

III Study of **Green Finance** in Spain



September 2022

A study carried out within the framework of the Financial and Digital Education 2022 program



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About **ASUFIN**

ASUFIN is an association dedicated to the defense of financial consumers, founded in 2009. It is part of the **BEUC** (Bureau Européen des Unions de Consommateurs), the largest European organization of consumer associations. Its president, Patricia Suárez, also represents consumers on the Advisory Board of the **EBA** (European Banking Authority), is part of the Investor Protection Committee (**IPISC**) of the **ESMA** (European Securities and Markets Authority) and is a member of the Financial Services Users Group (**FSUG**) of the European Commission's **DG FISMA**. In addition, she is a member of the Board of Directors of **Finance Watch**.

ASUFIN actively participates in the development of the digital economy, as a partner of the **Alastria** network and a member of the **Digital Euro Association**.

The association develops, among others, financial and digital education programs, addressing issues such as over-indebtedness, responsible lending, housing, insurance, investment and sustainable finance, within the framework of the 2030 Agenda. For all these reasons, **the Bank of Spain** and the **CNMV** have awarded **ASUFIN** the 2021 Financial Education Implementation Award, from the Finanzas Para Todos Awards, of which **ASUFIN** is a part.

About **the author**

Study carried out by **ASUFIN**'s Studies Department, in collaboration with Antonio Luis Gallardo Sánchez-Toledo. A graduate in Business Administration and Management from the Autonomous University of Madrid, specializing in Financial Management and Economic Research. After having worked in the securities company La Caixa (now CaixaBank) and in the Santander Group, he has been working for more than 18 years in the field of consumer protection and financial education, carrying out educational programs that includes the preparation of studies in the field of personal finance and insurance.

Introduction

Increasing environmental awareness is a tangible reality, in a time when different aspects are converging that make it more important, such as the high temperatures suffered in the summer months globally, forest fires or the cost of fossil fuels. The September CIS has confirmed this fact and, if in July it was only mentioned by 2.70% of citizens, two months later it has become the fifth most important problem for 14.60% of Spaniards.

However, **this greater awareness clashes with a more evident, current priority: economic problems**, which is the main concern for 39.70% of Spaniards, according to the same CIS barometer. That is why, at a time when financial costs are soaring and the price of groceries is constantly rising, it is much more important to know how green finance is progressing and how consumers are responding to this dual challenge: more environmental awareness but with optimal financing costs and returns on investment.

That is why **the work of financial intermediaries is so important**. Banks and investment companies are a key player as they can incentivize the procurement of green products through improved conditions and, on the contrary, “cover” their growth if they are not attractive.

This **ASUFIN Green Finance Study includes a survey of 1,415 consumers**, of legal age, between August 29 and September 8, 2022 (95.00% confidence level and a margin of error of + -2.33%), to determine perceptions and habits in the choice of green investment or financial products. Simultaneously, we also carried out an analysis of the current supply of green investment and financial products and services.

Five Keys

1

Green mortgages are much more expensive than conventional mortgages.

Thus, the average APR (total price, including expenses) of the green fixed rate mortgage reaches 4.41%, 1.10% higher than the average of conventional mortgages, at 3.31%, and the average APR of the green variable rates reaches 3.63%, 0.04% higher than 3.59% of the conventional ones. In this context, two entities such as Banco Sabadell and Unicaja have stopped marketing this product.

2

12.60% of Spaniards, 0.30% less than in 2021, would be willing to pay more for a sustainable financial product. This decrease occurs at a time when **there are more people looking for lower prices in financing**, both in green mortgages, 28.30% (13.20% more than 15.10% in 2021) and in financing for the purchase of an eco-friendly vehicle.

3

The economic incentives when buying a vehicle are a determinant.

Specifically, people are convinced by promotions and discounts, 35.30%, pay less taxes, 30.90% and obtain better financing conditions, 25.30%.

4

Green personal loans are cheaper than conventional ones. In those intended for the purchase of environmentally friendly vehicles, their average of 6.72% is 1.40% cheaper than 8.12% of conventional vehicles. In housing renovations, the average rate of 5.96% is 2.34% cheaper than 8.30% of conventional loans.

5

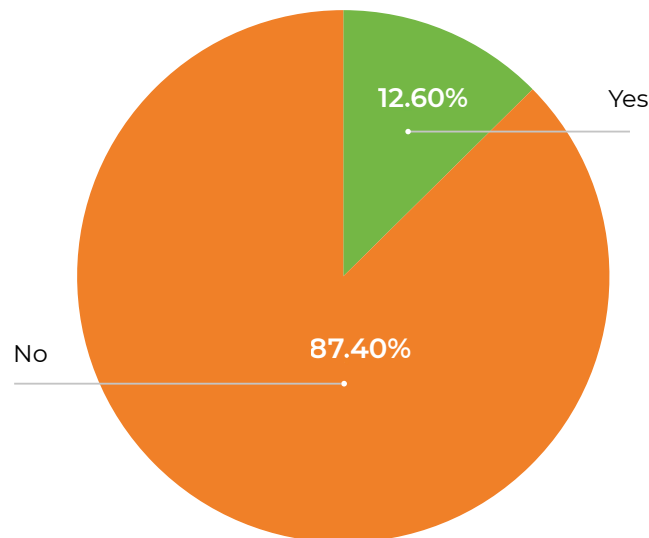
Profitability gains weight when choosing a sustainable, 3 out of 4 investors who choose sustainable investment, 74.20%, do so because they expect to achieve better results, increasing 1.90% compared to the 72.30% of 2021.

Less willing to pay more for sustainable financial products

The economic adjustment we are experiencing has broken a trend: the growth of the number of Spaniards who were willing to pay more (either in commissions, interest or decreasing their profitability in investment products), for deciding on a sustainable financial product, although this change is not very relevant as a percentage, for the moment.

If between 2020 and 2021 the number of respondents had risen from 11.30% to 12.90% (1.60%), between 2021 and 2022 there has been a 0.30% drop down to **12.60%**.

ARE YOU WILLING TO PAY MORE FOR A SUSTAINABLE FINANCIAL PRODUCT?



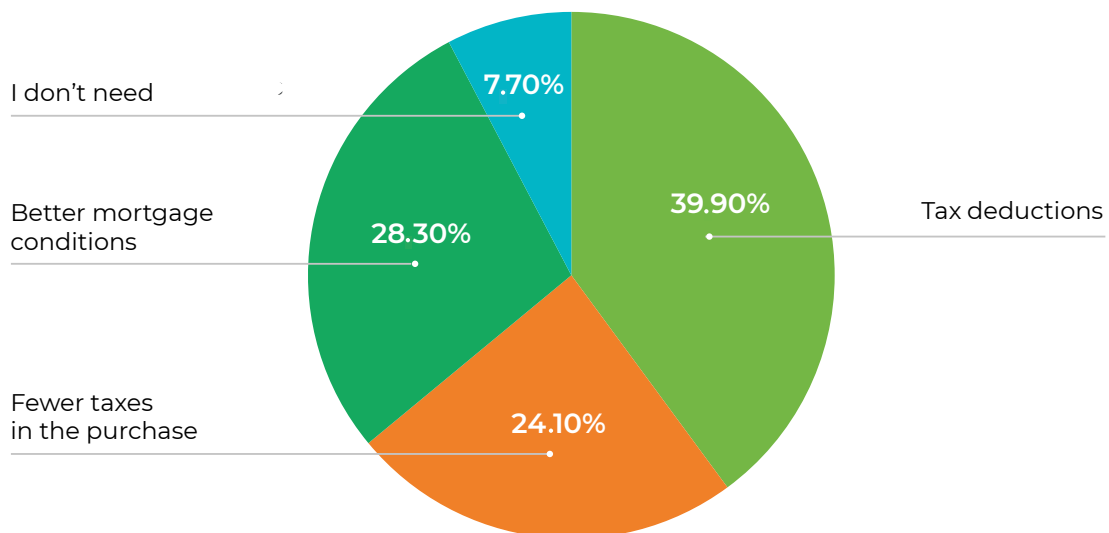
The rise in prices of consumer and financial products means that fewer Spaniards are willing to pay an extra cost for sustainable financial products.

A **cheaper mortgage**, the incentive that grows the most

The **change in consumer priorities** while interest rates continue to rise, as we clearly see with the mortgages and the incentives they seek.

Thus, obtaining better mortgage conditions was the third option in 2021 for 15.10% of respondents and now becomes the second, for **28.30%**.

WHICH INCENTIVE DO YOU CONSIDER MOST IMPORTANT WHEN BUYING A SUSTAINABLE HOME?



The rest of the options go down. Tax deductions remain the most important reason but go from 46.00% in 2021 to **39.90%**, a decrease of 6.10%. Taxes on purchases also fall from being the main priority for 28.90% of Spaniards in 2021 to **24.10%** in 2022, 4.80% less. And, finally, those who do not need any incentive also go down, if in 2021 they were 10.00% in 2022 they go down to only **7.70%**.

Fewer green mortgages in a higher priced market

At a time when customers have as one of their main concerns the price of mortgages and to seek better conditions, the response of financial institutions is very negative, in that they **have restricted their offer of green mortgages and also no new operators have promoted them.**

Thus, we see these offers in three entities: Bankinter, Triodos and BBVA. Banco Santander has ceased to market its Sustainable Housing mortgage, at Euribor + 1.99%, and Banco Sabadell no longer includes the subsidized mortgage for the acquisition of housing with energy rating A or B, which offered a fixed rate of 2.50%. Liberbank has stopped marketing its “Oxygen” mortgage, at Euribor + 1.79%, following the merger with Unicaja.

FIXED-RATE GREEN MORTGAGES

ENTITY	PRODUCT	CONDITIONS	NIR*	APR**	TERM
bankinter.	Fixed efficient house mortgage (discounted).	In new Homes with an A energy rating, appraisal with energy rating A and B in renovated or used housing. No Opening Fee.	2.90%	3.50%	20 years
BBVA	Efficient home mortgage (discounted).	Homes A and B. Discount of 1.00% NIR. No opening fee, no notary, management and registration fees.	2.95%	3.60%	15 years
BBVA	Efficient home mortgage (no ties).	Homes A and B. Discount of 1.00% NIR. No opening fee, no notary, management and registration fees.	3.05%	3.65%	30 years
Average APR				4.41%	
bankinter.	Fixed efficient home mortgage (not discounted).	In new Homes with an A energy rating, appraisal with energy rating A and B in renovated or used housing. No Opening Fee.	4.20%	4.54%	20 years
Triodos Bank	Triodos Fixed Mortgage.	Home energy rating A+.	4.59%	5.12%	20 years
Triodos Bank	Triodos Fixed Mortgage.	Home energy rating B.	4.68%	5.21%	20 years
Triodos Bank	Triodos Fixed Mortgage.	Home energy rating C.	4.71%	5.24%	30 years

(*)NIR: Nominal Interest Rate, price without taking into account other expenses.

(**) APR: Annual Percentage Rate, reflects the total costs of the loan.

THE CHEAPEST ↓

bankinter.

With 3.50% APR

THE MOST EXPENSIVE

Triodos Bank

With a fixed rate of 5.24%

Banco Santander and Banco Sabadell no longer offer green mortgages in their product portfolio, **also the Liberbank mortgage disappeared** after its absorption by Unicaja.

VARIABLE-PART GREEN MORTGAGES

ENTITY	PRODUCT	CONDITIONS	NIR*	APR**	TERM
bankinter.	Fixed efficient home mortgage (discounted variable).	In new homes with an A energy rating, appraisal with energy rating A and B in rehabilitated or used housing. No Opening Fee.	Euribor +0.75%	2.51%	25 Years
bankinter.	Efficient home mortgage (not discounted variable).	In new homes with an A energy rating, appraisal with energy rating A and B in rehabilitated or used housing. No Opening Fee.	Euribor +2.05%	3.53%	25 Years
Average APR				3.63%	
Triodos Bank	Triodos Variable Mortgage (energy rating A+).	Home energy rating A+.	Euribor +1.05%	3.97%	30 Years
Triodos Bank	Triodos Variable Mortgage (energy rating B).	Home energy rating B.	Euribor +1.14%	4.05%	30 Years
Triodos Bank	Triodos Variable Mortgage (energy rating C).	Home energy rating C.	Euribor +1.17%	4.08%	30 Years

THE CHEAPEST ↓

bankinter.
With Euribor +0.75%
APR 3.53%

THE MOST ↑

bankinter.
With Euribor +1.17%
APR 4.08%

Most expensive mortgages and with few incentives

The problem faced by the consumer is not only that the supply is lower, but also that interests **are higher than in conventional mortgages** and with few incentives.

Thus, the average APR (total product price) of the green mortgage at a fixed rate **has increased in a year from 2.72% to 4.41%, that is 1.69%, an increase greater than the average of conventional fixed mortgages, which has increased from 2.50% to 3.31%, or 0.81% more.** The green mortgage is 1.10% more expensive.

Something similar has happened with the variable mortgage, albeit to a lesser extent. It should be noted that this study has been carried out with reference to the Euribor for the month of August, of 1.24%, and before the significant increase in September. Thus, **the variable green mortgage has gone from an APR of 2.54% to 3.63%, 1.09% more, while conventional mortgages have raised their APR from 2.62% to 3.59%, 0.97% more.** The result is that the green variable mortgage is also more expensive, albeit only 0.04%.

AVERAGE INTEREST RATES

	GREEN MORTGAGES	CONVENTIONAL MORTGAGES	PRICE DIFFERENCE	
Fixed rate	4,41%	3,31%		The green mortgage is 1,10% more expensive than the conventional mortgage
Variable rate	3,69% ^(*)	3,59% ^(*)		The green mortgage is 0,04% cheaper than the conventional mortgage

(*) Variable rates calculated with Euribor in the month of August 1.249%. Average of mortgages with and without ties.

This shows that green mortgages, exclusively focused on better energy rated homes (usually homes certified with the letters A and B) offer few incentives:



Interest rate reductions are not very relevant. The largest is BBVA which offers up to 1.00% lower nominal interest.



It is more common to waive the opening fee, as done by Bankinter or BBVA.



In some cases other bonuses are included, as BBVA does with notary, management and registration fees.

Renovation, new tax incentives

The lack of supply in the mortgage sector clashes with a time when the fiscal incentives promoted by the government are greater, again focused on improving energy efficiency. Specifically, there are three main groups of tax deductions:



Deduction for construction to reduce the demand for heating and cooling.

It can be applied to the taxpayer's usual home or any other of their properties that they have rented for use as a home or in hopes of renting, provided that it is rented before December 31, 2023.

Deductible constructions are those that have reduced the demand for heating and cooling of the house by at least 7%. To do this, it is essential that it is accredited by means of an energy efficiency certificate. These works have to be carried out between October 6, 2021 and December 31, 2022 and the maximum amount is 20% with a 5,000 euros limit.



Deduction for works to improve the consumption of non-renewable primary energy.

With the same deadlines as the previous one, being able to obtain a deduction of 40%, with a limit of up to 7,500 euros, provided that an improvement in the energy rating of the house is achieved. In other words, it will have to be converted to energy class A or B, which will have to be accredited by means of an energy efficiency certificate.



Deduction for energy renovation works.

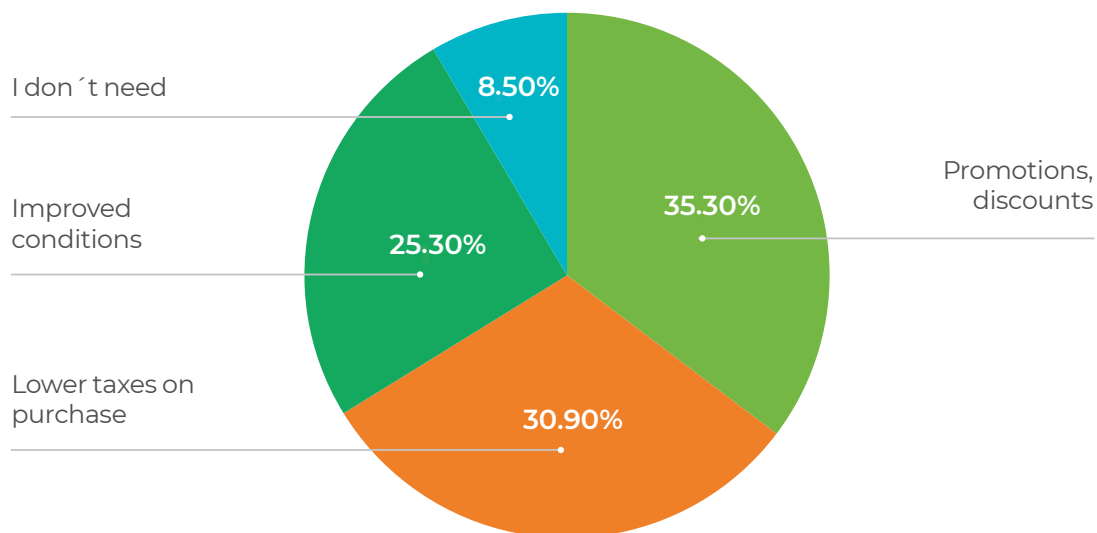
This is applied in homes owned by the taxpayer - located in buildings of predominant residential use - as well as parking spaces and storage rooms acquired with them. It does not apply to parts of the house affected by any type of economic activity (offices for professionals, for example).

The deduction is applied in the reduction of non-renewable primary energy consumption by at least 30%, or the improvement of the energy rating of the building to obtain an energy class A or B, on the same rating scale. This deduction can be up to 60%, with a ceiling of 5,000 euros.

More incentives to buy an eco-friendly car

The main incentive for the purchase of an environmentally friendly car is the price and the promotions that accompany it, followed by the lower taxation that contributes to the cheaper purchase, as well as the better financing conditions. These conditions have nothing to do with the conviction of purchasing this type of vehicle itself without the financial discounts.

WHICH INCENTIVE DO YOU CONSIDER MOST IMPORTANT WHEN BUYING AN ECO-FRIENDLY CAR?



Specifically, the heading of promotions and discounts increases from 34.40% in 2021, to **35.30%** in 2022, 0.90% more. Paying fewer taxes also goes up, going from 28.20% in 2021 to **30.90%** in 2022, 2.70% more. The main increase is, as has happened with mortgages, with better financing conditions that has gone from 19.00% in 2021 to **25.30%** in 2022, 6.00% more. All this causes the group who did not need an incentive to purchase to fall significantly from 18.40% to **8.50%**, 9.90% less.

Greater offer of green personal loans

Unlike with the green mortgage, personal loans with an ecological motivation grow, mainly in the segment of vehicles that are the most numerous, but they also increase slightly in renovations and for mixed use. Although it should be noted that CaixaBank does not offer a specific loan, new operators such as WiZink Bank or Abanca entered the market.

PERSONAL "GREE" LOANS SORTED BY PRICE (APR)						
	ENTITY	PRODUCT	CONDITIONS	NIR*	APR**	TERM
Eco-friendly vehicle		Loan with Guarantee for 0 Emissions Car.	Electric or hybrid vehicle with the label "0 CO2 emissions".	Euribor 3 months +1.95%	3.89%	8 years
		Eco-friendly Car Loan.	Electric or plug-in hybrid vehicles.	5.95%	6.28%	8 years
		ECO Mobility Loan.	New or semi-new hybrid or electric vehicles (up to 36 months old).	5.00%	6.35%	7 years
	Average APR				6.72%	
		Ecoauto car Loan.	Electric and hybrid vehicle.	5.99%	6.99%	8 years
		Eco-friendly Car Loan discount.	New sustainable, electric or plug-in hybrid vehicle or with self-rechargeable battery.	4.35%	8.28%	8 years
		Car Loan Eco-friendly without discount.	New sustainable vehicle, electric or plug-in hybrid or with self-rechargeable battery.	7.35%	8.53%	8 years
Home renovation		Energy efficiency Loan.	Financing energy-saving renovations or improvements to your home and improving your home's energy rating.	4.00%	4.37%	7 years
	Average APR				5.96%	
		Home + Sustainable.	Improving the energy efficiency.	6.90%	7.54%	10 years
Mixed		WZ Eco Loan.	For hybrid or electric vehicles, home renovations.	4.50%	4.59%	8 years
	Average APR				5.38%	
		Green Loan.	Ecological or hybrid vehicle / Undertake a reform/ renovation of your home or building, which favors the improvement of energy, efficiency, promote the use of renewable energy and reduce CO2 emissions.	5.99%	6.16%	7 years

(*)NIR: Nominal Interest Rate, price without taking into account other expenses.

(**) APR: Annual Percentage Rate, reflects the total costs of the loan.

Green loans with more competitive costs

In addition to a more varied offer, the costs of green personal loans remain more competitive, with very small changes compared to 2021, despite the general increase in rates.



Loans for the purchase of eco-friendly vehicles.

Focused essentially on new vehicles, and used by some entities such as Banco Santander, they have barely increased, going from 6.10% in 2021 to 6.72%, 0.62% more.

If we compare with the average of personal loans for the purchase of vehicles in the month of September of 8.12% they are 1.40% cheaper. The main reason is the inclusion of Banco Mediolanum which, with its 3-month Euribor variable loan + 1.95% (APR 3.89%), significantly improves existing costs.



Loans in home renovations.

We find more competitive costs, of 5.96%, compared to the average of personal loans in the month of September of 8.30%. They stand out both for their duration, ranging from 7 years, in the case of Banco Santander, to 10 years in Ibercaja, and for their amount of 80,000 euros, in Ibercaja, to 100,000 euros in Banco Santander.

It is also important to note these are high amounts and range from the lowest of Abanca and Banco Cetelem, of 60,000 euros, to the 90,000 euros of Banco Mediolanum, with long terms that are 7 years for Banco Santander and 8 for the rest.



Mixed loans.

For all types of use, whether for renovations or purchasing a vehicle, we find very competitive rates: the average of 5.38% is much lower than both the 8.12% for vehicles (2.74% less) and those for other purposes, with an average of 8.30% (2.92% less). The amounts are lower and are between 30,000 euros at WiZink Bank and 60,000 euros at Kutxabank, with a maximum term of 7 years, in the Basque entity and 8 years, in WiZink.

No new developments in state aid for the purchase of vehicles

Vehicle registration continues to decline in Spain. Although the latest data (August 2022) reflected an increase of 9.10% compared to the same month of the previous year, the reality is that the 533,000 registrations made up to August reflect a fall of 9.40%, compared to the same periods a year ago.

In this context, aid is an important element, but it continues to focus on the purchase of electric or plug-in hybrid vehicles through the **Moves III plan**, which began in 2021 and will continue until 2023.

This year, the rest of the autonomous communities have already been incorporated into the program (when the study was carried out in 2021, there were only 12 of the 17) showing it is a success if we consider the growth of the sale of eco-friendly cars in Spain.

MOVES III PLAN

ELECTRIC CAR, EXTENDED RANGE ELECTRIC CAR OR PLUG-IN HYBRID CAR



ELECTRIC VEHICLE RANGE	WITH SCRAPPING	NO SCRAPPING
Vehicle for private use with more than 90 kilometers autonomy.	€7.000	€4.500
Vehicle for private use with 30 to 90 kilometers autonomy.	€5.000	€2.500
Commercial vehicle with more than 30 kilometers autonomy.	€9.000	€7.000

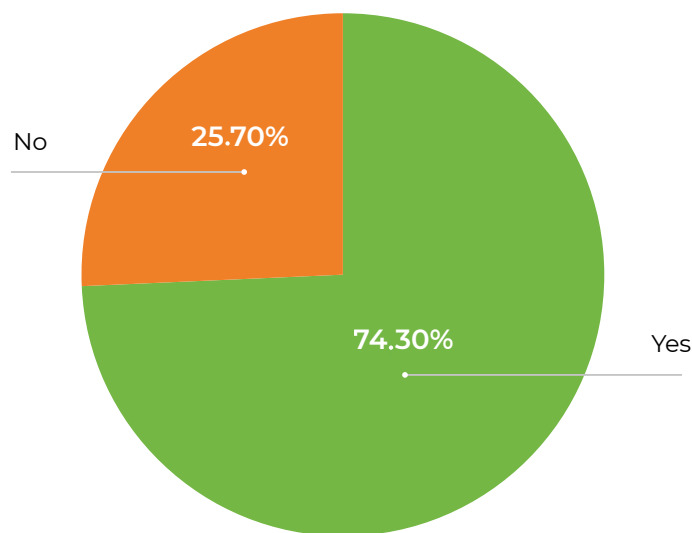
Thus, so far this year, the sale of electric vehicles has grown by 47.20% according to data from the Association of Manufacturers (ANFAC), Dealers (Faconauto) and sellers (Ganvam). However, of the total sales in 2022, electric cars only represent 3.00% of the total, and plug-in hybrids 4.40%, figures that contrast with the 36.30% of gasoline vehicles, 29.40% of diesel or 25.10% of non-pluggable hybrids.

Sustainability loses importance when choosing investments

While when choosing financing instruments for sustainable purposes the lowest interest rate has gained importance, on the other hand we find investments, in which the criterion of profitability, regardless of choosing an investment that is sustainable, gains positions.

Even so, choosing sustainable investments remains the most important preference even if it falls. If in 2021 it was an important criterion for 77.00% of investors, this percentage has been reduced by 2.70% to **74.30%** in 2022.

WHEN CHOOSING YOUR INVESTMENTS IN FUNDS OR COMPANIES, IS SUSTAINABILITY AN IMPORTANT CRITERION?



At a time when the main investments of a sustainable nature are still investment funds, due to compliance with ASC or the exclusion of companies that do not fulfill it, their poor performance (6.80% of negative profitability in the first eight months of the year on average) is harming investors.

It is not the only problem: there are also limitations when choosing:

The difficulty of limiting what is an environmental commitment with other facets such as social or Corporate Social Responsibility, since in many products they are all included.

Not knowing whether companies or financial products have defined **sustainability objectives**.

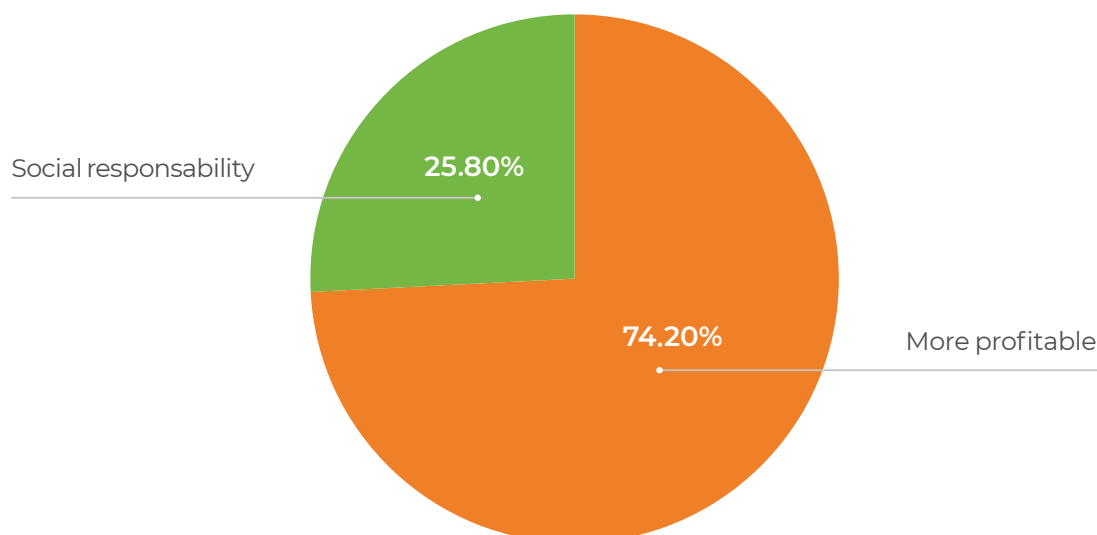
The consumers' ability to make a real choice because the marketing company differentiates them properly from a product that is not.

Shortage of supply: only 3.60% of national funds are defined by ASC criteria.

Profitability grows as a fundamental criterion for choosing a sustainable investment

The clearest reflection of the current situation is the priority given to the profitability that can be obtained with this type of product with respect to social commitment. The almost 3 out of 4 investors who choose sustainable investment, **74.20%** do so because they expect to achieve a better return. This figure represents a growth of 1.90% compared with the 72.30% in 2021.

WHY DO YOU THINK IT IS IMPORTANT TO INVEST IN SUSTAINABLE BUSINESSES?



Conclusions

During uncertain times, with higher prices, worse financing conditions and negative returns, with high volatility, such as what we are experiencing, it is understandable that the consumer and investor place a **higher value on the financial costs and the performance of the products**.

Nor does the initial launch of sustainable products help, where some market operators **still do not provide a solid offer**.

The most obvious example is the fall in the supply of green mortgages, which also continue to focus exclusively on energy efficiency, leaving behind other aspects that are valued in other surrounding countries, such as **the use of sustainable materials or the consumption of other resources such as water**. It is not only a supply shortage problem, but also the offer of few incentives (reductions in rates or canceling opening fees).

The only good news from the financing side is in personal loans, especially for vehicles. Although still a minority, the registration of electric vehicles or plug-in hybrids, has grown by 47.20% in a falling global market. Therefore, there seems to be a greater interest on behalf of financial institutions to offer specific products that finance this purchase, and are doing so at competitive prices.

Similarly, the investor is mainly guided by yields, which is normal after two decreasing quarters, with global yields close to 7.00% down. However, the main problem is the scarcity of options in choosing these products due to their poor definition and marketing, something that the new Markets in Financial Instruments Directive (MIFID) aims to solve. This directive has entered into force on August 2 and seeks to make the investor aware of and able to choose sustainable investments.

In short, if we want to advance in sustainable finance, financial institutions as intermediaries have two keys for improvement: more and better products in terms of conditions, but also in carrying out educational tasks, creating specific products with clear and transparent characteristics.

Let's talk!



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