Leaseurope

The Voice of Leasing and Automotive Rental in Europe

Brussels, 16 April 2025

Leaseurope comments to the EBA consultation on ESG Scenario Analysis

Leaseurope, the voice of leasing and automotive rental at European level, welcomes the opportunity to comment on the EBA consultation on its draft Guidelines on ESG Scenario Analysis.

Sustainability in the leasing industry

The leasing industry is well-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 new, more efficient and greener technologies, without the cash outlay that would often deter companies and individuals from upgrading their assets (like factory equipment or vehicles for example) to a more sustainable model.

As SMEs transition to become more sustainable, they are likely to need external financing and, in particular, asset finance. Because the loan is secured by the asset being financed, it is typically lower cost and easier to obtain than other sources of finance.

Leaseurope considers it is important that a wide standardised measure of Transition Finance is created for use by financial institutions, including leasing and rental companies, to more fully reflect the role of banks and other lenders in supporting the transition. We have recently developed a working definition of 'Transition Asset Finance' for this purpose which we would be pleased to share on request.

General Observations on the EBA consultation

It is important to consider the principle of proportionality in the disclosure of climate-related risks. Cost versus benefit should also feature as part of any consideration of requirements. It is in the interest of all stakeholders that the costs and resource required to implement any reporting requirements do not outweigh related benefits and prejudice any ability to implement change that will lead to a "green" solution. We presume that the EBA will in due course, measure the effectiveness of any final requirements and update requirements accordingly.

SMEs in Europe should not be forced to report more than required under the Corporate Sustainability Reporting Directive (CSRD) (Listed SMEs European Sustainability Reporting Standard (ESRS)) or the Voluntary SME ESRS standard. In this respect, we are pleased to see the CSRD Omnibus proposals to relieve the reporting burden for some entities.

We take this opportunity to suggest the EBA review those interactions and consider updating the timeline of the ESG risk management guidelines to reflect the impact of the Omnibus directive and a proportionate approach to assessing compliance with those guidelines.

Finally, in terms of the proposed timeline for implementing the guidelines, we foresee a number of challenges, also linked to broader political developments ongoing at the time of this consultation, therefore it is instrumental that credit institutions are given sufficient time to implement the EBA Guidelines.

Question 1: Do you have any comments on the interplay between these Guidelines and the Guidelines on the management of ESG risks?

Considering the complexity of applying and integrating a Climate Stress Test (CST) and a Climate Resilience Analysis (CRA) in addition to the new features of the Omnibus Package, we are concerned that the expected application date of 11 January 2027 for Small and Non-Complex Institutions (SNCI) is too close. Therefore, we kindly request for an application delay.

A phased implementation approach would facilitate a smoother transition and allow to build expertise incrementally. Especially more flexibility in the application of the guidelines for the first few years of application would be welcome given the highly uncertain nature of scenario analysis.

It is also important to have a better understanding of the severity of the new regulation included in the bases of the analyses.

Question 2: Do you have comments on the proposed definition of scenario analysis and various uses as presented in Figure 1?

Even if the EBA would request SNCI to perform scenario analysis, but allowing for a lower degree of sophistication, Figure 1 entails that granular data are hard to obtain.

CSA may be a helpful exercise to gain insights into potential areas of vulnerability and financial risk transmission channels, but it is not an indicator of the likelihood that these specific events will occur so caution is needed in interpreting the results of CSA, making the distinction of forward looking business strategy and prudential approach with ICAAP.

Question 3: Do you have comments on the proposed distinction made between short-term scenario analysis (CST) and longer-term scenario analysis (CRA) as illustrated in Figure 3?

The connection between the two analyses is not clear. We ask that the coherence between CSRD as a reporting tool and such analyses should be verified with a view of optimising the rules, especially when considering the actual implementation of transition plans.

Potential interactions between climate and other macroeconomic risk drivers are still developing. To ensure that risks are not ‘double-counted’, multiplied or overlooked in CSA and broader stress testing, further guidance into these interactions is necessary and examples would be welcome (pg.19).

CST and CRA should be interlinked and guidelines should be appreciate to specify the mechanism of linkage.

Question 4: Do you have any comments on the interplay between these Guidelines and the Guidelines on institution’s stress testing?

A clarification on the possible integration of the CST into the bank's normal stress test model would be useful.

Question 5: Do you have comments on the Climate Scenario Analysis framework as illustrated in Figure 4?

Concerning point 7 we suggest a rephrase as follows:
"7. Use the results. CSA's results should be used to improve the ability to cope with an uncertain climate future. Management Actions: Encourage counterparties to assess, prevent and mitigate ESG risks."

Regarding the terminology to "adjust financial terms and /or pricing based on climate risk considerations" we suggest the EBA reconsiders it taking into account the different levels of mitigant mechanism such as country insurance consortium, in order to avoid considering scenario that lead to inappropriate or inaccurate pricing of risk.

Question 7: Do you have comments on section 4.1 Purpose and governance?

DATA GAP

The data gap on ESG factors is material, even for external providers. Taking into account the short deadline of enforcement of the guidelines and ongoing omnibus directive discussions, we would welcome a clearly stated flexible approach from the EBA to be included in the GLs on this topic. The lack of data for back-testing and limited historical precedence – by virtue of the novelty of climate-related risk phenomenas— make it difficult to assess the degree of uncertainty in CSA exercise results and could lead underestimation. 'Forward-looking approaches' should be further specified in terms of what is expected and with regard to the usage of models that rely on past data to predict future outcomes in this regard.

Question 8: Do you agree that the proposed proportionality approach is commensurate with both the maturity of the topic and the size, nature and complexity of the institution's activities?

TRANSMISSION CHANNELS GRANULARITY

The more granular focus on transmission channels and mapping to the sectoral exposures make the assessments even more complex with limited added value considering the complexity of scenarios, level of uncertainty and interconnections between risk drivers. To mitigate this, the EBA should more clearly link the granularity of the transmission channels to the length of the time horizons.

Question 9: Do you agree with the proposed references to organisations in paragraph 28? Would you suggest alternative or complementary references?

SOURCING SCENARIOS

The guidelines should provide more guidance on the sourcing of the scenarios and the requirements for CST (depending on the sector / geography adapted for transition or physical risks)

Question 10: Do you have additional comments on section 5.1 Setting climate scenarios?

NB of SCNEARIOS

With respect to paragraph 35, it is important that there should be a limited number of scenarios so it remains manageable and effective. In this respect it would be useful if the EBA could confirm the adverse scenarios should only be considered examples of possible scenarios narrative for both CST and CRA purposes and are not mandatory.

In paragraph 38, it seems unrealistic if each annual CST should consist of a 'set of adverse scenarios' and it would have limited value in terms of management actions.

The concept of a "baseline" scenario is particularly challenging in the context of climate change. A "current policies" baseline may be unrealistic, given the stated commitments to reduce emissions. The guidelines need to provide more clarity on how to define a credible and useful baseline scenario. The relationship between a "baseline" and a "central scenario" also needs clarification.

VALUE CHAIN

Paragraph 36 includes the expectation to consider the exposure of clients to climate risk throughout their value chain. "Particular attention should be paid to large exposures or a group of exposures sharing a common dependency and to the specific vulnerability of global supply chains to acute physical events." This would be a disproportionate burden on firms and does not reflect recent political developments. We should only be required to use the information which those firms are required to produce under applicable legislation, including the degree to which these firms capture their exposure to climate risk through their value chains.

DATA

Another aspect that could be considered in addition to the company size is the level of ESG maturity of the customer base. The EBA consultation mentions the expectation to fill data gaps however the European Commission has acknowledged the requirement 'to enable future users to be able to access and use financial and sustainability information effectively and effortlessly in a centralised ESAP platform'. This was formalised in 2023 under Regulation (EU) 2023/2859 with a commitment to establish the ESAP by 10 July 2027. The guidelines should take into account here the EU's acknowledged shortfalls and forward-looking plans to rectify data availability.

Question 11: Do you have comments on the description of the climate transmission channels?

Should the proportionality approach also be applied when collecting and selecting micro and macro transmission channels? We would welcome examples from EBA on how this will be applied.

We would welcome clarity on whether the integration of transmission channels apply in the same way to the scenarios used for CRA and CST and in particular whether paragraph 51 applies to the CRA or CST in terms of considering mitigation/amplifications factors.

The requirements described in paragraph 46 seem to be too detailed and specific and should be considered "where applicable" (or similar formulation).

The EBA's proposal under paragraph 49 that institutions should assess indirect impact of climate risk on counterparties through their value chain is a level of prescriptive granularity beyond which is required for any other form of risk.

Under paragraph 53 the EBA states that institutions should identify transmission channels as a continuous process. In practice, such an analysis could lead to a significant burden on firms with limited benefit.

Question 12: Do you have comments on climate stress test (CST) tool and its use to test an institution's financial resilience?

Further guidance would be appreciated concerning:

- climate shock to apply in case of concentration (pg. 60)
- scope and review process of the "sensitivity analysis" (pg. 63)
- specification of "additional stress factors" (pg. 64)
- we would appreciate if the EBA can clarify what the expected interplay is between the CST, CRA and ICAAP

Question 13: Do you have comments on the Climate Resilience Analysis (CRA) tool and its use to challenge an institution's business model resilience?

In paragraph 76 the EBA states that in order to challenge the resilience of their strategy, institutions should assess multiple scenarios over multiple time periods. We would appreciate clarification of basic scenario and limitation of adverse scenarios.

Question 14: Do you have any additional comments on the draft Guidelines on ESG Scenario Analysis?

We ask for further clarification on the materiality analysis of risks. It would be desirable to have a shared platform with comprehensive environmental climate data including a clear methodology available for SNCI.

Regarding the planned reporting templates, we would suggest a common data platform that combines information from other data sources, in order to ensure that the reporting templates are based on standardised data.

In relation to the 'optional' reporting templates (6 to 8), we would suggest an alternative 'admission' of estimated values in view of the resulting effort of individual collection per customer.

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About us

Leaseurope brings together 45 associations throughout Europe representing either 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's members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 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 2023, the leasing firms represented through Leaseurope's membership **helped European businesses and other customers invest in assets that is estimated worth 448 billion EUR**, **reaching about 976 billion EUR** of outstandings at the end of the year[1]. **Leasing is the most relevant external financing source for SMEs** and is also popular amongst larger corporates[2]. Leasing is also useful to support the public sector (e.g. leasing to schools, hospitals, etc.).

More information on Leaseurope at www.leaseurope.org.

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

[1] Leaseurope 2023 Annual Statistical Enquiry.
[2] European Commission, Survey on the Access to Finance of Enterprises Apr. – Oct. 2023