Global Property Linked Finance Initiative

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Property Linked Finance Principles

Beta version

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propertylinkedfinance.com

Introduction

The Property Linked Finance (PLF) market aims to mobilise capital towards environmental improvements to the built environment, leveraging a unique financial structure that addresses systemic barriers to improving the efficiency and climate resilience of buildings across the globe.

Property Linked Finance – also known as Property Assessed Clean Energy (PACE) in the United States and Canada, and Environmental Upgrade Agreements (EUAs) in Australia – is a proven financial solution that has mobilised over USD 18 billion of investment towards sustainable buildings over the past decade.

The United States, Canada and Australia have pioneered the early PLF markets, and further innovation is happening in the United Kingdom, Spain and the Netherlands; however, these markets have evolved in isolation and are fragmented by geography, submarket and project type. As a result, there is no common universal view on what defines a PLF solution, which risks limiting the potential of PLF to mobilise significant volumes of private capital towards improving the global built environment.

The Property Linked Finance Principles (PLF Principles) aim to promote the development of PLF markets globally, accelerate the route-to-market for new PLF solutions, and overcome the risks of a fragmented global market by providing a recommended framework of market standards and guidelines for use across the PLF market. The PLF Principles seek to support integrity in the development of PLF markets, while being sufficiently flexible to adapt to local market conditions.

The PLF Principles are voluntary recommended guidelines developed by the Global Property Linked Finance Initiative (GPLFI) – consisting of experts from finance, real estate, business, civil society and governments – and will be reviewed by the market during an open consultation in October 2025. The PLF Principles will be reviewed on a regular basis to accommodate the development and growth of the PLF market.

PLF Principles

The PLF Principles set out a framework of recommended principles, and product features derived from those principles, enabling all market participants to clearly understand the characteristics of a PLF solution.

Principles

1. **Addresses the temporal split incentive** associated with environmental and resilience improvements to buildings.
   - The temporal split incentive – also known as the 'payback period barrier' – arises when the time needed to recover the cost of environmental upgrades exceeds how long the owner expects to keep the property. In such cases, the owner may not benefit financially from the investment.
   - To overcome this barrier to long-term investment in environmental upgrades, PLF solutions ensure that the economic benefits – such as savings on utility bills – go to those who are currently paying for the improvements.
2. **Defined but flexible use of proceeds** aligned with relevant environmental and/or social goals.
   - PLF solutions must clearly define how funds will be used, ensuring alignment with local environmental and social objectives. This helps set shared expectations among property owners, investors, and policymakers.
   - The use of proceeds should remain flexible to avoid unintentionally excluding certain projects and to ensure the solution can evolve with changes in technology and market standards.
3. **Compatible with existing financial markets and regulatory environments.**
   - PLF solutions may interact with existing financial products and markets – such as mortgages – and should be designed to minimise friction, complexity or disruption for property owners.
   - PLF solutions must align with local regulations to build market trust and ensure compliance with current best practices.
   - Securitisation markets are key to providing liquidity and managing risk, so it's essential that PLF solutions are structured to be securitisable to support market growth.
4. **Accessible across different tenures, project types and the widest possible geographic reach**, subject to feasibility and local market conditions.
   - PLF solutions should support environmental and resilience upgrades across both commercial and residential buildings, be inclusive of all socio-economic groups, and aim for broad geographic coverage – ideally at the national level rather than limited to individual municipalities.
   - PLF solutions should also address the landlord-tenant split incentive – where the landlord invests into environmental upgrades but doesn't see a financial return as the tenant benefits from the lower utility bills – by enabling repayment costs to be passed through to tenants.
5. **Robust customer protections and simplicity** to build confidence in the PLF market.
   - PLF solutions must deliver a positive customer experience by offering a straightforward product journey, strong customer protections, for example, oversight of contractors and suitable affordability assessments to ensure the customer can meet the PLF repayments, and avoid enforcement proceedings that disproportionately impact the customer.
   - PLF solutions should have a streamlined administrative process that avoids unnecessary complexity for both property owners and capital providers.
6. **Market transparency** that allows property owners to identify if PLF is attached to a property, and demonstrates the environmental benefits created by PLF markets (where possible).
   - Property buyers must be able to easily identify the existence of PLF on a property to avoid friction in the property buying process and maintain confidence in the PLF market.
   - Demonstrating and communicating the impact of PLF solutions by capturing relevant data on the upgrade project – similar to practices in the U.S. PACE market – can help build trust and show that the market is attractive to property owners, investors, and policymakers.

Product features

1. **PLF must finance an environmental or resilience benefit to the property and meet a public purpose.**
   - Environmental or resilience benefits may include, but are not limited to, energy efficiency improvements, micro-generation renewables, water efficiency measures, and climate resiliency improvements.
   - The environmental or resilience improvement measures must be permanently fixed to the real property (i.e., the land and any permanent structures).

2. **PLF must run with the land.**
   - "Running with the land" is a legal principle, primarily in property law, meaning that certain rights or restrictions are attached to the land itself and not just to the current owner. This binds all future owners to those rights and restrictions, ensuring continuity of use, or limitations on property use, even after a change in ownership, such as a sale or inheritance.
   - Because PLF is tied to the property rather than the owner, the original owner is only responsible for repayments while they own the property and benefit from the environmental upgrades. When the property is sold, the new owner takes over the remaining repayments and continues to benefit from improved energy efficiency or climate resilience. This structure helps overcome the temporal split incentive by ensuring that whoever owns the property at any given time also receives the associated benefits.

3. **PLF should be non-accelerating and non-extinguishable in an event of default.**
   - Acceleration refers to the declaration by a lender that the outstanding balance of a loan must be repaid early in the event of default. PLF is a non-accelerating form of finance, which limits the liability in the event of default to the amount in arrears at the time and not the total outstanding balance.
   - PLF solutions are non-extinguishable, meaning they cannot be legally cancelled in the event of default. This is an important safeguard for the financial sector, limiting the exposure at default to just the payments in arrears.

4. **PLF can offer repayment terms that match, but not exceed, the useful lifetime of the environmental measures.**
   - Matching the repayment term to the useful lifetime of the environmental measures can improve the affordability of PLF repayments.
   - This product feature also avoids property owners making repayments for measures that are no longer economically viable, helping to avoid reputational or regulatory risks.

5. **PLF can have a super-senior ranking charge.**
   - A super-senior position can enhance investor protections and improve the capital treatment of PLF solutions, which may help reduce the PLF interest rate available to property owners.
   - However, a super-senior charge may also increase deal friction and introduce complexity for the property owner and capital provider, such as difficulties finding a mortgage for a property with PLF.
   - The seniority of PLF depends on local market conditions, including how the PLF is linked to the property – such as through a tax lien, local land charge, or title restriction – and how PLF interacts with other financial solutions, such as mortgages.

Consultation on the PLF Principles

The Global Property Linked Finance Initiative would welcome feedback on the beta version of the PLF Principles from market participants. Please submit any comments to propertylinkedfinance@gfi.green by Friday 31st October 2025.

Interpretation of Terms

The term ‘Property Linked Finance” is used throughout this document to refer to the family of financial solutions, including Property Linked Finance, Property Assessed Clean Energy, Environmental Upgrade Agreements and other similar solutions.

The terms ‘property owner’, ‘customer’ and ‘client’ are used interchangeably throughout this document.

The term ‘capital provider’ refers to the organisation that provides the PLF finance to the property owner.

The following definitions provide guidance for understanding and implementing the PLF Principles:

“Must”: Indicates a mandatory requirement.

“Should”: Indicates a recommendation.

“Can”: Indicates an optional course of action.

For all other terms, a plain English approach is adopted.

Appendix – Comparison of active Property Linked Finance markets

🟢 Strong Alignment 🟡 Moderate Alignment 🔴 Weak Alignment

	Active market	United States	Canada	Australia
Principles	**1.** Addresses the temporal split incentive	🟢	🟢	🟢
	2. Defined but flexible use of proceeds	🟡	🟡	🟡
	3. Compatible with existing financial markets and regulatory environments	🟡	🟢	🟢
	4. Accessible across different tenures, project types and the widest possible geographic reach	🟢	🟡	🔴
	5. Robust customer protections and simplicity	🟢	🟢	🟢
	6. Market transparency	🟢	🟡	🟡
Product features	**1.** PLF must finance an environmental or resilience benefit to the property and meet a public purpose	🟢	🟢	🟢
	2. PLF must run with the land	🟢	🟢	🟢
	3. PLF should be non-accelerating and non-extinguishable in an event of default	🟢	🟢	🟢
	4. PLF can offer repayment terms that match, but not exceed, the useful lifetime of the environmental measures	🟢	🟢	🟢
	5. PLF can have a super-senior ranking charge	🟢	🟢	🟢

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