

18 December 2020

Leaseurope response to consultation on draft delegated Regulation supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

Leaseurope, the European federation representing the European leasing and automotive rental industries, fully supports the Commission's goal to harmonize the criteria used to determine whether an economic activity can be deemed sustainable. We also support the Commission's broader goal of improving sustainability across the EU, and wish to highlight both the key role our industry can play in enabling the green transition and the need for our unique position to be recognised in the delegated act. We believe failing to recognise the role our industry can play in increasing the uptake of green technologies (among industries and businesses who wish to become more sustainable) would be detrimental to the Commission's ultimate goal of achieving climate neutrality by 2050.

Background: Who are Leaseurope and who uses leasing?

Leaseurope brings together 46 member associations representing the leasing, long term and/or short term automotive rental industries in the 32 European countries in which they are present. The scope of products covered by Leaseurope members' ranges from hire purchase and finance leases to operating leases of all asset categories (including equipment, machinery, and automotive). It also includes the short term rental of cars, vans and trucks. It is estimated that Leaseurope represents over 90% of the European leasing market. In 2019, the leasing firms represented through Leaseurope's membership helped European businesses and other customers invest in assets that is estimated worth more than €407 billion.

Moreover, as recognised by the Commission, SMEs will be a key driver of the green transition. Studies have shown that SMEs contribute between 60-70% of industrial pollution in Europe¹, and a large proportion of clean technology companies are SMEs². The leasing and automotive rental industries provide an important source of funding for SMEs, with nearly 43% of European SMEs use leasing (more than any other form of lending)³. The leasing industry will therefore be a crucial link in allowing SMEs who wish to improve their environmental credentials to do so without the upfront costs associated with buying and maintaining green assets when they are purchased outright.

Leasing and Sustainability: How can leasing contribute the EU's climate goals?

The leasing industry is in many respects sustainable by its very nature, and ideally placed to act as a facilitator of the green transition. In the context of making it easier for citizens and corporate entities to act more sustainably, the leasing and automotive rental industries currently play a major

¹ Koirala, S. (2019), *SMEs: Key drivers of green and inclusive growth*, OECD Green Growth Papers, No. 2019/03

² *Ibid.*

³ Oxford Economics (2015), *The Use of Leasing Amongst European SMEs*; European Investment Fund (2012), *The importance of leasing for SME finance*; European Central Bank (June 2018) *Survey on the Access to Finance of Enterprises in the euro area*

role in improving the availability of newer and greener technologies, without the prohibitive prices that would often deter companies and individuals from upgrading their assets (like factory equipment or vehicles for example) to a more sustainable model. In this way, the leasing and automotive rental industries are in a unique position compared to most other financial service providers, since they are able to go beyond *investing* in green funds and actually play a role in making greener technologies both available and more widely known about by customers.

By enabling consumers and companies to avoid both the large outright purchase prices and the possible additional costs associated with the maintenance and upkeep of newer, more innovative assets, our industry plays an important role in making sustainable products more accessible, and this role is likely to grow significantly in the coming years as a result of the Commission's ambitious climate targets.

Taxonomy Criteria: How does the leasing industry fit into the criteria set out by the Delegated Act?

Our industry has the potential to actively contribute to a number of the criteria set out by the Delegated Act on climate change mitigation and climate change adaptation. We are responsible for funding a wide range of assets, ranging from industrial machinery and agricultural equipment to windmills and solar panels. For example, in Italy, nearly a quarter of the overall portfolio of finance leases alone are deployed in sectors which are qualified as sustainable in accordance with the recommendations of the Technical Expert Group on sustainable finance.

In the draft delegated act however, the leasing industry's role is only recognised in the context of automotive assets and property. This is highly problematic, since our industry will ultimately act as a facilitator for the green transition, making it easier for our customers who wish to do so (whether individuals or entities) to use greener assets without the traditional barriers that may prevent them from accessing these (often newer and therefore more expensive) assets. Below (Part 2) is a summary of some of the most notable of these, in line with what was set out in the draft delegated act.

Part 1: Automotive Provisions

In line with the new Green Deal, Leaseurope's members are supporting businesses and consumers to ensure that Europe's vehicle fleet emissions are reduced as quickly as possible, which is ensured by purchasing the cleanest fit for purpose vehicles whilst at the same time providing the second hand market with cleaner, nearly new well maintained vehicles.

Nonetheless, we feel a number of the provisions set out in the delegated act fail to adequately take into account the fact that a number of pre-conditions required to enable a more rapid uptake of especially full battery electric vehicles have not yet materialised. In order to ensure cost effective clean mobility is possible, leasing and rental companies take a comprehensive view of long-term vehicle costs over a period of several years, taking into consideration fuel costs and maintenance, taxes, insurance, asset depreciation as well as re-sale values. Our industry also takes into account client-specific driving patterns, the fuel efficiency and range of the vehicle, as well as the required load capacity, in order to be able to provide advice on the most suitable vehicle for the client.

Although leasing and rental companies are already the largest acquirers of full battery electric vehicles (BEVs) in Europe, in many countries acquiring over 80% of all BEVs, important pre-conditions required for a larger uptake of BEVs are lacking, such as an adequate fast charging infrastructure, adequate vehicle range and perhaps most importantly, a viable second-hand market demand that has not yet materialised, and may still take several years to do so.

Whilst it is undoubtedly true that government intervention steer car markets in a certain way, a one size fits all approach could actually end up being harmful as it will not be able to address significant differences in between Member States with regards to their ability to take on BEV vehicle volumes that are not driven by market conditions.

When the pre-conditions as set out above are not in place, leasing and rental companies would be severely hampered in meeting the mobility and transport needs of consumers and SMEs, as well as large corporations, whilst at the same time hampering the flow of ever cleaner cars into the second hand market. This, in turn could actually cause purchase delays by second and third vehicle owners resulting in an overall increase of the fleet age, rather than a rejuvenation thereof. As such, it is clear that the industry will for some time to come need to be able to acquire new cleaner hybrid ICE vehicles.

Leasing and rental companies also play an instrumental role in managing and financing Commercial Vehicles, both vans (LCVs) as well as Heavy Duty Vehicles (HDVs). Few fleet operators have an advanced view on their fleet's fuel consumption, let alone the total cost of using the vehicle. When equipped with the latest technology, proper vehicle management can decrease fuel costs by approximately €10,000 euro per vehicle per year, which translates into approximately 18 tonnes of CO2 emissions per truck per year.

To further reduce the environmental impact and the running costs for businesses, truck leasing companies have also been offering eco-driving training for many years now. Furthermore, because they are abreast of technological developments, they can advise their clients on the benefits of installing robotised gearboxes, aerodynamic and noise reducing fittings or opting for hybrid or electric vehicles.

Part 2: Broader Role of Leasing

As already mentioned, one of the major problems with the delegated act in its current form is that it only references leasing in the context of automotive assets and real estate. A number of non-automotive assets that are essential for the green transition (and have been identified as such by the first draft delegated act) are commonly leased, and we believe a reference to this in the delegated act would help greatly in making these greener assets more widely available to a broader range of customers. This is particularly important when considering the often high upfront and maintenance costs associated with these newer, greener assets, and the role of our industry in allowing customers who wish to use more sustainable assets to spread out these costs.

Leasing and rental companies take the forefront in financing sustainable energy generating assets such as windmills, electricity storage units, photovoltaic equipment, as well as managing complete powerplant turnkey operations. In Belgium for example, it is estimated that over 20% of the overall portfolio consists out of these assets alone. This is clearly aligned with a number of the categories as identified in the annexes accompanying the delegated act, namely: "the manufacture of renewable energy technology, electricity generation using solar photovoltaic technology, transmission and distribution of electricity, storage of electricity, distribution networks for renewable and low carbon assets, and electricity generation from wind power."

The green facilitating impact of leasing and rental is, however, not limited to only energy generating and/or storage assets. As experts on asset life cycle management and total cost of ownership, leasing and rental companies meet businesses' and consumers' needs across the board, helping to finance and manage everything from agricultural and public transport equipment to advanced data centres to energy efficient urban real estate. The assets leasing and rental companies manage and maintain are always incrementally improving in performance, meeting the latest production/ICE standards, as is the case e.g. with construction equipment.

Leaseurope is entered into the European Transparency Register of Interest Representatives with ID n° 430010622057-05