

3 December 2025

## Introduction

INREV, the European Association for Investors in Non-Listed Real Estate Vehicles<sup>1</sup>, welcomes the European Commission's initiative to review the Climate and Environmental Delegated Acts and appreciates the opportunity to contribute to this Call for Evidence. The review comes at an important moment for the sector. The first years of application have underscored both the value of the EU Taxonomy as a tool to direct capital towards transition and the extent to which complexity, unclear criteria, and inconsistencies with other EU legislation have created practical implementation barriers. INREV strongly supports the Commission's objective to enhance clarity, reduce administrative burdens, and ensure a proportionate and evidence-based update to the technical screening criteria.

The Commission's highlighted problem of definitions resonates with the experience of institutional real estate investors, who face significant challenges due to overly granular technical screening criteria, disproportionate DNSH obligations, and misalignment with updated legislation, particularly the recast Energy Performance of Buildings Directive (EPBD). These issues have created legal uncertainty, generated substantial administrative and audit cost burdens, and complicated the disclosure of Taxonomy-aligned activities. INREV agrees that, without targeted EU-level action, these barriers will persist and risk undermining the credibility and usability of the Taxonomy framework itself, as highlighted in the Commission's own assessment of stakeholder concerns.

## Understanding the Real Estate Investment Model

The non-listed and listed real estate investment sectors see the proposed direction of travel as broadly positive. The [Platform's recommendations](#) would considerably improve usability and better reflect how real estate investment activity is structured in practice. It is essential to clarify that long-term real estate investors do not generate turnover from construction activities in the way that developers and construction firms do, and therefore depend on the Acquisition and Ownership category to demonstrate environmental performance.

This distinction has often been misunderstood, resulting in criteria that inadvertently exclude or penalise activities that are central to decarbonising the European building stock. Long-term investors engage in acquiring, renovating, redeveloping, and maintaining buildings in order to generate rental income to meet their fiduciary duty and provide high-quality spaces for society, not to sell newly constructed assets. Recognising this reality is fundamental to designing both usable and effective technical criteria for activities under the EU Taxonomy.

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<sup>1</sup> INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property funds industry across Europe. INREV currently has more than 500 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds that provide critical income security for more than 172 million people, as well as investment banks, fund managers, fund-of-funds managers and advisors representing all facets of investing in non-listed real estate vehicles in Europe and the UK. Our fund manager members manage more than 500 non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors.

## **Support for Transitional Activity Classification and Redevelopment Integration**

INREV supports the Platform for Sustainable Finance (Platform) proposal to classify both Construction of new buildings, renovations, and Acquisition and Ownership of buildings as transitional activities. This approach improves alignment with the EU's long-term climate objectives while acknowledging present limitations around embodied carbon, material decarbonisation, and the availability of harmonised energy performance data. The transitional label is particularly important for acquisition and ownership, which has historically been treated as a fully sustainable activity under certain conditions. The change is acceptable provided that clear decarbonisation pathways, realistic timelines, and transparent signalling are developed to give investors confidence about future requirements and their implications for long-term valuations. INREV has also welcomed the Platform's suggestion that redevelopment be integrated into either construction or renovation, as this would create a more coherent framework, reduce fragmentation, and acknowledge that deep renovations and redevelopment of existing buildings represent some of the most impactful climate-mitigation opportunities in the sector.

## **Avoiding Misaligned Incentives and Recognising Deep Renovations**

The review presents a critical opportunity to correct misaligned incentives within the existing framework. INREV has repeatedly stressed that retrofitting and upgrading existing buildings offer the greatest potential for emissions reduction, as the majority of Europe's building stock will remain in use beyond 2050. Yet, the current Taxonomy criteria fail to recognise that deep renovations and major upgrades can deliver substantial climate-mitigation outcomes, often exceeding those of new construction when whole-life carbon is taken into account.

As INREV noted in its response to the Platform on Sustainable Finance, the Taxonomy currently fails to recognise revenue generated by a building after an energy-efficient renovation as a sustainable activity. As a result, the Taxonomy KPIs understate the sustainability performance of real estate funds that invest heavily in upgrading existing buildings, and stakeholders receive an incomplete picture of the sector's contribution to decarbonisation. This omission risks incentivising demolition over renovation, leading to higher whole-life carbon emissions. The Taxonomy was never intended to compare the sustainability performance of new versus renovated buildings; instead, it should identify activities capable of making a meaningful contribution to climate objectives.

INREV therefore strongly supports the Platform's recommendation to replace "major renovation" with "deep renovation", ensuring terminology is consistent with technical literature, reflects the true scale of decarbonisation potential, and covers redevelopment scenarios where only parts of a building can realistically be preserved. Recognising deep renovations and redevelopment within the technical screening criteria is essential to avoid perverse incentives and to ensure that capital is directed to the most impactful decarbonisation actions.

## **DNSH Simplification**

The DNSH criteria remain one of the most significant barriers to usability. INREV strongly supports the Commission's commitment to simplification, recognising that the current criteria are often excessively complex, lack clear evidence pathways, and duplicate obligations that already arise from other EU legislation. INREV has consistently encouraged the use of building certifications, digital building passports, or equivalent evidence-based instruments to demonstrate compliance, provided that guidance is issued to ensure harmonised application. Simpler DNSH reporting channels, particularly when aligned with the EPBD, would substantially reduce administrative burdens and improve auditability while maintaining environmental integrity.

In the interest of simplifying DNSH requirements, we note that the Taxonomy Navigator currently lists ten economic activities under [“Construction and real estate activities”](#), each of which repeats a full set of DNSH criteria across climate mitigation, climate adaptation, water, circular economy, pollution prevention and biodiversity. Many of these DNSH fields are marked “N/A”, while others duplicate requirements across activities with only marginal variations. We encourage the Commission to consolidate DNSH expectations for real estate activities, particularly for Water, Pollution Prevention and Biodiversity, to avoid a proliferation of activity-by-activity thresholds that would make implementation unnecessarily burdensome and further discourage adoption by market participants.

## **Alignment with EPBD and Life-Cycle Carbon Methodology**

The Commission’s intention to align the Delegated Acts fully with the EPBD is strongly supported. The introduction of zero-emission building (ZEB) definitions, updated performance thresholds, and future life-cycle carbon requirements necessitates the replacement of outdated “NZEB –10%” references and a clearer articulation of energy and carbon expectations. INREV also supports the planned development of a pan-EU methodology for calculating life-cycle Global Warming Potential (GWP), but emphasises the need for phased implementation, transitional arrangements, and financial and technical support, particularly for assets over 1,000 m<sup>2</sup> where mandatory disclosure will be required. The real estate sector will require a realistic timeline to build capacity, develop reliable data processes, and ensure consistency with the revised EN 15978 standard.

In this context, further clarification would be welcome regarding the requirement under 7.7 Acquisition and Ownership for non-residential buildings with HVAC capacity above 290 kW to install an energy management or building automation system. The recast EPBD already introduces comprehensive digitalisation and monitoring obligations, including BACS, operational energy reporting and building logbooks. Ensuring that the Taxonomy’s technical screening criteria are aligned with these EPBD provisions would avoid duplicative or overly prescriptive requirements and support a more coherent and cost-effective implementation pathway for real estate owners.

## **Operational Energy Reporting and Use of Proxies**

Turning to the Acquisition and Ownership category, INREV agrees that energy performance reporting should evolve towards real annual operational energy consumption rather than relying exclusively on EPC values. This shift is consistent with the Platform’s recommendation to align assessments more closely with real-world energy use, but it requires clear definitions (e.g. such as measuring energy consumption readings through master-meters and/or sub-meters), robust calculation methodologies, and careful consideration of data availability, particularly in multi-tenant buildings where owners may not have access to full consumption data. INREV therefore supports the continued use of proxies, including recognised high-quality building certification schemes, to demonstrate compliance where direct consumption data are not available. This is especially important for assets outside the EU, where EPC systems may differ substantially or be absent altogether.

INREV also supports the requirement that proxies be transparently identified and urges the Commission to provide detailed guidance to ensure that proxy use, operational-energy reporting, and equivalency assessments are applied consistently across Member States. In this context, we note that many institutional real estate investors already use widely recognised forward-looking tools, such as CRREM’s decarbonisation pathways, to assess operational performance and transition risk consistently across jurisdictions. These tools demonstrate how science-based indicators can complement EPCs and proxies by providing transparent benchmarking aligned with climate-transition pathways.

## **Data Availability, Transparency, and Proportionality**

Data availability and transparency are crucial for a functional Taxonomy. INREV supports strengthened requirements for anonymised public databases and equivalence mapping for EPCs and green building labels. These steps will enhance comparability and improve the evidence base for policymaking. At the same time, data-collection obligations must remain proportionate, avoid duplication, and align with other reporting regimes such as CSRD, SFDR and EPBD. The Commission's broader political commitment to reducing reporting burdens is welcome, and INREV encourages the Commission to ensure that the revised Delegated Acts reflect that commitment in practice.

## **Interoperability**

Interoperability with other EU sustainability frameworks is essential to reduce reporting burdens and ensure consistent implementation. Real estate managers must already align disclosures across SFDR, CSRD, the EPBD and industry standards, and inconsistencies between these frameworks increase complexity without improving environmental outcomes. Clear alignment of Taxonomy definitions, data requirements and evidentiary pathways with existing reporting regimes would enable managers to use a single set of datapoints for multiple obligations, improving efficiency, auditability and investor comparability.

We would specifically welcome further clarification on the application of Minimum Safeguards, particularly in relation to service providers and subcontractors within the construction value chain. With these actors expected to fall under the forthcoming Corporate Responsibility and Due Diligence Directive, it would be appropriate to reconsider whether construction should continue to be treated as a high-risk sector for Minimum Safeguards purposes. Aligning the Taxonomy with the CRDDD framework would provide greater consistency and reduce unnecessary compliance burdens.

## **Conclusion**

INREV appreciates the Commission's intention to retain scientific robustness while improving usability, legal certainty, and proportionality. The real estate sector plays a fundamental role in achieving the goals of the Green Deal and the renovation wave, and the Taxonomy must reflect the operational and financial realities of long-term property investment. INREV stands ready to continue supporting the Commission throughout this review process and welcomes further engagement to share sector-specific expertise and practical insights from our diverse investor and manager community.