

Peer Powered Cities and Regions

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Peer Powered Cities and Regions

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Preface

The overall aim of PROSPECT is to enable *peer to peer learning* in *regional and local authorities* in order to finance and implement sustainable energy and climate plans (SECAP). The learning will empower them to make use of best practices in developing financing schemes for these plans. PROSPECT will address the needs of regional and local authorities through developing a complete peer to peer learning program addressing them. The learning process will be focused on how different sustainable energy projects and measures have been successfully financed. Peer to peer learning involves sharing information and experience from each other through mentoring activities, work shadowing, and study tours, among others. The learning program will be divided into five modules that include development of financing for: i) public buildings, ii) private buildings, iii) public lighting, iv) transport (private and public), and v) cross-sectoral.

Who We Are

| No | Participant Name | Short Name | Country Code | Logo |
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| 2 | Energy Cities/Energie-cities Association | ENERGY CITIES | FR |  |
| 3 | Federation Europeenne des Agences et des Regions pour l'energie et l'environnement | FEDARENE | BE |  |
| 4 | Institute for European Energy and Climate Policy Stichting | IEECP | NL |  |
| 5 | EUROCITIES ASBL | EUROCITIES ASBL | BE |  |
| 6 | University of Piraeus Research Center | UPRC | GR |  |
| 7 | Climate-KIC GmbH | CLIMATE-KIC GMBH | DE |  |
| 8 | O.Oe. Energiesparverband | ESV | AT |  |
| 9 | Agencia Regional de Energia para os Concelhos do Barreiro, Moita e Montijo | S.ENERGIA | PT |  |
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Executive Summary

This document aims at providing an overview of the needs and barriers that local authorities face when financing their Sustainable Energy and Climate Action Plans (SECAPs)¹. Its findings are based on input from relevant existing studies and interviews conducted by PROSPECT partners with representatives from cities, regions and local energy agencies. The document intends to be a live one, which will be continuously updated throughout the lifetime of the project.

Its main findings can be summarised as follows:

Local authorities' needs and barriers to sustainable energy and climate investments can be classified into three main groups; financial, legal and capacity.

- ⤴ Firstly, local authorities' budgets are not sufficient to meet sustainable energy and climate goals. Grant funding, upon which local authorities are already heavily reliant, is not sufficient to close the gap and the private sector is unwilling to offer loans with sufficient flexibility, or sufficiently low interest rates. Because banks consider these projects too small to be attractive for investment, project scalability and bundling are important barriers to overcome and a great difficulty for local authorities. PROSPECT needs to enhance collaboration with the private sector, and increase multi-level collaboration.
- ⤴ Secondly, burdensome regulations and complex administrative procedures create legal barriers for public and private sector investment. The latter is held back by unpredictability these regulations cause. For the former, budgeting regulations create difficulties, especially matching budget cycles with investment cycles. This can be particularly harmful to investments related to sustainability and climate. For example, the EU Stability and Growth Pact, and similar regulations at national level, limit investments that have long-term pay back periods, which is a typical characteristic of sustainable energy and climate projects.
- ⤴ Thirdly, in terms of capacity barriers and needs, a lack of information on financing is most prevalent. There is a widespread need for PROSPECT to raise awareness of opportunities for innovative financing, as well as to improve technical expertise in using financial tools and combining different financing and funding streams.
- ⤴ Local authorities tend to have very little experience with, and a high interest in learning about, innovative financing mechanisms, such as third-party financing and public and private bonds. Their lack of knowledge about the implementation of such instruments leads them to rely on their own limited means. The implication of this for the PROSPECT learning programme is that it must cover as many financing mechanisms as possible, strengthening specialist expertise. PROSPECT must also emphasise the potential of green bonds and citizen finance (such as crowdfunding) as interest in such schemes was very low relative to their potential benefit.

¹ http://www.covenantofmayors.eu/support/faq_en.html?id_faq=15

- ⤴ Local authorities preferred to direct their sustainable and climate investments towards public buildings and public lighting, but these areas represent only 2.2% of total municipal CO₂ emissions. Conversely, the desire to place such investments in the areas of private buildings and in transport is very low, while the latter alone accounts for 30% of energy consumption throughout the European Union. The lack of desire to invest in certain areas largely correlates with the perceived difficulty of doing so, but is heavily out of sync with the efficacy of such measures in tackling climate change. Again, a focus in the PROSPECT learning programme on enhancing collaboration with the private sector, and increasing multi-level collaboration, will be essential to tackle this barrier.

1 INTRODUCTION

1.1 Background

Since the launch of the Covenant of Mayors (CoM) initiative, under the European Commission's Climate and Energy Package in 2008, more than 7,500 local authorities have voluntarily committed to meet and exceed the European Union 20% CO₂ reduction objective by 2020 by fostering energy efficiency and using renewable sources. The initiative, which currently covers circa 230 million inhabitants across Europe, took a step further in 2015 by launching the new Covenant of Mayors for Climate & Energy, pledging to reduce CO₂ emissions by *at least 40% by 2030 and to adopt an integrated approach to tackling mitigation and adaptation to climate change*, which more than 900 local authorities have already joined.

Signatories of the Covenant of Mayors commit to achieving their objectives through the submission of a Sustainable Energy and Climate Action Plan SECAP. This document clearly defines the activities and measures set up to achieve their emission reduction targets, together with time frames and assigned responsibilities².

While the commitment of local authorities to the Covenant of Mayors has steadily risen through the years and the initiative has become a landmark regarding sustainable energy and climate actions, various studies depict a decline in public investment in general since the beginning of the economic crisis, as emphasised in the Eurostat data on GDP growth³. At the local level, the reduced availability of public investment funds increases local authorities' need for private investment to develop their sustainable energy and climate projects. However, and as pointed out by the European Commission in the communication regarding the Energy Union Package (COM(2015) 80 final), *attracting investments remains a challenge mainly due to lack of awareness and expertise in small-scale financing*⁴, meaning the private sector is responsible for bearing much of the cost of the transition towards a more sustainable energy system, which puts stress on local authorities needs for access to private finance⁴.

It is within this framework that the capacity of PROSPECT to foster the implementation of local authorities' Sustainable Energy and Climate Action Plans comes into play. PROSPECT will first identify their needs in sustainable energy and climate financing and subsequently will enable peer to peer learning programmes that will allow a continuous financing knowledge sharing process, aiming at improving the implementation of local authorities' sustainable energy and climate action plans.

1.2 Aim and objectives

The ultimate aim of this needs assessment is to identify public authorities' needs and knowledge gaps for sustainable energy and climate financing; namely, those of municipalities,

² <http://www.covenantofmayors.eu/+Action-plan-+.html>

³ Committee of the Regions (2016): Results of the CoR online consultation on obstacles to investments at local and regional level.

⁴ Commission Communication: A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy (COM/2015/080 final) of 25 February 2015

provinces, regions and energy agencies, as a starting point for the elaboration and further reinforcement of the peer to peer learning programme implemented in PROSPECT.

In order to do so, the financing needs of local authorities in the framework of the Sustainable Energy and Climate Action Plans are evaluated in relation to the five areas of investment covered by the SECAPs; namely, public buildings, private buildings, public lighting, transport and cross-sectoral (i.e. climate adaptation, renewables production). The experiences and barriers encountered in the implementation of innovative financing schemes in these areas are addressed in this report.

On the basis of the needs assessment, PROSPECT will:

- Identify common and/or similar patterns and stages of development that will provide the basis for the matching process between the local authorities, including both those who are looking for expertise (mentees) and local authorities who can offer this expertise (mentors).
- Implement capacity building activities for local authorities regarding the financing of sustainable energy and climate actions through the design of a peer to peer learning programme. The creation of these peer to peer learning groups of local authorities also aims to foster future partnerships for project development and implementation.

This assessment also intends to be a living document throughout the duration of the project. Therefore, the assessment of local authorities' needs will be an ongoing process seeking to account for possible variations, especially after the implementation of the pilot and the first learning programmes which will run throughout 2018. This ongoing process, along with the feedback from the first learning programmes, will identify further needs that will then feed into the second and third cycles of PROSPECT.

1.3 Methodology

In order to provide a solid understanding of the needs and barriers faced by local authorities regarding the implementation of sustainable energy and climate investments, this needs assessment has gathered data from three frequent needs assessment methods, being these three: existing studies and materials relevant to sustainable energy and climate investments, interviews conducted with local authorities by PROSPECT partners and focus groups organised with relevant stakeholders. A more in-depth overview of these sources can be found below.

All partners of the PROSPECT consortium have contributed and worked to deliver this report and its results, whether by providing research materials, conducting interviews with relevant local authorities or by providing feedback to this report. EURO CITIES has coordinated the corresponding Task and compiled the report.

As the project develops, information will be further broadened with the outcomes from the development of an online survey as well as from the organisation of focus group meetings with relevant local authorities.

1.3.1 Desk research: existing studies and materials

In order to build on existing expertise, this report has made use of the existing research done by the partners in the PROSPECT consortium, as well as by other external institutions, organisations or platforms. The selected studies intend to cover needs and barriers to investments, both in general and specifically in relation to sustainable energy and climate actions. The comprehensive list of existing studies and materials analysed for this needs assessment report can be found below:

| No. | Study/Report/Survey | Publisher | Year |
|-----|---|--|------|
| 1 | Sustainable energy investment in European local authorities | Covenant of Mayors | 2016 |
| 2 | Covenant community's needs for SE(C)AP design and implementation | Covenant of Mayors | 2017 |
| 3 | Obstacles to investments at local and regional level | European Committee of the Regions | 2016 |
| 4 | Results of the CoR online consultation on obstacles to investments at local and regional level | European Committee of the Regions | 2016 |
| 5 | Innovative financing schemes in local and regional energy efficiency policies | FEDARENE | 2015 |
| 6 | Energy Efficiency – the first fuel for the EU Economy - How to drive new finance for energy efficiency investments | Energy Efficiency Financial Institutions Group (EEFIG) | 2015 |
| 7 | Financing Energy Efficiency: forging the link between financing and project implementation | Joint Research Centre of the European Commission | 2010 |
| 8 | Financing Europe's low carbon, climate resilient future | European Environment Agency | 2017 |
| 9 | Financing your sustainable energy projects | Energy Cities | 2015 |
| 10 | White Paper: Barriers to private Sector Investments into urban Climate Mitigation Projects | Climate-KIC | 2015 |
| 11 | Closing the Investment Gap in Europe's Cities | Urban Land Institute ING | 2009 |
| 12 | The Low Carbon Investment Landscape in C40 Cities | C40, CDP | 2016 |
| 13 | Assessing the state-of-play of climate finance tracking in Europe | Trinomics | 2017 |
| 14 | The Covenant of Mayors in Figures and Performance Indicators: 6-year Assessment | Joint Research Centre of the European Commission | 2015 |
| 15 | Report from the Commission to the European Parliament and the Council: Financial support for energy efficiency in buildings | European Commission | 2013 |
| 16 | Scheme Decision Map Barriers Tool | CityNVEST | 2016 |
| 17 | Financing climate action: opportunities and challenges for local and regional authorities | Committee of the Regions | 2017 |

Table 1: Desk research: existing studies and materials

1.3.2 PROSPECT partners' interviews

This report also draws upon interviews with relevant local authorities carried out by the PROSPECT partners. The interviews were used to gather qualitative information in order to complement the desk research.

The partners within the PROSPECT consortium have identified and contacted representatives from local authorities, conducting a total of 23 interviews to date whose inputs have been included in this report.

The selection of the interviewees has been made with the aim of ensuring a balance with regard to their specific expertise in the implementation of sustainable energy and climate investments. The intention has been, on the one hand to, identify as wide a scope as possible as regards the level and status of implementation and development of SECAPs and financing schemes by local and regional authorities; whilst, on the other hand, to facilitate the matching process between cities, making the implementation of the learning programme more efficient.

The interviews were conducted by phone or VoIP technology software such as Skype between August and September 2017. The interviews followed the structure of a questionnaire prepared by the PROSPECT consortium, which was sent to the interviewees upon request. Both the questionnaire and the list of interviewees are added as an annex to this document. Given the nature of the needs assessment as an ongoing process, more interviews will be carried out during the upcoming months.

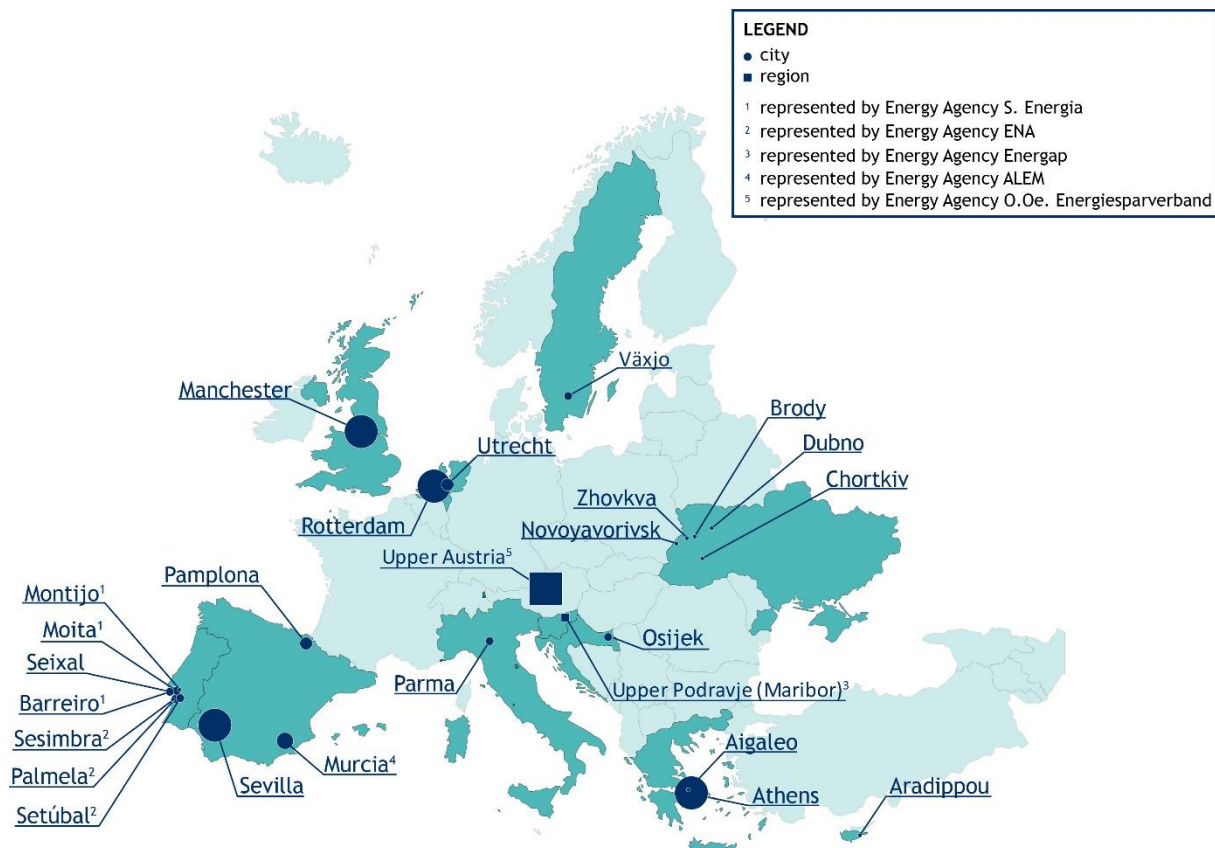


Figure 1: Respondents of the PROSPECT interviews

Source: Own elaboration

1.3.3 PROSPECT partners focus groups

The focus group is a qualitative method of social research, consisting on a structured discussion among a small group of participants that allows them to establish an ongoing exchange of views and elaboration of ideas, complementing the information obtained from desk research and interviews.

EUROCITIES organised two focus groups during its Economic Development Forum and Environment Forum in October 2017, where local practitioners and decision-makers engaged in an interactive way towards assessing the needs and barriers when implementing sustainable energy and climate projects and whose results are included in the report.

The focus groups consisted of 34 people during the Economic Development Forum and 49 during the Environment Forum; whose agenda and list of cities and organisations represented can be found as an annex to this document [at the end of this document](#).

2 NEEDS ASSESSMENT

2.1 Main needs and barriers to the implementation of sustainable energy and climate investments

Data from existing studies, interviews and focus groups conducted by PROSPECT partners show that the implementation of sustainable energy and climate investments is hindered by various factors. The local authorities' needs relate to overcoming these barriers. The scope of such factors is diverse, they can, however, be classified into three main groups: financial, legal, and capacity.

2.1.1 Financial barriers

The issues of financing investments/implementation of measures that are part of regional and local sustainable energy and climate action plans are considered to be of utmost importance. However, their financing is not a task devoid of difficulties. As put by a report from the Joint Research Centre of the European Commission in 2010, while “*many EE [Energy Efficiency] technologies are proven and economic: if properly financed, the investment costs are paid back over short periods from energy cost savings. Yet, projects with compelling economic returns remain unimplemented*”⁵. The report further indicated as the major causes for this gap “*the lack of EE finance and delivery mechanisms that suit the specifics of EE projects and the lack – in some markets – of pipelines of bankable energy efficiency projects*”. The above seems to have remained essentially relevant through the years, and local authorities such as smaller municipalities and medium-sized towns are the most afflicted by both causes⁶.

Limitation of financial resources

Local authorities' own financing capacity to undertake sustainable energy and climate investments is limited; half of the respondents of the Covenant of Mayors (CoM) survey on ‘*Sustainable energy investment in European local authorities*’ (2016) highlighted that it was very difficult for them **to find their own funds for project plans development**. Likewise, in the most recent CoM needs assessment survey (2017)⁷ a big majority (84.55%) of the respondent municipalities indicated **limited financial resources** as a barrier in the implementation of the SECAPs. The Figure 2 below illustrates this.

5 Rezessy, S., & Bertoldi, P. (2010). Financing energy efficiency: forging the link between financing and project implementation. *Report Prepared by the Joint Research Centre of the European Commission. Ispra: Joint Research Centre of the European Commission.* http://www.covenantofmayors.eu/IMG/pdf/Financing_energy_efficiency.pdf

6 Committee of the Regions (2016): Results of the CoR online consultation on obstacles to investments at local and regional level.

7 Covenant of Mayors (2017). Covenant community's needs for SE(C)AP design and implementation

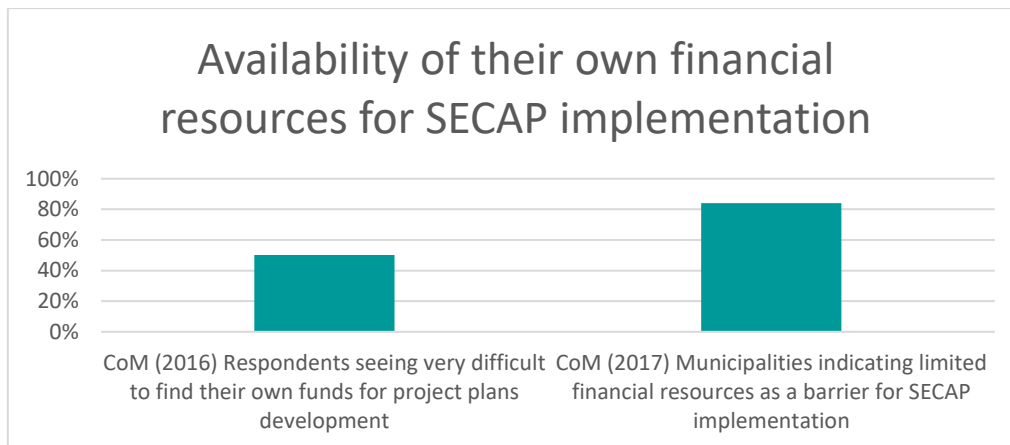


Figure 2: Respondents in the Covenant of Mayors surveys (2016 & 2017) addressing the availability of their own financial resources

Sources: CoM Office (2016): “Sustainable energy investment in European local authorities” & Covenant of Mayors (2017): “Covenant community’s needs for SE(C)AP design and implementation”

Given the impossibility in many cases of financing their own sustainable energy and climate projects, local authorities tend to base the financing of sustainable energy and climate actions on public grant funding⁸, i.e. European or national funds, which become the primary source of financing. However, **the availability of public grant funding is limited** both in terms of the volume and persistence over time,^{9,10,11} and not sufficient to cover the needs of local authorities in meeting their sustainable energy and climate targets. The remaining *financing gap* must rely on market-based solutions and innovative financing instruments. Their size is either too small to be economically viable or too small to be attractive for the supply market^{Error! Bookmark not defined.}¹². While project bundling could be a solution to this issue, local authorities perceive this task as *very difficult* and lack the capacity to do so¹³. Likewise, the creation of bondable/integrated projects able to reach the right scale for being bankable is among the most recurrent barriers. This point will be further discussed below under the capacity needs and barriers section.

Technology costs

Another impediment for the development of sustainable energy and climate investments comes from the cost of technologies. The high cost of some technologies is also mentioned as a barrier in respondents in the CoM 2017 survey¹⁴. Likewise, some technologies require high upfront costs that preclude investments from being implemented¹⁵.

8 Energy Cities (2015). Financing your sustainable energy projects

9 European Environment Agency (2017). Closing the Investment Gap in Europe’s Cities

10 Trinomics (2017): Assessing the state-of-play of climate finance tracking in Europe

11 Energy Efficiency Financial Institutions Group (EEFIG) (2015). Energy Efficiency – the first fuel for the EU Economy

12 CitYnvest (2016). Scheme Decision Map Barriers Tool

13 Covenant of Mayors Office (2016): “Sustainable energy investment in European local authorities”. http://www.covenantofmayors.eu/IMG/pdf/WP2_Survey_report_final.pdf

14 Covenant of Mayors (2017). Covenant community’s needs for SE(C)AP design and implementation

15 Rezessy, S., & Bertoldi, P. (2010). Financing energy efficiency: forging the link between financing and project implementation. Report Prepared by the Joint Research Centre of the European Commission. Ispra: Joint Research Centre of the European Commission. http://www.covenantofmayors.eu/IMG/pdf/Financing_energy_efficiency.pdf

2.1.2 Legal barriers

The fiscal and financial framework at the European and national level is an important factor which can hinder the implementation of sustainable energy and climate investments. Of special relevance are the specificities that each country has in this regard, which can trigger differences in the implementation of investments, whether general or specifically related to sustainable energy and climate actions.

In first place, the **general legal framework conditions** have to be taken into account. In some countries, burdensome regulatory rules and/or complex administrative procedures^{16,17} present at different levels (local, national, and European) can act as an obstacle to investments in both the public and the private sectors.

In the **public sector**, the rules and regulations of public sector budgeting are highlighted as one of the most crucial barriers affecting local authorities. Among these, **matching the budget/political cycles with the investment cycles**^{13,15} is one of the most important, in particular for those investments related to savings in energy costs. Moreover, in some cases local authorities have to *finance energy efficiency investments from their investment budget, whereas the resulting savings are credited to the operational budget*¹⁵. Although EUROSTAT, following the European Commission Communication on clean energy for all Europeans¹⁸, has recently published an updated guidance note on the recording of Energy Performance Contracts (EPCs) in government accounts, it is yet to be seen how this will work in practice, and the public bodies need to become familiar with the possible positive circumstances stemming from these changes.

The **EU Stability and Growth Pact** has also brought a new context to local authorities' investments, limiting their capacity to take on debt¹⁹ or allocate funds for measures with long pay back periods¹⁶. The responses of the PROSPECT partners' interviews have also brought up specific country cases in this regard; for example, the application of the Spanish Budgetary Stability Law to tackle high public debt has been indicated to bring *many constraints to the investments of local governments*, as it limits the municipalities' capacity to manage their annual surplus, (since half of this surplus is being directed to reimbursing municipal debts so that only half is able to be dedicated to re-investments). Likewise, in Portugal, and due to the same reason, municipalities are not allowed to increase public debt or sign contracts for long periods.

The general framework conditions can also have an impact on the willingness of the **private sector** to undertake investments. As stated by the CoR online consultation report, public administrations' delays/unpredictability make it more difficult to estimate returns on private investments. Furthermore, the lack of transparency of public administrations can also hinder private investment²⁰.

16 Committee of the Regions (2016): Results of the CoR online consultation on obstacles to investments at local and regional level.

17 FEDARENE (2015). Innovative Financing Schemes in Local and Regional Energy Efficiency Policies

18 Commission Communication: Clean Energy for all Europeans (COM/2016/860 final) of 30 November 2016

19 Committee of the Regions (2017): Financing climate action: opportunities and challenges for local and regional authorities

20 Committee of the Regions (2016): Results of the CoR online consultation on obstacles to investments at local and regional level.

Among the legal barriers, **specifically affecting the implementation of sustainable energy and climate projects** are the diversity of national regulations in energy production and the functioning of the energy market, as well as the lack of coherence or of holistic view of legislation related to the different areas these projects have an influence in: energy, environment, mobility, etc.

Moreover, local authorities also highlight the lack of a legal or clear definition of certain innovative financing instruments in some countries. The regulatory framework specifically adapted to and providing standards for instruments such as third-party financing, green bonds or crowdfunding can be absent or differ from country to country²¹. During the PROSPECT focus groups, respondents indicated that in order to successfully implement innovative finance schemes, a re-definition of some of the available instruments from private and national banks and in particular a redefinition of the indicators that are used for calculating the return of investments for social and environmental projects would be needed.

2.1.3 Capacity barriers and needs

Addressing capacity barriers is considered a top priority for local authorities, since the latter are the most affected among public authorities by the lack of capacity to undertake sustainable energy and climate investments. This capacity is often related to the lack of technical knowledge in developing financial and investment plans and business models for sustainable energy and climate actions^{22,23} as well as knowledge and/or capacity in marketing these actions²⁴. Furthermore, there is a lack of awareness and expertise in small-scale financing, which is usually the type of investment needed at the local level²¹.

As a consequence, capacity building activities that pose a solution to some of the barriers seen in the previous sections are in high demand.

Financing information

First of all, local authorities lack awareness or knowledge about the different financing options available²⁵, and consequently demand information about funding and financing as a means to succeed in their investments. The latter demand can be observed from the results of the Covenant of Mayors Needs Assessment survey and the Energy Cities survey²³ in Figure 3 and Figure 4 below.

21 FEDARENE (2015). Innovative Financing Schemes in Local and Regional Energy Efficiency Policies; mentioning (COM (2015)80 final).

22 Covenant of Mayors (2017). Covenant community's needs for SE(C)AP design and implementation

23 Energy Cities (2015). Financing your sustainable energy projects

24 Climate-KIC (2015). White Paper: Barriers to private Sector Investments into urban Climate Mitigation Projects

25 Committee of the Regions (2017). Financing climate action: opportunities and challenges for local and regional authorities

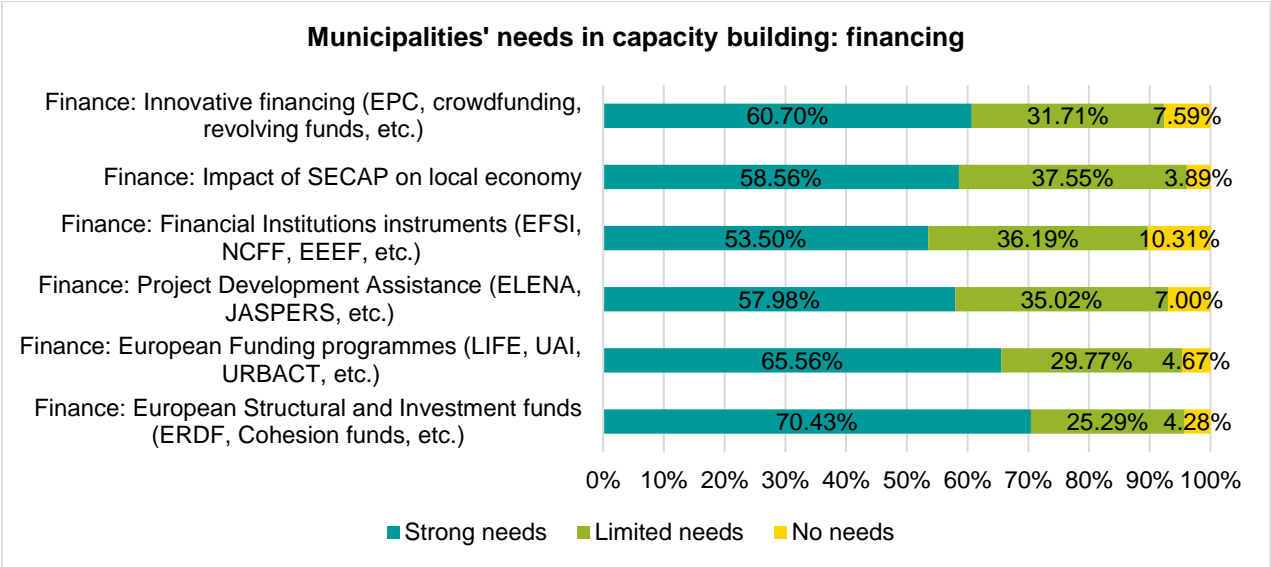


Figure 3: Respondents addressing “Strong needs” for capacity building in financing

Source: Covenant of Mayors (2017). Needs Assessment Survey

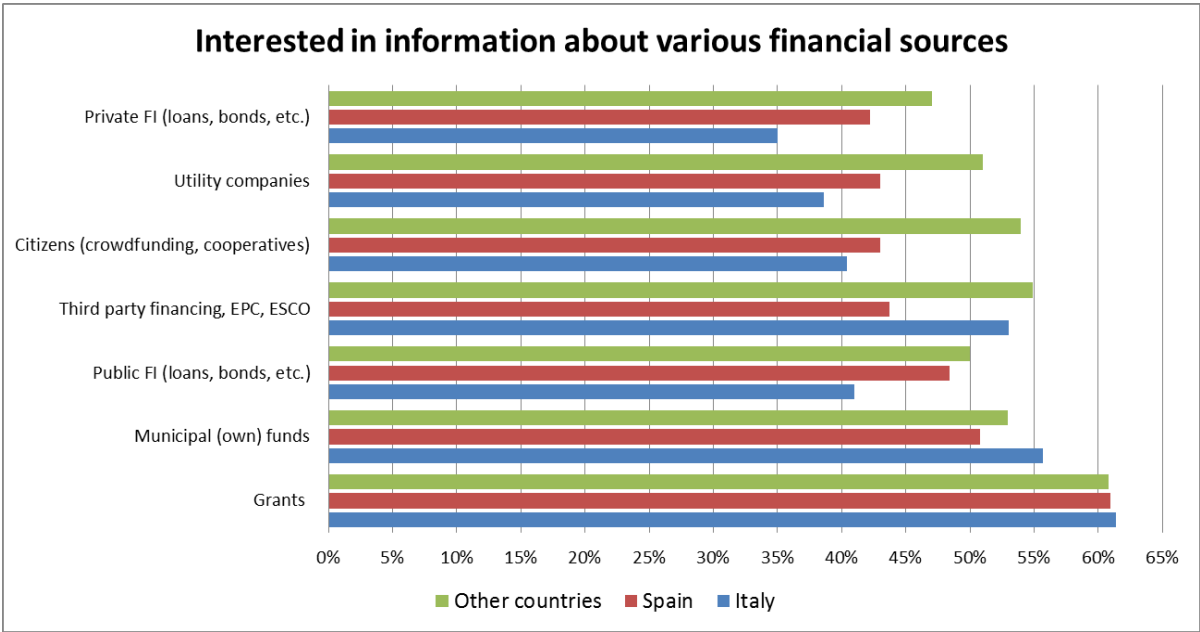


Figure 4: Interest in information about various financial sources

Source: COM Office (2016): “Sustainable energy investment in European local authorities”

Type of information you need from Energy Cities to succeed your investments:

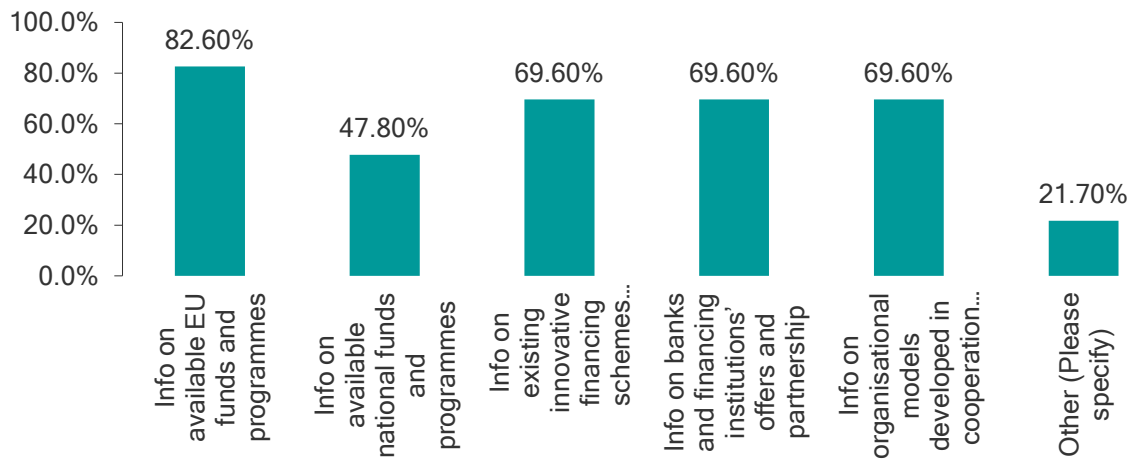


Figure 5: Type of information you need from Energy Cities to succeed your investments

Source: Energy Cities (2015). Financing your sustainable energy projects.

The need for information on both EU funds and programmes and on innovative financing schemes is clearly highlighted in both figures above. As indicated earlier in this report, while the availability of public funding is limited, the PROSPECT learning programme should focus on raising awareness of the opportunities deriving from innovative financing, as well as on developing capacity building activities²⁶, with the aim of increasing municipalities' skills in using financial tools and combining different financing and funding streams.

This lack of information about the possibilities of funding and financing mainly refers to smaller and medium municipalities. On the other hand, while bigger cities are more aware of the existing possibilities, their lack of technical (and legal) capacity to implement them makes them unable to take advantage of them.

Technical expertise

The lack of technical skills is therefore considered by local authorities as a major drawback for both public and private investments^{27,28,29}. In the CoM 2017 survey, the lack of technical expertise was, after the limitation of financial resources, the second most chosen barrier by local authorities. Likewise, in the CoM 2016 survey, tasks that require technical expertise such as the bundling of projects³⁰, the validation of savings or the establishment of project baselines are considered as the biggest challenges for preventing local authorities from using financial tools. In the surveys, these results become even more true for small municipalities and medium-sized towns.

26 Committee of the Regions (2016): Results of the CoR online consultation on obstacles to investments at local and regional level.

27 Climate-KIC (2015). White Paper: Barriers to private Sector Investments into urban Climate Mitigation Projects

28 Committee of the Regions (2016). Obstacles to investments at local and regional level

29 Committee of the Regions (2017). Financing climate action: opportunities and challenges for local and regional authorities

30 A government agency bundles together a pool of different projects to award a single contract

Likewise, among the respondents of the PROSPECT interviews and the participants in the focus groups, the technical barriers considered of bigger importance are the understanding of the availability of bankable projects and the bundling of different types of projects and investments. Understanding the bankability of some projects becomes even more difficult due to the lack of sufficient data on the returns on investment²⁹. In this regard, technical assistance is particularly necessary in order to support local authorities to define the investment priorities and projects availabilities at local level, especially when the local authorities are looking to implement bigger and integrated development projects.

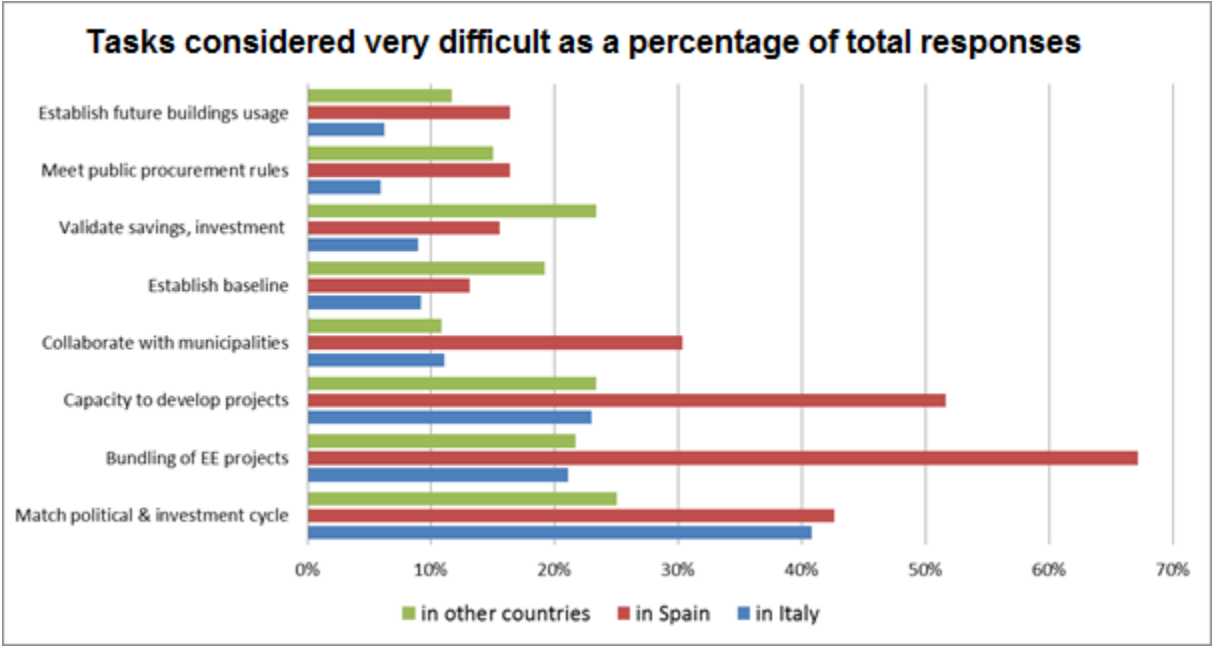


Figure 6: Tasks considered very difficult by percentage of respondents

Source: COM Office (2016): "Sustainable energy investment in European local authorities".

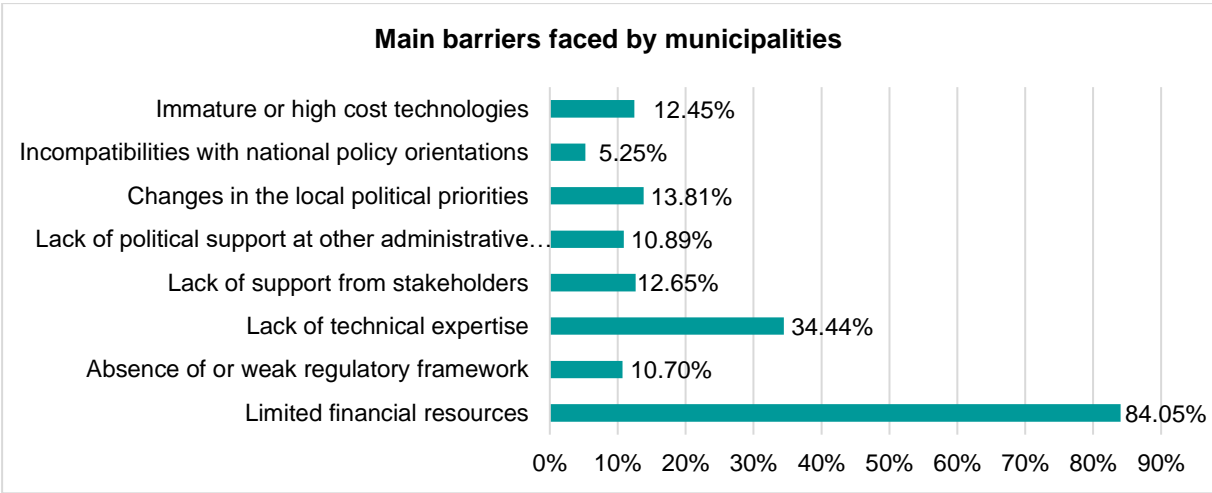


Figure 7: Barriers faced by municipalities

Source: Covenant of Mayors (2017). Needs Assessment Survey

Political support

Another barrier mentioned by local authorities is the lack of support at various levels, whether from stakeholders or other administrative levels (e.g. national government). The difficulties aligning involved stakeholders and raising political willingness to undertake sustainable energy and climate investments are also mentioned in research studies^{31,32}.

31 Committee of the Regions (2017). Financing climate action: opportunities and challenges for local and regional authorities

32 Climate-KIC (2015). White Paper: Barriers to private Sector Investments into urban Climate Mitigation Projects

2.2 Innovative financing mechanisms and experience of use

In light of the implementation of the learning programme and of this needs assessment, PROSPECT has made an initial selection of the innovative financing schemes relevant for local authorities, including the main schemes at their disposal to implement their sustainable energy and climate action plans. These are: Energy Performance Contracting (EPC), third party financing, soft loans, revolving funds, guarantee funds, citizens finance (cooperatives/crowdfunding), green bonds, funding from financial institutions and funding from other private sources.

Experience with innovative financing mechanisms

Local authorities experience with the implementation of innovative financing mechanisms is in general low in comparison with that of public grants. The graphs below depict this scenario; in both Covenant of Mayors (2016)³³ and Energy Cities³⁴ surveys the majority of respondents indicate having experience with public grants or their own funds, while their uptake of the different innovative financing schemes remains low.

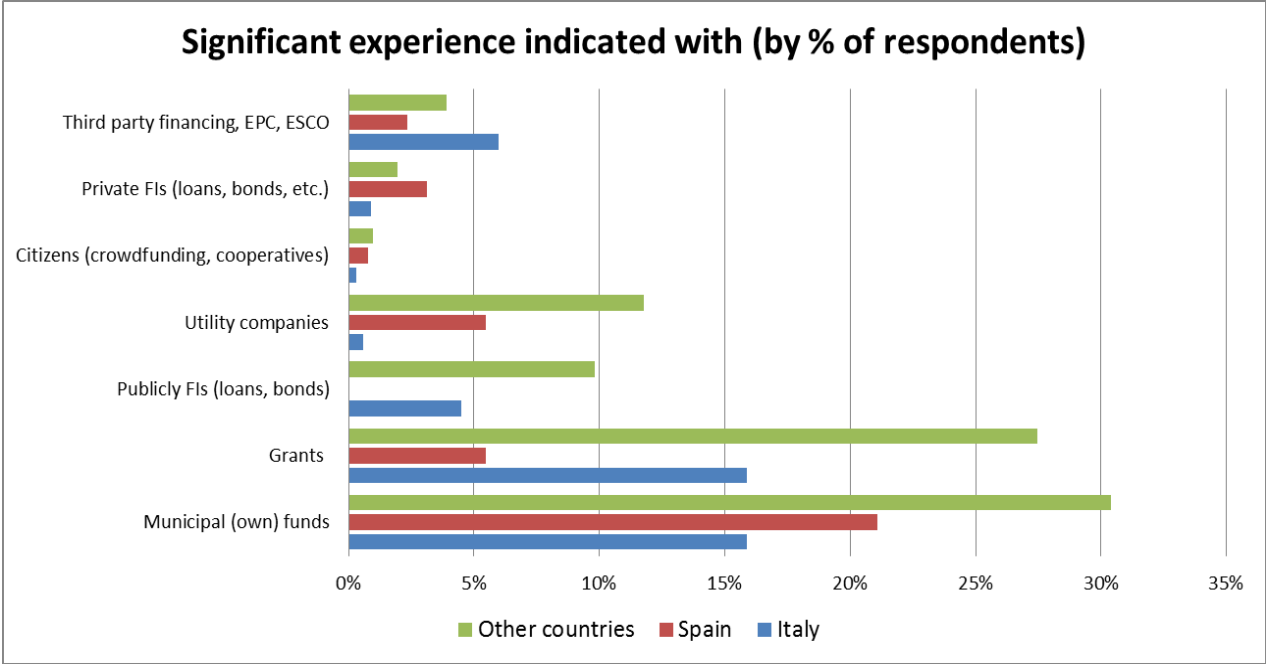


Figure 8: Significant experience by % of respondents

Source: Covenant of Mayors. Sustainable energy investment in European local authorities

33 Covenant of Mayors Office (2016): "Sustainable energy investment in European local authorities". http://www.covenantofmayors.eu/IMG/pdf/WP2_Survey_report_final.pdf

34 Energy Cities (2015). Financing your sustainable energy projects

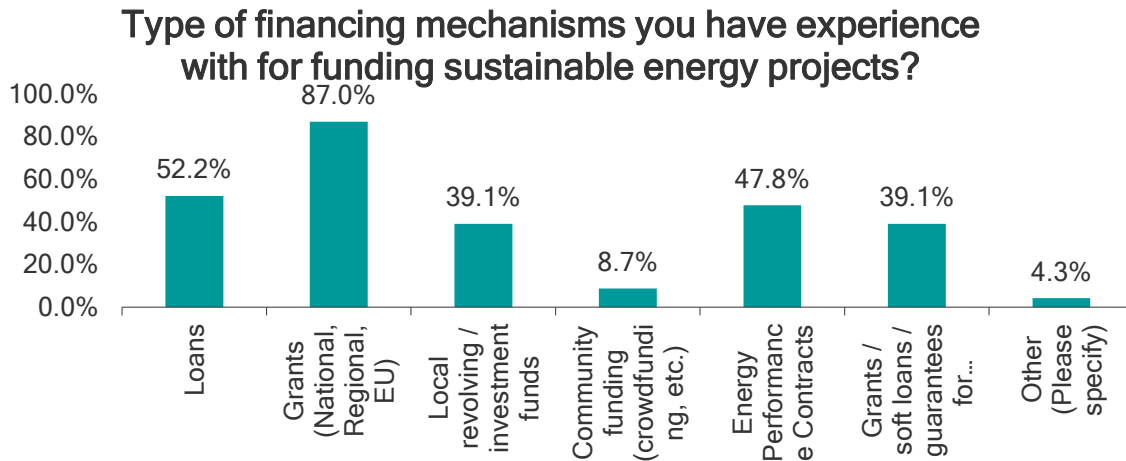
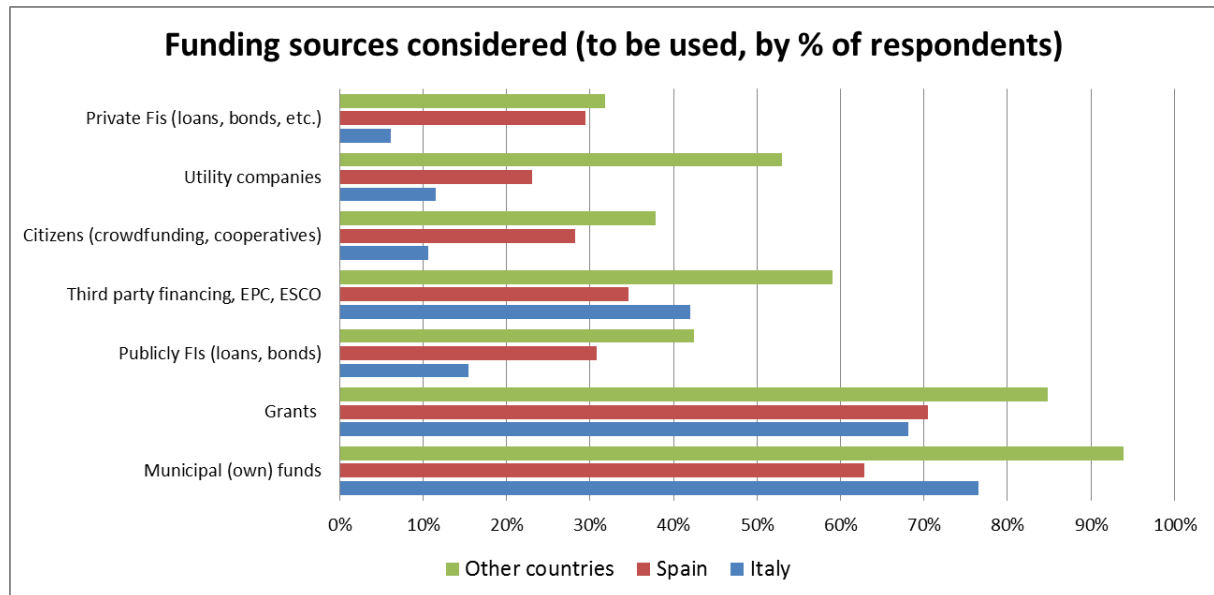


Figure 9: Experience in financing mechanisms for sustainable energy projects

Source: *Financing your sustainable energy projects. Survey*

Within innovative schemes, differences can also be highlighted. In general, Energy Performance Contracting and other third-party financing mechanisms (e.g. ESCO financing) are most often used. The implementation of citizen financing (such as crowdfunding) for sustainable energy and climate projects is on the other hand limited.

These differences can be due to several factors, for example different regulatory or banking systems or the macroeconomic situation, as well as the budgetary rules referred to above.



In general terms, the schemes considered most difficult to implement are revolving funds, guarantee funds, citizens finance and green bonds, although the interest shown by the respondents of the PROSPECT survey in learning about the latter two schemes is among the lowest. Particularly interesting is the issue of citizen's involvement in projects, for example in private buildings or crowdfunding initiatives. Citizen's involvement often requires big

investment in terms of time and staff resources, in particular for those local authorities wishing to co-create together with their citizens.

On the other hand, Energy Performance Contracting is highlighted as the least difficult to implement scheme, while local authorities' interest in learning about it remains the highest, seconded by that in learning about revolving funds and third-party financing.

The specific experience of use and interest in learning about each of the innovative financing instruments considered is shown below, along with the definition of each of the instruments.

Energy Performance Contracting: Energy Performance Contracting (EPC) is a method of implementing energy efficiency projects, by which an ESCO (Energy Services Company) acts as a unique contractor and oversees all of the steps of a project, from audit through installation up to operations and maintenance. The ESCO delivers a performance guarantee on the energy savings and takes responsibility for the end result. The EPC contract is the contractual agreement by which the output-drive results are agreed upon.

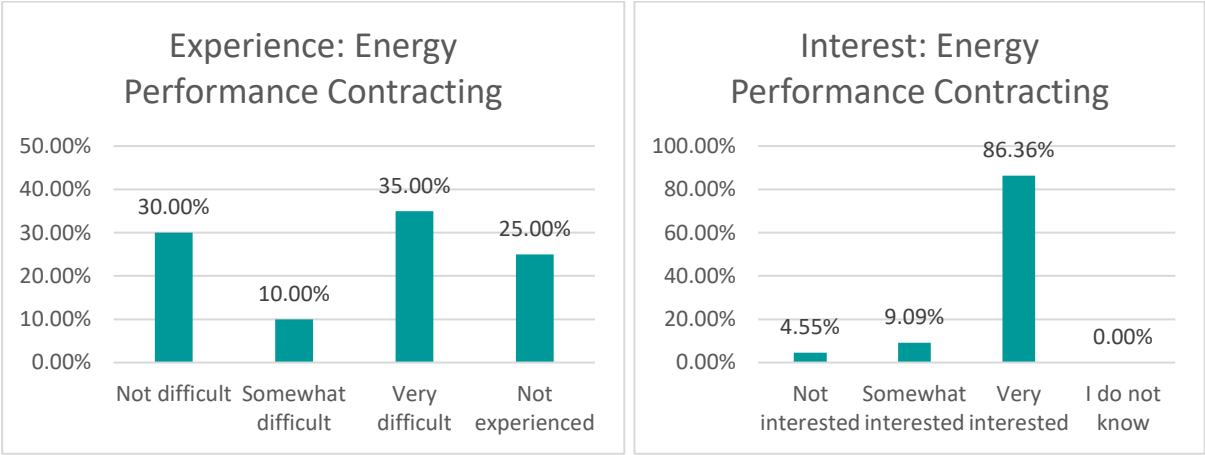


Figure 10: Experience of use and interest in learning on Energy Performance Contracting

Third party financing: Refers solely to debt financing. The project financing comes from a third party which is not the user or customer, usually a financial institution or other investor, or the ESCO.

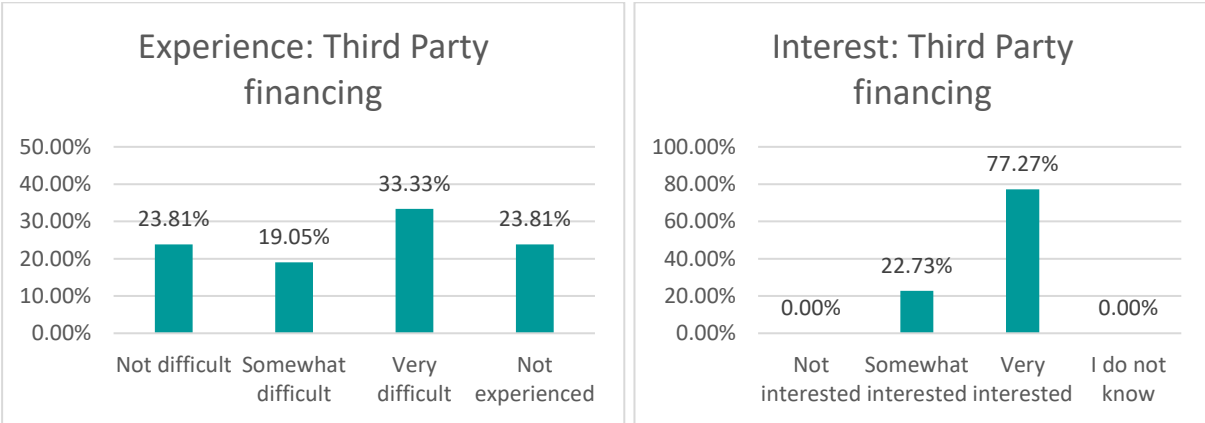


Figure 11: Experience of use and interest in learning on Third Party financing

Soft loans: Soft loan schemes are loans below market rates and with longer payback periods derived from public or private funding to facilitate energy efficiency investments.

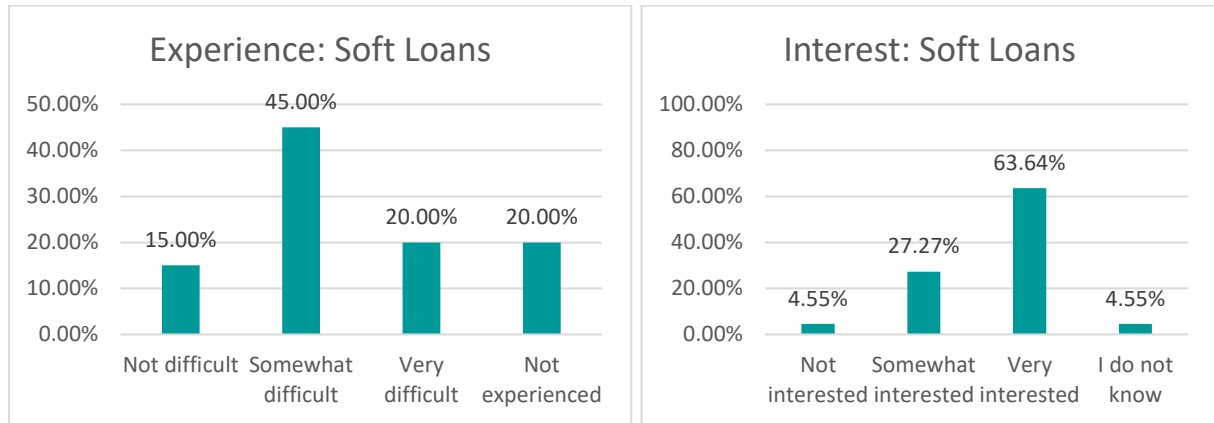


Figure 12: Experience of use and interest in learning on Soft Loans

Revolving funds: A Fund established to finance a continuing cycle of investments through initial amounts received from its shareholders, creditors or donors and later on through amounts received from reimbursements of provided funding or loans to projects. These recovered funds become available for further reinvestment in other projects under similar scope (e.g. revolving funds for sustainable energy will use the loans recovered funds to finance new sustainable energy projects).

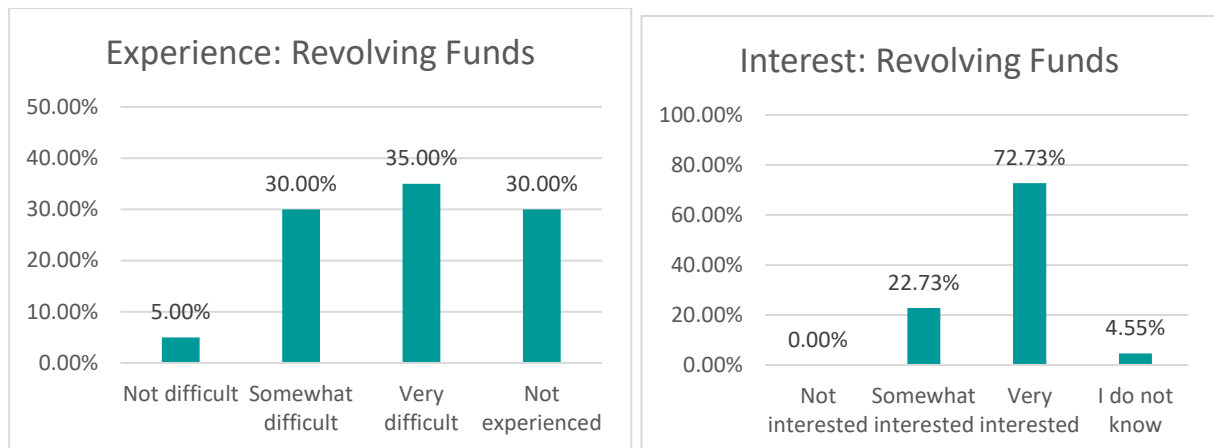


Figure 13: Experience of use and interest in learning on Revolving Funds

Guarantee funds: These are loan guarantees provided to lenders which serve as buffers against first losses of non-payment by the borrowers. A mechanism whereby public funding facilitates/triggers investments.

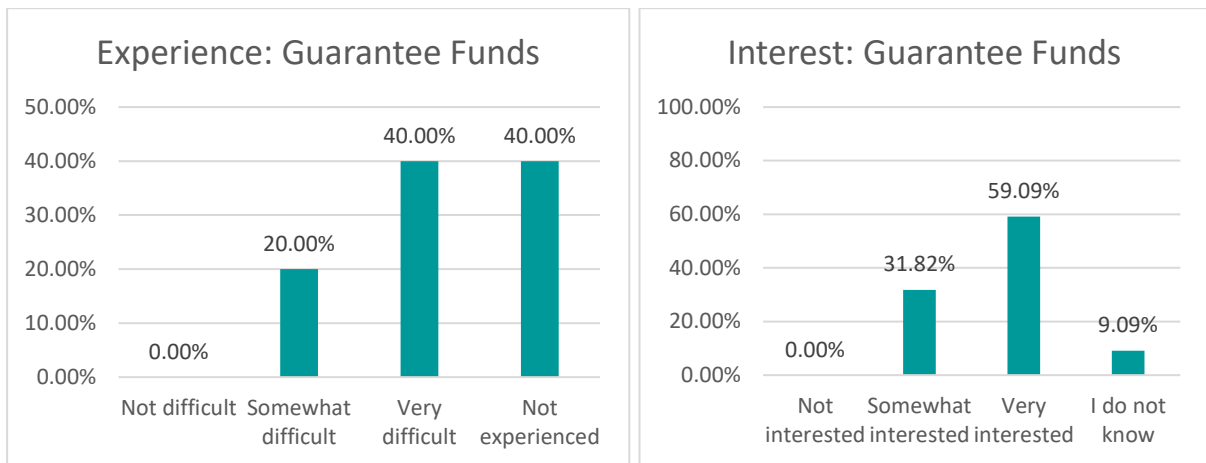


Figure 14: Experience of use and interest in learning on Guarantee Funds

Citizens finance: Crowd-funding involves an open call, mostly through the internet, for the provision of financial resources either in the form of a donation or in exchange for some form of reward and/or voting rights. This can happen in combination with energy cooperatives, which are business models based on shared ownership and democratic decision-making procedures.

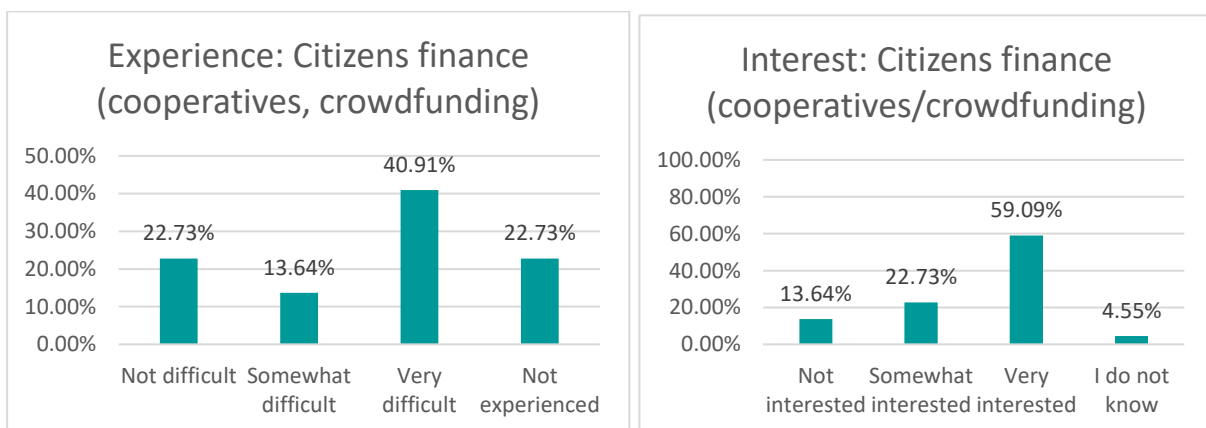


Figure 15: Experience of use and interest in learning on Citizens finance

Green bonds: Local government (or their agencies) can issue green bonds to fund their sustainable energy and climate projects. A green bond can operate as a normal bond, which is a debt that will be paid back, depending on the characteristics of the bond, with interest. These can be made attractive via tax-exemptions.

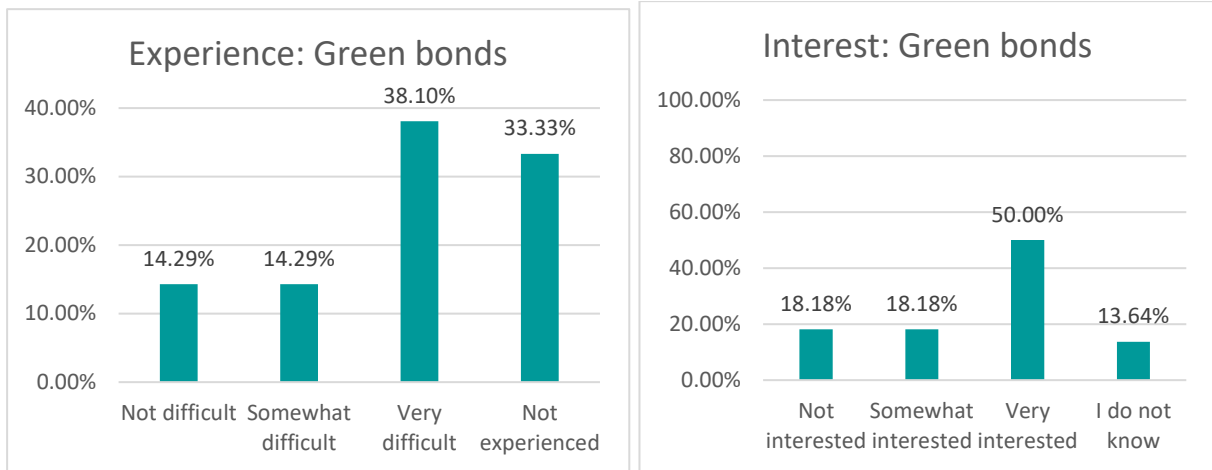


Figure 16: Experience of use and interest in learning on Green bonds

Funding from financial institutions (i.e. local banks, European banks, ...): Refers to different public financial institutions and their instruments, such as European Structural and Investment Funds, European Funding Programmes, Project Development Assistance (PDA) and financial institutions' instruments, such as municipal loans.

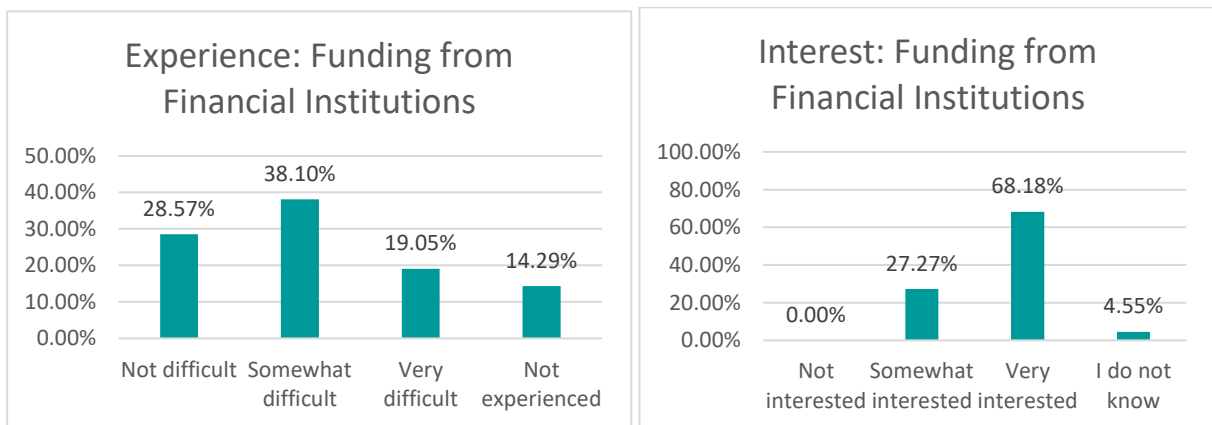


Figure 17: Experience of use and interest in learning on Funding from financial institutions

Funding from other private sources:

Refers to funding from the private sector and investors that are not financial institutions.

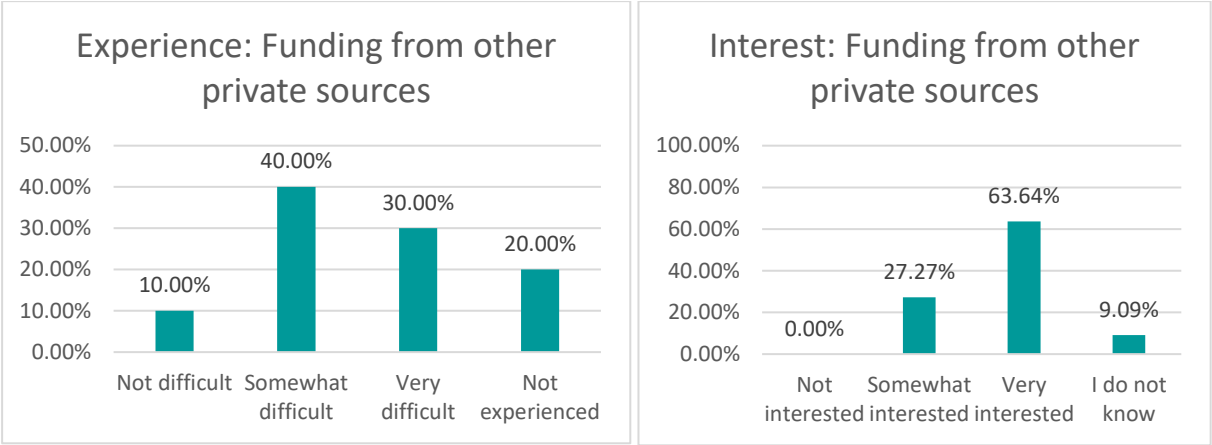


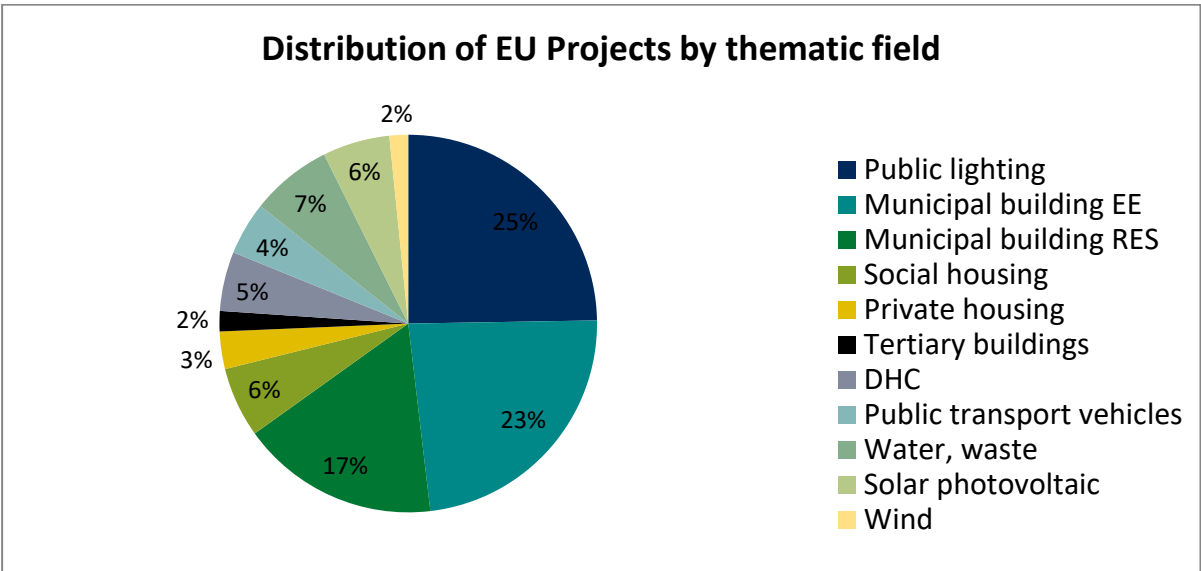
Figure 18: Experience of use and interest in learning on funding from other private sources

2.3 Preferred areas of investment in sustainable energy and climate actions and difficulty of investments per area

This needs assessment report, considers as areas of investment, the five thematic areas of intervention included in the sustainable energy and climate action plans (SECAP) and the corresponding PROSPECT learning programme modules, namely: public buildings; private buildings; transport; public lighting; and cross-sectoral.

Sustainable energy and climate actions in these areas can take place in various forms, e.g. via the refurbishment of public buildings and the incentivisation of the renovation of private ones (e.g. by investing in more efficient heating and cooling), via the improvement of transport and overall urban transport management, the increase of the efficiency of public lighting (e.g. through the installation of LED lighting) or the implementation of other cross-sectoral actions (such as supporting, developing and installing renewable energy).

The popularity of these investments is however uneven among the different areas. The survey study on Sustainable energy investment in European local authorities³⁵ from the Covenant of Mayors depicts investments in the area of public buildings as the most popular, with 23% of them aiming at energy efficiency actions and 17% aiming at renewable energy actions in municipal buildings, as seen in the Figure 19 below. The second most popular area of investment is public lighting (25%). Together, public buildings and public lighting areas account for about 63% of the investment planned by CoM signatories; while on the other hand they represent about 2.2% of total municipal CO2 emissions (4% of final electricity, 2% of heat need)³⁶. On the other hand, the investment planned in private buildings' projects is low, with only 3% of the CoM survey respondents planning sustainable energy and climate projects.



35 Covenant of Mayors Office (2016): "Sustainable energy investment in European local authorities". http://www.covenantofmayors.eu/IMG/pdf/WP2_Survey_report_final.pdf

36 Joint Research Centre (2015). 6th Assessment of the Covenant of Mayors

Figure 19: Distribution of projects by thematic field

Source: COM Office (2016): “Sustainable energy investment in European local authorities”.

2.3.1 Public buildings

This area covers buildings and facilities owned, managed, or controlled by public authorities. Facilities refer to energy consuming entities that are not buildings, such as wastewater treatment plants. In the case of public buildings, as outlined in the Covenant of Mayors guidebook on *How to develop a Sustainable Energy Action Plan (2010)*³⁷, it is expected that “local authorities will adopt exemplary measures in their own buildings”.

These *exemplary measures* on energy efficiency or renewable energy investments in public buildings are confirmed by the data above as the area in which most investments are planned by local authorities in the framework of the SECAPs.

The respondents and participants of the PROSPECT interviews and focus groups highlight public buildings as the most important area of implementation of sustainable energy and climate projects, although also specifying specific barriers associated to this area such as public servants’ lack of awareness or knowledge as well as other general barriers such as bureaucratic or administrative constraints or the availability of funds. In general, investments in public buildings are considered by the respondents as *somewhat difficult*, as seen in the Figure 20 below.

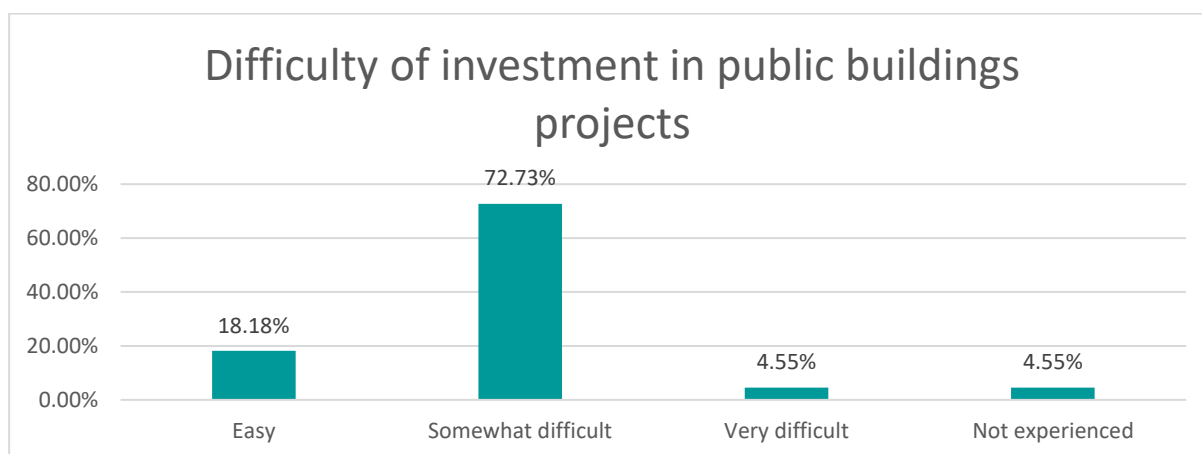


Figure 20: Difficulty of investment in public buildings

Source: PROSPECT partners’ interviews

2.3.2 Private buildings

This area covers buildings owned, managed, or controlled by private individuals or corporations. These refer primarily to the buildings in the tertiary sector (services), such as

37 Covenant of Mayors (2010). How to develop a Sustainable Energy Action Plan (SEAP) – Guidebook https://www.covenantofmayors.eu/IMG/pdf/seap_guidelines_en.pdf

private companies, banks, commercial, and retail activities, etc. and residential buildings, including social housing.

The investments in private buildings are scarce. This is one of the SECAP areas presenting bigger barriers to investments as shown in the graph below. For the tertiary sector, business interruption due to the implementation of the projects is highlighted as a major barrier³⁸. For residential buildings, the main reported barriers are: the unwillingness of private owners to spend a significant amount of money, especially given the high upfront costs that some technologies encompass; the difficulty of coordination among owners and the split incentives between owners and tenants³⁸, and the lack of awareness on sustainable energy and climate actions. Likewise, the small size of these projects makes it difficult to acquire financing.

Especially regarding the tertiary sector, the actions presented by local authorities to overcome the aforementioned barriers are directed at raising awareness among private owners or at promoting activities for energy efficiency refurbishment.

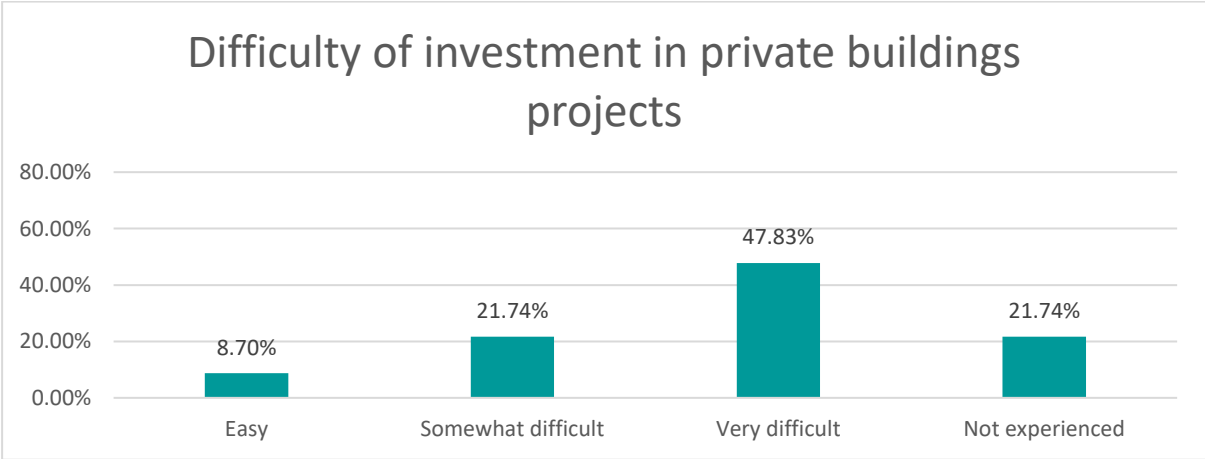


Figure 21: Difficulty of investment in private buildings

Source: PROSPECT partners' interviews

2.3.3 Transport

This covers the provision of and management of mass transit systems by public authorities.

While the transport sector represents approximately 30 % of the final energy consumption in the European Union³⁹, investments in this area are similar to those in private buildings and considered very difficult by the respondents of the PROSPECT interviews. The main reason pointed out by the respondents is that competences in this area belong to another scale, whether national or regional (the latter in the case of cities/municipalities).

38 Rezessy, S., & Bertoldi, P. (2010). Financing energy efficiency: forging the link between financing and project implementation. Report Prepared by the Joint Research Centre of the European Commission. Ispra: Joint Research Centre of the European Commission. http://www.covenantofmayors.eu/IMG/pdf/Financing_energy_efficiency.pdf

39 Covenant of Mayors (2010). How to develop a Sustainable Energy Action Plan (SEAP) – Guidebook https://www.covenantofmayors.eu/IMG/pdf/seap_guidelines_en.pdf

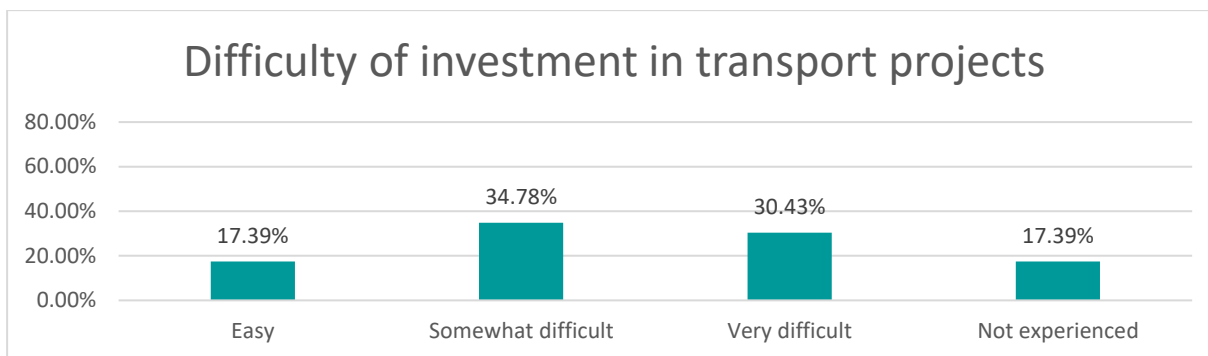


Figure 22: Difficulty of investment in transport

Source: PROSPECT partners' interviews

2.3.4 Public lighting

This area covers the provision of public lighting (e.g. street lighting and traffic lights) owned or operated by public authorities, while non-municipal public lighting is covered under the private buildings area.

Investments in public lighting are the most common among the respondents of the CoM 2016 survey⁴⁰, and are reported to present high energy efficiency potential at a reasonable cost through the substitution of old lamps with more efficient ones, such as low pressure, high pressure lamps or LED⁴¹. Likewise, on average the respondents of the PROSPECT interviews give the lowest difficulty of investment in this area in comparison to the other four.

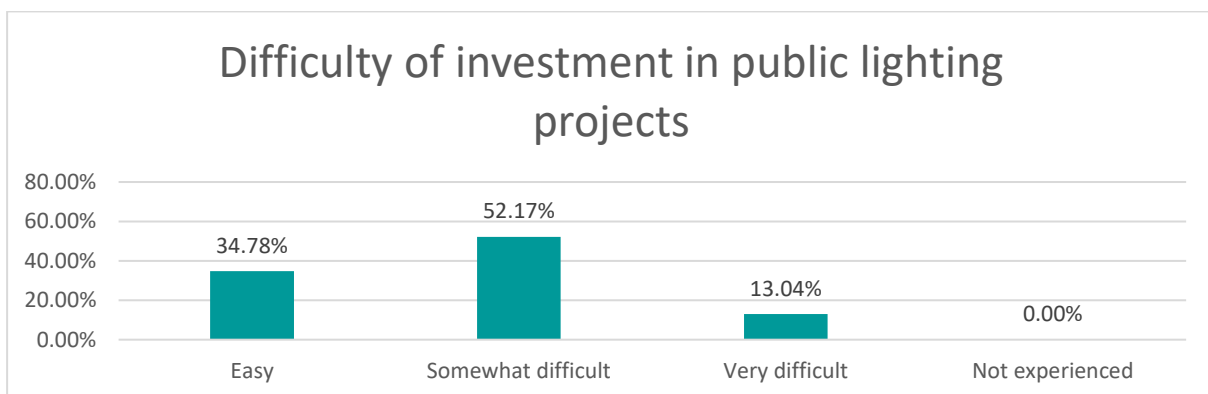


Figure 23: Difficulty of investment in public lighting

Source: PROSPECT partners' interviews

2.3.5 Cross-sectoral

This area covers all other cross-sectoral energy efficiency investments, for example those related to climate change adaptation or to the production of renewable energy. This includes local electricity and heat/cold production to satisfy consumption needs, as well as those

40 Covenant of Mayors Office (2016): "Sustainable energy investment in European local authorities". http://www.covenantofmayors.eu/IMG/pdf/WP2_Survey_report_final.pdf

41 Covenant of Mayors (2010). How to develop a Sustainable Energy Action Plan (SEAP) – Guidebook https://www.covenantofmayors.eu/IMG/pdf/seap_guidelines_en.pdf

interventions falling under two or more thematic areas. As a consequence, investments in cross-sectoral activities may carry higher complexity than in other specific areas.

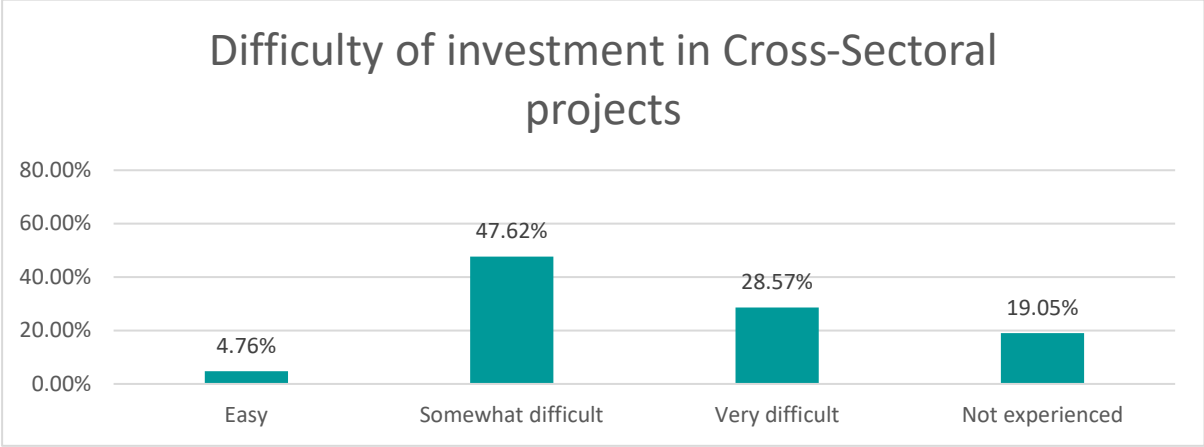


Figure 24: Difficulty of investment in cross-sectoral projects

Source: PROSPECT partners' interviews

3 CONCLUSIONS AND RECOMMENDATIONS FOR THE LEARNING PROGRAMME

The needs assessment drawn up from the desk research and the PROSPECT partners' interviews has highlighted a wide range of financial, legal and capacity needs and barriers regarding the implementation of sustainable energy and climate actions. While this report intends to provide a complete overview of these needs and barriers, the focus of the PROSPECT learning programme should be to put emphasis on the needs which can be addressed and are attainable by local authorities. Some needs and barriers, especially those of a legal nature (e.g. the complexity of national regulations or competences outside the local level), cannot be translated into concrete actions of the learning programme given the scope of action of local authorities'; while others, especially those related to capacity building, are in the hands of local authorities and should become the focus of PROSPECT.

The recommendations provided below might not reflect everlasting truths as the project develops, and therefore the assessment of local authorities' needs will be an ongoing process seeking to account for possible variations, especially after the implementation of the pilot and the first learning programmes which will run throughout 2018.

3.1 Conclusions and recommendations addressing needs and barriers

Financial

Most of the recommendations directed to addressing financial barriers are intrinsically related to capacity building activities, therefore, they will be addressed in the recommendations devoted to address capacity needs and barriers.

Legal

- ⤴ Consider as far as possible the legal framework applying to each potential participant in the PROSPECT learning programme, especially during the implementation of the matchmaking process between mentors and mentees. The specificities of the legal framework could be obtained via the design of the learning programme's registration form.
- ⤴ Consider the importance of twinning local authorities with similar legal background during the matchmaking process.

Capacity

Capacity needs and barriers are the ones over which the PROSPECT learning programme can exert a bigger influence and increase local authorities' success in the implementation of sustainable energy and climate actions. Based on the needs and barriers highlighted by local authorities, the learning programme should consider the following recommendations:

- ⤴ Provide information on the different financing alternatives at local authorities' disposal to overcome the lack of public funding.

- ⤴ Provide capacity building activities aimed at strengthening specialist expertise in the different innovative financing schemes and at implementing investment plans.
- ⤴ Provide recommendations on how to enhance collaboration with private sector, business and investors, in particular banks, as well as on improving the marketability of sustainable energy and climate projects.
- ⤴ Provide recommendations on how to increase support / synergies among different levels of public authorities.

3.2 Conclusions and recommendations addressing innovative financing mechanisms

The following recommendations regarding innovative financing mechanisms provide a general overview of which are the most difficult mechanisms to implement or which raise the biggest interest in learning. However, all mechanisms can pose a financing solution for an investment in a given area of intervention of the SECAP and also raise a high interest in learning. Therefore, the main recommendation for the learning programme is to cover as many of the mechanisms as possible.

- ⤴ Consider the importance of Energy Performance Contracting as the financing mechanism that raises the biggest interest in learning and is considered the least difficult to implement. EPC is also the most frequently mentioned mechanism by the respondents of the PROSPECT survey. Therefore, its replicating potential via PROSPECT learning programme can be high.
- ⤴ Consider the importance local authorities allocate as well to learning about third party financing, revolving funds and financing from financial institutions.
- ⤴ Provide recommendations towards showing the potential of green bonds and citizens finance, given the interest in learning about these two schemes is among the lowest.

3.3 Conclusions and recommendations addressing areas of investments

There are various conclusions to be drawn with regard to the importance that local authorities give to investments in certain areas of the SECAP as well as to the degree of difficulty of investments indicated for each of them.

Public buildings are considered by the respondents of the PROSPECT interviews as the most important area of investment, in accordance as well with the data obtained from the Covenant of Mayors survey (2016) where public buildings is the area seeing the highest number of investments. In comparison with other areas, investments in public buildings are, along with those in public lighting, considered to be the easiest for local authorities. Public lightings investments are the second most frequent.

Private buildings and transport are considered to be the most difficult areas of investment for the implementation of sustainable energy and climate actions. In the former case, the

respondents of the PROSPECT interviews and the data from research studies indicate the private ownership of buildings and the lack of awareness of private owners as main causes; while in the case of public transport the difficulty of investments highly depends on whether local authorities hold the competences in this area.

Based on the conclusions above, PROSPECT learning programme and modules should:

- ▲ Take into account the preferences of local authorities for public buildings and public lighting as the most common and less challenging areas of investment, especially for those local authorities with no or little experience in sustainable energy and climate investments. Keep in mind that public buildings do not represent the highest figure of municipal CO2 emissions.
- ▲ Consider as much as possible and provide actions to mitigate the difficulties that investments in private buildings and transport encompass; for example, by offering alternatives or good examples of awareness raising campaigns in the case of the former, and by considering capacity building activities with those local authorities holding transport competences.
- ▲ The case of cross-sectoral investments requires special attention since actions under this area can fall into two or more different areas of investment. In this regard, it is recommended for the learning programme to either treat those actions falling into two areas of investment separately (for example, renewable energy production in the respective area public buildings, public lighting, etc.) or to leave them for the second year of the programme, once that the results from the first-year modules are implemented.

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Appendix

List of interviewees by PROSPECT partners

| City/Region/Energy agency representative | Country | Contact/s | Role |
|--|-------------|---|--|
| OÖ Energiesparverband | Austria | Anja Gahleitner | European Projects, Events, Energy consultancy for businesses |
| Osijek | Croatia | Domagoj Dvoržak | Project and Programme department |
| Aradippou | Cyprus | Dr. Panayiotis Michael | EU Affairs Office, Internal Consultant |
| Athens | Greece | Kostas Georgiou, Irene Skoula | Member of the office of resilience and sustainability: development of the SECAP for the municipality of Athens Member of the c40 network: technical support for developing SECAP for the municipality of Athens |
| Aigaleo | Greece | Dimitrios Tzempelikos | Energy Manager |
| Parma | Italy | Enzo Bertolotti, Marco Modacci | Energy Manager Energy Expert |
| Rotterdam | Netherlands | Hendrik-Jan Bosch | Urban development - Strategy, Investment and Funds |
| Utrecht | Netherlands | Inge van de Klundert Marion Overberg | Environment and mobility |
| Seixal | Portugal | Philippe Bollinger | Director of AMESEIXAL |
| Moita | Portugal | Maria João Perdiz Maria Custódia Gésaro | Urban works and services Department Director Senior Advisor for EU Funds Management |
| S.ENERGIA – Regional Energy Agency for Barreiro, Moita and Montijo | Portugal | Susana Camacho João Barroso João Figueiredo | S.ENERGIA director S.ENERGIA expert S.ENERGIA expert |
| ENA – Energy and Environment Agency of Arrábida (Palmela, Sesimbra and Setúbal municipalities) | Portugal | Orlando Paraíba | ENA Director |
| Energap: Energy agency representative - Upper Podravje region (Maribor) | Slovenia | Vlasta Krmelj | Director of energy agency of Podracje public agency |
| Pamplona | Spain | José Costero | Director of the Strategic Office of Pamplona |
| ALEM: Energy agency representative - Murcia (city) | Spain | Sofía Lorenz Fonfría | Engineer in the city council of Murcia |
| Sevilla | Spain | Eladio Romero González | Environmental coordinator |
| Växjö | Sweden | Henrik Johansson | Environmental coordinator |
| Brody | Ukraine | Bogdan Storozhynskiy | |
| Chortkiv | Ukraine | Iryna Sharovska | Expert in energy efficiency |
| Dubno | Ukraine | Ihor Moskalyuk | |

| | | | |
|----------------------|-----------------------|------------------------|---|
| Novoyavorivsk | Ukraine | Girka Ruslan | |
| Zhovkva | Ukraine | Petro Vykhopen | |
| Manchester | United Kingdom | Martine Tommins | Principal Resources and Programmes Officer |

Table 2: List of interviewees by PROSPECT partners

PROSPECT: Ongoing Needs Assessment Survey

The aim of the PROSPECT project is to develop a peer-to-peer learning programme which will allow more than 180 local authorities, collaborating with their local energy agencies, to discuss and learn from each other on how to better finance the development of energy and climate projects for buildings, mobility, lighting and more!

Through this survey, you will be helping the consortium in understanding further the needs of your city/municipality/region for financing sustainable energy and climate projects, and in developing the content of the learning programme.

In case you will like getting in touch with us to provide more insight on your city/municipality/region activities and needs, or how to be involved in the programme, do not hesitate to contact us at: [Anja De Cunto](#) or [Guillermo Álvarez García](#)

1. City/municipality/region contact⁴²:

| | |
|--|--|
| Name of the city/municipality/region | |
| Population of the city/municipality/region | |
| Country | |
| Name, role and e-mail of the contact person/s for energy efficiency/energy/sustainability | |
| Name, role and e-mail of the contact person/s for funding/finance | |

2. How would you assess your city/municipality/region's level of experience with energy efficiency investments?

- Not experienced at all
- Some experience
- Very experienced

⁴² Or energy agencies representatives, if indicated by the city/municipality/region as their representative.

3. Areas of investments:

According to your experience how difficult it is for your city/municipality/region to invest in the following areas?

| Areas of investment | Easy | Somewhat difficult | Very Difficult | No experience |
|---|------|--------------------|----------------|---------------|
| Public building | | | | |
| Private building | | | | |
| Public lighting | | | | |
| Transport | | | | |
| Cross-sectoral (i.e. climate adaptation, renewables production) | | | | |

4. For all the responses stated as “difficult” and “very difficult”, please state why you find it difficult and what are the barriers and constraints to investing?

[open response]

5. Use of innovative finance mechanism

How difficult it is for your city/municipality/region to implement the following innovative financing mechanisms? (Please see the [terminology](#) for a short explanation of the instruments)

| Type of innovative finance schemes | Not difficult | Somewhat difficult | Very difficult | I do not know |
|--|---------------|--------------------|----------------|---------------|
| Energy Performance Contracting | | | | |
| Third party financing | | | | |
| Soft loans | | | | |
| Revolving funds | | | | |
| Guarantee funds | | | | |
| Citizens finance (cooperatives/crowdfunding) | | | | |
| Green bonds | | | | |
| Funding from financial institutions | | | | |

| | | | | |
|------------------------------------|--|--|--|--|
| Funding from other private sources | | | | |
|------------------------------------|--|--|--|--|

Other (please add):

6. Use of innovative finance mechanism: Interest

How much would your city/municipality/region be interested in learning about these financing mechanisms? (Please see the [terminology](#) for a short explanation of the instruments)

| Type of innovative finance schemes | Not interested | Somewhat interested | Very interested | I do not know |
|---|----------------|---------------------|-----------------|---------------|
| Energy Performance Contracting | | | | |
| Third party financing | | | | |
| Soft loans | | | | |
| Revolving funds | | | | |
| Guarantee funds | | | | |
| Citizens finance (cooperatives/crowdfunding) | | | | |
| Green bonds | | | | |
| Funding from financial institutions (i.e. local banks, European banks, ...) | | | | |
| Funding from other private sources | | | | |

7. Barriers to finance

Which of the following actions inhibits your city/municipality/region ability to fund and support sustainable energy and climate investment projects (SECAPs)? (Please see the [terminology](#))

| | Not a barrier (the action does not influence your ability to fund and support SECAPs) | Somewhat a barrier (the action delays or limits you to fund and support SECAPs) | Big barrier (the action prevents you from funding and supporting SECAPs) | I don't know |
|------------------------------------|--|--|---|--------------|
| Understanding the investment cycle | | | | |

| | | | | |
|---|--|--|--|--|
| Understanding the project cycle | | | | |
| Understanding the availability of bankable projects | | | | |
| Validating the potential energy cost (savings monitoring) | | | | |
| Creating of investment risk mitigation options | | | | |
| Meeting public procurement rules | | | | |
| Collaborating with other municipalities to aggregate investments | | | | |
| Aggregating different types of investments (i.e. energy and climate) | | | | |
| Ownership issues (i.e. owner and investor are different entities, for example in private buildings) | | | | |
| Obtaining political support | | | | |
| Creating staff capacity | | | | |
| Collaborating with local/international banks | | | | |
| Communicating/coordinating within the city/municipality/region | | | | |
| Understanding or accessing required documentation to finance the project | | | | |

8. Are there any other legal or budgetary constraints that prevent your city/municipality/region from implementing sustainable energy and climate investment projects (SECAPs)?

[open response]

9. Please, briefly outline the most important energy projects in your city/municipality/region that you have been involved with and your role in them.

| |
|-------------------------------------|
| Project's name: |
| |
| Description (max 300 words): |
| |
| Your role in the project: |
| |

10. Looking at your city/municipality/region's investment activities in energy efficiency, what are you good at that other cities could learn from?

[open response]

11. We thank you for taking the time to complete this survey, and we invite you to add any comment or further information you deem relevant for our project.

[open response]

Terminology

Bankable projects: Project or proposal that has sufficient collateral, future cashflow, and high probability of success, to be acceptable to institutional lenders for financing.

Citizens finance (crowdfunding and cooperatives): A crowd-funding platform pools resources of different actors, utilizing most of the time an internet-based platform. This can happen in combination with energy cooperatives, which are business models based on shared ownership and democratic decision-making procedures.

Energy performance contracting: Energy Performance Contracting (EPC) is a method to implement energy efficiency projects, by which an ESCO (Energy Services Company) acts as a unique contractor and assures all of the steps of a project, from audit through installation up to operations and maintenance. The ESCO delivers a performance guarantee on the energy savings and takes responsibility for the end result. The EPC contract is the contractual agreement by which the output-drive results are agreed upon.

Green Bonds: Local government (or their agencies) can issue green bonds to fund their sustainable energy projects. A green bond can operate as a normal bond, which is a debt that will be paid back, depending on the characteristics of the bond, with interest. These can be made attractive via tax-exemptions.

Guarantee funds: loan guarantees, which provide a buffer by first losses of non-payment. A mechanisms whereby public funding facilitates/triggers investments.

Investment cycle: refers to the stages of pre-financing or servicing/operations from the financial institution's perspective. These are also related to the various EU facilities (PDA, ELENA) supporting project development.

Project cycle: refers to the stages of development, implementation, and operations of an investment project.

Soft loans: Soft loan schemes, are loans below market rates and with longer payback periods. A mechanisms whereby public funding facilitates/triggers investments.

Revolving funds: A Fund established to finance a continuing cycle of investments through initial amounts received from its shareholders, creditors or donors and later on through amounts received from reimbursements of provided funding or loans to projects. These recovered funds become available for further reinvestment in other projects.

Third party financing: Refers solely to debt financing. The project financing comes from a third party, usually a financial institution or other investor, or the ESCO, which is not the user or customer.



PROSPECT interactive session

“Financing sustainable energy projects”

EUROCITIES Economic Development Forum, Vienna 17 October 2017

AGENDA

About PROSPECT: The aim of the European PROSPECT project is to enhance the capacities of cities, regions and their energy agencies to transform their Sustainable Energy and Climate Action Plans (SECAP) into sound investment plans and ensure their successful implementation despite strained public budgets. This will be done through a peer-to-peer learning programme that will facilitate the transfer of knowledge on how to finance sustainable energy projects in the field of buildings, mobility, lighting and more! More than 150 cities will be able to take advantage of the learning programme, which will be launched in Spring 2018.

Through this focus group, you will be helping the PROSPECT consortium to understand your needs and barriers you face in financing sustainable energy projects, as well as to identify best practices from which others can learn.

Purpose:

- In-depth qualitative research on the needs of cities;
- Discuss the online survey results and identify additional challenges and needs;
- Support the development of the PROSPECT learning programme;
- Engagement of local authorities in the PROSPECT learning programme.

Methodology: round tables with two rounds of discussion and reporting time

11:45 – 13:00

11:45 – 11:50 Welcome and introduction

11:50 – 12:00 Presentation of preliminary results of PROSPECT needs assessment (see annex)

12:00 – 12:05 Introduction to the focus group discussion and instructions

12:05 – 13:00 Roundtables sessions

12:05-12:25 *First roundtable*

12:25-12:45 *Second roundtable*

12:45-13:00 *Reporting to the whole group*

Groups:

4 groups, 6-7 persons/group

- Group 1: finance barriers
- Group 2: experience and needs
- Group 3: legal barriers
- Group 4: experience and needs

Questions:

- Group 1: finance barriers

Please discuss the most common finance-related barriers preventing energy investments in your city (a preliminary list is provided in the survey). Which of these prevent you from implementing the investment, which ones only delay it? Please elaborate.

- Group 3: legal barriers

Please discuss the most common legal barriers preventing energy investments in your city (a preliminary list is provided). Which of these prevent you from implementing the investment, which ones only delay it? Please elaborate.

- Group 2 and 4: experience and needs

Does your city has experience any of the following innovative finance schemes (a preliminary list is provided in the survey). When implementing these, what worked well, what did not work?

If your city does not have experience in implementing innovative finance schemes in which of these would you be most interested in? Please elaborate.

Poster work, group task:

Each group will get a poster with a pre-prepared mind-map (see example below), to write down the results of their discussions. Once the groups are formed, a group moderator and a secretary are identified in each group. The group moderator is responsible to make sure the discussion addresses the right questions. The secretary is responsible to take notes on the mind-map. The general moderator is responsible to see that each group advances in their discussion within the time frame and to see if there is time enough to have a common summary.

Once a first round of discussion is completed, participants are invited to attend one of the other groups. The group moderator remains in the same group. At the beginning of the second rounds of discussion the group moderator briefly present the key points of discussion from the first group and invites participants to complement on what was discussed.

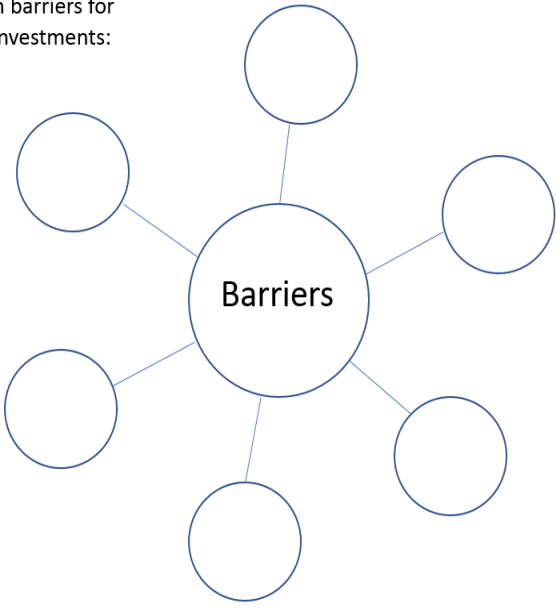
The posters will be used as minutes-material to sum it up and make conclusions. Once the two rounds of discussions are completed each moderator is invited to present the results of the discussion.

Materials needed:

Marker pencils x 4, sticky notes, pens, flipchart papers.

Example of mind map poster:

Please insert the most common barriers for energy investments:



Are there any other legal or budgetary constraints that prevent you from making the wanted investment?

Participants:

PROSPECT focus groups - List of represented cities

| Environment Forum: represented city/organisation | Economic Development Forum: represented city/organisation |
|--|--|
| Barcelona City Council | Barcelona city council |
| City of Amsterdam | Bio Forschung Austria |
| City of Antwerp | Braga Municipality |
| City of Berlin, Senate Department for Environment, Transport and Climate Protection | Business Region Göteborg AB |
| City of Brno | BusinessOulu / City of Oulu |
| City of Copenhagen | City Hall of Warsaw |
| City of Duisburg | City of Groningen |
| City of Düsseldorf, Environmental department | City of Helsinki |
| City of Edinburgh Council | City of Mannheim |
| City of Ghent | City of Oslo |
| City of Gothenburg | City of Rotterdam |
| City of Helsinki, Environmental Services | City of Stockholm |
| City of Munich, Department of Health and Environment | City of Terrassa |
| City of Nantes | City of Vienna |
| City of Oslo/Agency for Urban Environment | City of Vienna, Dep. Economic Affairs, Labour and Statistics |
| City of Stockholm | Council of Europe Development Bank |
| City of Stuttgart, Office for Environmental Protection | ENGIE |
| City of Tampere | EUROCITIES |
| City of The Hague | Grenoble-Alpes Métropole |
| City of Torino, Italy | Groningen, Cities Northern Netherlands |
| City of Utrecht | Investbraga |
| City of Warsaw - Infrastructure Department | Lille European Metropolis |
| Engie - BU Europe | Mayor of London |
| EUROCITIES | Netwerk Stad Twente |
| European Commission | Prague Institute of Planning and Development |
| Health Authority City of Duesseldorf | Riga City Council |
| Gijón City Council | Tampere Region EU Office |
| Greater London Authority | Upstream next level mobility |
| Helsinki Urban Environment Division | Urban INC |
| Municipality of Budapest | Valladolid City Council |
| Municipality of Bydgoszcz | Vilnius City Municipality |
| Municipality of Rotterdam | |
| Netwerkstad Twente - Enschede | |
| Stadt Essen | |
| Stadt Mannheim | |
| Tilburg | |
| University of Minho | |
| Veolia Environnement | |

Table 3: List of cities represented during the PROSPECT focus groups



PROSPECT