitious Green Finance programs
- **Educating those considering renovating, constructing or purchasing new homes** on the financial and other benefits of a green approach; which will provide a better home at a lower total monthly cost of ownership (mortgage + energy + repair + health) costs. The project will thus stimulate for demand for better quality, safer, healthier, energy performant and greener homes



SMARTER certification complies with the European Commission's DG Environment's Level[s] program

Level[s] is a framework of the minimum conditions a green building certification should include. This requirement ensures residential projects receiving the green mortgages and loans meet not only stringent energy performance standards but also promote the many other non-energy green criteria such as use of non-toxic, sustainably sourced building materials, access to public transportation, community amenities and indoor air quality.

SMARTER and the EU Green Bond Standard

The impending EU Green Bond Standard ('EU GBS') proposes that any type of listed or unlisted bond or capital market debt instrument issued by a European or international issuer that is aligned with the EU GBS should qualify as an EU Green Bond. The proposed draft model links the use-of-proceeds of EU Green Bonds to the EUT Regulation. EU Taxonomy-aligned projects are included in eligible portfolios and qualify for EU Green Bond financing. The SMARTER certification ensures EUT-alignment and provides the foundation for EU Green Bond Financing.

Research supports significantly lower mortgage default risk as borrowers with certified green homes will have more capacity to repay due to lower operating costs and higher long-term property valuations associated with Green Homes.

Objectives for Green Finance from SMARTER

1 Green Finance should support only initiatives meeting or exceeding the most stringent climate mitigation targets of the Paris Agreement

The development of taxonomies and other initiatives to determine eligibility for investments and banking products to be considered “green” – and worthy of the related financial benefits – is currently under heated discussion. The SMARTER initiative encourages the banking and investment community to become the “heroes” of the green transition and support inclusion only of projects that are truly transformative rather than projects that are simply “less bad”. The success of residential projects withing the SMARTER green mortgage programs demonstrates there is no trade off between deep green performance and business success.



SMARTER relevant research and tools

Comprehensive Toolkits for Real Estate Investors/Developers, Banks and Green Homes Solution Providers provide the rationale, methodology, detailed criteria, and financial examples necessary to inform and engage all necessary stakeholders

<https://c2e2.unepdtu.org/collection/green-mortgages-green-renovation-loans-a-toolkit-for-financial-institutions/>

Objectives for Green Finance from SMARTER

2 The SMARTER initiative should serve as “the bridge” between the banking and investment industries and construction and building / real estate industries to build the business case for deep green performance

Currently, there are successful green certification initiatives adopted by investors, owners, and occupiers desiring green buildings. There is also a significant (and growing fast) interest in “green finance” or “climate finance” as countries, companies and all levels of society recognize the benefits of acting upon global environmental problems. The SMARTER initiative has indicated a significant gap in understanding between the needs and understanding of high-level finance and the details of individual building projects and their achievement of green performance. SMARTER believes any green finance product or initiative must include only individual projects that meet strict environmental performance; hence those projects are the “building blocks” of the resulting investment products and portfolios of green bonds

Hear about the experience, rationale and results of the successful Smarter Finance for Families initiative

& Key trends driving growth in the green finance market

How homes in a bank portfolio contribute to ambitious environmental performance and financial risk reduction

Evidence to justify implementation of robust green finance programs by banks

Implementation by national policies and new policies to accelerate and reward green performance from banks

How banks issuing retail mortgages and development loans can implement best in class green finance programs consistent with the EU Taxonomy on Sustainable Finance

Webinar
The Building Blocks of Residential Green Finance

30 September 2021
2 - 4 pm CET

Register for your free place

<https://c2e2.unepdtu.org/events/the-building-blocks-of-residential-green-finance-webinar/>

SMARTER FINANCE FOR FAMILIES HOSTED BY COPENHAGEN CENTRE FOR ENERGY EFFICIENCY

ROMANIA GREEN BUILDING COUNCIL Green Building Council Italia

ULB BATir

The initiative has received funding from the European Union's Horizon 2020 program under Grant Agreement 647141

SMARTER relevant webinar

A detailed webinar “the Building Blocks of Residential Green Finance” is available to banking representatives and other interested stakeholders to explain the business case, benefits and responsibilities of implementing a best-in-class green mortgage / green loan program.

https://c2e2.unepdtu.org/kms_object/the-building-blocks-of-residential-green-finance-webinar-30-09-2021/

Objectives for Green Finance from SMARTER

3 A systemic solution is required for the systemic problem of poor environmental performance of the building sector

The SMARTER initiative was intentionally designed to engage the many essential stakeholders in the building process to provide motivation for all parties to improve their environmental performance. To date, there has been good engagement of investors/project developers, banks offering relevant financial products such as mortgages and renovation loans, “solution providers” who offer relevant services, materials, technologies, and other products required to green buildings and civil society/environmental organizations.

Organizations can deepen their understanding of the rationale and benefits of green building to support their future business success. An example would be moving beyond demonstrating “CSR” and “ESG” achievement, to analyzing the risk reduction of green performance from an underwriting perspective.

Beyond the essential stakeholders listed above, many other interested and involved parties can be engaged on the green building topic such as financial evaluators, legal advisors/attorneys, insurance providers, pension funds and other institutional investors. Each of these professions/industries will benefit greatly from a better understanding of the benefits of green buildings and how that must change their own practices as our economies transition to a greener future.

Guidance Document For Property
Evaluators: Green Homes Appraisal Toolkit

SMARTER sample legal agreement & guidance for property evaluators

A set of sample legal agreements explaining the rights and obligations of the essential stakeholders facilitates the implementation of Green Homes & Green Mortgage programs. Agreements between Investors/Developers and the Certifying Organization to evaluate a residential project’s green performance and Banks and the Certifying Organization defining the partnership necessary to offer Green Mortgages and Green Loans that are available only to qualifying green projects.

In addition, a comprehensive document explaining how the financial valuation process of residential properties is modified due to new design approaches, materials, technologies related to green residential projects is available to address the potential unfamiliarity within a country’s corps of financial evaluators with the effect of greener building approaches on the valuation of a home prior to issuance of a mortgage or loan.

https://c2e2.unepdtu.org/kms_object/guidance-document-for-property-evaluators-green-homes-appraisal-toolkit/

Objectives for Green Finance from SMARTER

4 SMARTER for ALL. Green Finance as an equitable solution with a strong business case for all countries of the Paris Agreement

While developed economies struggle with implementing the sustainability requirements to ensure a secure future for our planet, developing economies are concerned how will they finance a green transition and choosing between economic development and green commitments.

The SMARTER initiative provides benefits for all stakeholders with any investment premiums required to achieve green performance more than offset by the immediate and long-term financial risk reduction accompanying green projects. Benefits are greater in countries with low or poorly enforced building standards as select banks and investors essentially reward better quality projects in the absence of sufficient government standards.

Furthermore, it is our lowest income citizens across all countries who often must choose between building comfort, food, health and other essential human rights. SMARTER provides a high level of positive social impact, leverages private investment, and reduces dramatically the potential negative trajectory of environmental impact traditionally associated with economic development.



SMARTER relevant research and tools

A substantive online training program and detailed tools and other useful documentation have been created to assist new countries – particularly in emerging market economies – to quickly launch comprehensive, credible and impactful Green Homes & Green Mortgage programs. In addition, strategies to pair government-driven energy poverty mitigation efforts with private finance and utilizing the immediate and long-term cost reduction benefits are available to bring the benefits of green finance and sustainable homes to more citizens around the planet

<https://c2e2.unepdtu.org/energy-poverty/>

Objectives for Green Finance from SMARTER

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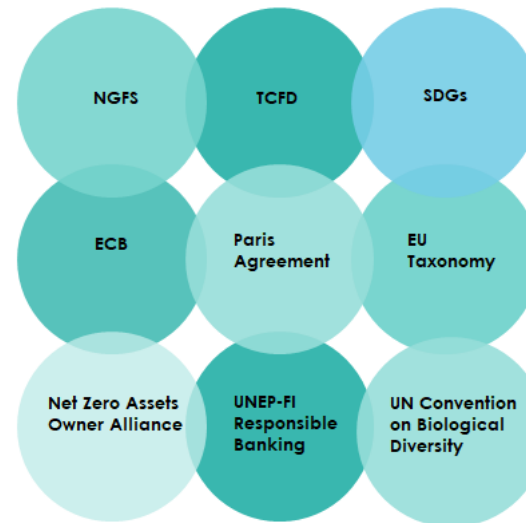
Support the activities and recommendations of the Network For Greening the Financial System, “green” National Banks, and other climate finance policy leaders promoting suitably ambitious sustainability objectives

The Network for Greening the Financial System (NGFS) and other green finance initiatives have done an excellent job of bringing together the most important policymakers defining how climate finance and climate risk is reported and mitigated via finance policy actions.

The SMARTER consortium members engaged with NGFS members at the local level to

- demonstrate the on-the-ground success of an ambitious green mortgage and green loan program
- support finance policies that reward exemplary environmental performance
- bridge gaps in understanding and communication between the construction and real estate industries and the banking and institutional investment industries

Explaining, with verified research and detailed data, how greener homes can reduce systemic climate risk and energy security and cost risk to countries’ financial systems and their citizens has been and will continue to be an important action of SMARTER.



SMARTER relevant tools

A comprehensive document that provides

1. Numerous policy recommendations to help National Banks, regulators and the banking sector as a whole implement and grow green finance in their own country
2. Recommended minimum green performance criteria that should be achieved to indicate eligibility for green finance projects is available.



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An illustration on the left side of the page shows two stylized human figures on a staircase made of blue and grey blocks. A man in a white shirt and dark pants stands on the bottom step, pushing a large blue block up the stairs. A woman in a white top and dark pants is on a higher step, also pushing a large blue block up. The background is a solid light blue.

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