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The awaited and still unpublished Communication: Empowering local and regional authorities to deliver the EU climate and energy objectives

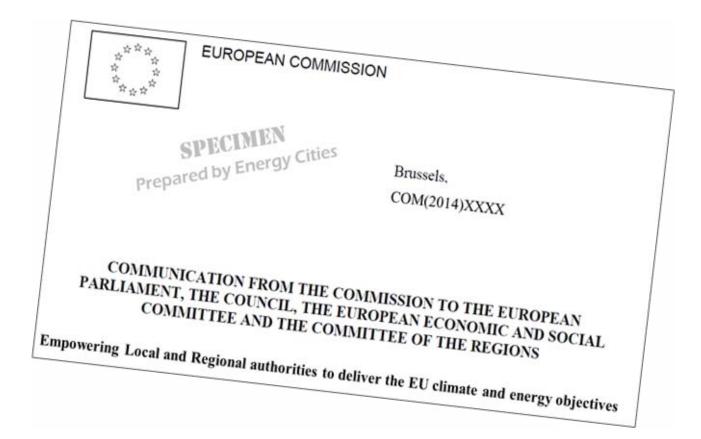


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FOREWORD

Cities and towns across the European Union are currently setting up a new energy paradigm towards a low-carbon society. The tremendous potential of the local level to lead the way in sustainable energy development is captured in Energy Cities' 30 proposals for the energy transition of cities and towns¹ which compile innovative approaches, new ideas and ground-breaking practices of energy transition in European cities. Cities' commitment, together with local stakeholders and citizens, is essential for achieving the EU climate and energy goals!

The European Commission has brought attention to the role of the local and regional level in fostering innovative integrated energy solutions and in driving behavioural change in the Energy 2020 ² strategy and the 2050 Energy Roadmap³. However, local and regional authorities usually remain marginalized in other official Communications and even when they are cited or explicitly referred to; there is no mentioning of a strategic approach on their role in the EU climate and energy policies!

Therefore, Energy Cities calls on the European Commission to publish a Communication on "Empowering local and regional authorities to deliver the EU climate and energy objectives".

Such a Communication should underline how local authorities enable the European Union to fulfil its climate and energy agenda and should propose a framework which will optimize their actions. Such a Communication will present a win-win situation: the EU needs a strong involvement of local and regional authorities to attain its objectives and local and regional authorities need ambitious EU policy environment to scale up their local initiatives. In brief, the Communication should:

- consider recent policy and legislative developments and make concrete proposals to reinforce the role of local and regional authorities in EU climate and energy actions. Today, investors, governments and citizens experience a growing uncertainty as to what the post-2020 framework will be and how it will be linked to 2050 objectives,
- complement the debate on a 2030 climate and energy framework local and regional authorities are able to provide significant help in bridging the gap between the EU 2020 framework and 2050 objectives,
- reinforce European initiatives, such as the Covenant of Mayors, that promote dialogue and coordinate the actions of stakeholders at different levels of governance European, national, regional and local by including them in the European 2030 climate and energy framework and beyond.

Energy Cities proposes a structure as well as a first series of inputs for a Communication on "Empowering local and regional authorities to deliver the EU climate and energy objectives", organised around four main parts:

- Climate and energy challenges of the 21st century,
- Local authorities are inventing a new low-carbon and energy paradigm on the ground,
- Mutual benefits of involving local authorities in EU climate and energy policies,
- Unlocking and encouraging local authorities' potential to deliver the EU climate and energy objectives.

A public consultation to gather opinions and suggestions will be open at the Energy Cities' event on 8 October 2013 during the European Week of Regions and Cities - Open Days and a "Support and Suggest" form will be made available online. Energy Cities invites all interested parties to support this endeavour!

Gérard Magnin, Executive Director of Energy Cities.

¹ Energy Cities, 30 proposals for the energy transition of cities and towns, www.energy-cities.eu/30proposals 2 COM (2010) 639 3 COM (2011) 885

ABSTRACT

Tackling global warming at the onset of the 21st century and achieving the three core objectives of the EU energy policy - energy security, sustainability and competitiveness – require a transition to a new energy paradigm, based on decentralised low-carbon production and lower energy use. Macro-decisions alone will not be sufficient to drive this necessary shift but real solutions exist at the micro-level: local and regional authorities hold a considerable but untapped potential for the deployment of both renewable energy and energy savings and are crucial contributors in bridging the gap between the 2020 EU climate and energy objectives and the 2050 goals.

The European Commission has underlined that sustainable development requires an active participation from society to change daily behaviours and bring about sustainable consumption patterns. Local and regional authorities are thus indispensable for achieving the EU climate and energy goals. Because local authorities have significant legal powers and responsibilities and are closest to citizens, they drive societal and technological innovation within their constituencies; they mainstream the required energy system changes and thus invent our energy future on the ground! Moreover, local authorities show tremendous ambition to work for the low-carbon future of the EU as 5000 of them voluntarily implement concrete actions to cut GHG emissions by minimum 20% by 2020 in the framework of the Covenant of Mayors.

Such examples show the need for a reinforcement of the political, legislative and financial framework to empower local and regional authorities to deliver the EU climate and energy objectives. Energy Cities calls on the European Commission to:

- adopt an ambitious 2030 framework for climate and energy policies based on three separate and binding targets for GHG emissions reduction, renewable energy and energy efficiency;
- re-confirm its commitment to the Covenant of Mayors and strengthen the initiative beyond 2020 to intensify and propagate to a larger scale the delivery of the EU climate and energy objectives;
- invest in the capacity building of human resources ("soft measures") additionally to infrastructures ("hard measures") to keep up with the dynamic and complex developments in the fields of legislation, technology, ICT, finance, communication and participatory processes;
- provide appropriate funding instruments in the next programming period 2014-2020 to support local and regional authorities in the implementation of local policies and practical actions leading to the energy transition.

1. INTRODUCTION

1.1. RATIONALE FOR EMPOWERING LOCAL AND REGIONAL AUTHORITIES TO DELIVER THE EU CLIMATE AND ENERGY OBJECTIVES

This document underlines how local authorities enable the European Union to fulfil its climate and energy agenda and proposes a framework which will optimize their actions. In this document, the term "Local Authorities" will refer to public institutions with legal personality, component of the State structure, below the level of central government and accountable to citizens. Within this wide context, the focus of this document is however put on the municipal level, which is generally the lowest government tier of the public institutional system and the closest to citizens⁴.

The European Commission has already brought attention to the important role of local authorities in fostering innovative integrated energy solutions and driving behavioural change at the local level. In the <u>Energy 2020 – a strategy for competitive, sustainable and secure energy</u>⁵, the Commission states that the "public sector needs to lead by example" the decarbonisation efforts of the Union and further acknowledges that "[t]he role of local organisations and cities will be much greater in the energy systems of the future" in the <u>2050 Energy Roadmap</u>⁶. The <u>"Regional policy contributing to sustainable growth in Europe 2020"</u> underlines that "Regional Policy plays an essential role in driving the shift to investment in smart and sustainable growth through the actions it can support to tackle climate, energy and environmental issues."

Local and regional authorities are the key drivers of the energy transition that the European Union needs in order to face the challenges of the 21st century. Thus, a reinforcement of the political, legislative and financial framework to empower local and regional authorities to deliver the EU climate and energy objectives is a necessary prerequisite for the achievement of the Union's climate and energy ambitions on a 2050 horizon.

1.2. CLIMATE AND ENERGY CHALLENGES OF THE 21ST CENTURY

The global issue of climate change

The onset of the 21st century has witnessed an unprecedented increase in global atmosphere temperatures, extreme weather conditions and a fast-pace melting of the polar ice caps. The first tranche of the Fifth Assessment Report (AR5)⁸ released by the Intergovernmental Panel on Climate Change (IPCC) on 27 September 2013, has proved with 95% certainty that anthropogenic activity is the main cause of climate change. Climate change impacts, - to a different degree – everyone, regardless of borders or nationality and therefore climate deregulation is a global issue. The mobilisation of each and every stakeholder is crucial for dealing with climate change but individual actions have no direct visible impact on one's personal life or at a larger scale. This could be discouraging and give the impression that people have to do sacrifices for uncertain positive results. Mitigating global warming thus requires the mobilisation of all players starting from the local level which is the closest to citizens.

Local and regional authorities have gathered at the World Mayors Summit on Climate Change on 26-27 September 2013 in Nantes to affirm their commitment to increase climate actions, push for more engagement with international organisations and facilitate access to finance. Over 50 mayors from 30 countries and more than 20 regional and global networks of local governments have signed the Nantes Declaration⁹ of Mayors and Subnational Leaders on Climate Change, a document that sets up a Local Government Climate Roadmap and calls for the recognition and reinforcement of local governments in the international climate change regime.

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⁴ COM (2013) 280

⁵ COM (2010) 639

⁶ COM (2011) 885

⁷ COM (2011) 92

⁸ IPCC, Fifth Assessment Report - Climate Change 2013: The Physical Sciences Basis,

www.ipcc.ch/report/ar5/wg1/#.UktwnFPgyeY

⁹ World Mayors Summit 2013, Nantes Declaration,

http://archive.iclei.org/fileadmin/user_upload/documents/Global/initiatives/2013_Nantes_Summit/WorldMayorsSummit2013_ Nantes_EN_Declaration_only.pdf

A political commitment at the international level is also increasingly necessary to tackle climate change. Amidst failing international climate change negotiations, the EU has provided Member States with a comprehensive legislation that aims to show the way forward and stir up ambition worldwide to fight against climate change. The EU has recently launched a public consultation to gather opinions from Member States and interested parties on how the post- Kyoto climate regime should be shaped. With this feedback received, the EU will once again provide leadership during the 2013 Warsaw Climate Conference in driving developed and developing nations to commit to a roadmap for a legally binding international climate deal that is set to be agreed during the 2015 COP21 in Paris.

The universal challenge of energy

Energy is vital to the functioning of every single nation, city or home. The transition to sustainable, competitive, and secure energy represents a universal challenge. Individual behaviour and decisions have a direct, visible and short term impact on energy use and bills.

The EU's main concerns with regard to energy are import dependency and security of supply. Import dependency endangers our security of supply by increasing our reliance on a limited number of foreign countries, some vulnerable to political instability, who might abuse their dominant position on the European energy market as the latter is still not fully liberalized. Dependency on imported hydrocarbons undermines the affordability of energy as we are subject to highly volatile oil prices on international commodity markets and thus exerts an upward pressure on our energy bills. The energy deficit10 of the EU represents 4% of the GDP (four times the EU annual budget). The energy dependency will increase from 50% of total EU energy consumption in 2008 to 65% in 2030¹¹ under a business-as-usual scenario.

Macro-decisions will not be sufficient to tackle the security of supply concerns of the EU. But real solutions are present from the end-users to the EU level, passing through local authorities: millions of decisions are available and wait to be exploited. By saving energy and using more renewable energy sources at home, in cities, regions and countries, we contribute simultaneously to solve problems at all levels. Energy security thus becomes a duty for each of us!

Climate change mitigation and energy transition go hand-in-hand

Sustainability, security of supply and competitiveness have been primary objectives of the EU energy and climate policies which push for the decarbonisation of energy services away from hydrocarbons, the diversification of energy production and supply, as well as for the optimization of energy use. The transition to a new paradigm, based on decentralised low-carbon production and lower energy use is both a challenge and opportunity for the decades to come. Reducing our GHG emissions, limiting technological risks and our exposure to the volatility of fossil fuel prices will boost economic growth and enhance our competitiveness. Recent research shows that the countries that have started to implement low-carbon and low energy development pathways achieve significant reductions in GHG emissions at affordable cost and benefit from a range of additional advantages, including job creation, national energy security, lower energy prices, improved living conditions (e.g. air quality, water quality). The search for competiveness in the short term should, in no case, reduce and postpone ambitious objectives and policies to achieve the EU 2050 goal of reducing CO2 emissions by 80 to 95%.

1.3. AN AMBITIOUS EU CLIMATE AND ENERGY FRAMEWORK

The 2020 framework

The EU conceived its climate and energy policy as early as 2007 when the first proposals for an integrated policy approach were outlined in the communication An energy policy for Europe¹². The action plan presented three major building blocks for the European energy policy, namely sustainability, security of supply and competitiveness. To reach these policy goals, the European Commission proposed a legislative package (adopted in 2008) to enhance the Union's energy and climate ambitions up to 2020. It is based upon three mutually-supporting headline targets to be delivered by 2020: 1) an EU target for GHG emission reductions of 20% relative to emissions in 1990, 2) a renewable energy target to achieve a 20% share of RES in gross final

energy consumption with mandatory national targets and 3) a 20% energy savings target compared to 2007 projections. As the challenge of providing sustainable, reliable and affordable energy in times of economic crisis grew, Member States have opted for a more coordinated approach in energy legislation formulation. The Lisbon Treaty entered into force in 2009 and dedicated a specific chapter to energy which defines the competences and powers of the EU to take measures on energy-related issues at the European level.

The EU has provided Member States with a number of strategy papers to add guidance and vision to the climate and energy policy development and has brought attention to the role of the local level in achieving the 2020 goals. The Energy 2020. A strategy for competitive, sustainable and secure energy 13 called for the transformation of the EU into a smart, sustainable and inclusive economy and set, among others, a priority area on climate and energy.

The EU adopted the necessary strategic guidance and regulatory regime to deliver the 20/20/20 objectives which includes the Renewable energy directive¹⁴ and the Energy efficiency directive¹⁵ (EED). To harness the energy savings potential of buildings (estimated at 65 Mtoe by 2020¹⁶), the EU has adopted the *Energy* Performance of Buildings Directive¹⁷ (EPBD) which obliges Member States to apply minimum energy performance requirements for the entire building stock and to ensure that all new buildings are "nearly zero-efficient buildings" by 2021. Further measures for energy efficiency have been introduced since 2009 in the framework of the <u>Ecodesign</u>¹⁸ and <u>Energy Labelling Directives</u>¹⁹ on energy related products. The <u>Energy Efficiency Plan</u> 2011²⁰ aims at saving EUR 1,000 per household every year and to create up to 2 million jobs. This framework is enhanced by the Strategic Energy Technology plan²¹ (SET-plan) that calls for technological innovation via the development and demonstration projects for new technologies, for instance smart grids and smart cities. In the transport sector, the White Paper on Transport²² defines concrete initiatives to transform the transport system and increase sustainable mobility and sets as priorities the eradication of conventionally-fuelled cars in cities and a reduction of GHG transport emissions by 60% by 2050.

Towards 2050

The Roadmap for moving to a competitive low-carbon economy in 2050²³ brings attention to the need to incentivize investment in energy, transport, industry and information. It calls for boosting energy efficiency policies and improving measures to decarbonise the major sectors of the EU's economy that pollute the most – power, transport and buildings. The 2050 goals are complemented by the Energy Roadmap 2050²⁴ that builds upon the single energy market, the implementation of the infrastructure framework and the climate goals outlined in the 2050 Low Carbon Economy Roadmap. It defines major objectives of European policy by 2050, namely to reduce GHG emissions to 80-95% below 1990 levels, and points out that any scenario for the development of the European energy systems will be based on higher shares of decentralized renewable energy production. Among the priority areas that the Commission has set in this Roadmap is the demandside management of energy, namely the promotion of energy efficiency technologies in the buildings and transport sector and intelligent energy systems such as smart grids, as well as the deployment and integration of renewable energies in heating and cooling networks or cogeneration.

Bridging the gap: the 2030 framework

Although the EU is making progress towards meeting its GHG emissions reduction and renewable energy targets, the energy savings target lacks behind. The EU has thus initiated a reflection on a new 2030 framework for climate and energy policies 25 so as to ensure that the Union will have interim objectives and will keep on track with long-term climate and energy objectives set for 2050 while boosting the competitiveness of the European economy.

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¹⁰ The EU27 deficit for energy increased significantly (- 422.5 bn euro in 2012 compared with - 388.2 bn in 2011) - Eurostat

¹¹ COM (2007) 1

¹² COM (2007) 1

¹³ COM (2010) 639

¹⁴ Directive 2009/28/EC

¹⁵ Directive 2012/27/EU

¹⁶ COM (2013) 169

¹⁷ Directive 2010/31/EU

¹⁸ Directive 2009/125/EC

¹⁹ Directive 2010/30/EU

²⁰ COM (2011) 109

²¹ COM (2007) 723 22 COM (2011) 144

²³ COM (2011) 112

²⁴ COM (2011) 885

²⁵ COM (2013) 169

Whilst the Green Paper on the 2030 framework mentions "technologies" many times, local and regional authorities are simply ignored. In its position paper "The EU and Member States need local authorities for achieving their goals. Local authorities need political, legislative and incentive framework to play a bigger role in the climate and energy 2030 strategy" Energy Cities has called for the recognition of local authorities efforts in the post-2020 EU climate and energy objectives which is possible if the Commission reinforces the legislative and financial framework to deliver their activities. In order to scale up actions, Energy Cities has called on the European Commission to adopt an ambitious 2030 framework for climate and energy policies that is based on three legally binding targets for GHG emissions reduction, renewable energy and energy efficiency.

2. LOCAL AUTHORITIES ARE INVENTING A NEW LOW-CARBON AND ENERGY PARADIGM ON THE GROUND

2.1. THE IMPORTANCE OF LOCAL AUTHORITIES FOR THE TRANSITION TO A LOW-CARBON SOCIETY

Cities and towns in the EU are essential actors for the fruition of the EU's short-, interim and long-term energy and climate objectives and the transformation of the EU into a low-carbon economy on a 2050 horizon. On the one hand, 80% of the European population will live in urban and peri-urban areas by 2020²⁷. On the other hand, urban areas are responsible for 80% of energy consumption and CO₂ emissions²⁸. Cities and towns thus hold an important but untapped potential for the deployment of both renewable energy and energy savings.

Local authorities have a different degree of legal powers and responsibilities in climate and energy policy in the 28 EU Member States. More decentralized energy decision-making at the local level makes it easier for local authorities to drive societal and technological innovation within their constituencies. Nevertheless, the scope for practical action on climate and energy issues is wide enough for them to make a contribution regardless of the national legislative and regulatory context.

The five functions of local authorities

This is due to the fact that local authorities fulfil important roles²⁹ that allow them to have a say in the implementation of EU climate and energy objectives. They act as:

- energy consumers and service providers,
- planners, developers and regulators,
- advisors, motivators and role models,
- energy producers and suppliers,
- buyers.

Local authorities are consumers and service providers

Local governments occupy many buildings which use substantial amounts of energy, e.g. for heating and lighting. Introducing energy saving programmes and actions in public buildings is an area where considerable savings can be achieved. Local and regional governments also provide energy-intensive services such as public transport and street lighting where improvements can be made. And even where the authority has contracted these services to other providers, measures to reduce energy use can be implemented through procurement and service contracts.

Local authorities are planners, developers and regulators

Land use planning and organisation of the transport system are responsibilities of most local and regional governments. Strategic decisions concerning urban development such as avoiding urban sprawl can reduce the energy use of transport. Local and regional governments often act as regulators, for example by setting energy performance standards, or stipulating the incorporation of renewable energy equipment in new buildings.

Local authorities are advisors, motivators and role models

Local and regional governments can help to inform and motivate residents, businesses and other local stake-holders on how they can use energy more efficiently. Awareness-raising activities are important to engage the whole community in supporting sustainable energy policies. Children are an important audience for energy savings and renewables projects: they will pass on the lessons learnt outside the school. It is equally important that the authority should lead by example, and be role models for sustainable energy activities.

Local authorities are producers and suppliers of energy

Local and regional governments can promote local energy production and the use of renewable energy sources. Cogeneration or district heating systems using biomass are a good example. Local and regional governments can also encourage citizens to implement renewable energy projects by giving financial support for local initiatives.

Local authorities are buyers

Through some of the roles that are described above, local authorities can implement sustainability measures through procurement and service contracts that boost emerging green markets. Public authorities in Europe spend around EUR 2 trillion per year or almost 17% of the EU's gross domestic product on public procurement³⁰. This significant purchasing power allows them to push for a greater adoption of sustainable measures for instance by including energy criteria (energy efficiency, renewable energy and smart networking) in all public procurement procedures. Green public procurement in particular raises awareness of environmental issues and creates incentives for the industry and citizens to innovate.

Local authorities are inventing our energy future

By fulfilling these roles, local authorities have demonstrated their innovation capacity to optimise the use of local resources, be it natural, economic, social or intellectual. Indeed, the new energy paradigm is based on the integration of a multitude of parameters: technologies, powers and responsibilities in various areas (transport and mobility, waste and water management, land use planning, etc.), professional abilities, lifestyles, financial capacities, involvement of civil society, so that local authorities are really an appropriate level to combine all factors. Based on the important input of local authorities, the <u>Cities of Tomorrow</u>³¹ report provides further inspiration for policy-makers at the local, national, European level to provide solutions to the challenges of urban development.

Local authorities drive EU policy making

Local actions have inspired EU policy making. For instance, the <u>Directive on the promotion of electricity produced from renewable energy sources in the internal energy market³² was inspired by the German Law – German local authorities, together with their municipal authorities, have put in place the first feed-in tariffs. By the same token, the <u>Directive on the energy performance of buildings</u>³³ was inspired by the low energy or zero-energy buildings experienced on the ground, with local builders and people living there. As a result it became tangible to reach the nearly-zero energy consumption for heating in the Directive.</u>

The energy future is undoubtedly being invented at the local level due to the prominent role of local authorities. Through networking and exchange of experience, they also succeeded in fastening the replication of good solutions!

²⁶ Energy Cities, Position Paper, The EU and Member States need local authorities for achieving their goals. Local authorities need political, legislative and incentive framework to play a bigger role in the climate and energy 2030 strategy, June 2013, www.energy-cities.eu/IMG/pdf/position_greenpaper2030_en.pdf

²⁷ COM (2012) 710

²⁸ JRC, The Covenant of Mayors in Figures – 5-year Assessment, http://www.peer.eu/news-events/detail/print.html?tx_list_pi1[uid]=425

²⁹ Covenant of Mayors commitment, www.eumayors.eu/IMG/pdf/covenantofmayors text en.pdf, p. 4

³⁰ DG ENVI, GPP at a glance, http://ec.europa.eu/environment/gpp/pdf/brochure.pdf

³¹ Cities of Tomorrow, http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/citiesoftomorrow/citiesoftomorrow_final.pdf 32 Directive 2001/77/CE

³³ Directive 2010/31/EU

2.2. ACTIVE POLITICAL COMMITTMENT OF LOCAL AUTHORITIES IN THE FRAMEWORK OF THE COVENANT OF MAYORS

Local authorities across the globe are mobilizing to give their share and drive the low-carbon and low energy transition. In a multilateral context that makes quite impossible international agreements, their major contribution to the international climate change agenda has already been recognized in the conclusions of both the United Nations Conference on Climate Change – COP16 in Cancun³⁴ and the United Nations Conference on Sustainable Development, RIO+20³⁵.

In line with international trends and the <u>Energy 2020</u>³⁶ strategy which has noted that municipalities represent major actors in the required decarbonisation change, the European Commission has officially launched the Covenant of Mayors in 2008. In the framework of the Covenant of Mayors, European municipalities voluntarily commit to meet and exceed the EU's 20% CO2 reduction objective by 2020. By launching the Covenant of Mayors³⁷, the European Commission has established direct communication channels with towns and cities in Europe to encourage their current and potential contribution to the low-carbon efforts of the Union.

A voluntary and participative initiative supported by all EU institutions

The Covenant of Mayors offers a new model of multi-level governance where the common objectives set at the EU level are enacted at the local level. It thus complements the top-down approach of EU climate and energy policies by adding a bottom-up dimension that is a practical demonstration of what multi-level governance is. Recognizing that "one-size-fits-all" solutions do not take account of the different conditions of local authorities, the Covenant allows signatories to develop actions adapted to their particular settings.

Thus, the Covenant of Mayors represents a key political instrument in the framework of the 2008 climate and energy package that mobilizes stakeholders and provides them with the necessary tools to deliver the EU climate and energy objectives in aligning their own actions accordingly. The Covenant of Mayors has raised awareness of the urgency of climate change among local authorities and has helped to mainstream climate issues in the local political programmes. The Covenant has also helped for technical support to be provided to local authorities for the design and implementation of energy efficiency and renewable energy actions. Signatories agree to increase energy efficiency measures and the use of renewable energy sources on their territories by implementing concrete measures described in their Sustainable Energy Action Plans (SEAPs). SEAPs cover a large number of sectors where energy savings and GHG emissions reduction is possible, including municipal, tertiary and residential buildings, equipment and facilities, public lighting, transport and others.

Enabling local actors to be actively involved in the climate and energy transition

The Covenant of Mayors has particularly assisted municipalities to raise a stronger voice in sustainable energy actions. As outlined in the Energy 2020 strategy "municipalities represent a major actor of the required change, thus their initiatives like the Covenant of Mayors should be further strengthened" Therefore, municipalities are main stakeholders of the initiative because of their first-hand knowledge of the conditions and assets of their territories which allows them to directly influence energy efficiency and renewable energy measures in the cooling and heating, transport, buildings sector but also to direct behavioural patterns.

Five years after its launch, the initiative has more than 5000 signatories (September 2013) covering more than 160 million citizens or 42%³⁹ of the EU-27 urban population. Most of the Covenant signatories are cities with less than 50 000 inhabitants but a high level of the population falling within the framework of the Covenant live in bigger cities – 32.13% in urban areas of 100 000 and 500 000 people and 27.26% in cities with more than 1 million people as well as 24 cities with a population higher than 1 million inhabitants⁴⁰. The Covenant has thus proved successful in mobilizing local authorities across Europe to deliver the EU sustainable development objectives.

3.1. LOCAL AUTHORITIES UPHOLD THE EU CLIMATE AND ENERGY OBJECTIVES

Local authorities' ambitious actions in the fields of climate and energy have important repercussions for the implementation of European legislation in these areas. Because of the responsibilities that local authorities hold in areas of planning and land-use management, public procurement, generation and consumption, infrastructure development and their immediate link to citizens, they are indispensable partners in reaching the three pan-European climate and energy objectives: security of supply, competitiveness and sustainability. Moreover, the transition to a new energy paradigm based on a diversity of sources and solutions for decentralized low-carbon energy supply and low energy use will absolutely need the involvement of local and regional authorities who are in the best position to mainstream the required energy system changes.

Local authorities act to improve EU's security of supply

Local authorities can complete national actions by boosting energy savings, developing renewable energy or smart grids capacity at the local level. They thus contribute to reducing energy demand and to optimizing the use of available resources - local demand is best met locally and local authorities have an important role to play in promoting cogeneration and district heating and cooling as has been underlined in the <u>Energy Efficiency Directive</u>⁴¹. The heating and cooling sector offers a good and efficient opportunity to introduce renewable energies in the energy mix as well as to enhance the efficiency of thermal energy generation. Developing indigenous and environmentally-friendly sources of energy will counteract the high import dependency of the EU and enhance our security of supply at local, regional, national and EU levels.

Local authorities drive technological innovation

Local authorities can also contribute to inventing new and adopting existing sustainable energy technologies by encouraging EU companies to take the leadership in green innovation and by promoting demonstration projects. This is the case of several initiatives launched at the European level. The European Commission has launched the <u>Smart Cities and Communities – European Innovation Partnership Initiative</u>⁴² to "accelerate the deployment of innovative technologies, organisational and economic solutions to significantly increase resource and energy efficiency, improve the sustainability of urban transport and drastically reduce greenhouse gas emissions in urban areas". This programme is mainly "company oriented" as it provides companies with a field of experimentation and some opportunities to cities.

Financing schemes, especially for funding renewable energy and energy efficiency projects, could be easily experimented with at the local level, as proven by the <u>ELENA - European Local ENergy Assistance initiative</u>⁴³. Moreover, new forms of funding, for instance through co-operatives of citizens, are gaining momentum in some European countries such as Germany, Belgium and Denmark, and thus make the financial upbringing of sustainable energy technologies cost-effective.

Local authorities stimulate behavioural change

The European Commission itself has underlined that sustainable development will not be achieved by policies alone, but requires an active participation from society to change everyday behaviours and bring about sustainable consumption patterns. The <u>2050 Energy Roadmap</u>⁴⁴ points out that "the social dimension of the energy roadmap is important. The transition will affect employment and jobs, requiring education and training and a more vigorous social dialogue. In order to efficiently manage change, involvement of social partners at all levels will be necessary in line with just transition and decent work principles". New bottom-up governance through the engagement of citizens at the local level is therefore crucial and beneficial in restoring the faith in EU institutions amidst fragile economic climate.

The transition to a low-carbon economy requires an important behavioural change in consumers, particularly with regards to energy efficiency. As noted in the <u>Energy 2020</u>⁴⁵ strategy, "Cities and urban areas, which

³⁴ Cancun Agreements, COP 16, http://unfccc.int/meetings/cancun_nov_2010/meeting/6266/php/view/decisions.php

³⁵ RIO+20, Final Report, http://www.uncsd2012.org/content/documents/814UNCSD%20REPORT%20final%20revs.pdf

³⁶ COM (2010) 639 37 COM2006(545)

³⁸ COM (2010) 639

³⁹ JRC, The Covenant of Mayors in Figures – 5-year Assessment, www.peer.eu/news-events/detail/print.html?tx_list_pi1[uid]=425

⁴⁰ JRC, The Covenant of Mayors in Figures – 5-year Assessment, www.peer.eu/news-events/detail/print.html?tx_list_pi1[uid]=425

^{3.} MUTUAL BENEFITS OF INVOLVING LOCAL AUTHORITIES IN EU CLIMATE AND ENERGY POLICIES

⁴¹ Directive 2012/27/EU

⁴² COM(2012) 4701

⁴³ Supported by Intelligent Energy Europe programme with the EIB www.eib.org and the KfW www.kfw.de

⁴⁴ COM (2011) 885

⁴⁵ COM (2010) 639

consume up to 80% of the energy, are at the same time part of the problem and part of the solution to greater energy efficiency. [...] Member States and regional and local authorities are called to intensify their work to implement adequate policies and to make full use of the available tools, objectives and indicators, with comprehensive National Energy Efficiency Action Plans". The <u>2050 Energy Roadmap</u>⁴⁶ notes that "[e]nergy efficiency has to follow its economic potential. This includes questions on to what extent urban and spatial planning can contribute to saving energy in the medium and long term; how to find the cost-optimal policy choice between insulating buildings to use less heating and cooling and systematically using the waste heat of electricity generation in combined heat and power (CHP) plants." Local authorities can plan and implement energy efficient strategies to, for instance, harness the energy savings potential of the electricity, industry and building sectors. Local authorities are able to encourage citizens and the industry to switch to more sustainable energy use patterns by supporting tailored actions or by disseminating information. The social acceptance of low-carbon solutions and technologies takes shape in citizen- or cooperatives-driven actions and initiatives that aim to implement and navigate EU's policies.

Local authorities are key actors for the achievement of the EU climate and energy objectives. Therefore, the EU needs a strong involvement of local and regional authorities to attain its objectives and local and regional authorities need ambitious EU policy environment to scale up their local initiatives. In its position paper <u>The EU and Member States need local authorities for achieving their goals. Local authorities need political, legislative and incentive framework to play a bigger role in the climate and energy 2030 strategy⁴⁷, Energy Cities has called on the European Commission to adopt an ambitious post-2020 legislative framework that will further boost the ambition and commitment of local authorities in delivering European climate and energy goals.</u>

3.2. LOCAL AUTHORITIES ACT TOWARDS A SUSTAINABLE DEVELOPMENT AT LOCAL LEVEL

Local authorities are instrumental in driving the low-carbon and low energy transition at the local level. As elected representatives, local authorities are responsible for guaranteeing the well-being of their constituencies by improving their immediate living environment and conditions. Energy Cities has promoted the concept of the *low energy city with a high quality of life for all*⁴⁸ and demonstrated the beneficial actions of local authorities in its *30 proposals for the energy transition of cities and towns*⁴⁹.

Rising energy costs have an upward effect on energy prices in the EU and thus negatively affect the poorest population in the absence of a strong priority given to the significant improvement of energy efficiency, in particular in housing. Households spend more and more on energy, heating and transport services. Local authorities might provide better solutions to fight fuel poverty because they know best the potential of local resources and can promote the refurbishment of the building stock and mainstream energy efficiency measures.

By being producers of energy, local authorities can sell energy on the energy market and thus make money for their local budgets which is increasingly important as public expenditure has been cut across the EU due to the economic recession. Moreover, the deployment of energy efficiency measures saves money that can be added to public coffers.

Enfolding the European climate and energy legislation at the local level could spur new business activity and opportunities in the energy efficiency and renewable energy sectors. The renewable energy sector alone has the potential to create one million additional jobs by 2020. Moreover, it will require the engagement of the local equipment and maintenance companies to deploy energy savings and renewable energy technologies and services (e.g. retrofitting of the building block). Encouraging and involving small and medium enterprises in sustainable energy policies at the local level will boost the European economy and create more jobs. The money flow related to the development of energy services at the local level will remain "at home" in the EU and will benefit all citizens of the Union by providing secure, sustainable and affordable energy. The EU economy should take advantage of such opportunities!

The implementation of sustainable energy policies requires the active engagement and participation of all authority and elected representatives as well as all public and private sector players at the local level. For instance, the <u>Action Plan on Urban Mobility</u>⁵⁰ points out that "[u]rban areas are becoming laboratories for technological and organisational innovation, changing patterns of mobility and new funding solutions. The EU has an interest in sharing innovative solutions of local policies for the benefit of transport operators and citizens alike and to ensure the efficiency of the European transport system through effective integration, interoperability and interconnection." Therefore, designing and implementing climate and energy policies at the local level passes through the direct engagement of citizens, encourages dialogue between different levels of governance and restores the faith in European institutions.

3.3. CLIMATE AND ENERGY ARE EXCELLENT FIELDS TO EXPERIMENT MULTI-LEVEL GOVERNANCE IN EUROPE

Local authorities support the coordination between sectorial and territorial policies, foster synergies and maximize results to achieve the EU climate and energy objectives. The EU Cohesion policy thus adapts more easily to the territorial scale and is in line with other policies at all levels in line with the principle of subsidiarity⁵¹.

However, climate change and low-carbon transition are trans-boundary and trans-policy issues. It is no longer enough to only determine which level of governance has jurisdiction to take action in a concrete area. Instead, they should be managed according to a principle of "active subsidiarity" which calls for an involvement of any level of governance, according to their responsibilities and capacities, in achieving common goals. Relations and interaction between the different levels of governance are essential, as no level is able to solve problems by itself.

Through the EU climate and energy package, the EU and Member States are legally committed to reach some binding (GHG emissions reduction and RES) and non-binding (EE) objectives. Through the Covenant of Mayors, municipalities, provinces and regions are voluntarily committed to reach and surpass the same goals. So, all levels are working together towards the same direction, each of them acting accordingly to its own responsibilities. It is the reason to say the Covenant is a unique example of multi-level governance, a concept that could be extended to many fields to give new perspectives and dynamism to the subsidiarity principle.

Multi-level governance enables territories to face their problems by promoting an integrated and coordinated problem-solving approach. Since 1986, the objectives of the EU Cohesion policy have been to foster economic and social cohesion, but the Lisbon Treaty and the Europe 2020 strategy have introduced a third dimension, namely "territorial cohesion". Territorial cohesion refers to the harmonious development of all territories within the borders of the Union which will allow citizens to make the most out of the inherent assets of these territories and thus increase competitiveness and prosperity⁵². Territorial cohesion "builds bridges between economic effectiveness, social cohesion and ecological balance, putting sustainable development at the heart of policy design"⁵³.

Energy and territorial cohesion are essential elements in formulating European policies but they are usually considered separately. Disconnecting them means that all energy consumers at the local level ignore what the consequences of their energy choices will be on climate change and the availability of energy sources at the European level. Local authorities' actions link energy to its territorial dimension. Energy is essential for territorial cohesion because energy efficiency and renewable energy measures add to the sustainable development efforts across the EU⁵⁴. Distributed energy sources and tapping into the Union's energy savings potential at the local level will result in strong local economies and improved global competitiveness of territories. Achieving territorial cohesion thus requires strengthening research, human capital, innovation and translating innovative solutions for market uptake.

⁴⁶ COM (2011) 885

⁴⁷ Energy Cities, Position Paper, The EU and Member States need local authorities for achieving their goals. Local authorities need political, legislative and incentive framework to play a bigger role in the climate and energy 2030 strategy, June 2013, www.energy-cities.eu/IMG/pdf/position_greenpaper2030_en.pdf

⁴⁸ IMAGINE... the energy future of our cities, www.energy-cities.eu/imagine

⁴⁹ Energy Cities' 30 proposals for the energy transition of cities and towns, www.energy-cities.eu/30proposals

⁵⁰ COM (2009) 490

⁵¹ COM (2008) 616

⁵² COM (2008) 616

⁵³ COM (2008) 616

⁵⁴ COM (2008) 616

4. UNLOCKING AND ENCOURAGING LOCAL AUTHORITIES' POTENTIAL TO DELIVER EU CLIMATE AND ENERGY OBJECTIVES

4.1. STRENGHTENING AND EXPANDING THE COVENANT OF MAYORS

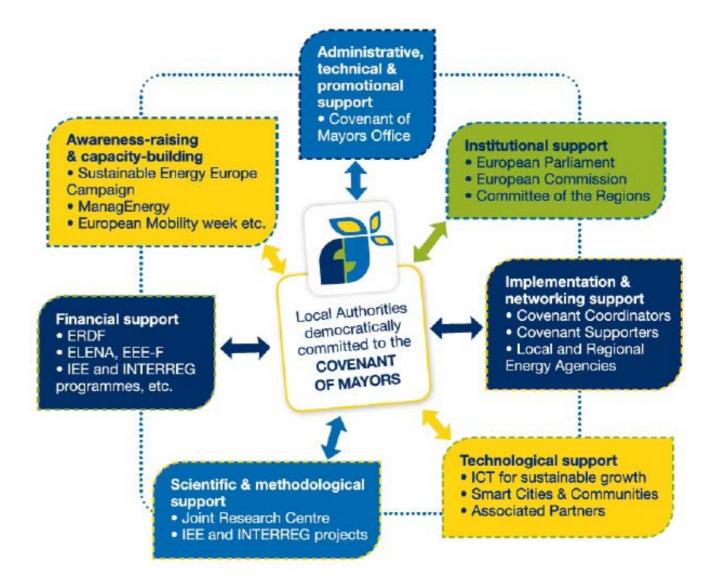
The current discussion of the EU's climate and energy policy up to 2030 calls for up-dating the Covenant initiative on this time horizon. The Covenant of Mayors initiative has demonstrated the EU's acknowledgement of local authorities' essential contribution to European climate and energy policies and has showcased the EU's willingness to engage with local authorities in Europe. The Commission has already stated in its <u>Energy Efficiency Plan</u>55 that it "will continue to support the local approach to energy efficiency through the Covenant of Mayors and will seek to encourage partnerships with more like-minded cities including those from countries outside the EU."

Initially planned to involve some 25-30 cities, the fast-pace expansion of the Covenant since its launch – from only 241 in December 2008 to 5049 by mid-March 2013⁵⁶, underlines the potential of the movement to engage a growing number of local authorities in Europe and to facilitate the delivery of climate and energy objectives at the European level. More than 3000 signatories (over 60%) have already submitted their Sustainable Energy Action Plan (SEAP) to date, distinguishing the Covenant from other, purely political declarations or commitments.

As more and more local authorities become signatories, the European Commission should re-confirm its commitment to this partnership by providing political and financial support beyond 2020 to intensify and propagate to a larger scale the delivery of the EU climate and energy objectives and to maintain the enthusiasm of committed local authorities. The Covenant of Mayors has the potential to be expanded in the post-2020 climate and energy framework but the latter needs to be ambitious enough to be credible and put the EU on a sustainable energy pathway. This proposal is in line with the European Commissions' proposal for an Environment Action Programme to 2020⁵⁷, endorsed by the European Parliament and the Council of the EU, which states that the EU should "promote and (...) expand existing initiatives that support innovation and best practice in cities, networking and exchanges between them and encourage cities to showcase their leadership on sustainable urban energy development" and that "[t]here is a need to equip those involved in implementing environmental legislation at national, regional and local levels with the knowledge and capacity to improve the delivery of benefits from this legislation". The Commission also notes "beyond the technological and regulatory aspects, Member States, regions and cities need to step up their efforts to strengthen skills, knowledge and capacities, in particular within the relevant administrations and agencies (such as through the EU Covenant of Mayors), to ensure adequate governance for the efficient delivery of renewable energy investment programmes and projects"58.

Energy Cities proposes to the European Commission to state in its Communication that:

- the Covenant of Mayors be expanded until 2030: the initiative has already demonstrated its contribution to helping the EU meeting its 2020 climate and energy objectives. Expanding it in the post-2020 agenda will allow for additional implication of local authorities in low-carbon actions. A potential way to enlarge its positive effect is by developing a new framework for the voluntary commitment of local authorities beyond 2020, with for instance an ultimate goal for 2 tons per capita CO2 reduction by 2050. As shown in the following chart⁵⁹, the Covenant of Mayors could be recognized as one of the cornerstones, such as the ETS, of the EU climate and energy policies (including adaptation policies), considering its dynamic effect and synergies with other initiatives and stakeholders as demonstrated below.



- the Covenant of Mayors be expanded to other geographical areas: the Covenant of Mayors concept has already expanded beyond the borders of Europe and has attracted signatories from South America, Africa, and Australia and lately from India and China. This is an evidence of the untapped potential of this Commission-led initiative to export the successful EU example of multi-level governance in tackling climate and energy issues beyond the borders of the European Union. Such an action will grant the EU a leadership position in stirring up low-carbon efforts worldwide through bottom-up participative initiatives.

4.2. STRENGTHENING CAPACITY BUILDING FOR LOCAL ACTORS TO MANAGE THE ENERGY TRANSITION AND IMPLEMENT EU POLICIES

Increasingly dynamic and complex developments in the fields of legislation, technology, ICT, finance, communication and participatory processes require strong professional skills to keep up with the changes and to seek innovative solutions. Energy Cities has underlined in its position paper *A strong support to non-tech-nological solutions is crucial for Europe's energy transition*⁶⁰ that to optimise the use of public money, it is necessary to invest in people ("soft measures") and not only in infrastructures ("hard measures").

⁵⁵ COM (2011) 109

⁵⁶ JRC, The Covenant of Mayors in Figures - 5-Year Assessment, www.peer.eu/news-events/detail/print.html?tx_list_pi1[uid]=425

⁵⁷ COM (2012) 710

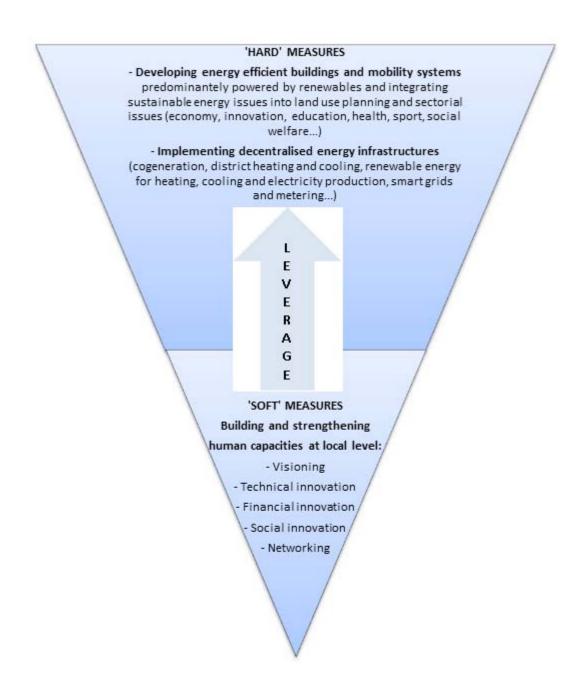
⁵⁸ COM (2011) 31

⁵⁹ Covenant of Mayors Presentation Brochure, www.covenantofmayors.eu/IMG/pdf/brochure com web FINAL 18 11 2011.pdf

⁶⁰ Energy Cities, Position Paper, A strong support to non-technological solutions is crucial for Europe's energy transition, September 2012, www.energy-cities.eu/IMG/pdf/2012-09_Position_paper_IEE_III_programme_en.pdf

Therefore, Energy Cities suggests to the European Commission to state in its Communication that EU programmes must give support to strengthen or build local capacities, in particular in the following fields showed in the chart⁶¹:

- Visioning engineering to develop long term visions and strategies;
- Technical engineering to implement practical actions in the most efficient way;
- Financial engineering to set up innovative financial schemes, public-private partnerships, etc.;
- Societal engineering to accompany the energy transition through communication, networking, participative processes, behavioural change, involvement of local stakeholders, etc.;
- Networking engineering at local, regional, national and European levels to provide and get know-how and ideas;
- Energy and climate management, in house and for instance through local energy and climate agencies.



4.3. MULTIPLYING THE LEVERAGE EFFECT OF EU FUNDS

In the next programming period 2014-2020, beyond legislation and regulatory instruments, the EU will provide a wide set of funding instruments to support local authorities in the implementation of local policies and practical actions leading to the achievement of the EU energy and climate policies.

Mainstreaming energy and climate into all EU funded projects

Knowing the huge potential of local and regional authorities to contribute to the achievement of the European energy and climate objectives, the future EU budget will not miss any opportunity to support their efforts.

However, other actors and stakeholders must also be encouraged to contribute. Actions that reduce energy consumption, increase energy efficiency and foster the use of renewables will be mainstreamed to all the EU programmes and funding instruments (e.g. Connecting Europe Facility, Competitiveness and SMEs Programme, Consumers Programme, Health for Growth Programme, Administrative expenditure of the institutions, etc.). Every project benefiting from the EU budget will meet ambitious climate-related criteria. These will be clearly linked to energy efficiency and the use of renewable energy sources. These issues should be evaluated at the occasion of the mid-term review of Europe 2020 – EU's growth strategy that is due to start in 2014⁶².

In line with the Kyoto protocol and corresponding mechanisms, nuclear energy will not be considered as a climate-protecting activity. In addition, all existing environmentally and climate harmful subsidies hindering the achievement of the EU energy and climate targets will be eliminated.

Inventing and implementing innovative financing tools for local sustainable energy projects

The Intelligent Energy Europe III Programme under Horizon 2020, LIFE+ CLIMA, Innovative Urban Actions as well as trans-national and trans-regional programmes funded from the Structural Funds (URBACT, IN-TERREG, etc.) will support local authorities and other actors in inventing, innovating and adapting existing financing tools for sustainable energy investments. These programmes will allow for pooling together dispersed local and national experiences and expertise with the use of innovative financing tools that have potential to trigger private investments and leverage on public funding – at local as well as national level. Networking, exchange of experiences and communication between the involved stakeholders, the private sector, European banks, pubic and cooperative banks, financial institutions, citizenship-based initiatives and private sector (e.g. ESCOs), will be vital for multiplying best practices across the EU.

Wide-scale implementation of sustainable energy investments at the local level

The Cohesion Policy Funds 2014-2020 will allow for a wide scale dissemination of tested financial instruments. Revolving instruments will be preferred wherever the market is mature enough while grants will be provided for projects with social character and those that are not able to 'survive' on the market without subsidies.

Investments showing that the EU responds to citizens' expectations - such as energy efficient retrofitting of existing buildings, high-quality local public transport, soft modes of transport (bike and pedestrian lanes), green public spaces, local energy production, etc. - will be strongly encouraged. The European Social Fund will support the shift towards a low-carbon, climate-resilient, resource-efficient and environmentally sustainable economy, through reform of education and training systems, adaptation of skills and qualifications, up-skilling of the labour force, and the creation of new jobs in sectors related to the environment and energy.

The funds' regulations will be set in a way that incentivize cities with a long-term vision, integrated territorial strategy and a sustainable energy action plan featuring local actions contributing to the achievement of EU energy and climate targets. This should maximise the number of local authorities opting for a strategic approach to local sustainable energy development. It would also be a very positive signal for those local authorities who have already prepared and implemented a sustainable energy action plan.

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⁶¹ Energy Cities, Position Paper, A strong support to non-technological solutions is crucial for Europe's energy transition, September 2012, www.energy-cities.eu/IMG/pdf/2012-09_Position_paper_IEE_III_programme_en.pdf

⁶² The Committee of the Regions has launched a survey The mid-term review of Europe 2020, the EU's growth strategy, due to start next year, https://portal.cor.europa.eu/europe2020/news/Pages/Questionnaire---Towards-a-mid-term-assessment-of-Europe-2020-from-the-standpoint-of-EU-cities-and-regions.aspx

APPENDIX

Energy Cities' "30 proposals for the energy transition of cities and towns" www.energy-cities.eu/30proposals

1. Empowering local actors

What is the role of local authorities in the energy transition? What new responsibilities do they have to take on? What new local governance rules should they adopt to guarantee sustainable decisions?

Proposals for developing territorial energy policies:

Proposal 1.1 Take local control of energy supply

Proposal 1.2 Unite all stakeholders in a local energy alliance

Proposal 1.3 Ensure public budgets integrate positive and negative energy externalities

Proposal 1.4 Co-create a long-term vision to shape all policies

Proposal 1.5 Eradicate local fuel poverty

Proposal 1.6 Lead by example by transforming municipal energy management

Proposal 1.7 Prepare an Energy Transition Action Plan

Proposal 1.8 Be part of regional, national and European networks to gain exposure to others' experience

2. Knowing our territories' resources and flows

What strategy should we adopt for improving the management of incoming and outgoing resource flows generated by human activities in territories: energy, water, waste, greenhouse gases? Why should, and how can, we improve our knowledge of them? How can we optimise them and what should our priorities be? Where and with whom should we take action in order to be the most efficient?

Proposals for a global optimisation of territorial resources:

Proposal 2.1 Know the territory's metabolism so as to optimise local potential and reduce the impact of human activities on the ecosystem

Proposal 2.2 Identify local energy potential in order to live within our means

Proposal 2.3 Prepare a local heat plan to match need and available resource

Proposal 2.4 Create and implement a territorial bio-waste action plan

Proposal 2.5 Make the best use of energy and material flows by encouraging synergies between players

Proposal 2.6 Make better use and share what already exists instead of always buying more

Proposal 2.7 Encourage the development of a more endogenous economy to increase territories' resilience

3. Rethinking financing in general

What are the solutions to the public financial, debt and credit crisis? How can we finance the energy transition? What can we do to make it a driving force behind the local economy and job creation? What are the new financial cash flows for this new economy?

Proposals for mobilising the financial resources, in particular of local stakeholders and citizens:

Proposal 3.1 Keep money spent on energy near to home

Proposal 3.2 Collect local savings and invest them in sustainable local energy projects

Proposal 3.3 Integrate future energy prices in the economic calculations made prior to investment decisions

Proposal 3.4 Dedicate human capacities in financial engineering

Proposal 3.5 Set up financial structures dedicated to the energy transition

4. Inventing a new local governance

How can we make stakeholders share the construction of a common vision and the desire to jointly engage in the energy transition? How can we reinforce collective dynamics? How can we encourage decision-makers and citizens to change their habits? How can we invent new social practices?

Proposals to give dynamic to creativity and involve local stakeholders and citizens:

Proposal 4.1 Create interface capacities between public authorities and the civil society

Proposal 4.2 Establish cross departmental links to avoid silo mentality

Proposal 4.3 Prove that it works and create a snowball effect

Proposal 4.4 Give public visibility to motivated players and citizens

Proposal 4.5 Raise opportunities for experimenting new practices to encourage their dissemination

Proposal 4.6 Make arts and culture part of the energy transition process

Proposal 4.7 Use town twinning as a springboard for energy transition

5. Urban planning as a way of reducing energy use

What type of urban planning should we develop to satisfy housing, mobility and consumption needs in an energy-efficient way? What infrastructures can increase territories' energy sufficiency? How should we change our modes of transport and the way we use public space in the future? How can we encourage short supply chains?

Proposals for energy-efficient urban planning:

Proposal 5.1 Make planning system drive territory's energy transition

Proposal 5.2 Prepare an energy retrofitting plan for the whole building stock

Proposal 5.3 Ensure that new neighbourhoods are "100% renewable"

Proposal 5.4 Plan modal shift to sustainable transport

Proposal 5.5 Transform railway stations into territorial structuring hubs

Proposal 5.6 Design a street code to favour walking and cycling

Proposal 5.7 Implement goods delivery schemes

Proposal 5.8 Think commercial urban-planning differently to improve quality of life

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In response to the failure of the European Commission's 2030 Green Paper to acknowledge the role of local and regional authorities, Energy Cities launched a public consultation on its own *Communication*.

The consultation on the role of local and regional authorities to deliver the EU energy and climate objectives was open until Monday 4 November 2013.

The responses will serve as a basis for reviewing our *Communication* and preparing a final version.



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