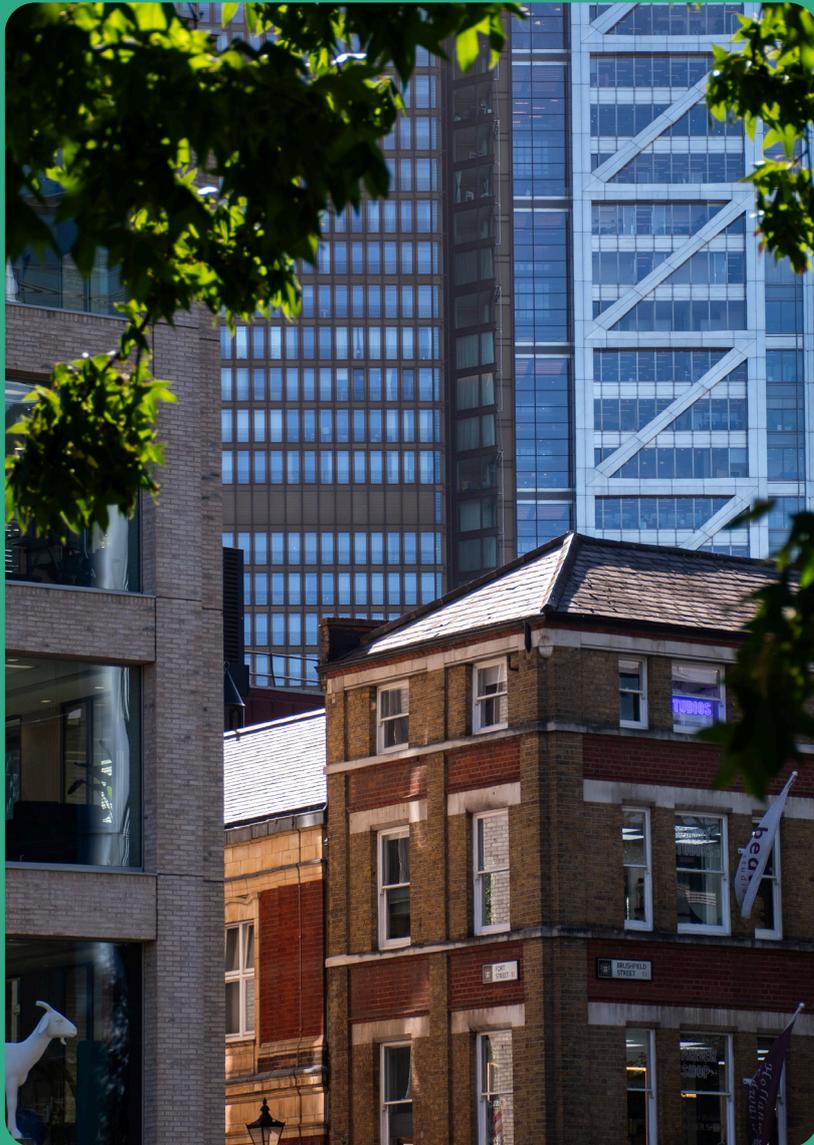




Software made for you

The Green Finance Guide for Real Estate



Executive summary

Green finance is about hard data and financial results, not just green labels or marketing. Nordic property owners can secure steadier refinancing, lower risks, and millions in yearly savings by focusing on proven energy performance and clear upgrade plans instead of one-off "green" badges.

EU rules like the Taxonomy, the Energy Performance of Buildings Directive (EPBD) and the Energy Efficiency Directive (EED) are all pointing in the same direction: more money toward energy-saving buildings, requiring 85 % of green bond funds to meet strict green standards. Real estate is a cornerstone of the Nordic economy, and because most of the buildings that will be standing in 2050 are already built, renovation and transition financing have become structurally central.



Key Findings

Green financing gives small discounts that become big money at scale. Green loans, bonds and covered bonds might only be 0.03 percentage points cheaper, but on €466 M of debt that still means roughly €140 k or more in savings per year, plus the benefit of more interested investors and better-rated collateral.

Lenders approve green financing based on hard numbers about energy use, not just promises. They focus on EPC ratings (A grade or top 15% most efficient), total energy needed (primary energy demand) and energy use per square meter (energy intensity); certificates like BREEAM add support but cannot replace actual meter readings tracked over time.

Risks compound without digital infrastructure: Fragmented metering and weak evidence lead to rejected applications; greenwashing exposure and stranded assets - i.e. properties losing so much value that it no longer earns a reasonable return - as benchmarks tighten.

Strategic Actions

Get the right data platforms to track energy data automatically. Install unified meters across buildings, connect building management systems (BMS), and set up software that verifies performance on its own. This provides reports that speed up bank approvals and proves your upgrade plans are on track.

Create a clear upgrade roadmap for your buildings. Map current energy performance as a starting point, set specific improvement targets and spending schedules that match EU building rules for 2030 and 2050, so even your non-green assets can qualify for green financing.

Align sustainability and finance teams: Standardize internal frameworks matching lender criteria to minimize friction and secure preferential terms.

Contents

The Climate Targets... and the Finance Logic They Accidentally Awoke	4
<i>Banks as Intermediaries, not climate stewards</i>	4
<i>The renovation backlog and the perceived simplicity of new construction</i>	6
A straight-forward map of green real estate finance.	8
<i>The green instruments</i>	9
<i>What these instruments actually translate to (in money terms)</i>	12
<i>Indicative interest rate differences</i>	14
<i>The broader strategic value</i>	15
What counts as green? The data that makes or breaks it	16
<i>Green finance frameworks</i>	17
<i>The metrics that matter</i>	18
The digital infrastructure behind a green loan decision	20
<i>Risks, pitfalls and the many faces of greenwashing</i>	22
<i>Market and regulatory risks</i>	23
The road ahead: From green labels to transition logic	25
<i>Data, AI and the future of real estate finance</i>	26



The Climate Targets... and the Finance Logic They Accidentally Awoke

The story usually begins in 2015 with the Paris Agreement. Even though this global commitment to limit warming well below two degrees is an environmental mandate, it relies on instruments rooted in the economic system. The United Nations did not outline a sustainability communications plan. It outlined a need for a structural shift in how societies produce, consume and, most importantly, allocate capital.

This is the context in which the European Green Deal, CSRD, EPBD and EED have emerged. They did not arrive all at once, and they vary in clarity and effectiveness, yet together they form a bridge between climate ambition and the economic mechanisms intended to deliver it. They provide a common language for investors, lenders and companies to understand where capital is expected to flow, and under what conditions. In regulation, reporting and reasoning.

Real estate sits in the middle of this bridge. Nearly every activity in society takes place inside some form of building. Homes, workplaces, schools, logistics, data centres –all of it depends on physical structures that anchor both national economies and household wealth. The sector is not a passive landlord in this system. Property companies invest across borders, acquire and divest assets, influence currency flows and form part of the portfolios that pension funds rely on for long-term stability. When the value or functionality of these assets shifts, the impact reverberates far beyond individual property owners. The sector's tight integration with the wider economy gives it a structural role in both financial stability and climate transition.

The Nordic perspective sharpens the point. A large share of the region's buildings will remain in use far longer than any of us will. New construction matters, but the future will be shaped by the performance of the buildings already standing. Renovation and tran-

sition financing are therefore not supporting themes. They are central to aligning long-lived assets with long-term climate and economic realities.

These economic realities are increasingly shaped by a set of financial instruments that determine how capital moves through the built environment –green loans, green bonds, improvement loans, transition structures and the mortgage-backed systems that sit behind them. Understanding these instruments is not an academic exercise. It is a way of understanding how real estate owners will finance upgrades, manage risk and signal credibility in a market where regulation and capital are tightening in parallel.

This guide, in other words, starts with the climate yet concerns itself far more with balance sheets. EU regulation is not a moral compass. It is a market signal, and like most market signals, it rewards whoever can read it without squinting. So come read with us.



The Economic Conditions Shaping Green Finance

Even if climate targets and the shared challenge of keeping the planet habitable form the backdrop of this report, the next step requires a shift in perspective. Green finance does not begin with climate ambition. It begins with the economic logic that determines how risk is priced, how capital moves and why certain investments stall while others accelerate.

It is worth underscoring one structural fact: much of what this report later calls “criteria”, “standards” or even “eligibility” ultimately traces back to the EU Taxonomy. In practice, the taxonomy functions as the reference architecture of green finance. It does not dictate how every bank must operate, nor does it settle every grey area, but it provides the underlying logic that lenders, investors and regulators return to when defining what qualifies as environmentally sustainable.

Understanding this logic is essential not only for grasping green financing, but for understanding the financial system that green financing must operate within. These dynamics extend far beyond a single financing track. They influence credit conditions, asset values, refinancing behaviour and the stability of the real estate sector as a whole.

The rest of this report focuses on the specific criteria, data requirements and decision points that shape individual financing processes. Yet these details only make sense when set against the broader conditions that shape lenders’ behaviour. Green finance does not operate in a vacuum. It operates inside a system that reacts strongly – and sometimes abruptly – to uncertainty.

The following factors are essential to understand because they influence the conditions under which real estate financing actually operates.

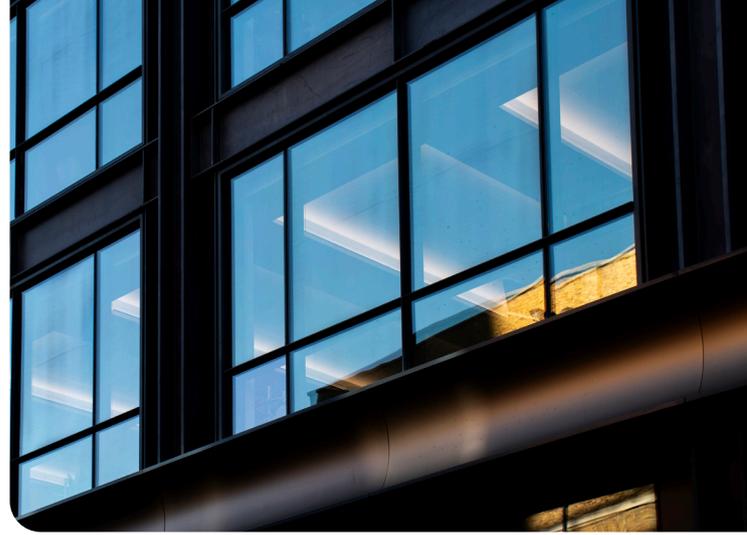


The EU Taxonomy doesn’t decide everything. But it defines the logic of what counts as green.

A Sector Intertwined with the Wider Economy

Real estate is woven tightly into the Nordic economic structure. When a property company becomes over-leveraged at interest levels that cannot be sustained, the effects rarely remain within the company’s walls. Distress spreads to suppliers, construction firms, proptech companies, municipalities and pension funds whose portfolios depend on property values. A single imbalance in one balance sheet can therefore turn into an economy-wide disturbance simply because the sector is embedded in so many interconnected activities.





Banks as Intermediaries, Not Climate Stewards

Banks serve many functions. Allocating capital for environmental purposes is not formally one of them. They act as intermediaries whose primary concern is risk, stability and the safeguarding of depositor funds. Their decisions rest on a combination of reliable data, regulatory predictability and confidence in the long-term value of the asset. Christine Lagarde, the President of the European Central Bank, has repeatedly emphasized that financial stability hinges on transparency and credible information. When information is incomplete or unverifiable, the logical response for any credit committee is to protect the balance sheet, not the climate.

Digital Infrastructure Determines Financial Outcomes

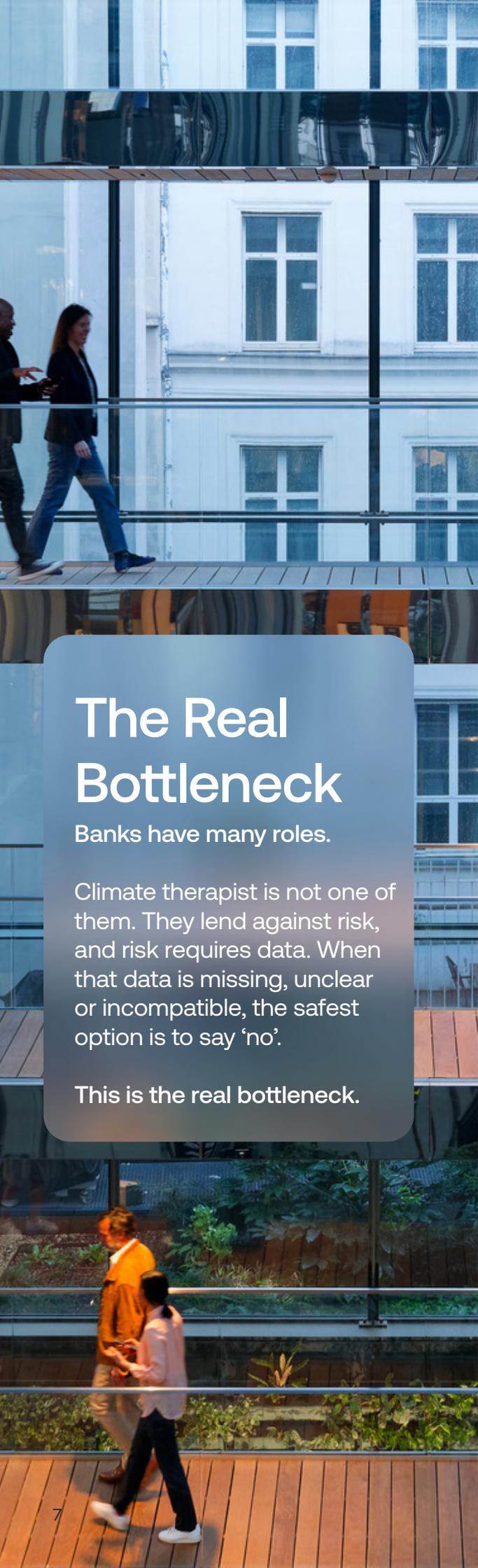
The system asks lenders to assess long-term performance using data that is often inconsistent, incomplete or siloed in incompatible formats. Underwriting –the process through which a lender evaluates risk, future performance and the likelihood that a loan will be repaid – becomes slower and more conservative when the foundation of that evaluation is unstable. Energy baselines differ, metering coverage is uneven and documentation is rarely standardised. In essence, the bottleneck is not capital. It is clarity.

A market shaped by wavering directives

Regulation in this field is evolving quickly, which is expected, but the recent Omnibus adjustments have created uncertainty at an unfortunate moment. Some requirements have softened, others remain ambiguous, and several are still awaiting formal interpretation. The same dynamic applies to EPBD reforms: new rules for energy classes may be politically agreed in Brussels, but they do not take effect overnight. They must be transposed into national legislation, aligned with local methodologies and translated into concrete thresholds that owners and lenders can actually use.

That implementation journey takes time – and during that time, the market is left with open questions. What will the final benchmarks look like? When will they apply? Which assets will fall on the wrong side of the line?

For borrowers, this introduces moving targets. For lenders, it raises perceived credit risk until the regulatory trajectory becomes clearer. In a market that needs stability to plan multi-year investments, predictability has become something of a scarce resource.



The Renovation Backlog and the Perceived Simplicity of New Construction

New construction appears easier to label green. It can be designed to fit current standards, paired with familiar certifications and slotted neatly into green financing frameworks.

This perceived simplicity is, however, only partial. New buildings carry embodied emissions that certifications do not always capture, and these upstream impacts are gaining regulatory and financial relevance. Existing buildings require phased upgrades, renovation planning and long-term monitoring. Yet they make up the vast majority of the assets that will define the Nordic economy for decades. The tension between financing new construction and the necessity of upgrading what already exists is one of the defining structural challenges of the green finance market.

A further complication comes from how eligibility criteria are shaped by the building's age. Many financing frameworks distinguish between assets built after recent standard-setting years and those constructed before them. A post-2021 building may qualify based on assumed baseline performance, while older assets must demonstrate measurable improvements or alignment through documentation, renovation plans or verified impact. This creates uneven entry points across a mixed portfolio and adds another layer of complexity to how green loan eligibility is assessed.

The Real Bottleneck

Banks have many roles.

Climate therapist is not one of them. They lend against risk, and risk requires data. When that data is missing, unclear or incompatible, the safest option is to say 'no'.

This is the real bottleneck.

A Straightforward Map of Green Real Estate Finance

Before we sort the green instruments, we need to establish the basic financing landscape. Everything in real estate finance, no matter how sophisticated the label, is built on two fundamental ways of borrowing money.

If you understand these two, you can understand the entire toolbox.

The Two Building Blocks of All Property Financing



Loans

– borrowing from a bank

A loan is a private agreement. The bank gives you the full amount on day one and you repay it gradually.

Each repayment includes:

- Interest (the price of borrowing)
- Principal (the part that reduces your debt)

Because the principal is repaid over time, loans shrink continuously. They melt.

This model is relationship-based, negotiated and often tailored.



Bonds

– borrowing from the public

A bond is completely different. Instead of borrowing from one bank, you borrow from many investors at once – pension funds, insurance companies, asset managers and others operating in the public capital market.

The structure:

- You sell the bond (your IOU).
- Investors buy it.
- You pay interest (coupons) during the term.
- You repay the entire principal at maturity.

Unlike a loan, a bond does not shrink over time. It stays whole until the end.

Bonds are standardised, regulated and traded.

With this foundation, we can now map the green instruments clearly and consistently.

The Green Instruments

Green Mortgages

The main green instrument for commercial property owners.

Green mortgages follow loan logic, but they are targeted at private homeowners.

Banks offer slightly better terms if the home is energy-efficient or certified.

Why they appear here:

the term is often confused with green loans, so clarity matters.

Why they are not relevant:

primarily relevant for retail residential lending, and less central for commercial portfolio financing.

Green Loans

The main green instrument for commercial property owners.

Green loans follow loan logic and are defined by use of proceeds.

You get favourable terms if – and only if – the money funds eligible green activities such as:

- major energy-efficiency upgrades
- EPC improvements
- HVAC, automation or insulation retrofits
- rooftop solar or geothermal systems
- constructing Taxonomy-aligned buildings

A green loan is tied to specific actions, not your general ESG performance.

This distinguishes it from sustainability-linked loans.



Green Bonds

The flagship instrument of the Nordic market.

Green bonds follow bond logic. A company issues a bond, investors buy it, and proceeds must be allocated to eligible green assets or projects.

What makes the Nordic version special is not just uptake –it is the origin.

The modern green bond market was effectively launched when SEB arranged the World Bank's first labelled green bond in 2008.

Nordic banks then built frameworks, methodologies and impact reporting practices long before EU regulation required it.

Real estate firms were among the earliest corporate adopters.

Why green bonds are considered “mature”:

- global standards exist (Green Bond Principles)
- investor expectations are well-defined
- transparency requirements are established
- Nordic real estate issuers have a long, consistent track record

Today, it is common for 40–60 % of a Nordic issuer's outstanding bond stock to be labelled green.

This is exceptionally high by international standards.

Green Covered Bonds

A safer, collateral-backed version of a green bond.

Green covered bonds follow bond logic, but with an extra layer of security – the mortgage pool.

But what exactly is a mortgage pool? It is a legally ring-fenced collection of mortgage loans that a bank groups together as collateral for a covered bond.

Step-by-step:

1. The bank bundles many mortgage loans (each backed by a real property).
2. These loans form a protected “pool”.
3. Investors who buy the covered bond have first claim on this pool if the bank fails.
4. When the covered bond is “green”, the proceeds must finance green buildings or upgrades.

It is the safest large-scale debt structure in Europe because investors can recover their money from real assets, not just the bank’s general balance sheet.

A small historical footnote:

Yes, mortgage pools were also misused in 2008 – but that was the unregulated, opaque version. Covered bonds are the opposite: transparent, supervised and notably free from creative storytelling.

In a market where green bonds represent a significant share of total issuance, sustainability has become part of financial normality, not a niche overlay.

Source: Nordea Sustainable Funding, nordea.com/en/investors/debt-and-rating/sustainable-funding

Why this matters for you:

Even if you do not issue covered bonds, your green buildings can sit inside these mortgage pools, making them attractive collateral and indirectly improving your loan terms.

Green Mortgage-Backed Securities (MBS)

Where loans meet the bond world.

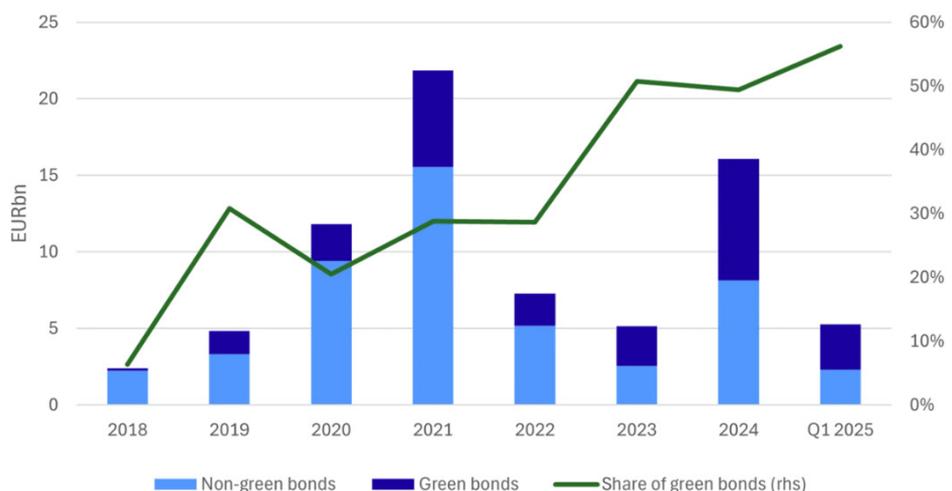
Green MBS begin as loans – typically green mortgages or smaller green property loans –but are packaged and sold using bond logic.

Mechanism:

- Banks originate green mortgages or small green loans
- They pool them (similar to covered bonds, but with different legal structure)
- Investors buy securities backed by the pooled loans
- The bank frees up capital and can issue more green lending

Relevance:

Indirect, but important. As banks securitise more of their green lending, they demand better and more consistent building-level sustainability data –including from commercial borrowers.



Green Renovation or Improvement Loans

The practical tool for the buildings that already exist.

These follow loan logic but reward measurable improvement rather than absolute performance.

Eligibility often involves:

- EPC improvement
- energy intensity reduction
- lifecycle emissions reductions
- fossil-fuel phase-outs
- digital monitoring and optimisation systems

This is a central instrument in the Nordics, where most of the 2050 building stock already exists.

Green Securitisation Structures

The capital-recycling machinery of green finance.

These structures combine:

- loan origination
- pooling (mortgage pools or asset pools)
- issuance of securities to investors

Examples include:

- green covered bonds
- green MBS
- green asset-backed securities

Their function is simple:

they expand the lending capacity of the system. But they also require robust, asset-level sustainability data – the currency of credibility in green finance.

Transition Finance

Financing for assets that are not green yet but have a credible path.

Transition finance follows loan logic, but requires:

- a transition plan
- milestones
- monitoring
- alignment with future regulatory trajectories (e.g., EPBD 2030/2050 pathways)

This captures the “middle of the portfolio” – the majority of commercial buildings.



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Back in 2018, when we issued our first green bond, sustainable finance was still emerging. We chose to embed it at the core of our capital structure. Our green framework has guided our sustainability work ever since. Since 2021, all external financing – including bank loans – is green. It reflects how we believe a modern real estate company should be financed.

— Fredrik Linderborg,
CEO, at real estate owner Vacse AB



But still, money talks.

And even if basis-point savings are modest, they remain very real – especially when applied to large debt books.

Indicative Interest-Rate Differences

The so-called “green premium” – the pricing advantage of labelled instruments – is usually measured in single-digit basis points.

Green bonds often trade slightly tighter than their conventional equivalents, and green corporate loans sometimes come with marginally better terms. In some cases the benefit appears not as cheaper interest but as access to larger facilities, longer maturities or more favourable refinancing windows.

However, the real significance of green financing lies in what it communicates to lenders.

A green-labelled building signals lower transition risk, more predictable operating costs and a reduced likelihood of regulatory shocks – all factors that influence credit appetite and refinancing conditions.

That signal matters.

It is part of the financial value of going green, even if it doesn't show up as a dramatic shift in interest costs.

Why Small Numbers Become Big in Practice

A difference of 3 basis points (0.03%) may sound negligible in isolation. Attach it to a SEK 5,000 million debt programme and it becomes roughly SEK 1.5 million in annual savings.

Extend that across multi-year maturities, rolling refinancings and future acquisition financing, and the cumulative effect becomes substantial.

The numbers matter

But the broader story is that green financing reduces refinancing risk, broadens investor demand and strengthens creditworthiness – advantages that grow more important as regulation tightens and capital allocators adjust to long-term climate constraints.

The Broader Strategic Value



For commercial real-estate owners, the financial logic of green instruments extends well beyond interest rates:



Refinancing stability

Green-labelled portfolios tend to attract wider investor interest and more predictable bank appetite, lowering the risk of difficult refinancing cycles.



Risk minimisation

Energy-efficient and regulation-aligned buildings are increasingly viewed as lower-risk collateral. Green financing reinforces this perception.



Portfolio resilience

Buildings with better energy performance and digital monitoring have more stable operating costs, making revenue streams more predictable.



Valuation defence

As markets increasingly price operational efficiency and transition risk into property values, green-financed assets tend to retain value more effectively.



Summary

- ❑ Interest-rate benefits are modest but meaningful at scale.
- ❑ The real value lies in refinancing stability, reduced risk and stronger investor demand.
- ❑ Green financing is not decorative; it is part of maintaining creditworthiness and asset value in a market shaped by regulatory tightening and rising energy-performance expectations.



What Counts as Green? The Data that Makes or Breaks It

Attaining a green label may sound binary – either the building qualifies, or it does not – but the underlying assessments are anything but uniform. Two lenders very rarely apply identical criteria. Their frameworks differ in emphasis, thresholds, accepted documentation and required certifications.

Yet this is not a free-for-all.

Despite the variation, there is a shared backbone: energy performance.

Every lender, regardless of methodology, ultimately returns to the same foundational question: How efficiently does the building use energy, and can that be proven?

Around this foundation, each lender builds its own interpretation – some weight EPC classes more heavily, others focus on lifecycle emissions, while a few relies on strict certification lists. What we can say with some confidence is that, more often than not, it is a combination of these factors.

**And energy performance
is always the anchor.**

Green Finance Frameworks



We are about to investigate the technical metrics and regulatory thresholds that green finance rely on, but in practice most real-world decisions pass through something far more specific: frameworks. Every major lender maintains one. Increasingly, large real estate companies do too. They are not marketing brochures or symbolic commitments. They are rulebooks – internal constitutions – that determine how green financing is assessed, justified and defended.

Although these frameworks vary from lender to lender, many draw inspiration from the EU Green Bond Standard (EU GBS). The standard is voluntary, not prescriptive, yet it operates as a kind of reference point for what “credible” green financing looks like. Its core expectation — that at least 85 percent of proceeds should finance activities aligned with the EU Taxonomy, supported by transparent reporting and supervised external review — has quietly become the benchmark that both banks and real estate issuers calibrate against. Few frameworks copy the GBS verbatim, but many echo its structure: clear use-of-proceeds logic, taxonomy alignment, documented allocation processes and a verifiable trail from capital raised to environmental outcome. In practice, the GBS functions less as a rulebook and more as an anchor. It provides a shared sense of what “good enough” looks like in a market that otherwise risks fragmenting into dozens of home-grown interpretations.

For banks, a green finance framework performs three essential functions.

First, it translates broad regulation into operational criteria they can actually lend against. A directive may specify that energy performance must improve, but a bank must decide by how much, for which assets, under what evidence and with what verification requirements. Second, it standardises internal decision-making. A loan officer in Malmö cannot apply different logic than a colleague in Helsinki simply because one has a stronger coffee that morning. And third, it protects the bank’s balance sheet. A

clear framework helps justify preferential pricing to supervisors, auditors and investors. Without it, lower interest rates risk being interpreted as unjustified risk-taking.

Real estate companies mirror this logic for a different reason.

Although they are borrowers in the primary sense, they also function – indirectly – as lenders. When a company issues a green bond or securitises a pool of mortgages, it is effectively offering the market a structured promise: capital will flow to assets that meet defined environmental criteria. To make that promise credible, they need their own framework. It explains which assets qualify, how proceeds are tracked, how allocations are verified and how the company ensures that its “green promises” survive contact with auditors and second-opinion providers.

This is why frameworks matter more than they first appear.

They set the practical conditions for eligibility, pricing, disclosure and ongoing monitoring. They shape which refurbishments are financeable, which upgrades receive preferential terms and how quickly a company can refinance when market windows open. They also determine how closely a borrower’s internal logic aligns with a lender’s. Where the two frameworks converge, financing flows smoothly. Where they diverge, even strong assets can stall.

Understanding these frameworks is therefore not administrative trivia. It is an essential part of understanding the market architecture itself. They explain why one borrower secures competitive green financing while another does not, why some assets qualify instantly while others require extensive evidence, and why financing terms can tighten or loosen without a single regulation changing.



The Metrics that Matter

The metrics below form the common language of green real-estate finance. Different banks speak the language with different accents, but the vocabulary is familiar across the sector.

EPC Classes

(and the Top 15 % Logic)

Energy Performance Certificates remain one of the most widely recognised indicators. In this context, “new assets” refers to buildings constructed after 2021, which are assessed against national Nearly Zero-Energy Building (NZEB) requirements. These buildings qualify as green if their Primary Energy Demand (PED) is at least 10 % below the national NZEB target. Buildings constructed before 2021 follow a different route: they are eligible only if they hold an EPC class A or can be shown to belong to the top 15 % most energy-efficient buildings in the national or regional stock based on PED performance. Renovations, finally, qualify either by meeting the national definition of a ‘major renovation’ under EPBD or by delivering at least a 30 % improvement in energy performance. Whatever a bank’s framework looks like, EPC classes almost always appear near the top.

Across the Nordic region, this familiar structure is now entering a period of revision. The implementation of the revised Energy Performance of Build-

ings Directive (EPBD) requires all member states to update their national methodologies, thresholds and class definitions. Several Nordic regulators have already begun this work: introducing new performance classes, refining calculation methods and adjusting benchmarks to reflect future energy and emissions requirements. Consultation processes are ongoing, and not all elements are fully settled.

The practical consequence is straightforward. EPCs remain central, but the criteria behind them are shifting. What qualifies as “top performance” today may look different once EPBD-aligned systems are fully in place, and lenders are already preparing for that transition in their frameworks and eligibility checks.

In short, the EPC logic is here to stay — but its contents are evolving, and borrowers will need to track those changes closely as national systems are updated across the region.

Primary Energy Demand (PED) and NZEB Benchmarks

PED measures total energy need from source to building –the full picture. For new construction, lenders often reference NZEB (Nearly Zero-Energy Building) or national PED thresholds. For existing buildings, documented reductions in PED can support green loan or improvement-loan eligibility.

Energy Intensity

(kWh/m²/year)

Some lenders prefer continuous metrics over label-based ones. Energy intensity provides a direct measure of consumption and can be benchmarked locally to account for climate variations.

Building Certifications

(but with varying acceptance)

Certifications are widely used, but not consistently across lenders. One bank may emphasise BREEAM Excellent, another may accept LEED Gold, and a third may use a broader list. A few maintain proprietary “approved certification” lists that are not always published in detail.

The important thing for borrowers: **certification can help – but it is rarely sufficient on its own.** Energy data still drives the credit logic.

Life-Cycle Emissions

(Operational + Embodied)

This area is expanding. With EPBD revisions and growing regulatory attention, lenders are beginning to request lifecycle documentation – especially for major renovations and new construction.

Thresholds, Trajectories and Local Benchmarks

Banks increasingly look at where a building is going, not just where it stands today.

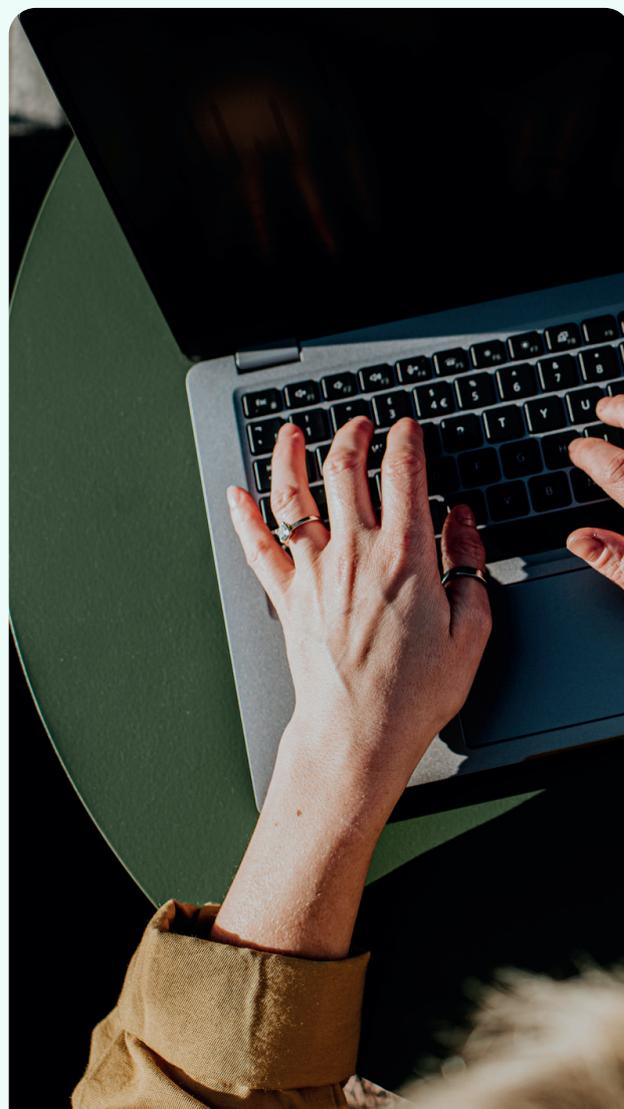
This means alignment with EPBD 2030/2050 pathways, national decarbonisation plans and climate-zone-specific baselines.

New Construction vs Existing Buildings

The distinction is becoming sharper:

- **New construction** is moving toward fossil-free operation, strict PED thresholds and – increasingly – embodied-carbon limits.
- **Existing buildings** are often judged on improvement potential: measurable uplift from a documented baseline.

Despite all these variations, the principle remains: **measurable performance, verified through credible data, is what makes a building bankable.**



The Digital Infrastructure Behind a Green Loan Decision

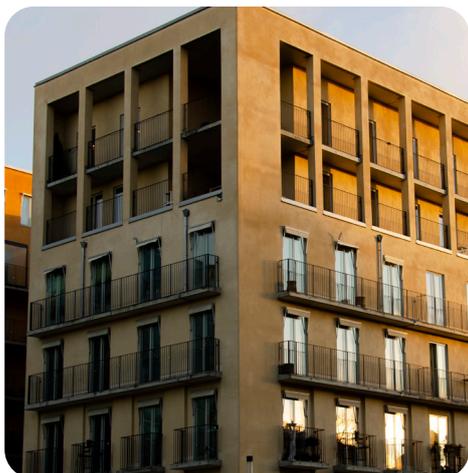
Green finance is not born in an architect's sketchbook or a glossy sustainability report. It begins its life as a spreadsheet – or, if you're lucky, a coherent and comprehensive facility and energy-management platform. Whether that dataset is structured or chaotic often decides the fate of a loan application long before the credit committee sees it.

What Lenders Actually Need

To classify an asset as green – or eligible for transition financing – lenders require data that is:

-  Traceable – clear origins for every datapoint
-  Consistent – one building, not five overlapping data systems
-  Auditable – able to withstand external scrutiny
-  Comparable – benchmarkable against regulatory or national thresholds data
-  Temporal – enough historical depth to assess improvement or deterioration

These requirements are not bureaucratic exercises. They are risk-management tools.



Why Many Borrowers Struggle

Commercial portfolios often contain:

- ❑ gaps in metering coverage
- ❑ mismatched BMS systems from acquisitions
- ❑ missing historical consumption data
- ❑ tenant-controlled meters without central integration
- ❑ inconsistent file formats and reporting cycles
- ❑ undocumented changes from past refurbishments

None of these issues are catastrophic on their own. Together, they create uncertainty – and uncertainty is the opposite of green.

A Practical Illustration

Upgrading an EPC class or lowering PED may be an engineering challenge.

Demonstrating that the improvement is real is an information challenge.

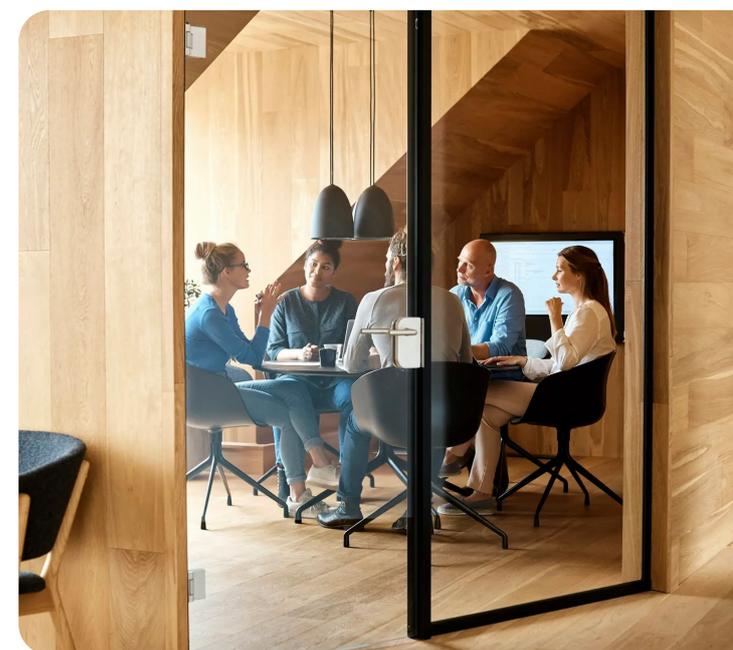
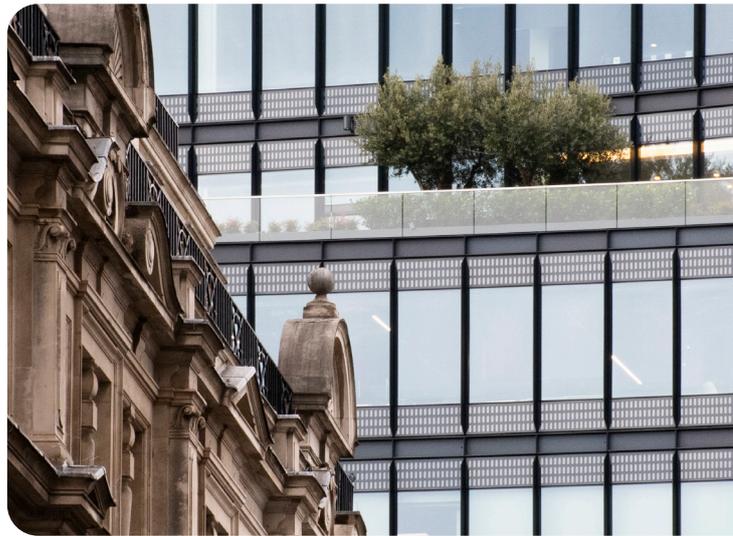
Without stable baselines, weather adjustments, verified metering and documentation of interventions, an “improved” building is just a claim – not a bankable asset.

How Better Digital Infrastructure Changes the Outcome

Robust digital infrastructure:

- ❑ reduces greenwashing risk
- ❑ accelerates bank assessments
- ❑ increases lender confidence
- ❑ supports more accurate pricing of risk
- ❑ strengthens the credibility of transition plans

Even more importantly, it shifts the borrower’s position. A well-documented building is not just “green.” It is predictable – and predictable assets are easier, safer and cheaper to finance.



Risks, Pitfalls and the Many Faces of Greenwashing

Green finance rests on credibility, yet credibility is surprisingly easy to jeopardise. Before examining the specific risks, it is useful to recognise why pitfalls emerge in the first place. They rarely stem from negligence.

More often, they arise from a combination of unclear eligibility criteria across lenders, internal misalignment between sustainability and finance functions, and a regulatory landscape whose assessment logic evolves faster than many organisations anticipate.

With that in mind, we now turn to the most common ways well-intentioned applications fall short.

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Econans supports our bank partners to accelerate the transition of their real estate portfolios. From our perspective, green financing faces risks in the current regulatory climate and in meeting stakeholder expectations when data behind it is too weak to trust or too static to inform decisions and gauge success in enabling the transition. High-quality, comparable data is essential. Moreover, we believe there should be better alignment on data and tracking methodologies from bank to bank to build credibility and maximize the impact of green financing.

— Sarah Anwar,
Head of Sustainability & Governance,
at Econans, the energy platform for banks

When Aspirations Outrun Evidence

The risk of entering the process without a plan

Many borrowers initiate green financing with strong intentions but without a clearly defined pathway.

The result is predictable: eligibility collapses under its own weight. Green financing rewards preparation, sequencing and data structure; operating without them turns every application into an improvised exercise.

Treating certifications as complete substitutes for data

Environmental certifications matter, but they function as proxies, not guarantees. They signal that an external expert has validated elements of performance that lenders would otherwise need to examine themselves. However, certifications differ in scope, methodology and credibility – and banks differ in how much trust they place in each system. Green eligibility will continue to depend on a mixture of certification plus verifiable operational data, not one instead of the other.

Mixing up operational and embodied emissions

Fewer borrowers confuse these today, but misunderstandings still arise when applicants assume that operational efficiency is sufficient on its own. In practice, different lenders emphasise different emission components, and knowing what your bank actually needs is part of the discipline. A well-prepared borrower distinguishes operational performance, embodied carbon and lifecycle considerations long before the application is submitted.



Market and Regulatory Risks

Criteria that vary across banks

Although energy performance, EPC and PED form the common foundation, banks apply these elements differently. Small differences – thresholds, benchmarks, accepted certifications – can determine whether a project is green, transition-eligible or neither. Borrowers who assume uniformity often discover misalignment late in the process.

Overconfident renovation business cases

Renovation projects frequently overpromise energy savings or underestimate disruption, cost and operational risk. As modelling tools improve, lenders increasingly expect realistic, data-driven projections rather than optimistic narratives. In green finance, a plausible forecast is more valuable than an ambitious one.

Internal misalignment between sustainability and finance teams

One of the least visible risks arises when sustainability teams and finance teams operate on parallel tracks.

If internal targets, definitions and assumptions differ from those used in financing frameworks, an otherwise eligible project can fail.

Organisations that succeed in green financing typically coordinate across engineering, sustainability, finance and reporting from day one.



Legal and reputational risks under shifting green-claims regulation

The Green Claims Directive (GCD) was originally designed to curb greenwashing by requiring companies to substantiate, verify and clearly communicate environmental claims. It would have introduced third-party verification, standardised methodologies and strict rules against vague or unproven statements.

However, the European Commission formally withdrew the proposal in June 2025. Its intent, though, has not disappeared. Instead, its core requirements are being absorbed into existing consumer protection law and the Eco-design for Sustainable Products Regulation (ESPR), which continue to tighten expectations around how environmental performance is described and evidenced.

For borrowers, the implication remains the same: any environmental claim used in a financing context must withstand scrutiny, whether the scrutiny comes from a regulator, a lender or an increasingly cautious market. Labels, projections and performance statements must be supported by transparent, verifiable data.

In other words, even without the GCD, the direction of travel is unchanged. Green finance and modern consumer-protection regulation share the same underlying logic: evidence over assertion.

The Consequence of Poor Data

Inconsistent, incomplete or unverifiable data breaks eligibility

A building may be energy-efficient, but if the data trail is fragmented — missing months, mismatched meters, undocumented interventions — the lender cannot verify it.

In green finance, unverified performance counts as non-performance.

Most rejected applications fail not on engineering grounds, but on information quality.

Today's green can become tomorrow's brown

Regulation will tighten; benchmarks will shift; the definition of "top 15 %" will be recalculated.

A building that qualifies today may not qualify in five years unless data continues to track its performance and improvements remain documented.

Green classification is not a one-time achievement — it is an ongoing demonstration.

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Greenwashing is rarely malicious.

It is usually the natural byproduct of ambition hitting the limit of available data. The remedy is not less ambition, but better evidence.

The Road Ahead:

From Green Labels to Transition Logic

From ‘Best Building’ to ‘Best Plan’

A quiet but decisive shift is underway in sustainable finance.

If the statements, consultations and working papers from actors like TCFD, ISSB, the Principles for Responsible Investment (PRI) and the Bank for International Settlements (BIS) point in any particular direction, it is this: markets are beginning to value credible long-term transition plans at least as much as isolated green flagship assets.

The reasoning is not mysterious.

A single certified building may be impressive, but it reveals little about portfolio-level exposure, operational risk or how the asset will perform under future regulation.

A transition plan, by contrast, offers what capital increasingly looks for:

- the starting point
- the decarbonisation trajectory
- the investment cadence
- and the evidence supporting each milestone

In short, portfolios are expected to demonstrate pathways rather than anecdotes.

Green finance is moving away from showcasing the one building that looks perfect and toward demonstrating that the rest of the portfolio won't be left behind – though the strength of that shift varies by instrument.

Some financing products still reward best-in-class assets, while others increasingly prioritise the credibility and direction of entire portfolios.

The Rise of Transition Finance

If green loans and bonds reward assets that are already strong performers, transition finance addresses the much larger and more consequential reality: most Nordic buildings are neither new, nor close to net zero, nor easily retrofitted.

Transition finance recognises this starting point.

It is designed for portfolios that may initially fall outside the “green” category but are committed to measurable, verifiable improvement.

Rather than focusing on the few buildings already operating at high performance, it channels capital toward the many buildings that need to improve.

For the Nordics – where the overwhelming majority of today's stock will still be standing long after 2050 – this financing logic is not an add-on. It is fundamental.

Transition finance aligns:

- lenders' need for predictable risk reduction
- owners' need to modernise existing assets
- regulators' need for credible, scalable progress
- and society's need for emission reductions where they actually occur

In practice, this means that a credible renovation and decarbonisation plan may soon unlock more financing value than a pristine new development.

Data, AI and the Future of Real Estate Finance

The next phase of green and transition finance will depend less on declarations and more on technical systems capable of demonstrating real-world performance.

Three developments stand out:

Automated Measurement

Energy performance, metering structures and system behaviour will increasingly be captured continuously rather than reconstructed periodically.

Automation reduces errors, eliminates gaps and strengthens the evidence base for lenders.

Predictive Analytics

AI models will play a larger role in turning technical interventions into financial forecasts.

They will quantify expected effects on:

- energy consumption
- operating costs
- carbon exposure
- long-term asset value
- and risk-weighted capital treatment

Continuous Verification

Eligibility will no longer be a one-time label.

Banks will increasingly monitor whether an asset or portfolio stays on its declared trajectory.

Owners with coherent, traceable and interoperable data will gain:

- cheaper financing
- faster approvals
- greater resilience under evolving regulation

The direction is clear: data-rich owners outperform data-poor owners, not because lenders are punitive, but because reliable underwriting depends on reliable evidence.



From Insight to Infrastructure

Green and transition finance depend on verifiable performance. As regulation tightens and lenders monitor assets over time, energy data becomes part of financing eligibility — not just operations.

At EG, we help real estate owners translate operational energy performance into financing-grade documentation.

EG EnerKey structures portfolio-level monitoring and documents improvement pathways aligned with EU Taxonomy, EPBD trajectories and lender-specific criteria.

EG Mestro delivers consistent, validated and traceable energy data across assets and geographies — supporting green loans, transition financing and sustainable bond frameworks.

In today's market, access to capital increasingly depends on data that is measurable, comparable and defensible.



EG EnerKey



EG Mestro



Learn more about
energy & sustainability
data for real estate at

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