



Federal Association of German Leasing Companies

Statement on the European Commission's initiative to review the delegated acts on climate and environmental taxonomy

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Federal Association of
German Leasing Companies

Avenue des Arts 19 A-D B-
1000 Brussels

Phone: +32 (0)2 203 92 90

bdl@leasingverband.de

www.leasingverband.de

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We would like to thank you for the opportunity to comment on the review of the EU environmental taxonomy and kindly ask to take our comments below into consideration.

The leasing sector in Germany

The Federal Association of German Leasing Companies represents the interests of the German leasing sector.

Germany's leasing companies enable their mostly medium-sized customers to make new investments of over EUR 80 billion annually. In the movable property sector, almost a quarter of all investments in operating and business equipment are realised through leasing. The financing solution of leasing thus makes a significant contribution to the overall supply of investment, especially for German SMEs.

The leasing sector sees itself as an enabler and companion in the transformation of the German economy. Leasing companies traditionally finance a wide range of assets for the energy, heating and mobility transition (photovoltaic systems, wind farms, electric mobility, bicycles). In addition, they support companies in making their production processes more energy-efficient or converting to innovative technologies.

1. Extending of the taxonomy to include further economic activities and different forms of financing

For leasing services to be able to be considered as taxonomy environmentally sustainable activities, all leasing solutions should be potentially eligible to fall within the scope of taxonomy as long as the economic activity contributes substantially to the specific environmental objective. The criteria for substantial contribution (SC) to taxonomy environmental objectives should not differentiate in favour of or against a specific type of leasing (financial, operating, hire purchase). It should be the lessee's discretion to opt for the most appropriate contract terms in relation to their economic activity, without experiencing disadvantages in the taxonomy classifications (unequal treatment based on the type of contract).

The range of products covered by leasing covers all asset classes, including motor vehicles, lorries, trains, machinery for the manufacturing or construction sector, bicycles, IT equipment, photovoltaic systems and charging infrastructure. The current taxonomy regulation should be extended to include further economic activities in order to create the necessary investment incentives for a sustainable orientation of the European economy. The inclusion of leasing across different asset classes is also crucial for the refinancing of leasing transactions. In practice, the refinancing of another leasing transactions that are not yet part of the taxonomy is usually considered by a refinancing institution (e.g. a bank) to be part of a green portfolio. As banks generally intend to increase their share of green assets, this financing should also fall under the taxonomy regulation. This is the key to maintaining the attractiveness for banks and other investors to continue investing in the refinancing of leasing contracts in the long term.



Another issue in relation to this requirement arises in the case that an additional firm is involved that sells the lease (so it might be the “provider”), while the owner of the asset is a separate lessor. The leasing business is characterised by the fact that more than two contracting parties are involved. As a rule, a leasing transaction involves a manufacturer (who supplies the object), a leasing company (which acquires the object), a lessee (who uses the object) and, last but not least, a service provider. Service provider and lessor are not always one and the same person. Consequently, leasing activities should be eligible under taxonomy also when a third party provides the service. This is the unique position of leasing services: it is a multi-party relationship which enables the underlying business to take place to the benefit of businesses and households. Therefore, the focus of eligibility criteria should be on physical usage of the asset, rather than concepts of legal or accounting ownership, which vary between Member States.

Suggestions for improvements:

- The criteria for substantial contribution (SC) to taxonomy environmental objectives should not differentiate in favour of or against a specific type of financing (e.g. financial/ operating leasing, hire purchase).
- The current taxonomy regulation should be expanded to further economic activities – e.g. fleet management services that improve emissions, utilisation, lifetime, and repair vs. replacement decisions should be recognised as taxonomy-relevant transition activities, as they directly contribute to emission reductions.
- Leasing activities should be eligible under taxonomy also when a third party provides the service.

2. Transition finance should be allowed to be reported

Existing reporting measures based on the EU taxonomy regulation for environmentally sustainable activities, including the Green Asset Ratio (GAR), do NOT capture “transition finance” for assets that are not taxonomy-aligned and SME finance. The Sustainable Finance Platform Report recognises as a challenge for the usability of KPIs that certain activities that appear relevant from an environmental transition perspective are not included in the EU taxonomy.

Corporate sustainability reporting requirements should not ignore activities which, although do not qualify as taxonomy-aligned, actually contribute to green transition. Companies should be allowed to disclose all their activities that, in addition to taxonomy-aligned activities, are essentially contributing to transition finance. Otherwise, part of the companies’ engagement in the transition goes unreported and unnoticed. European Investment Bank’s Green Eligibility Checker acknowledges the relevance and contribution of transition assets¹.

Considering the importance of SMEs for the EU economy and that most SMEs are at an early stage of transition towards low or zero emissions, leasing can provide them with options that promote environmental objectives when upgrading existing technology (not only assets strictly classified as green). According to OECD, providing low risk/low return financing (e.g.

¹ <https://greenchecker.eib.org/>



leasing) is critical to enable SMEs' investments in greening². As mentioned above, leasing is uniquely placed to address and ease concerns rising out of these needs by assisting SMEs to renovate their equipment without outright purchase. As result, a substantial part of leasing activities contributes to transition finance, but such activities are not being taken into account in the company's reporting.

Suggestions for improvements:

Transition finance, as recognised by the European Commission³, should be included in the reviewed rules for EU taxonomy reporting and particularly in the KPI for financial/credit institutions, the GAR. Alternatively, a separate framework could be developed to supplement transitional finance in the GAR. Leaseurope, for example, has developed a framework for transitional finance that would be suitable for the leasing sector and which we, as the Federal Association of Leasing Companies fully support. Likewise, guidelines developed by institutions themselves should also be recognised if they are certified and comply with common frameworks.

3. Simplification of handling and improving coherence with other legislation

The wording of the EU taxonomy often refers to other EU directives/regulations, which in turn refer to other regulations. This is difficult for users to understand and is perceived as time-consuming and impractical. Simple guidelines in the regulation would be helpful here.

Suggestions for improvements:

- The designation of energy efficiency classes in connection with the economic activities in category 7.3 is much easier to implement than a reference within the regulation to the corresponding EU regulation. The taxonomy guidelines should be specifically reviewed for such potential simplifications.
- The requirements of the EU taxonomy need to be aligned with other EU directives (e.g. CSRD, product passport) in order to make things easier for companies.

4. Data availability and data collection

Depending on the taxonomy-eligible activity, the effort required for data collection can be very high. Data is needed, for example, to prove that the technical screening criteria are met, for example by assessing the 'substantial contribution to environmental objectives' and/or the 'DNSH criteria'. For example, for the activity 'Transport by motorbikes, passenger cars and

² Financing SMES for Sustainability: Drivers, Constraints and Policies, OECD 2022: "SMEs need access to different financing instruments to fit their diverse sustainable investment needs. As most SMEs are eco-adopters, i.e. firms seeking to improve the sustainability of their operations, access to debt and other low risk/low return financing (e.g. leasing) is critical to enable these enterprises' investments in greening."

³ Sustainable finance is about financing both what is already environmentally friendly (green finance) and the transition to environment-friendly performance levels over time (transition finance). Sustainable Finance – Investing for a sustainable future in June 2023: https://finance.ec.europa.eu/system/files/2023-06/230613-sustainable-finance-factsheet_en_0.pdf



light commercial vehicles', CO₂ emissions or the proportion of recyclable material by weight are required, among other things. In the case of leasing companies that have leasing objects from different manufacturers in their portfolio, the effort involved in the data collection process can be high.

Suggestions for improvements:

- Provision of an EU database in which manufacturers of leased assets provide taxonomy-relevant data (or provision of data, e.g. via the upcoming product passport, see point on coordination with other EU directives above).
- Until an EU database is provided, the use of average values should be permitted if no object-specific data is available from leasing object manufacturers or if the effort involved in data collection is too high.
- Harmonising data requirements for product manufacturers and their supply chains with the data points to be reported in the EU taxonomy would facilitate the data collection process.
- For mobility-related leased assets, the taxonomy should explicitly allow the use of standardised, real-world vehicle data (VIN-based CO₂ values, WLTP data, telematics-based consumption data). This would significantly reduce data-collection burdens.

5. Technical screening criteria

a) Reduce complexity and level of detail

Practical experience has shown that the hurdles to taxonomy compliance are in many cases significantly too high due to the level of detail in the technical screening criteria and the requirements, some of which are quite impractical (e.g. tyre rolling noise in accordance with 6.5 for passenger cars or requirements for rolling wear and rolling resistance in accordance with 6.6). In this case, simplifications through the admissibility of justified assumptions would be of considerable assistance. As already mentioned above in relation to data availability, access to the information required for the assessment of the technical screening criteria is virtually non-existent. In the case of leasing particularly, the information (e.g. on the tyres used) is the responsibility of the manufacturer or lessee and is therefore difficult or impossible to obtain without considerable effort.

Suggestions for improvements:

- The technical screening criteria should be 1) simplified as much as possible and 2) limited to a few, but very essential criteria, that additionally could be controlled by the reporting company.
- For example, for mobility assets, the taxonomy should clarify that leasing providers cannot be required to ensure access to component-level data (e.g., tyre classes, material fractions) that they do not control.

b) Flexibility of application depending on the business model



Another obstacle to the application of the Technical Screening Criteria (TSC) in practice is that certain requirements simply cannot be met due to the business model of a leasing company. Therefore, flexibility should be introduced in the interpretation of the Technical Screening Criteria depending on the business model in question.

An example: Appendix Circular Economy, activity 5.5. Product-as-a-Service: Under the aspect of Substantial contribution to the transition to a circular economy, point 3 states "Where the economic activity involves delivery of packaged products to customers (physical person or legal person) including when the activity is operated as an e-commerce, the primary and secondary packaging of the product complies with one of the following criteria: (a) the packaging is made of at least 65 % recycled material. ... (b) the packaging has been designed to be reusable within a reuse system. The system for reuse is established in a way that ensures the possibility of reuse in a closed-loop or open-loop system."

The business model of leasing companies is based on the financing of assets. The delivery of an asset to the lessee does not necessarily involve packaging. Moreover, the lessor itself has no influence on this, as the choice of packaging and the packaging activity lies with the manufacturer. Accordingly, the criteria specified in the TSC for packaging (3a and b) should be excluded from the assessment of the sustainability of the financing of an asset.

Suggestions for improvements:

A clarification from the standard setter that a company (and the auditor) has the flexibility to exclude TSCs if they are not related to the respective business model and the activity is still taxonomy-aligned would significantly simplify practical application.

c) The particularities of the leasing sector should be given proper consideration

The specific characteristics of the leasing sector should be taken into particular consideration, as the leased asset remains the property of the lessor for the duration of the lease agreement. Leasing companies often engage service providers to take care of maintenance, etc. of the leased asset. The taxonomy does not take into account the fact that lessors and service providers are different legal entities. For example, the significant contributions to the circular economy stipulate that ownership of the asset must always remain with the service provider, thereby limiting leasing activities to pure operating leases. Depending on national regulations and accounting standards, ownership may or may not be transferred at the end of the lease, so these taxonomy provisions could be interpreted to exclude finance leases from the taxonomy alignment. In this case, a significant part of leasing activities would be excluded from the possibility of taxonomy alignment, even though leasing (regardless of the type of lease) is inherently linked to the circular economy.



Suggestion for improvements:

- The leasing business model should be given greater consideration by linking minimum criteria exclusively to the asset and not to legal ownership, special service contracts and different forms of financing.
- For example, professional remarketing and lifetime extension of vehicles should be recognised as Circular Economy contributions, irrespective of the leasing type (operating vs. finance).

d) Simplification of handling through fixed criteria during the financing period

If the TSCs change during the lease period, a leased asset that was previously taxonomy-compliant may no longer be taxonomy-compliant within the lease period. Among other things, this could have a negative impact on the refinancing of the leasing company, as the refinancing bank has a preferential interest in financing taxonomy-compliant assets due to the disclosure of its green asset ratio. Therefore, the TSC of the first reporting year should be assumed to be given for the entire lease term, so that there is legal certainty in the assessment of an economic activity and its refinancing conditions.

Suggestions for improvements:

The TSC of the first reporting year should be allowed to be assumed as fixed for the entire lease term. At least a transition period of 2 to 3 years should be established during which the TSC of the first reporting year continues to apply.

6. Do no significant harm criteria (DNSH criteria)

a) The DNSH criteria for leased vehicles should not go beyond the DNSH criteria for the manufacture of the vehicles

The following simplifications are urgently needed to make the application of the sustainability taxonomy for the leasing of cars more manageable:

The DNSH criteria for leased vehicles should not go beyond the DNSH criteria for the manufacture of the vehicles. This is especially true with regard to the requirements for tires. Due to the high number of leased vehicles, additional IT interfaces or the expansion of existing IT interfaces to the various manufacturers with the necessary information on the efficiency classes of the various tire types would be required. The IT effort involved would be extremely high and would not provide an adequate benefit to the classification as taxonomy-aligned economic activities. Although the share of taxonomy-aligned e-vehicles manufactured is steadily increasing and already accounts for a significant share of all vehicles delivered, these taxonomy-aligned vehicles currently do not meet the taxonomy criteria for leased vehicles. As a result, the ratio of vehicle leasing that is taxonomy-aligned is very low, despite quite high rates of taxonomy-aligned produced vehicles. **A vehicle that is classified as taxonomy-aligned by the car manufacturer should also be able to be classified as taxonomy-aligned, when leased** ("one vehicle – one classification").



This would allow leasing companies to rely on vehicle manufacturers' information on the taxonomy alignment of vehicles directly for the classification of taxonomy-aligned car leasing, thereby increasing cost efficiency, data quality, consistent reporting and legal certainty.

Suggestion for improvement

- Leased vehicles should be subject to the taxonomy criteria of 3.3 of Annex I DelVo (EU) 2021/2139, as for car manufacturers, rather than those of 6.5. Accordingly, the leasing of vehicles should be deleted from 6.5 and included in 3.3 of Annex I DelVo (EU) 2021/2139.

b) DNSH criteria for the use or disposal phase

Some DNSH criteria focus on the use or disposal phase of an asset. For example, the DNSH criteria in the environmental objective Circular Economy for the activity 'Operation of personal mobility devices, cycle logistics' stipulate, among other things, that measures must be established to enable waste management in accordance with the waste hierarchy during the use phase and the disposal phase.

This effectively rules out their application to lease financing. A leasing company generally has no control over the use of its leased assets and only has control over their disposal under certain conditions.

Suggestions for improvement

- Separation of DNSH criteria into the areas of responsibility of 'owner' and 'operator'. This results in a clear allocation of responsibility based on the corresponding options for action and/or
- DNSH obligations relating to the use or disposal phase should be fulfil-lable via contractual provisions or user guidance, without making the leasing company responsible for user behaviour.