

Brussels, 16 February 2022

## **Leaseurope comments to the BCBS Consultative Document on its principles for the effective management and supervision of climate-related financial risks**

Leaseurope, the voice of leasing and automotive rental at European level, welcomes the opportunity to comment on the BCBS Consultative Document Principles for the effective and proportional management and supervision of climate-related financial risks. We fully support the BCBS's efforts to better understand the safe and prudent management of climate-related and environmental risks under the current prudential framework, also taking into account data gaps.

### **Sustainability in the leasing industry**

The leasing and automotive rental industries are in many ways ideally placed to act as a facilitator of the green transition for businesses and households alike. To this aim, the leasing and automotive rental industries currently play a major 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, we are in a unique position compared to most other financial service providers, since we 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 industries play an important role in making sustainable products more accessible, and this role is likely to grow significantly in the coming years.

Leasing is also a crucial source of finance for SMEs to invest in zero or low emission assets. Given the unique position of leasing as one of the main sources of finance for SMEs, leasing can provide access to finance to those SMEs and by doing so, support the green transition.

A principal function of our industries is to ensure assets are used as a service until the end of their lifecycle permitting longer assets lifetimes as upon recovery they can be re-deployed. As a result, we are by nature circular, as required by the European sustainable product policy framework (a new circular economy action plan, 2020), with a long-term approach in risk management, and this long-term approach includes climate change risks.

Additionally, the industries are constantly evolving to meet changing consumer demand, and as more and more consumers are becoming aware of their environmental impact, our industries are constantly adapting to offer new, greener technologies, and to ensure that these technologies are as widely available as possible.

In line with the strategic aims set out in the Green New Deal, leasing can:

a) enable more frequent upgrading to greener, more efficient technologies;

- b) provide better control over manufacturers and manufactured products being used/recovered/reused/shared/recycled/disposed of, so that it is done more effectively;
- c) help to differentiate the leasing industry and the leasing product even more, compared to other financial services products;
- d) offer a long-term vision of investments to allow the product completing its life cycle in an efficient manner.

### **General Observations on the BCBS Consultative Paper**

- The leasing industry is supportive of a recognition of both physical and transition risk, with regards to their expected impact on business operations, when data are available. In fact, the incorporation of these principles is already commonplace with the industries we represent, as asset life cycle management requires leasing companies to take a more holistic approach to risk management.
- The special challenges and opportunities that arise in connection with the management of ESG risks should be recognised, communicated and expressed within each company's corporate culture. As ever, implementation thereof, as well as other proposed measures in the Consultative Paper should be subject to the principle of proportionality.
- Leaseurope fully supports the notion that an institution's business strategy takes into account climate-related and environmental risks.
- It is crucial that reporting requirements allow the assessment of ESG risks from SMEs and credit institutions without increasing compliance cost.
- We have to take into consideration that in the initial stage of the integration of ESG factors new risks may appear, and therefore it may reduce the available capital for credit institutions that need to increase their expertise in managing those risks. In the future, it is likely that enterprises and households will be less risky for ESG factors and creditors will be able to hedge themselves from the ESG risks. Therefore, to achieve financial stability in the long term we need a gradual and proportionate incorporation of ESG in our business models, controls and prudential regulation, taking into account all available data.

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## About us

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 (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 90% 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 2020, the leasing firms represented through **Leaseurope's membership helped European businesses and other customers invest in assets that is estimated worth more than 352 billion EUR, reaching about 715 billion EUR** of outstandings at the end of the year<sup>1</sup>. Leasing is used by more European SMEs than any individual category of traditional bank lending taken altogether (around 43% of all European SMEs make use of leasing which is more than any other individual form of lending)<sup>2</sup> and is also popular amongst larger corporates<sup>3</sup>. 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**

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<sup>1</sup> Leaseurope 2019 Annual Statistical Enquiry.

<sup>2</sup> Oxford Economics, *The Use of Leasing Amongst European SMEs*, 2015; European Investment Fund, *The importance of leasing for SME finance*, 2012

<sup>3</sup> European Commission, *Survey on the Access to Finance of Enterprises-Apr. – Oct. 2019*