

# **Economic Recovery Plan**

## **Restoring the 500 M€ for Cities**

*ENERGIE-CITÉS, EUROCITIES, CLIMATE ALLIANCE, ICLEI (AND SUPPORTED BY EREC)*  
10 March 2009

### Status of this document:

- *Providing proposals to the European Commission, the European Council and European Parliament for improving the European Economic Recovery Plan.*
- *Supporting cities that are committed to job creation through actions to achieve and surpass the EU energy and climate targets.*

### **Background**

**1** - On 28 January, as part of the overall **European Economic Recovery Plan**, the Commission proposed a €5bn investment package designed to stimulate the economy in the current recession. A substantial element of this proposal was dedicated to energy related projects. It is essential that the European Economic Recovery Plan (EERP) achieve short-term economic stimulus and widespread job creation as well as setting the foundation for longer term recovery.

**2 - Cities can deliver sustainable development** that will lead to both short term stimulation and longer term restructuring of the EU's economy. They are able to call on existing close cross-sectoral partnerships, expertise in 'on the ground' project management, responsibility as planning authorities, and their roles as large scale employer and infrastructure management. Innovative and sustainable projects at the city level will take advantage of local capacity to train workers, adapt infrastructure and support businesses. The EU's proposed Economic Recovery Plan funding must therefore place cities at its centre, through the reallocation of funding towards 'smart projects' coordinated and widely implemented at the city level.

**3 - In the space of only a few months**, almost 500 cities have made a voluntary, unilateral commitment to the Covenant of Mayors ([www.eumayors.eu](http://www.eumayors.eu)). The movement getting under way bears witness to the strong will for action on the part of local authorities and to their capacity to act. That was the underlying sense of the Ceremony held in the European Parliament on 10<sup>th</sup> February 2009, on the invitation of Mr. Barroso-EC and Mr Piebalgs-EC with the presence of Mr. Vila Quadras-EP, Mr Van den Brande-CoR, Mr. Meystadt-EIB and several hundreds of Mayors.

**4 – There is a huge potential for energy sustainable investments** at local levels that will both create jobs and achieve energy targets more quickly. Large scale investment is needed to: create and extend public transport infrastructures and cycle ways, retrofit housing and tertiary buildings, develop biomass plant and district heating, green vehicle fleets, etc. While a few large cities have the capacity to work with the EIB this facility is a more challenging option for most.

**5 – Achieving the EU energy and climate targets (the 3x20) at territorial level requires a very strong involvement of private sector**, from citizens to companies, banks, architects, developers, etc., local authorities playing the role of catalysers and models. Bringing local stakeholders on board will require many local authorities to develop further their governance and ways of working.

**6 – Many cities are already experienced** in achieving significant results: some are already far ahead of the 20% of renewables target (Växjö); others have achieved significant results from energy retrofitting social housing (Brno, Nyiregyhaza); others have created very efficient new districts based on cycling and walking and using public transport (Freiburg) or are running to "One planet living" (time for testing actions is mainly behind us). Larger scale action is now needed, including developing capacity for preparing local energy plans and mobilising local stakeholders.

**7 - The allocation of €500M to “cities”** under the Economic Recovery Plan initially proposed by the European Commission was removed from the list of planned measures. This is most certainly a bad political signal transmitted to Mayors and citizens. **The sum must be set on the list again but it must serve a useful purpose addressing a maximum of cities** and, in no case, being limited to a very small number of them as suggested in the (deleted) initial proposal of the Commission.

**8 –** Compared to the task, a sum of €500M is very low. Therefore we need to **maximise its leverage effect at both short and long term** in strengthening local capacities **through 4 priority complementary actions**: creation of local incentives funds; use of global EIB loans to local banks; create a very large number of local agencies; launching an energy smart buildings campaign; we also call on the existing EU financial Institutions (EIB, EIF) to match the 500 M€ from the EERP with money from their own reserves, thus allowing even a higher leverage factor for the creation of instrument 1 (ESCOs) and of instrument 2 (loan guarantee schemes).

### **Proposals:**

- 1. Supporting local authorities to create / strengthen Local Incentives Sustainable Energy and Climate Funds and/or Energy Service Companies** to encourage local actions and maximise the leverage effects of public money, mobilise private money and encouraging public-private partnerships.

Envisaged minimum community contribution from EERP: 200 M€  
for a first series of 50 cities (average 4 M€ each) or 100 cities (average 2 M€ each)

#### **Justification:**

- *Local authorities need a strong involvement of citizens and stakeholders from the private sector. Amongst various ways for doing so, the most successful cities have created incentive funds. Very innovative funds have been created for investments (Hanover, Lausanne), involving the private sector (Milton Keynes) and/or combating fuel poverty (Frankfurt). Many incentives have been set up for supporting solar, insulation of roofs, competition for local private projects, etc.*
- *They are many examples of actions that could be helped through this instrument, acting as a replication market of successfully experienced tools (list can be provided)*
- *European Investment Fund should feed and guarantee such funds or ESCOs and Cities should provide an equivalent counterpart.*

- 2. Providing loans directly to EU cities or through “global loans” to local banks for municipally linked actions.** This action should be implemented through agreements between the European Investment Bank (EIB) and local banks for municipal projects (incl. for local stakeholders) as a complement of the measure n°1 ab ove.

Envisaged minimum community contribution:  
(this measure should be implemented through already existing procedures)

#### **Justification:**

- *Usual procedures of EIB concern very large investments that are running outside the Recovery Plan anyway, in particular for large cities. In addition Structural Funds can be used for a large series of actions in eligible countries, incl. for housing energy retrofitting very soon.*
- *However, there is an urgent need for small-medium and dispersed actions – and to complete structural funds support in new member states - that are usually the case for energy efficiency – and integrated energy efficiency and renewable - measures.*
- *Banks -even the most advanced in sustainability- are facing a lack of liquidities, thus encountered difficulties or impossibility to provide loans for sustainable energy projects. EIB has to be supported for providing support to small and medium projects through “global loans” (such as Poitou-Charentes for PV recently)*

- 3. Co-financing the creation / strengthening of 500 Local Energy and Climate Agencies** (LECAs) to provide technical support to committed cities, especially the Covenant of Mayors signatory municipalities and to mobilize local citizens and players around municipal objectives. These agencies will offer technical and financial support for the stimulus and delivery of investment projects of local stakeholders. EACI could manage the programme.

Envisaged minimum community contribution: 150 M€  
(300 000 € / agency x 500 agencies)

Justification:

- *Inventive human capital focused on drafting action plans and implementing them is a key issue to succeed in translating political commitments into concrete actions and results. That will have the advantage of setting skills within a framework and provide a helping hand to local authorities with difficulty in finding new appropriate resources in the current crisis circumstances.*
- *Even if certain agencies supported by the IEE programme have been less successful than expected, the most advanced cities have developed such agencies (Grenoble, Berlin, Heidelberg, Almada, Brasov, etc.) bringing together all private associative and public local bodies. All say how indispensable these bodies are to involve citizens and local stakeholders and prepare projects.*
- *The effect of its announcement would mobilize Cities and would clearly highlight the European Commission's message of « We will back your commitment! ». With 4-5 people each, 2000-2500 multidisciplinary staff would be directly available on the ground. We do not ignore this action has already been existing, but less agencies have been supported in the 15 last years than this proposal for one year in a totally different context.*

- 4. Launching an Energy Smart Buildings Campaign** to stimulate market for energy efficiency and renewable energies in buildings (see details in the EREC proposal) that will be implemented via national campaigns, for instance by national energy agencies and/or ministries, in strong links with cities. It is a pragmatic and concrete measure for market stimulation, a true green "new deal".

Justification:

- *Due to the decentralised nature of the construction sector, a few large-scale projects will not spark the necessary changes. Instead, the Energy Smart Buildings Campaign aims at a broad activation of private investments into the improvement of the energy performance of new and existing buildings.*
- *This is in-line with Member States commitments in the field of energy efficiency & renewable energy sources (RES-Directive, EPBD) contributing to reaching the 20-20-20 objectives by 2020 and the Covenant of Mayors as well.*
- *The concept of the Energy Smart Buildings campaign is based on the practical experience with renewable energy market stimulation campaigns of the last 10 years.*
- *With a total market stimulation campaign budget of 300 million Euros spent over 3 years (out of which 50 % EERP funding) the Campaign will trigger an investment volume of 10 M€. Each € spent on the campaign will trigger an investment of 33 €. It is estimated that at least 150 000 jobs will be newly created in the Energy Smart Buildings sector in the coming years, which will become one of Europe's job-motors. The proposed stimulus would largely benefit SMEs.*

Envisaged minimum community contribution: 150 million €

Remarks:

- These measures would be processed through a special and well advertised "Call for Proposals"
- Access procedures to those supports should be simplified to enable fast implementation.
- Associations and Networks of local authorities are ready to offer their backing for more precise proposals to enable such initiatives to be rapidly launched, on the basis of proved successful experiences.