



ENERGYCITIES

CLIMATE BUDGET AT EU NATIONAL, REGIONAL, LOCAL LEVELS

The context

Article 3(3) of the Treaty on European Union says: “The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability ... and a high level of protection and improvement of the quality of the environment.” What we call the “Growth and Stability pact” is based on this article. The European Commission assesses every year the economic health of each EU country, and recommends policies to correct “imbalances”. For the Euro zone, it is complemented by a stronger process to evaluate the National Budget Acts compliance with the so-called “Maastricht” criteria.

Economic imbalances can create huge threats to our social welfare systems and create high levels of unemployment. However, the current evaluation criteria to assess whether a country is in good economic health is completely outdated. In addition to the macro-economic classic indicators, the scoreboard includes resource efficiency indicators that only assess the energy and resource productivity of the economy (e.g. the kg of resources of energy input for a % of GDP).

How are climate risks, resiliency, climate footprint and resources geopolitics included into our priority settings? The Energy Union set 5 objectives and the Paris Agreement is an overarching goal for all policies, but conflicts between opposite objectives are not addressed, resulting in an inconsistent Europe.

What do cities need from the EU?

EU BUDGET TO BE COMPLEMENTED BY A EU CLIMATE MAINSTREAMED BUDGET TO SET THE RIGHT PRIORITIES WITH THE RIGHT COMPASS

The Multiannual Financial Framework rules on spending the EU budget and priorities for EU programmes have not been fully agreed during the 2014/2019 legislative period. There are still a number of important programmes priorities to finalised.

More concretely, this entails that:

➔ EU leaders to revise the EU programmes proposals for 2020/2027 to “future-proof” them. How much will the EU spend in the next decade to increase resources efficiency, reduce energy and resource need, support urban-rural partnerships for energy and food production, adapt cities to climate change, produce locally and create wealth based on local resources?

Who and when?

As soon as the ITRE (Industry, Research and Energy)/ ENVI (*Environment*, Public Health and Food Safety) /REGI (Regional Development)/ BUDG (Budgets) European Parliament (EP) Committees are in place.

It is time to go beyond the “classical” debate of “we should tax polluters more and working people less.” This approach led us nowhere, or at least extremely far from the disruptive changes needed. The impact of fiscal policies on the capacity to implement the energy transition goes far beyond the tax on fossil fuel. For example, Greece and Portugal were asked to sell their energy production assets, and energy distribution infrastructures. Will it help the energy transition? It could be neutral or positive, depending on the conditions of the takeover, but most probably it will be missing links for these Member States to have the tools for completing their energy transition and ensuring energy independency.

More concretely, this entails that:

- ➔ The Commission and the Council shall explain how each of their proposed recommendations done to the Member States in terms of economic and budgetary reforms will help the reach resiliency, energy sufficiency and the 1.5 degrees’ goal.
- ➔ Assess the petro-dependency of fiscal systems in each Member States: in addition to assessing the detrimental subsidies (for example: tax rebate on professional cars) and a clear phase out plan for these.

Who and how?

the European Commission Directorate General for Economic and Financial Affairs (DG ECFIN) to propose a new directive to amend the EU economic semester and add a pillar on climate budgeting and energy transition readiness. The first exercise could be done in 2022 after the adoption a new directive in 2021.

Illustrative example: The energy transition ranking exercise of the World Economic Forum
The report contains the Energy Transition Index (ETI), which compares the energy sectors of 115 countries and analyses their readiness for energy transition.

It does this by benchmarking countries’ energy systems based on an “energy triangle”, comprised of energy security and access, economic development and growth, environmental sustainability and how well they are set-up to succeed in the future.

- ➔ <https://www.weforum.org/agenda/2019/03/the-countries-most-ready-for-the-global-energy-transition/>

More concretely, this entails that:

- ➔ Include a climate budget attached to the national budget in order align climate long-term strategies with mid-term and short-term targets to assess if we are on track and take corrective actions and submit it as part of the European Semester

Who and when?

The “Energy transition” Vice President of the Commission should be responsible to revise the Energy and Climate governance regulation to add an article on climate budgeting. Alternatively, it can be done through a set of methodological tools and exchange between Member States and peer-to-peer learning between countries with a climate budget and others wishing to start the process. The regulation proposal could go through the legislative process in 2021.

Illustrative example:

The UK Climate Act is a robust legislation passed 10 years ago with efficient governance processes between institutions to enforce it leading to the creation of the Climate Change Committee. It sets clear carbon budgets, excluding ETS (Emissions Trading System) sectors, for 4 years. It increases predictability for investors and reports progress to the UK Parliament on a yearly basis. Inspired by the UK, Climate Acts have been passed in Denmark, Finland, Sweden, Norway and France.

FISCAL AND BUDGET POLICIES TO ENABLE MUNICIPALITIES TO PLAY THEIR FULL PART IN ENERGY AND ECOLOGICAL TRANSITION

This is actually one of the biggest “mismatches” between needs and means to transform our economy towards a resilient society. It is widely agreed that local level needs to be at the heart of future energy/ food/ productive systems; but any sectoral policy is still decided, designed at national or even EU level. It is particularly true for the municipal fiscal and budgetary policies. This goes beyond congestion taxes; it is about allowing cities to invest in their key infrastructure.

In France, municipalities, under a new decentralisation act, have to reduce functioning costs by 1.2% each year, regardless of their local challenges, population growth prospects.... this blind rule is the French answer to keep the public deficit in control, but is jeopardising many investments needed for territories to uptake energy innovations and upgrade their systems. Because administration costs are not about inefficiency of the public sector, it is about assessing the needs, evaluating the subsidies requests, proceeding authorisation for new building.... the lack of human resources in municipalities and regions is today an obstacle for any projects to emerge, and is the main reason for underspends of EU funds. In Spain, some municipalities have been prevented from engaging in the energy market as new actor, especially as energy providers (and even more so as producers) because of such “local authorities under tutelle” laws; while their action would have direct impact in fighting energy poverty.

More concretely, this entails that:

➔ Assess how Member States provide local authorities the means to fulfil their role and ensure that fiscal and budgetary reforms implemented are not done at the expense of local authorities being an actor in the energy transition.

Who and when?

As part of DG ECFIN’s national budget assessment, evaluation of their impact on the local capacity to implement the energy transition (for example through a hearing of a Mayors panel)

More concretely, this entails that:

➔ Add climate criteria for all public investments and spending, using the Green bond methodology for example, in order to set the priorities and assess municipal budget impact on climate.

Who and when?

DG ECFIN and Eurostat, following the work already done on the taxonomy of the financial markets; Parliamentary opinion to launch the process via the European Parliament Committee on Economic and Monetary Affairs (ECON)

More concretely, this entails that:

➔ Invest in direct staff costs of local authorities to ensure that their facilitation role of all actors for the transition is fulfilled

Who and when?

The European Commission Directorate-General for Regional and Urban Policy (DG REGIO) in its investments partnerships with the regions shall ensure that the technical assistance resources are allocated to the local administration and EFSI. These rules should be included by the European Parliament (EP) in the future regulation of the European Regional and Development Fund (ERDF).

SUPPORT CITIES TO DEVELOP A CLIMATE MAINSTREAMING MUNICIPAL BUDGET WITH A DEDICATED INSTRUMENT

Billions of EU funds will be devoted to technical innovation. As much as technology is needed, most of solutions exist today, thanks to the past research and innovation programmes. The challenge is the coordination between sectors and levels, and aligning concretely industrial/economic policies with the Climate change goals. For that, the Mission innovation on Carbon neutral cities is a good instrument, to be funded under the Horizon Europe, as far as it finances all size of cities, that it is inclusive and that it focusses too on changing governance. It should support therefore cities to adopt a climate mainstreamed municipal budget.

More concretely, this entails that:

➔ The mission innovation “carbon neutral cities” includes a clear priority for governance innovation at local level and for climate budgeting

Who and when?

The European Commission to propose in the terms of reference of the mission innovation “carbon neutral cities” a clear budget for governance and climate budgeting, the European Parliament ITRE committee to support/amend it; the European Council to support/adopt it.

Illustrative example: City of Oslo (Norway) – Climate budget

Oslo City Council adopted its first Climate Budget in 2016, under the motto “we’ll count carbon dioxide the same way we count money”. Under the responsibility of the Department of Finance and the City Council for Environment and Transport, the updated second generation of the Climate Budget provides an overview of 36 measures that the City Government is planning to implement within the period covered by its current economic plan in order to achieve Oslo’s climate goals. The Climate Budget includes measures under municipal control and measures implemented or funded by the national government that have a direct impact on GHG emissions in Oslo.

CO2 emissions and the costs of reducing them are reported at the same time as the regular budget report, thus making the Climate Budget “an integral component of the overall city budget” which presents and budgets “the city’s CO2 emissions in a similar manner to the city’s finances”.

For this reason, reports on the Climate Budget are presented during the three key steps of the budget cycle. The first report is issued in March to April between the first strategic conference and the assembling conference of the budget planning. A second report is then presented in August/September at the same time as the final budget conference and the budget proposition of the City Council. Finally, a third report is issued at the end of the year after the budget resolution and before the strategic conference for the next cycle.

ENABLING CONDITIONS FOR ALL THE ABOVE WHICH SHALL BE DEVELOPED BY THE COMMISSION

More concretely, this entails that:

➔ A special methodology for selecting projects to receive EU support shall be developed before 2020, aligned with taxonomy of financial investment (DG FIN proposals based on the high level working group on sustainable finance). This methodology should also be used to review the use of Funds at mid-term of the next financial period.

Who and when?

European Commission DG Regio, Research, Clima, Energy, Environment



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URBAN - RURAL PARTNERSHIPS

We cannot mobilise all of Europe with disconnected territorial policies

We often hear about the fast growing sector of urban farming and its future capacity to provide a substantive part of our food in a sustainable way, far from the agro-industry practices. For energy, we can witness the same rise of local/urban and or rural based energy production for which new city-citizen cooperation and partnerships between city-towns/villages need to be invented.

Both sectors are key to reduce CO₂ emissions and together with transport, they need to be completely transformed all the way from production, to distribution and consumption patterns. It is about building a resilience strategy for a city and its hinterlands and break the walls of sectors/administrative boundaries for doing it as well as breaking the wall between the sectorial policies to tap in immense synergies. The Transition Towns movement is a pioneer in this approach and pilots exist in more than 11 EU countries, but the movement has spread across the globe. It is targeting small towns and has not embarked on bigger cities; there is thus space to scale it up.

What do cities need from the EU?

EXPERIMENT DIFFERENT PARTNERSHIP FORMS FOR RESOURCE MANAGEMENT

Present policies deal separately with urban and rural areas, each being allocated specific definitions and tools. While urban farming and rural energy production are growing at a double digit rate; it is time for policy frameworks to adapt and to merge them.

It is possible today to mix European Social Funds and European Regional Development Funds. The future Agricultural Fund for Rural Development has been considerably reduced in the European Commission but should allow joined projects to foster resource regeneration between rural areas and cities.

More concretely this entails:

Restoring the budget of rural development Funds and include a priority for food and energy partnerships to increase the resiliency of our energy and food systems.

Who/When?

European Parliament Committee on Agriculture and Rural Development (AGRI) and Member States' Agricultural Ministers as soon as the new Parliament is in place/ The European Parliament's REGI Committee and General Affairs Council

Illustrative Example:

The current spring of citizen energy cooperatives is often based on urban citizens investing in rural windmills and shows that cooperation is already happening at a large scale (also the model of "Energie Partagée" in France). However, similar cooperation between urban and rural administrations is not so often found in the field of energy and would benefit from seed support from the EU Commission to scale up energy production with municipalities.

The Covenant of Mayors methodology has been very successful to help cities and towns, even in small towns or villages, to propose a joined framework for a sustainable energy action plan delivering -40% of GHG emissions by 2030. Building on this existing community and on the Transitions Towns' network, it is possible to share experiences and scale up the strategic visioning to cement cooperation agreements.

More concretely, this entails:

Specific accompanying programmes to support territories in developing local energy and food strategies and implement them with cooperation agreements and EU Funds (see above). It should include rural and urban authorities and public/private actors, as well as citizens.

Who and when?

The AGRI and REGI (Regional Development) Committees of the European Parliament, with the Member States, amend the agricultural and regional policies proposals to include a merged instrument which would finance pioneer cooperation frameworks on resource management and shared strategy building. Additionally, such an instrument could also be included as part of the Horizon Europe Research and Innovation Programme.

Illustrative example:

The Liège "Ceinture Aliment Terre" ("Food-Earth belt") (<https://www.catl.be/>) is an initiative that brings together all sustainable food/wine and beer producers to create a regional market. The area covers more than a million potential consumers.

DEVELOP ENABLING MEASURES/ A DEDICATED METHODOLOGY

Measure access to resources, land, water, food and energy:

Sharing and caring for our natural resources is a need for humanity's future. No adequate governance bodies are doing it though. We need to shift from nature conservation to nature regeneration. Energy production can destroy not only the climate and the air quality; it can also pollute soil and water and it pre-empt land for energy production instead of food. The choices of energy sources and investment needs to be better explained, understood and local communities fully involved. Energy sources should be ranked according to new definitions of what can really be considered a renewable / zero emission energy source in the context of the present climate emergency. As shown by the "energy transition" debate in France, and more broadly by the world-wide climate marches and youth strikes, reflections on the energy system of the future can no longer be confined to expert discussions or pressure from interest groups.

More concretely this entails:

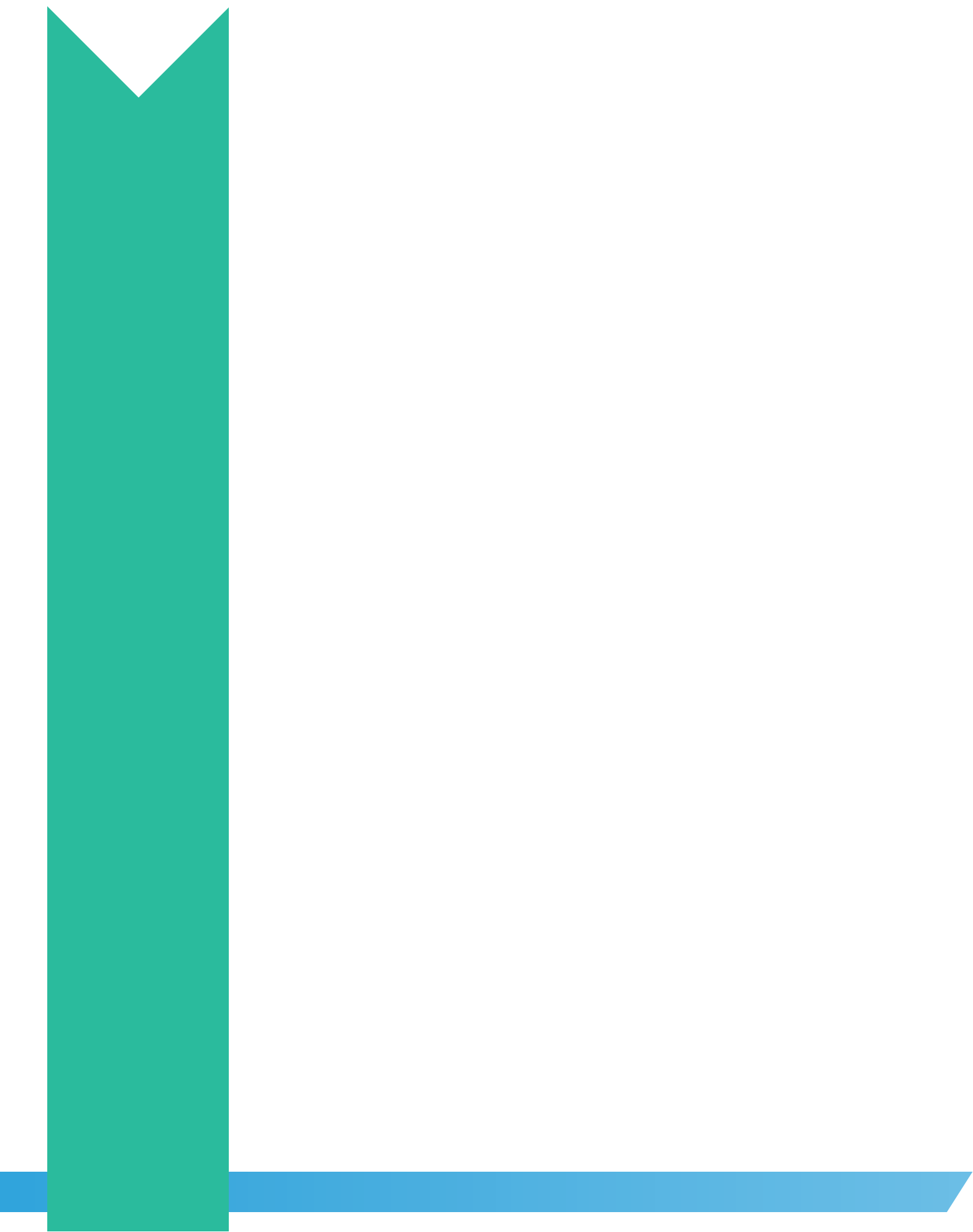
As part of the expected 2020 "gas package", build a consensus on a new classification of renewable energy, going beyond the present controversies around the use of biomass. As the recent case of "renewable gas" discussions has shown, leaving it up to lobby groups to define what is sustainable and what is not is no longer an option.

To raise visibility on good practices and inspire all territories, a special chapter of the State of the Energy Union should be devoted to local energy production and innovative partnerships to produce and distribute energy from plentiful, non-finite local sources.

Energy systems need the same approach as proposed for new food systems by the international panel of experts on sustainable food systems: <http://www.ipes-food.org/>

Who/When?

The European Commission's Directorate-General for Energy (DG ENER) and Vice President for the energy transition





THE COVENANT AS TRANSITION LAB TO A CLIMATE-NEUTRAL EUROPE

The context

The Covenant of Mayors in Europe has grown from an initially expected initiative of 300 frontrunner cities in Europe to a global movement of 10000 cities and towns across the world. In Europe, 8000 cities have committed to go beyond the EU climate and energy objectives, thus contributing to the EU's leadership on the international stage. Covenant Signatories have not only shown higher ambition than their National Governments (27% CO2 reduction by 2020), but they are also successfully implementing the energy transition in their community and making their territory resilient to the impacts of climate change. The community of local and regional authorities engaged in the Covenant of Mayors constitutes a tremendous, though not fully tapped-into, opportunity for Europe's transition to climate-neutrality.

What do cities need from the EU?

RENEW THE COVENANT OF MAYORS AS THE EUROPEAN CLIMATE-NEUTRAL CITIES INITIATIVE

More concretely, this entails:

Revising the political commitment of the Covenant of Mayors to include a long-term vision of climate-neutrality and resilience to climate change.

When joining the Covenant of Mayors, local authorities commit to go beyond the 2030 EU energy and climate objectives. With the recent proposal of the European Commission for a net-zero economy by 2050, it is crucial to align Covenant Signatories' commitment with the Commission's ambition and ensure that European cities play their role in supporting the achievement of the EU's short- and long-term objectives.

Who, how and when?

The European Commission to support, through the Covenant of Mayors, a consultation of local and regional authorities to review the political commitment and include climate-neutrality as 2050 goal. The Covenant Ceremony to be held early 2020, while taking-stock and celebrating Signatories achievement by this key year, would be a perfect moment for this revision of the political commitment of the initiative.

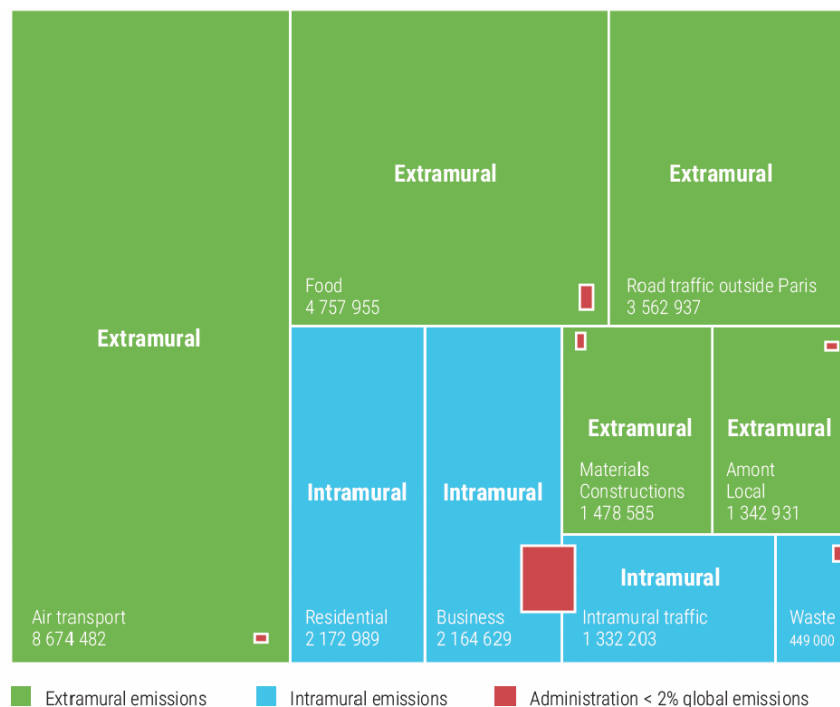
The European Commission to streamline all relevant urban initiatives (e.g. Smart Cities and Communities, Horizon Europe Innovation Mission on climate-neutral and smart cities) under the Covenant of Mayors framework, as the one stop shop for cities' energy and climate policies.

The European Parliament to call through resolution / own-initiative opinion on EU Commission to make Covenant of Mayors the EU's local backbone to achieve net-zero emissions by 2050, as soon as committees are established (July 2019).

Several cities across Europe have already taken an ambitious commitment towards climate-neutrality. From small towns to large metropolises, those frontrunners have engaged a transition towards climate-neutrality, which must be capitalised.

Illustrative Example: Paris carbon neutral by 2050 only if citizens and stakeholders play their part.

Paris' carbon footprint clearly shows that climate-neutrality can only be achieved through participation of all citizens and stakeholders and that it goes much beyond the French capital's boundaries. Such a transition implies a new governance and cooperation with the local communities and other stakeholders, which Paris is getting equipped to accomplish.



Direction of green spaces and of environment
Urban ecology agency - April 2018

More concretely, this entails that:

- ➔ Creating a frontrunner club of climate-neutral cities in the Covenant of Mayors
- ➔ Leveraging their know-how and experience to develop guidance and tools

Who and how and when?

The European Commission funding programmes, in particular the Horizon Europe Mission Innovation on climate-neutral cities, to support the set-up of this community of practice. The European Commission to ensure half of the board of the mission for climate-neutral and smart cities of Horizon Europe are to be city representatives.

A RIGHT TO EXPERIMENTATION FOR CITIES AND TOWNS

Long term visions and ambition must be supported by innovation and experimentation, not only of new technologies, but also of societal transformation (e.g. transition management, citizen involvement processes). European cities and towns should receive a right to experimentation, gaining access to spaces to innovate and work together in addressing the challenges of the energy transition.

More concretely, this entails:

➔ Creating safe spaces for energy and climate innovation by cities and towns

Who, how and when?

Through the Horizon Europe Mission Innovation on climate-neutral and smart cities, the EU Commission should support pilot projects of cities and towns that can be exempted from regulatory and political limits in the energy market. Towns and cities would receive funding for setting up e.g. local energy unions, trans-border energy systems where a city with an excess production of electricity in one country for example could easily supply a city in a neighbouring country. Cities could test such innovative solutions as for the duration of the funding period. Such support for innovative cross-border cooperation would also contribute to making the EU Energy Union more visible on the local level. Enabling such projects would also be cost-effective and boost energy security, as small-scale, decentralized energy systems (micro grids, trans-border micro-grids, etc.) can be flexible, resilient and cost-effective.

Through the Covenant of Mayors, cities and towns funded for these pilot projects would then regularly exchange on their progress in societal and technological innovation, thus making the initiative a real transition lab. They would also involve citizens in their experimentation journey through Hackathons for Climate, to improve their innovative approaches even further.

The EU Parliament to call for a right to experimentation for cities and towns through resolution/own-initiative opinion.

SUPPORT ALL EU CITIES TO DEVELOP CLIMATE-NEUTRAL ROADMAPS THROUGH PEER-TO-PEER EXCHANGES

With a framework in place, i.e. the Covenant of Mayors aiming at climate neutrality, a community of practice up and running, time has come for massive replication. This means there is no “one-size-fits-all” solution for all towns and cities in Europe but a crucial need for exchange and collaboration between peers.

The Covenant of Mayors, as the largest movement of cities committed to ambitious climate and energy policies, should serve as the hub to disseminate knowledge and facilitate long-term peer-to-peer learning between cities and towns.

More concretely, this entails that:

➔ Establish an energy transition Erasmus for cities and towns

As the success of EU programmes like URBACT has shown, countless European cities and towns are keen to learn from each other on their energy transition journey. However, the short-term nature of these programmes have been a bottleneck in ensuring replication all across Europe.

Long-term support to peering between cities (e.g. secondments, mentor-mentee, etc.), is now needed to achieve this, and an energy transition Erasmus programme is the way forward. The Covenant of Mayors community is the ideal place to take on this role of peer-to-peer learning hub for cities and towns committing to climate-neutrality.

Who, how and when?

The EU Commission to support peer-to-peer activities through the new EU Urban Initiative with the role for the Covenant of Mayors as learning hub for the cities and towns participating. Then, the EU executive to propose their extension to a full-fledged program of its own during the mid-term revision of the MFF 2021-2027. The EU Parliament to call for the establishment of an energy transition Erasmus for cities and towns in resolution / own-initiative opinion.



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DIVEST EIB AND REINVEST IN THE TRANSITION

The context

In a time when energy and climate action is stalling in Europe, the European Investment Bank (EIB) has a key role to play in driving the necessary and urgent transformational change with its investments. Being the world's largest multilateral lender and biggest provider of climate finance, the EIB's energy lending policy sets an example for other public banks to follow. Furthermore, the Bank's mandate is to support EU energy and climate policy, in particular the achievement of the EU's 2030 targets and now also the implementation of the recently adopted Clean Energy Package. The EIB's current approach towards supporting the energy and climate transition is outdated in view of the new reality of the global Paris Agreement. The Bank has to completely overhaul its investments, by ending its addiction to fossil fuels and investing instead in the local energy transition.

What do cities need from the EU?

PARIS-PROOF THE EIB'S INVESTMENT PORTFOLIO

While the European Investment Bank (EIB) is reviewing in 2019 its energy lending policy, this is not sufficient to make the EIB's investments Paris-proof. Its entire portfolio in all sectors, both in the EU and outside the EU, needs to become entirely fossil-fuel free and only fund projects that are compatible with the trajectory of the Paris Agreement, both in the short- and long-term. This means that also its transport lending, its water sector lending orientation its external lending mandate and any other sectoral policy have to be radically changed in order to become Paris-compliant.

More concretely, this entails that:

- ➔ The EIB should become a climate leader, by excluding all funding for fossil fuels as an overarching principle applicable to its entire financing operations, covering energy, transport, water, environment, external lending and any other sector;
- ➔ Introduction of the subsidiarity principle as an additional overarching principle applicable to the financing operations of the EIB, thereby ensuring preferential funding for projects with enhanced local and regional impacts (e.g. small-scale renewables, energy efficiency, energy storage and sustainable heating and cooling infrastructure);

Who and how?

The EU Parliament, through its Committees on Budgets and Budgetary Control, to table a resolution to call for an EU Commission proposal to amend Art. 18 of the Statute of the EIB, to introduce the overarching principles of divestment and subsidiarity applicable to the Bank's financing operations;

The EU Commission to table a proposal to call on the Council in accordance with Art. 308 of the Treaty on the Functioning of the EU to amend Art. 18 of the Statute of the EIB accordingly;

The Council to adopt a decision to amend Art. 18 of the Statute of the EIB, after consulting the EU Parliament and the EIB. Subsequently, the EIB's Board of Governors (consisting of the ministers designated by the Member States), shall immediately direct the EIB's Board of Directors to implement these revised principles in the Bank's entire financing operations;

When?

As soon as the new EU Parliament and EU Commission are in place, from January 2020;

The EIB to apply the new overarching principles of divestment and subsidiarity as of 2021;

SIMPLIFY ACCESS TO FUNDING FOR LOCAL AUTHORITIES

Local authorities play a key role in delivering the energy transition. Therefore, the EIB should enable local authorities with easier access to its funds, by adapting its funding programs to local needs. This should be done firstly by simplifying applications for the EIB's flagship technical assistance instrument ELENA, and secondly by lowering the Bank's minimum investment threshold, in order to enable local authorities of all sizes and different levels of advancement in their energy transition to access EIB funding. Currently, many European local authorities struggle to tap into the opportunities offered by the ELENA and other EIB funding programs, which in turn slows down their energy transition progress.

Illustrative Example: Bordeaux-Métropole and Växjö denied access to ELENA program

Bordeaux Metropole intended to apply for ELENA technical assistance in partnership with its local public-private company, dedicated to the energy renovation of private residential buildings, but it was refused because ELENA only allows for one final beneficiary. Växjö was also denied access to the ELENA technical assistance, because its application was too advanced in terms of data and figures to be considered eligible.

More concretely, this entails that:

➔ EIB funding (e.g. ELENA) is adapted to local needs: allow for multiple final beneficiaries, flexible investment thresholds and application procedures that enable access to financing for local authorities of all sizes and different levels of advancement in their transition.

Who and how?

The EU Parliament, through its ITRE Committee, to table a resolution to call for a localization of the EIB, which consists in a reform of the ELENA-EIB programme and the lowering of the Bank's minimum investment threshold of EUR 25 million;

The EIB to launch a review and public consultation, to follow up on the EU Parliament's resolution;

When?

As soon as the new EU Parliament is in place, from January 2020 onwards; The EIB to launch its review and public consultation in 2021, and implement the changes in 2022.



INCREASE MUNICIPALITIES CAPACITY TO IMPLEMENT EU ENERGY AND CLIMATE LEGISLATION

The context

Over the last three decades or so, cities have been playing an increasingly prominent role in the energy market. Initially focussed on the implementation of energy efficiency measures in buildings and public infrastructures, local authorities have progressively taken over greater responsibilities in the energy system. The remunicipalisation trend, which started in Germany and is spreading across a large host of European countries, very much illustrates the role local authorities can play across the whole energy value chain. Through the Covenant of Mayors, thousands of cities and municipalities have voluntarily committed to target-based climate and energy action plans.

But for their ambitions to be fulfilled, local authorities need to be equipped with the same level of legal and technical expertise that is typically found among incumbent energy players.

What do cities need from the EU?

CHALLENGING TRADITIONAL MARKET OPERATORS

Local authorities that do not have direct control over energy production and distribution need legal capacities to organise good partnerships with concession holders. In France for example, although local governments own the distribution systems, about 95% of them are legally required to hand over the concession to the incumbent operator Enedis (former EDF before unbundling), a cooperation which according to several municipalities often proves complicated and unsatisfying.

Across European countries, the most often cited problems of cooperation with Distribution System Operators (DSOs) are those linked to access to energy consumption data or inflexible collaboration in the framework of smart city projects. Striking trustful and productive partnerships with DSOs is thus of paramount importance for local authorities. Everywhere across Europe, municipalities are taking the opportunity of expiring concession contracts to redefine the parameters and conditions of their involvement in energy management and distribution.

Illustrative Example: The ENECO Case

ENECO, the last public distribution company in the Netherlands, is about to be privatized, amidst very conflictual negotiations between the 53 municipal shareholders and its management, which have lasted several months. In the hope of maintaining control over key energy planning decisions, numerous local authorities first tried to impede the selling. Now that the privatization has been voted, the definition of the concession conditions is what remains at stake and will determine to what extent cities manage to retain some level of control over what constituted a key asset in the management of their energy transition.

More concretely, this entails that:

➔ Specific EU funding lines must be allocated to building the legal, economic and technical capacities of local authorities to strike good partnerships with other market players including distribution system operators

Who and how?

The BUDGET Committee of the European Parliament and the Council of Ministers.

When?

As soon as the new EU Parliament takes office in view of reaching an agreement on the EU long-term budget by Autumn 2019.

MOUNTING OR RESISTING LEGAL CHALLENGES

Liberalisation and competition rules have often been put forward by private players to mount legal cases against local authorities' energy and climate policies or plans perceived as threats to their activities or market shares.

Illustrative examples: Sub-national governments taken to court by corporations and businesses

In 2012, the municipality of Växjö in Sweden was sued by the national competition authority for requiring building owners to connect to its 100% renewable district heating system. Three years later, the Stockholm District Court ruled in favour of Växjö. This court decision marked a victory for local sustainable energy projects, often unable to compete with free market imperatives.

In the United States, sub-national renewable energy laws have regularly been challenged before federal courts. In Colorado for example, in 2011 a conservative organisation backed by the coal industry filed a constitutional challenge against the state renewable energy standards. In 2015, the Colorado federal district court rejected the constitutional challenge.

Conversely, a growing number of local governments see a need to seize the courts to challenge national legislation or private undertakings that are posing a threat to the well-being of their citizens because of their climate change or pollution impact and incompatibility with the Paris agreement.

Illustrative examples: Mayors coming together to seek climate justice

Last February 2019, Paris' Mayor Anne Hidalgo gathered the leaders of some of the world's biggest cities at the occasion of the "Justice4Climate" summit. The aim was to create an "international platform of legal support" that would be made available to mayors wishing to engage into climate justice actions, notably against nation states that fail to respect the Paris Agreement.

New York City suing oil companies over climate change

Last January 2018, the New York City government filed a suit against BP, Chevron, Conoco-Phillips, ExxonMobil and Royal Dutch Shell, five of the world's largest oil companies, to hold them responsible for the climate change-related damage that has and might continue to occur in the city.

More concretely, this entails that:

➔ The Paris agreement implementation goals should be an overarching priority across all EU policy areas

Who and how?

All DGs of the European Commission under the watchdog's scrutiny of the European Parliament;

When?

As soon as the new European Parliament and Commission take office.

INCREASING CITIZEN ENERGY

The new provisions of the EU electricity market design offer a whole new set of perspectives for local authorities to enter new energy market segments.

In addition, community energy projects are multiplying across Europe. As part of this momentum – which will benefit from the enabling environment provided by the Clean Energy Package – local authorities are teaming up with their citizens to test new forms of innovative public-civic partnerships. However, this often requires carrying feasibility studies, finding the appropriate legal structure and setting up sometimes complex partnerships, an expertise which local governments often have to subcontract at very high costs.

When it comes to tendering energy capacity, cities not only strive for green energy but also often local and participatory projects. Designing adequate public procurement rules with specific bidding criteria also requires sound legal, economic and technical expertise not always available in smaller local administrations.

More concretely, this entails that:

- ➔ Specific EU funding lines must be allocated to building the legal, economic and technical capacities of local authorities to translate the new provisions of the Clean Energy Package on citizen and renewable energy communities into concrete projects
- ➔ Ensure that in the forthcoming gas directives, local renewable energy communities are recognised; include a right to heat instead of the right to connect to gas existing in many countries; propose an article on “gas-free local roadmaps” to strategically plan the phasing out of fossil energy from our cities

Who and how?

The BUDG Committee of the European Parliament and the Council of Ministers.

The ITRE Committee of the European Parliament, the future Energy Commissioner and Energy Ministers

When?

As soon as the new EU Parliament takes office in view of reaching an agreement on the EU long-term budget by Autumn 2019 and to impact the forthcoming proposals of the Commission to upgrade the Gas market rules



ENERGYCITIES

DESIGNING BOTTOM-UP ENERGY POLICIES

The context

From a technical point of view, the future of the energy system will be very dependent on two important words: sector-coupling. And when we say sector-coupling, we understand a very extended definition of the concept. Not only connecting energy carriers but also establishing links between waste, water, heat, food, transport, etc. Creating synergies between urban and rural areas, and putting a wide spectrum of players, from farmers to academics, from engineers to social workers, around the same table. Typically, this is what local authorities do, acting as local matchmakers and facilitators to create clusters of competence on energy and climate issues.

From a political point of view, the other word that comes to mind is decentralisation. Unfortunately, at the moment, energy policy is still thought very much top-down, with virtually no contribution from local and regional authorities or civil society.

In the recent context of worldwide climate marches and youth mobilisation, the status quo is no longer sustainable, and the voice from the bottom needs to find an echo at the top.

What do cities need from the EU?

**GUARANTEE THE GENUINE IMPLEMENTATION OF NATIONAL ENERGY
AND CLIMATE DIALOGUE PLATFORMS**

As part of the regulation on the Governance of the Energy Union, Member States are required to report to the Commission on how they plan to deliver their share of the EU energy and climate goals. Their National Energy and Climate Plans, which are to be submitted by the end of the year, will detail the measures, laws and investments that will shape the countries' energy systems for decades to come. According to article 11 of the regulation, this roadmap exercise should be carried out with the contribution of cities, businesses and civil society via a multilevel climate and energy dialogue to "engage and discuss the different scenarios envisaged for energy and climate policies, including for the long term, and review progress".

Looking ahead, and considering this small article is the only legal opportunity at EU level to rebalance the governance of the energy system, it is paramount to ensure an ambitious implementation of this provision across all EU Member States.

Illustrative Example: Flemish cities call on their government to involve them on climate and energy decisions

In November 2017, 11 Flemish cities published an open call in Flanders' mainstream newspaper "De Morgen" calling on the regional government, which has devolved competences over energy issues, to make them "full partners of its climate policy". The text, which was accompanied with a direct letter to the minister in charge, makes reference to the EU-aligned Covenant of Mayors objective of reducing CO2 emissions by 40% by 2030, to which the signatory cities have committed. "A 40% reduction, especially with a view to becoming climate neutral later, can no longer be realized by only focusing on low-hanging fruit. A big change is needed; a system change", says the article. To illustrate this, the cities

explain how they are supporting citizens and businesses to save energy and develop renewable energy projects, but also how this forms part of a larger economic transition, including a transformation of the food and agricultural systems, which requires all government levels to reinforce each other.

More concretely, this entails that:

➔ Guarantee a genuine and ambitious implementation of article 11 by Member States

Who and how?

The Commission is supposed to issue recommendations on the draft and final NECPs to be submitted by Member States

When?

Member States have already submitted their drafts this spring and the final versions will be provided by end of 2019 and updated versions every two year thereafter.

PROVIDE OPPORTUNITIES FOR COVENANT OF MAYORS SIGNATORIES TO DIRECTLY QUESTION AND INFLUENCE EU LEGISLATION

A greater involvement of Mayors and local elected representatives – more in tune with the daily needs of their citizens – would be a good way to address the structural EU democratic deficit. One way of doing this would be offering them the opportunity to directly challenge the EU executive or make concrete proposals for new legislation for example via a rotating presidency of the EU Covenant of Mayors Board

More concretely, this entails that:

➔ The European Commission puts forwards a proposal for a better integration of the local voice within climate and energy policy-making, especially as a response from the growing pressure from citizens for concerted action on this front.

Who and how?

MEPs to call on DG Energy to launch a public consultation on the topic and then come up with a concrete proposal to institutionalise this within the policy-making process.

When?

Preparatory work and inter-service consultations to start as soon as possible for the new Commission to take this up as part of their new mandate in November.

A NEW VERSION OF THE STATE OF THE ENERGY UNION

Ever since their first edition back in 2015, annual reports on the “State of the Energy Union” have been calibrated according to a somehow outdated vision of the energy system. The information provided as well as the criteria and indicators used still paint a very centralised and hierarchical picture of the energy landscape in each Member State. To provide an accurate overview of latest trends and achievements across EU member states, bigger consideration needs to be given to the role of local, decentralised solutions and circular economic practices at local level.

Illustrative Example: “Local Energy Monitor” tracks community energy progress in the Netherlands

In the Netherlands, “HIER Opgewekt”, a national platform of associations working on community energy, publishes a yearly report monitoring the new data, trends, activities and projects linked to community energy developments by province. These types of reports are increasingly being developed across a wide range of EU countries.

More concretely, this entails that:

➔ The European Commission integrates information from the Covenant of Mayors progress reports in annual State of the Energy Union and in general sets up a sort of EU observatory of local trends and progress in terms of energy and climate practices.

Who and how?

The EU Joint Research Centre already monitors data and progress from the local Sustainable Energy and Climate Action Plans of Covenant of Mayors signatories. In cooperation with the EU Commission services, this data should be analysed and fed into the annual State of the Energy Union reports.

When?

Preparatory work and inter-service consultations to start as soon as possible for the new Commission to take this up as part of their new mandate in November.

PROVIDE A VOICE TO CITIES IN THE UPCOMING GAS PACKAGE NEGOTIATIONS

The European Commission is planning to adopt a “gas package”, mirroring some of the provisions of the electricity directive, in 2020. The policy shaping process on this new upcoming set of legislation has already started, especially via the channel of the Madrid Forums, which bring together EU and national policy experts and regulators with industry representatives. So far however, despite the role citizens and cities can have in shaping the future energy system, they have not been integrated at all in these discussions.

More concretely, this entails that:

➔ Cities and civil society are widely consulted and involved in the framework of the gas package negotiation processes.

Who and how?

➔ The European Commission invites local authorities and civil society to contribute to the next editions of the Madrid forums, where the policy shaping process happens.

➔ MEPs from the relevant committees organise and take part in dedicated meeting with local authority representatives building up to the package adoption.

When?

The next Madrid Forum editions will take place in June and October 2019.



THE EU BUDGET TO FINANCE LOCAL ENERGY AND CLIMATE PLANS

The context

Cities are at the heart of the energy transition. They are already driving societal change through environmental responsibility, decentralised, renewable power production and the reduction of our energy needs. It is cities who will ultimately deliver a fossil fuel-free energy system in Europe. Thousands of local governments are committed to support the achievement of Europe's energy and climate objectives, through their engagement in the Covenant of Mayors initiative. By developing and implementing ambitious local energy and climate plans (SECAPs), they are spearheading a shared energy transition. The next EU budget for 2021-2027, in particular through its operational programmes and a new Just Energy Transition Fund, can enable cities to accelerate their action as societal changemakers by financing their SECAPs.

What do cities need from the EU?

A SPECIAL BUDGET LINE FOR SECAPs IN ALL PARTNERSHIP AGREEMENTS

The upcoming partnership agreements between the EU Commission and Member States will be key in delivering the right programming interventions at national and regional level from the Structural and Investment Funds for 2021-2027. Thousands of cities engaged in the Covenant of Mayors are currently renewing their commitment towards the EU 2030 targets, vowing to reduce their carbon emissions by at least 40% and adapting to the unavoidable impacts of climate change in their SECAPs. A stable financing source for cities' SECAPs over the next decade is crucial to ensure investment certainty, predictability and the opportunity to catalyse the radical change at local level that is needed in Europe's energy transformation.

Illustrative Example: Funding for Covenant of Mayors SECAPs integrated in Italian regions' operational programmes

Since the inception of the Covenant of Mayors in 2008, dozens of Italian regions have systematically integrated the initiative into both their regional strategies and operational programmes. Millions in European Regional Development Funds (ERDF) have been specifically allocated to support Italian municipalities in developing and implementing SECAPs, in the form of funding, technical assistance and strategic guidance. Half of Italian municipalities are involved in the Covenant of Mayors, the highest share among all EU Member States.

More concretely, this entails that:

➔ A mandatory budget line is inserted in all partnership agreements to channel finance for SECAPs, through the new thematic priority objectives (PO) "A Greener, carbon free Europe"

Who and how?

The EU Parliament to call in the upcoming ERDF and Cohesion Fund trilogue for a mandatory support of local energy and climate plans through the Covenant of Mayors initiative in all partnership agreements under the Operational Programme “A Greener, carbon free Europe”

When?

As soon as the MEPs are designated to negotiate in the ERDF and Cohesion Fund trilogue.

EXTEND THE NEW JUST ENERGY TRANSITION FUND TO SUPPORT DECENTRALISED ENERGY CLUSTERS

The outgoing EU Parliament had issued in its interim report on the Multi-Annual Financial Framework (MFF) 2021-2027 the call for the creation of a new EUR 5 billion Just Energy Transition Fund, whose objective would be to *“address societal, socio-economic and environmental impacts on workers and communities adversely affected by the transition from coal and carbon dependence”*. This new funding instrument would also have the task to allocate sufficient resources *“for the development of inclusive, local and just transition strategies, with the reconversion of sites and the creation of decent and sustainable jobs, together with reskilling and upskilling in clean processes and technologies based on renewables or energy efficiency solutions”*. What is still missing in the Just Energy Transition Fund’s scope is an overarching mission to drive a radical change in energy generation and environmental responsibility that results in a genuine power shift towards local communities in transition in all EU territories.

More concretely, this entails that:

➔ The Just Energy Transition Fund’s overarching objective should be to support the creation of decentralised energy clusters in all EU territories. The decentralised energy clusters are governed by the local communities in transition and follow the principles of “local resources first” (harvesting in a sustainable manner locally available renewable and energy efficiency solutions), local energy autonomy and civic-public partnerships (a new form of partnership that includes citizens and local authorities);

Who and how?

The EU Parliament to call in the upcoming MFF 2021-2027 trilogue for the creation of a new Just Energy Transition Fund, whose overarching objective is to support the establishment of decentralized energy clusters that are grounded in the principles of “local resources first”, local energy autonomy and civic-public partnerships;

When?

As soon as the MEPs are designated to negotiate in the MFF 2021-2027 trilogue.