

Brussels, 2 August 2022

Leaseurope comments to the EBA consultation on its discussion paper on the role of environmental risk in the prudential framework.

Leaseurope, the voice of leasing and automotive rental at European level, welcomes the opportunity to comment on the EBA consultation on the role of environmental risk in the prudential framework. We recognise the importance for supervisors and regulators to better understand risks stemming from climate change and broader environmental issues for the financial sector.

The risk mitigating role of the leased asset

The leasing industry is in many ways ideally placed to act as a facilitator of the green transition for businesses and households alike. To this aim, the leasing industry currently plays a major role **in improving the availability of newer, more efficient and greener technologies**, without the operational and financial constraints that would often deter companies and individuals from upgrading their assets (such as factory equipment or vehicles for example). In this way, leasing companies are in a better position compared to other financial service providers.

By ensuring an efficient turnover of assets, leasing **companies always hold the newest assets in their portfolios**, built and designed in accordance with the latest industry and type approval standards. Therefore, the underlying asset of the lease exposure is by definition less exposed to environmental risks. As such, our industry is hedged from a risk perspective against environmental risk factors as well as newly introduced environmental performance standards.

As leasing companies have developed significant expertise, not only the performance of the leased assets, but also the business activities of the respective lessees, **environmental risk factors negatively affecting business performance (e.g. droughts and farming activity) can be substantially mitigated.**

Leasing companies are well placed to reallocate assets depending on clients' needs

As asset management specialists, leasing companies integrate lifecycle management into their risk management processes, which is a relevant aspect of our business model. This special characteristic allows lessors to **re-deploy assets to other customers, taking into account changing client' profiles and needs, which reduces the risk of potential losses on a leased asset even further.**

In addition, the majority of leasing companies operate either on a pan-European level directly, or, have established partnerships across Europe, **enabling the re-marketing of assets in target markets best suited to the specificities of the asset.** Consequently, leasing companies are less beholden to concrete environmental risk events, which reduces over all risks for both lessors and lessees.

To conclude, Leaseurope would like to stress that any future prudential regulatory initiative in the area of environmental risks should consider as a credit risk mitigation technique the advanced expertise on the lifecycle management of the leased asset by leasing companies.

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About us

Leaseurope brings together 44 member associations representing the leasing, long term and/or short term automotive rental industries in the 31 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 (automotive, equipment, machinery, ICT and real estate). It also includes the short-term rental of cars, vans and trucks. It is estimated that Leaseurope represents over 91% of the European leasing market.

Asset finance and leasing markets have developed to respond to business investment and consumption needs as well as to accompany the development of local industrial production and distribution. The types of institutions represented by the Federation include specialised banks, bank-owned subsidiaries, the financing arms of manufacturers as well as other, independently-owned institutions.

In 2021, the leasing firms represented through **Leaseurope's membership helped European businesses and other customers invest in assets that is estimated worth more than 389 billion EUR, reaching about 663 billion EUR** of outstandings at the end of the year¹. Leasing is used by more European SMEs than any individual category of traditional bank lending taken altogether (around 47% of all European SMEs make use of leasing which is more than any other individual form of lending)² and is also popular amongst larger corporates³. Leasing is also useful to support the public sector (e.g. leasing to schools, hospitals, etc.).

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

¹ Leaseurope 2021 Annual Statistical Enquiry.

² Oxford Economics, *The Use of Leasing Amongst European SMEs*, 2015

³ European Commission, Survey on the Access to Finance of Enterprises-Apr. – Oct. 2021