Best Practice #9: European City Facility

Name:	European City Facility (EUCF)
Geography:	EU-27
Organization interviewed:	European City Facility
Organization interviewing:	Trinomics
Website:	EUCF - Home (eucityfacility.eu)
Category:	Finance/ Capacity Building
Description:	The EUCF is a European initiative to support municipalities/local authorities, their groupings, as well as local public entities aggregating municipalities/local authorities across Europe to develop investment concepts to accelerate investments in sustainable energy. In form of a EUR 60,000 grant, the EUCF finances services and activities to support the development of investment concepts, such as (technical) feasibility studies, market analyses, stakeholder analyses, legal, economic and financial analyses, risk analyses and further supporting tasks. The grant is not meant to directly finance investments. It is used to access services and develop an investment concept, which might become a door-opener for many follow-up investments (such as from ELENA to PDAs to private investments). Additional information on the project based on the interview: Started in 2019 as a Horizon 2020 project which is closing in July. After that, it will be run under the LIFE program until 2027. Envision 7 calls in total. The aim is to support cities, groupings, local authorities to develop investment concepts. Fill the gap between commitments under the SECAPs and the needed investment concepts and feasibility studies to understand what's feasible on the ground. Support of 60,000 EUR as lump sum for successful applicants to be spent on different activities and studies needed to develop an investment concept. In addition, technical support is provided (knowledge management, networking between beneficiaries, capacity building). This includes support from EUCF staff + national network of experts. Help desk. **National network is crucial for the success of this initiative**. They function as an anchor and know the situation best. Organizational Structure of the EUCF → 'Train the trainer' support. Before calls, national experts provide webinars to inform on the EUCF application requirements and process etc. Once beneficiaries selected, national experts also act as key contact point. EUCF team organizes coordination meetings with national contact points. Have an investment Advisory group with 5 banks/financing structures participating to give feedback. This aspect of the Facility has been dropped a little bit, given that most projects apply for public funding (see notes below on barriers).

Questions:

1. What are some of the key difficulties/barriers you have seen with regards to financial constraints by local authorities and/or a lack of capacity to access the right financing?
2. How is the EUCF supporting local governments to overcome these barriers, what makes the EUCF unique?

- Staffing needs is one of the main barriers. Lack of resources, skills, and knowledge from the municipalities. There is not enough knowledge/training/capacity regarding financial and legal aspects on the side of local authorities. The knowledge is often not all 'in-house' but rather it gets outsourced. But even to write the ToR for hiring external consultants there is observable lack of capacity. There are a few examples of 'richer' municipalities that do have more capacity and are more advanced like Mechelen in BE.
- Lack of skills and staff and resources has as consequence slow processes and delays especially in Southern and Eastern countries. This is not so much a problem in the Nordic countries, NL etc.
- Because of lack of capacity and knowledge, the 60,000 EUR grant from the EUCF is often used to hire external consultants to develop the investment concept but this means that the staff in the municipality does not really learn how to develop the concept, does not 'own' the concept (it did not originate from their ideas, they don't understand the details, etc.) and once the money is up, they don't know what to do with the investment concept.
- Investment concepts are quite technical, lots of financial – **knowledge is not retained**.
- Monitor – twice for 2 years (once per year). Realised, this is too long. It is on a voluntary basis. They have been paid, no incentive to submit. Monitoring reports from 1st and 2nd call available currently so not enough data yet to really understand the long-term impact of this support. Majority of beneficiaries of the first calls are in follow-up studies or started procurement but none is in the implementation stage yet.

Most projects ask for **public funding, only a few dare to go for private**. Not bankable projects because they don't have the maturity to be attractive for private banks. Lots of risks.
Private commercial banks do not seem suitable at the moment. Public banks like EIB more so. The problem is the maturity of investment concept not of the technologies themselves. Projects are not necessarily innovative, e.g. they are based on established technologies.

Funding needs to achieve the transition are much larger than public money available. So EUCF is focusing on capacity building to explain what private sources are out there and what are the expectations from banks (starting in March). Aim is to at least **create awareness**.

3. Out of all the beneficiaries, approximately what share of projects is focused on renewables in the H&C sector?
4. Are there any particularities of this sector that you've notices? E.g. specific barriers to accessing financing or capacity issues regarding financing

Regarding 3), look at this graph, taken from interim impact assessment report, Nov. 23 (internal document for the time being):
Submitted applications:

Figure 6 Main targeted investment sectors by submitted applications to the EUCF

Investment sector	1st call	2nd call	3rd call	4th call	Overall
Public buildings	21%	10%	13%	41%	21%
Residential buildings	13%	35%	18%	19%	21%
Building integrated renewables	19%	14%	7%	6%	12%
District heating	6%	6%	24%	12%	12%
Smart grids	7%	4%	1%	2%	4%
Sustainable urban mobility	14%	14%	9%	5%	11%
Innovative energy infrastructure	8%	13%	16%	12%	12%
Other sectors	12%	3%	10%	4%	7%

And then for validated investment concepts, first two calls:

Figure 7 Targeted sectors by proposed investment concepts - Beneficiaries 1st call

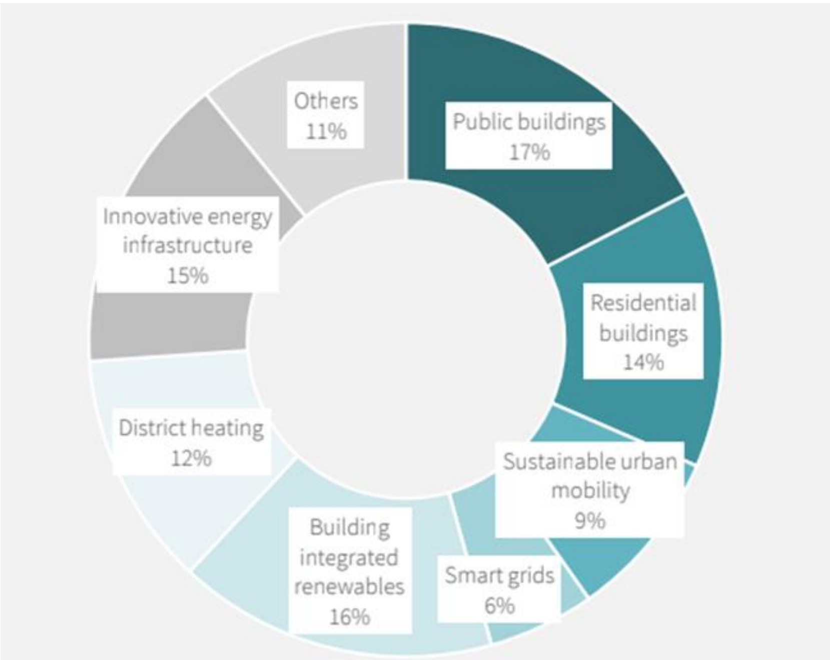
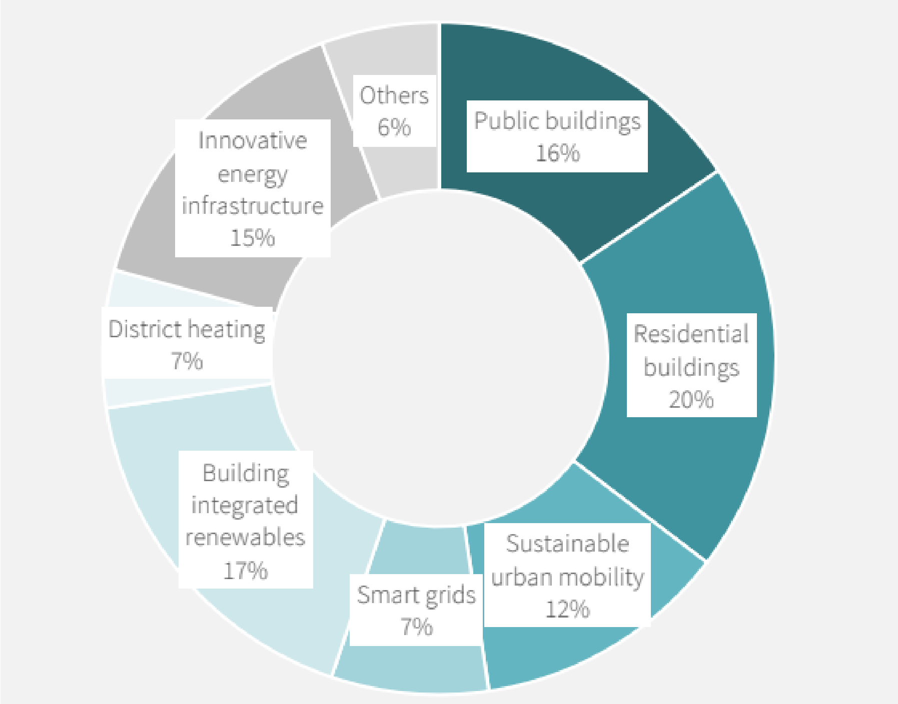


Figure 8 Targeted sectors by proposed investment concepts - Beneficiaries 2nd call



No figures yet for call 3 and 4 for their investment concepts.

For 4) cannot tell, we do not have an analysis on sectoral level. What is striking that interest in district heating increased visibly just after Ukraine war started (call 3).

Note that have some sectors that are overlapping, e.g., building integrated renewables.
An investment concept can combined different measures, applications classified by ‘main sector’, but these can include additional measures. E.g. DHC project that includes lighting.
Most applicants are local authorities – cities (~ 90%), some of them are joint applications for small municipalities (5 – 10, 000 inhabitants). The remaining 10% are local entities (so larger organisations accumulating several local authorities).

5. What, in your experience, are some of the best practices that can be taken up by local governments to access financing for RES H&C projects?

Engaging with the right stakeholders is important. Examples of successful cities: Mechelen (BE), cities in PT –managed to get key involvement from stakeholders. Engaged citizens, exchanged with different departments, exchanged with the Major. Cities which knew who to engage from the start advanced their investment concept.
Investment concept development should be in line with political cycle to avoid delays. Having a **mind map of key stakeholders**. For cities that have working groups and resources, the process is better.
More **mixed investment concepts are often more successful**. E.g. mixing lighting, public transport, etc. If one measure doesn’t work, another will. But adds complexity.

6. Can you mention some case-studies (cities/municipalities) that have been particularly successful in promoting RES in the H&C sector with the support of the EUCF?
7. What lessons can be learned from these examples?

- The beneficiary of **Tampere** (Finland) can be highlighted among second call beneficiaries in the NC&WE region with high impacts in renewable energy generation (316 GWh/y) as the proposed investment project focuses on turning the district heating sector in Tampere negative by applying carbon capture and storing mechanisms.

- The Slovenian beneficiary **Velenje** can be highlighted with the highest impacts in terms of renewable energy generation in the region (200 GWh/y) with a project focused on more efficient and sustainable district heating systems. The project envisages the installation of either one or a combination of Solar Thermal, Solar PV, Biomass or geothermal energy sources. It also envisages the installation of high-voltage (HV) - electrode boilers and a heat storage tank.
  For Velenje, check here: https://www.velenje.si/en/projects-en/green-transformation/

8. What are in your view some of the key success factors that have made the EUCF successful? Do you think these KSFs can be replicated or upscaled? How?

EUCF is a unique initiative and the number of applications for each call shows that there is much need for capacity building to produce investment concepts.
Once applicants have participated in the process, the aim is for the knowledge to stay in-house and allow for replicability. However, often, the municipalities hire external consultants, and the knowledge is not retained (See section on barriers). A variation in the number of (successful) applications varies between member states. CR, IT – have lots of applications. DE almost nothing. In the latter case this is likely due to lots funding available at national, EUCF – less need.