Position Paper on the Review of the EU Taxonomy Climate Delegated Act

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Introduction

INREV welcomes the European Commission initiative to enhance the usability of the EU Taxonomy technical screening criteria. 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. However, based on implementation experience across the real estate fund industry, further targeted adjustments are necessary to ensure that the framework is workable in practice and effectively supports capital allocation towards decarbonisation.

Aligning the framework with the real estate investment model

A central issue remains the misalignment between the Taxonomy framework and how the real estate market operates in practice.

INREV has consistently emphasised that long-term real estate investors do not generate turnover from construction activities in the way that developers and construction firms do, and instead depend on acquisition, ownership, renovation and redevelopment activities to deliver environmental outcomes.

This distinction is fundamental. The current structure of the technical screening criteria continues to reflect a construction-led logic, which does not fully capture how capital is deployed in the real estate sector. As a result, activities that are central to decarbonising the European building stock risk being misrepresented or under-recognised.

In particular, applying criteria designed for new construction to standing assets does not reflect operational reality. Requirements that depend on historical construction-stage documentation or processes do not necessarily improve the environmental performance of assets during the ownership phase, which is where real estate investors exert the most influence.

In the context of the current review, which aims to improve the usability and proportionality of the framework, this misalignment remains a key barrier to effective implementation. The Taxonomy must therefore more clearly distinguish between construction and long-term investment activities and ensure that criteria for acquisition and ownership are designed around operational performance rather than construction inputs. This should include greater recognition of asset-level performance during the holding period and of transition-driven activities such as renovation and redevelopment.

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Operational energy performance as the primary metric

INREV strongly supports the direction of travel towards aligning assessments more closely with real-world energy use. Energy performance reporting should evolve towards real annual operational energy consumption rather than relying predominantly on EPC values.

Experience from implementation demonstrates that EPC-based approaches are often inconsistent, theoretical and not fully reflective of actual building performance. A framework that prioritises actual energy use intensity would better capture environmental outcomes and provide a more credible basis for capital allocation.

At the same time, practical experience also shows that EPCs can serve a useful role in specific contexts, particularly where they provide a simple and readily available proxy or where operational data is not yet accessible. In some markets, EPC-based approaches have enabled initial implementation and comparability across portfolios. As such, EPCs should not be fully discarded, but rather positioned as a transitional or complementary tool within a broader framework centred on actual performance.

This shift towards operational energy requires clear and standardised methodologies for measuring energy use, including robust definitions of measurement boundaries and approaches such as master- and sub-metering, as well as consistent application across Member States.

While INREV has previously supported the use of proxies where data gaps persist, implementation experience shows that over-reliance on proxies risks undermining the credibility and comparability of the framework. The revised criteria should therefore prioritise actual performance data as the default approach, with any use of proxies, including EPCs, being clearly defined, limited and transparently disclosed.

In the context of the current review, such an approach would improve both the usability and the reliability of the Taxonomy framework, ensuring that reported performance more accurately reflects real environmental outcomes while remaining implementable in practice.

DNSH complexity and the need for structural simplification

The ‘Do No Significant Harm’ criteria remain one of the most significant barriers to usability. INREV has consistently highlighted that the current DNSH framework is excessively complex, lacks clear evidence pathways and duplicates obligations that already arise from other EU legislation.

The current structure, whereby multiple economic activities repeat largely overlapping DNSH requirements, creates unnecessary administrative burden without improving environmental outcomes. In practice, this results in significant documentation challenges, reliance on external consultants and reduced comparability across market participants. In addition, implementation experience indicates that a material share of resources is currently allocated to demonstrating compliance with DNSH requirements, rather than improving the underlying environmental performance of assets. This reflects both the complexity of the criteria and the absence of clear and standardised evidentiary pathways, which in practice leads to increased costs and divergent interpretations across jurisdictions. The resulting legal uncertainty further reinforces this dynamic, as firms adopt conservative and documentation-heavy approaches to mitigate audit and liability risks.

INREV therefore strongly supports further consolidation and simplification of DNSH criteria. Compliance should, to the greatest extent possible, build on existing EU legislation and recognised

permitting processes, avoiding the creation of parallel or duplicative requirements. Greater consistency across activities, including the consolidation of overlapping DNSH criteria, is essential to ensure that the framework is workable in practice.

INREV also supports the use of recognised certification systems, digital building passports or equivalent evidence-based instruments to demonstrate compliance, provided that guidance is issued to ensure harmonised application across Member States.

Such an approach would improve auditability, reduce administrative burden and ensure that compliance efforts remain proportionate to the environmental benefits achieved.

Climate change adaptation: need for clearer scope and methodology

INREV recognises the importance of climate change adaptation within the Taxonomy framework. However, implementation experience indicates that the current approach remains difficult to operationalise in practice.

The criteria rely on high-level, process-based requirements without sufficiently clear definitions, methodologies or thresholds. In practice, this amounts to an absence of an operational methodology to translate climate risk exposure into measurable resilience outcomes. Market participants are therefore required to develop internal assumptions and scoring approaches, leading to divergent interpretations and outcomes that are not comparable across assets or jurisdictions.

In particular, the absence of clear thresholds or outcome-based criteria makes it difficult to determine when adaptation measures are adequate and whether a building can be considered resilient. This creates structural uncertainty and undermines the reliability of reported results.

The current approach also raises significant proportionality concerns. Implementation experience shows that full adaptation assessments are often required even for assets with low or moderate climate risk, resulting in substantial costs without commensurate informational or environmental benefit. This suggests that the framework does not sufficiently differentiate based on actual risk exposure.

More fundamentally, the application of “substantial contribution” criteria to climate adaptation in the context of buildings warrants further reflection. In many cases, adaptation measures are more appropriately understood as risk mitigation rather than as a standalone environmental contribution, which raises questions as to whether the current conceptual framing is appropriate.

INREV therefore considers that further clarification is required to ensure that adaptation criteria are clearly defined, supported by a consistent and usable methodology, proportionate to actual risk exposure, and focused on material outcomes rather than process-based requirements alone.

Minimum safeguards: proportionality and relevance

Implementation experience suggests that the current approach to the application of Minimum Safeguards can result in disproportionate administrative burden and raises questions regarding its relevance to the assessment of real estate activities.

In practice, the application of Minimum Safeguards can shift the focus away from the environmental performance of buildings towards procedural assessments of policies and documentation, including those of third parties such as property managers. This creates a disconnect between the objective of the Taxonomy and the elements being assessed, with compliance often determined by the existence of formal policies rather than by demonstrable sustainability outcomes. This documentation-heavy approach also presents challenges from an audit perspective, where the assessment of policies and procedures may be complex and not necessarily linked to measurable outcomes.

A further structural issue arises from the interaction with existing EU legislation. Many firms in scope of the Taxonomy are already subject to due diligence and oversight requirements under frameworks such as the Corporate Sustainability Due Diligence Directive, as well as sectoral legislation including AIFMD, UCITS and MiFID. These frameworks already require firms to assess and monitor risks in their value chains, including with respect to service providers. The absence of a clear safe harbour within the Taxonomy leads to duplication, legal uncertainty and inconsistent application.

In addition, the current approach applies Minimum Safeguards at the level of individual economic activities, while relying on high-level international frameworks such as the OECD Guidelines and the UN Guiding Principles, which were not designed for activity-level assessments. This raises broader questions as to the appropriateness and added value of applying such criteria to real estate activities, where the link to environmental performance is often indirect. As a result, Taxonomy alignment may be influenced by factors that are not directly related to the performance of the activity itself, leading to disproportionate outcomes. In particular, the current approach extends the scope of assessment to actors beyond the effective control of asset owners, including third-party service providers. In practice, this can result in otherwise compliant assets being deemed non-aligned due to gaps in third-party documentation, creating uncertainty and limiting the reliability of results. Such requirements may also disproportionately affect smaller service providers that may not have extensive formalised policies in place, thereby introducing unintended market distortions.

Implementation experience further indicates that these requirements can be particularly challenging in cross-border contexts, where obtaining the necessary documentation from third parties may be complex or, in some cases, sensitive.

INREV therefore encourages the Commission to ensure that Minimum Safeguards are applied in a proportionate manner and remain directly relevant to the activity being assessed. In particular, consideration should be given to introducing a safe harbour for firms that are already subject to EU legislation requiring due diligence and oversight of their value chains, thereby avoiding duplication of obligations. For other cases, a risk-based approach should be applied, tailored to the nature of the economic activity and focused on material risks.

More broadly, the framework should prioritise material risks and outcomes, avoid procedural requirements that do not contribute to sustainability objectives, and limit the extension of obligations to third parties beyond what is reasonable and enforceable in practice. Greater clarity on scope and application would also be essential to reduce unnecessary compliance burden and improve the usability of the framework.

Deep renovation and whole-life carbon

INREV reiterates 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.

The Taxonomy should therefore prioritise deep renovation and redevelopment as core decarbonisation pathways. Failure to do so risks creating misaligned incentives, including favouring demolition over renovation, which would lead to higher whole-life carbon emissions.

Implementation experience further indicates that the current framework does not sufficiently reflect the realities of managing and upgrading standing assets. In particular, the application of construction-phase criteria, such as life-cycle assessments or specific technical testing requirements, to existing buildings can result in significant costs without improving environmental performance. In many cases, such requirements are not standard market practice or cannot be meaningfully applied post-acquisition, limiting their relevance for investors focused on upgrading existing assets.

INREV has consistently highlighted that the current framework does not fully recognise the contribution of energy-efficient renovations and redevelopment activities, which can deliver substantial climate mitigation outcomes over the lifecycle of a building. This risks understating the sustainability performance of real estate investments focused on upgrading existing assets and diverting resources towards compliance exercises that do not contribute to decarbonisation.

INREV therefore supports the integration of redevelopment within construction or renovation activities, the replacement of “major renovation” with “deep renovation” to better reflect the scale of decarbonisation required, and the development of a robust EU-wide life-cycle carbon methodology, implemented in a phased and proportionate manner. Such an approach should focus on material outcomes over the lifecycle of the asset, rather than on design-stage or documentation-based criteria that may have limited relevance during the operational phase.

Interoperability and alignment with EU frameworks

Interoperability with other EU sustainability frameworks remains essential. Real estate investment managers and investors are required to align disclosures across SFDR, CSRD, the EPBD and industry standards, and inconsistencies between these frameworks increase complexity and generate duplicative costs without improving environmental outcomes.

Implementation experience highlights the need for a more streamlined approach, whereby real estate investment managers can rely on a single, consistent set of datapoints that can be collected once and used across multiple regulatory frameworks, avoiding duplication in data collection, validation and reporting requirements.

INREV therefore strongly supports full alignment with the recast EPBD, including ZEB definitions and the increasing focus on operational energy performance, as well as consistency with emerging life-cycle carbon methodologies. Greater convergence around a limited set of core indicators, in particular energy use intensity, would facilitate comparability and enable more effective integration across frameworks. At the same time, important gaps in clarity and operationalisation remain, particularly where high-level concepts are not sufficiently translated into measurable and verifiable criteria.

Clear alignment will reduce administrative burden, improve efficiency and comparability, and strengthen the overall credibility and usability of the EU sustainable finance framework, while ensuring that reporting efforts remain focused on metrics that meaningfully reflect environmental performance.

Targeted observations on specific technical screening criteria

Article 7.1 – Construction of new buildings and Article 7.2 – Renovation of existing buildings

The proposed revisions to Article 7.1 introduce a stronger alignment with the recast Energy Performance of Buildings Directive (Directive (EU) 2024/1275), in particular through the use of the zero-emission building (ZEB) standard as a core eligibility criterion (Section 7.1, substantial contribution to climate change mitigation). While this represents an important development, several elements would benefit from further clarification to ensure that the criteria remain operational, verifiable and proportionate in practice.

With regard to the requirement that new buildings comply with the ZEB standard, the definition in the Directive remains insufficiently precise for Taxonomy purposes. In particular, the concept of “very low energy demand” is not clearly defined, which creates uncertainty for market participants seeking to assess alignment. If the intention is to classify new construction as Taxonomy-aligned on this basis, it would be preferable to link the requirement explicitly to a measurable and comparable indicator, such as primary energy demand (PED). This would ensure consistency with the broader Taxonomy framework and provide a clear, quantifiable basis for compliance. In addition, given that the Directive already requires all new buildings to be zero-emission from 2030, this criterion will progressively lose its role as a differentiating factor for Taxonomy alignment. As a result, the remaining technical screening criteria will become the primary drivers of alignment, which reinforces the need for those criteria to be robust, proportionate and clearly defined.

INREV also considers that the requirement for air-tightness and thermal integrity testing for buildings larger than 1 000 m² should be reconsidered (Section 7.1, substantial contribution to climate change mitigation). While the objective of ensuring construction quality is understood, such testing is not commonly required across all Member States and may generate additional costs without a meaningful impact on actual building performance. The current provision, including the alternative of “robust and traceable quality control processes”, lacks clarity as to what constitutes acceptable evidence. In practice, this creates uncertainty and risks inconsistent application. INREV therefore suggests either removing this requirement or replacing it with a more practical and standardised criterion that can be applied consistently across jurisdictions.

With respect to DNSH 3 on sustainable use and protection of water and marine resources (Section 7.1 and 7.2, DNSH to sustainable use and protection of water and marine resources), INREV welcomes the exemption for residential building units, which is applied consistently across both new construction and renovation. This approach supports a proportionate application of the DNSH criteria and provides clarity for market participants in its implementation.

Under DNSH 4 on the transition to a circular economy (Section 7.1, DNSH to circular economy), the requirement that at least 85% of construction and demolition waste be prepared for reuse or recycling may be difficult to demonstrate at project level. Aligning this approach with the renovation criteria, where compliance can also be demonstrated at national level or via authorised third-party operators, would provide greater flexibility while maintaining environmental ambition. In addition, the requirement that operators “minimise construction and demolition waste” lacks a clear evidentiary pathway. It is not evident how such a qualitative obligation can be verified externally in a consistent manner, which introduces legal uncertainty and potential greenwashing risk where outcomes depend on factors beyond the control of the reporting entity. Similarly, the references to design for adaptability and deconstruction, based on Level(s) indicators 2.3. and 2.4 respectively, remain too vague from an implementation perspective. The absence of clear, standardised metrics or thresholds makes it difficult to demonstrate compliance in a way that is both auditable and comparable across projects.

Finally, under DNSH 5 on pollution prevention and control (Section 7.1, DNSH to pollution prevention and control), the breadth and granularity of the requirements raise significant practical challenges. The extensive list of substances and criteria implies that all construction materials would need to be

assessed individually, which is not operationally feasible in many cases. It would be preferable to streamline these provisions by relying more systematically on existing EU legislation that already restricts or prohibits several of these harmful substances. This would reduce duplication, improve legal certainty and ensure that compliance can be demonstrated in a proportionate and efficient manner.

With respect to Article 7.2 on renovation of existing buildings (Section 7.2, substantial contribution to climate change mitigation), further clarification is needed regarding the point in time at which a renovation activity may be considered Taxonomy-aligned. In particular, it should be clarified whether alignment may be recognised from the start of the renovation works, rather than only upon completion once the required 30% reduction in primary energy demand (PED) has been demonstrated. In this context, it would be helpful to align the treatment of renovation activities with that of new construction, where the Commission has confirmed that the date of submission of the building application can be used as the starting point for assessing Taxonomy alignment, without requiring completion of the building. Applying a similar approach to renovation would provide greater consistency across activities and better reflect the investment decision-making process. Clarification would also be beneficial on how delays outside the control of the reporting entity should be treated in this context, as these may affect the timing of compliance without altering the underlying intent or scope of the renovation.

In addition, clarification would be beneficial regarding the treatment of renewable energy measures within renovation activities (Section 7.2, substantial contribution to climate change mitigation, in conjunction with Section 7.6). The current approach excludes reductions in primary energy demand resulting from the use of renewable energy sources from the 30% threshold, with such measures instead falling under Article 7.6. In practice, however, renovation projects typically involve an integrated set of measures, including both energy efficiency improvements and the installation of renewable energy technologies such as solar panels or heat pumps. Treating these elements as separate activities introduces additional complexity in reporting without a clear benefit in terms of environmental outcomes. It would therefore be helpful to clarify that Article 7.6 applies primarily in cases where such technologies are installed independently of a broader renovation project, while allowing integrated renovation activities to be assessed holistically under Article 7.2.

Section 7.7 – Acquisition and ownership of buildings

INREV notes the proposed revisions to Section 7.7. While they introduce additional pathways to demonstrate substantial contribution, several elements require further clarification to ensure that the criteria are operational, comparable and aligned with the practical realities of real estate investment.

A key concern remains the criterion requiring buildings to be within the top 15% of the national or regional building stock based on operational PED. While the use of operational PED as the basis for comparison is conceptually sound, the relative top-15% approach depends on how the reference stock is defined and updated, which may create implementation and comparability challenges over time. In the absence of robust, regularly updated and publicly available national datasets, demonstrating compliance may be difficult in some Member States. The framework would therefore benefit from clearer, harmonised guidance on reference datasets and update methodologies, or, where appropriate, from more standardised fixed thresholds calibrated by asset type and geography.

The treatment of buildings constructed after 31 December 2020 also requires clarification. The current drafting refers to buildings “built after” that date, whereas in practice the relevant milestone is often linked to the timing of the building permit or equivalent authorisation, as reflected in Commission guidance and market practice. Aligning the wording accordingly would improve consistency across the

framework and provide greater legal certainty for market participants, particularly in cases where acquisition occurs during construction or shortly after completion.

In addition, the reference in Section 7.7 to buildings meeting the criteria in Section 7.1 “that are relevant at the time of the acquisition” lacks precision. It is unclear which elements of the construction criteria are intended to apply in an acquisition context, and how this should be evidenced by a purchaser who was not involved in the development phase. The provision would benefit from explicitly identifying the applicable criteria or limiting the requirement to those elements that can be reasonably verified at the point of acquisition.

The introduction of a 60% reduction in PED over a period of up to 10 years is, in principle, a pragmatic and workable approach. From an investment perspective, this level of ambition strikes an appropriate balance. It is sufficiently robust to ensure meaningful decarbonisation efforts at asset level, while remaining achievable through a combination of measures such as electrification of heating, connection to district energy systems and optimisation of building operations. At the same time, the use of PED allows for a degree of flexibility across different national energy systems and transition pathways.

However, the role of this criterion within the overall framework is not entirely clear. It introduces a different ambition level and timeline compared to the criteria for renovation of existing buildings under Section 7.2, which require a minimum 30% reduction in PED without a defined timeframe. This creates uncertainty as to the types of assets and investment strategies that the 60% pathway is intended to capture. Further clarification would be helpful to ensure coherence between acquisition, ownership and renovation activities, and to avoid unintended overlaps or gaps.

Finally, the draft does not specify how long a building remains Taxonomy-aligned once the 60% reduction has been achieved, particularly where it does not also meet the EPC A or top 15% criteria. This creates uncertainty for investors seeking to assess the durability of alignment over the holding period. Given the scale of investment typically required to achieve a reduction of this magnitude, it would be appropriate to clarify that alignment remains valid on a long-term basis, rather than being subject to reassessment after a limited period.

Conclusion

INREV supports the Commission’s objective to improve the usability, clarity and proportionality of the EU Taxonomy. The proposed amendments represent an important step in that direction. However, further targeted adjustments are required to ensure that the framework reflects the operational realities of the real estate investment model, prioritises actual performance over theoretical proxies, reduces unnecessary complexity and administrative burden, and focuses on the activities that deliver the greatest decarbonisation impact, in particular deep renovation of existing buildings.

A simplified, performance-based and interoperable framework will be essential to ensure that the EU Taxonomy effectively directs capital towards the decarbonisation of the built environment.

We remain committed to supporting reforms that enhance the usability, clarity and coherence of the framework, ensure proportionality to the risks addressed and reduce unnecessary operational burdens, while maintaining environmental integrity.