



Powering the Future: Driving Europe's Climate and Energy Policies through Regions and Municipalities Multilevel Governance, Exemplary Policies, and Financial Dynamics

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NECP Study conducted by E40 Communications

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Disclaimer

The analyses, results and recommendations set out in this study are those of CEMR. They do not necessarily reflect the official position of any local or regional government, their associations or the multilateral institutions whose case studies are presented herein.



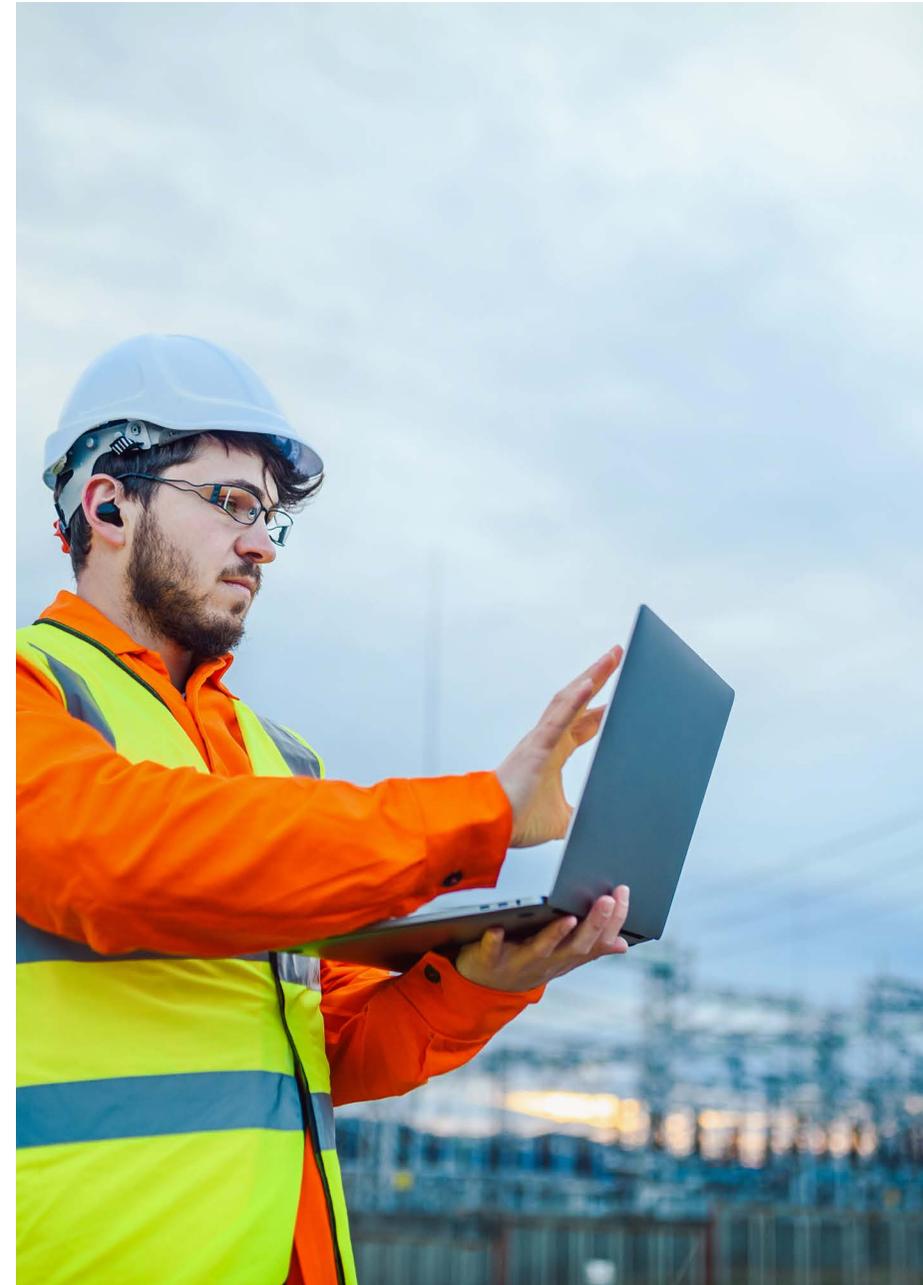
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Abbreviations and acronyms

Abbreviation	Full term
CEMR	Council of European Municipalities and Regions
CO ₂	Carbon dioxide
COFOG	Classification Of the Functions Of Government
CoR	European Committee of the Regions
EU	European Union
GHG	Greenhouse gases
IMF	International Monetary Fund
LRG	Local and Regional Governments
MCED	Multilevel Climate and Energy Dialogues
NDC	Nationally Determined Contributions
NECP	National Energy and Climate Plans
OECD	Organisation for Economic Co-operation and Development
RES	Renewable Energy Sources
SECAP	Sustainable Climate and Energy Action Plans
UNSD	United Nations Statistical Division





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Executive Summary



Introduction

This document represents the **final report of the independent external study on the role of European Local and Regional Governments (LRGs) in energy and climate policies**. The study was commissioned by the Council of European Municipalities and Regions (CEMR) in June 2023 and carried out **June-October 2023 by E40 Communications** (led by Senior Consultants Céline Ethuin & Ed Thorpe, with support from Junior Researcher Brume Delaunay).

Policy Background

European Energy and Climate policy sets the objective for Europe to become the first climate-neutral continent by 2050. In this context, the [Regulation \(EU\) 2018/1999](#) on the Governance of the Energy Union and Climate Action, one of the main pillars of the [Clean energy for all Europeans package](#), is considered to be the core mechanism for coordinating the EU's energy policies.

The need to coordinate responses between multiple levels of government, including LRGs, in order to respond effectively to Europe's energy and climate challenges is increasingly recognised. This is confirmed in high-level policies and commitments including the [European Green Deal](#) and the international [Paris Agreement](#) on climate change and translated into practical proposals for action.

It is clear that no countries will reach their targets without the help of local and regional governments (LRGs). Not only do cities account for more than 70% of global human-induced greenhouse gas emissions¹ and suffer from the consequences and impacts of climate change, but they are also the closest level to citizens and a laboratory for innovative solutions to addressing climate change and its impacts (e.g. energy communities).

As the main providers of public services in European societies, LRGs have a powerful potential lever for climate and energy action. Although this is a widely shared observation, it is not necessarily clearly understood how subnational governments can work together with national governments in achieving nationally determined climate and energy targets.

One of the primary instruments for achieving the Paris Agreement goals is Nationally Determined Contributions (NDCs), which are politically-supported plans for meeting climate goals and powering sustainable development. Meanwhile, under the EU energy union and climate action framework, Member States are required to establish and periodically revise **ten-year National Energy and Climate Plans (NECPs)**, the first of which were delivered in 2019. These outline policies to achieve national targets on all 5 dimensions towards the [EU energy-climate targets](#) and the objectives of the energy union.

As part of the desired **multilevel governance-based approach**, Member States are also required to establish Multilevel Climate and Energy Dialogues (MCEDs) in which local authorities, civil society organisations, business community, investors and other relevant stakeholders are able actively to engage and discuss the different scenarios envisaged for energy and climate policies.





Origins of the study

CEMR is the oldest and broadest European association of local and regional governments that brings together 60 national associations of local and regional governments from 40 European countries and represents, through them, all levels of territories – local, intermediate and regional.

CEMR has long worked to promote multilevel governance and the key role of Local and Regional Governments (LRGs) in a range of policy areas. In this context, CEMR conceptualised and commissioned this study to examine the current role of European local and regional governments in energy and climate policies – and specifically in the revision of the National Energy and Climate Plans (NECPs) which Member States were asked to submit by 30 June 2023.

More specifically, the 'NECP Study' was launched at the request of CEMR members who wanted to gain insights into the state of play of implementation of climate and energy policies (European Green Deal) at local and regional levels in different national contexts. The study sought to **seize the opportunity of the ongoing NECP revision process to examine the role of European local and regional governments in energy and climate policies.**

Study structure

In line with the original Terms of Reference for the study and related expectations discussed with the CEMR Secretariat, the study has three main sections focusing on:

- 1. multilevel governance:** examining LRG-relevant competences and subnational governments involvement in the revision of the NECPs;
- 2. case studies:** identifying good practices on how (national) policies can support municipalities and regions in their energy and climate transitions, and
- 3. finance and investment:** assessing investment patterns and CEMR members' perception about financial means available to local and regional governments to implement climate and energy action.

These thematic sections are supported by an introduction at the beginning and a section of **conclusions and recommendations** at the end. The lessons and recommendations provided by the study aim to serve as a basis to advocate for a better inclusion of local and regional governments in climate and energy policies in the future.

Study methodology

The study methodology was principally composed of **desk research** with particular reference to extracting, visualising and analysing data from key sources, including responses to an **online survey** on 'Local and regional authorities in the Governance of the Energy Union' commissioned by the European Committee of the Regions (CoR) Directorate for Legislative Work I – Unit B2 (ENVE commission) in collaboration with CEMR.

Further key information sources of the desk research included responses to further targeted CEMR member consultations, the Committee of the Regions' [Division of Powers Portal](#), the final 2019 NECPs, the available draft updated NECPs for 2023 and additional external sources such as the OECD [Subnational Government Climate Finance Hub](#) and the [LIFE-NECPPlatform](#) project.

The core desk research was complemented with regular coordination meetings or **focus group discussions** with members of the CEMR Secretariat. Initial findings were presented on 27 September and this final report delivered on 18 October 2023.

Further details of precise methodological aspects and choices are presented in each section of the report where relevant.



Summary findings

The main findings and conclusions of the study (presented more fully in Section 5 – as well as within the main body of the report) are summarised here under the three main areas of focus of the study:

1. Competences and multilevel governance

- Local and regional governments implement a large share of climate and energy policies. They were found to have sole or shared responsibility for 68.3% of all relevant competences covered by this study.
- However, in several EU countries, CEMR's member national associations of local and regional governments do not yet know how they can contribute and be involved in drafting the NECP.
- Where LRGs are consulted, they often receive information top-down without a real opportunity to exchange on or highlight locally perceived needs. Timing is crucial, with LRGs rarely involved early in the process.
- Of the 22 respondent CEMR members, only 3 (14%) felt that LRGs' contributions had been considered in the NECP revision process (by June 30 2023).
- Despite some good examples of multilevel governance practices across Europe, generally, national governments need to do more to tap into the enormous potential of LRGs in driving the climate and energy transition in order to successfully achieve their targets.

The relative lack of involvement of municipalities and regions in energy and climate planning, despite implementing a large share of those policies, requires significant reflection on how to strengthen effective multilevel-governance processes in line with the scale of the objectives.

2. Supporting local and regional governments in implementing NECPs/climate and energy action

- Examples of national practices for supporting implementation by LRGs include:
 - A network of municipalities and regions in Finland with a shared commitment to decrease GHG (GreenHouse Gas) emissions by 80%.
 - A 'sector pact' between the national association of LRGs and the national energy agency in Portugal to promote LRG implementation of national energy saving recommendations.
 - A specific strand of work by the national association of LRGs in Denmark to support local authorities in developing and updating their emergency plans for extended power cuts.
 - A national legal framework specifically adapted to facilitate the creation of local energy communities in Italy to collectively produce, consume, and manage energy resources.
 - Also regional initiatives, under the national education and training system in the UK for adapting and reskilling workers for new jobs emerging within the green economy (green jobs).
 - The strategic innovation program Viable Cities for 23 larger municipalities in Sweden to reach climate neutrality by 2030, involving 6 national agencies to combine financial and regulatory support.
- The practices showcased in this report highlight that the national level (governments, agencies, initiatives etc.) can play a key role in supporting local and regional governments to take effective action on achieving climate and energy-related objectives beyond the provision of financing.
- Some of the most interesting and inspiring national practices involve shared commitments, harmonised reporting, networking and exchange and technical support on climate and energy-related initiatives.

Whilst not yet systematic across Europe, good and inspiring national practices do exist for supporting local and regional governments in their role as key implementers of critical climate and energy-related actions. More attention is needed in identifying, exchanging and transferring good ideas that deliver practical results for local and regional governments.



3. Investment and financing

- Subnational governments play a pivotal role in climate-related expenditure and investments. In 2019, they were responsible for 58% of the total general government expenditure related to climate initiatives. This proportion was even higher before the global financial crisis in 2008, with subnational governments contributing around 60-62% of these expenditures.
- In some countries, the share of subnational government climate-significant expenditure is as high as 75-77% (e.g. Germany, Spain, Netherlands, France, Belgium), whilst in others it is as low as 25% or even 19% in one case.
- Policy areas with the highest shares of subnational government expenditure in climate-significant expenditure are street lighting, waste and wastewater management (about 80% in each), plus water supply, community development and housing development (60-70%).
- Around 45% of CEMR members feel that the NECP in their country provides support for the implementation, at local or regional level, of the measures included in the plan – particularly through EU funding, national funding, capacity-building opportunities or technical support.
- Nevertheless, most CEMR members (68%) either disagreed or strongly disagreed that the financial resources allocated to LRGs match the responsibilities of the local level in line with the ambitions of the NECP/Energy and Climate policies.
- Leveraging private financing and investment towards the transition appears essential for achieving the Union's climate and energy targets, however LRGs often lack relevant capacity.

The overall level of financial support provided to local and regional governments is currently insufficient and not necessarily adjusted to match the implementation responsibilities of the local level in line with the ambitions of European energy and climate policies.

Headline recommendations

The study team presents a series of recommendations for the way forward to better involve and support local and regional governments in the implementation of climate and energy policies and deliver on related European ambitions. These are particularly targeted to the EU institutions, including the European Commission and national governments.



Action at these three levels is considered essential for achieving Europe's ambitious climate and energy objectives, based on a true process of multilevel governance that can empower local and regional governments. This is necessary to enable them to play their full role in delivering change on the ground in cooperation with local residents.

More details on each of these recommendations is provided in Section 5.2 of this report.



Introduction



Background

Local and Regional Governments in Climate and Energy Policies

Local and regional governments (LRG) in Europe play a pivotal role in shaping and implementing energy and climate policies. With urban areas being home to a substantial 74% of European citizens, they contribute significantly to the dynamics of the continent.² Moreover, these urban areas account for 80% of Europe's total energy consumption and generate a substantial 85% of the EU's GDP.³ However, this concentrated economic activity also carries its own set of challenges, as urban regions are responsible for over 70% of Europe's greenhouse gas emissions.

It's not just about their demographics and environmental impact; LRG are major players in public investment. In fact, subnational governments accounted for 55% of public investment in OECD countries in 2020.⁴ When it comes to climate-related expenditures, the numbers are even higher, with their share rising to 59% (chapter 3). These investments are instrumental in advancing climate goals, from building resilient infrastructures to modernising public facilities like schools, social housing or hospitals. Prioritising energy efficiency and renewable energies in these projects is crucial for effective climate change mitigation.

Beyond their financial contributions, LRG are key actors in modern societies, delivering essential public services and holding significant competencies and policy levers. They influence basic infrastructures like public transportation networks and wastewater facilities, which significantly impact energy use and emissions. Furthermore, they are vital for the successful implementation of (international) European legislation, with the Committee of the Regions (CoR) estimating that 70% of all EU legislation has an impact on municipalities and regions.⁵ As we examine the critical link between Local and Regional Governments and energy and climate policies, their multifaceted role in shaping a sustainable and resilient future becomes increasingly evident.

The National Energy and Climate Plans (NECPs)

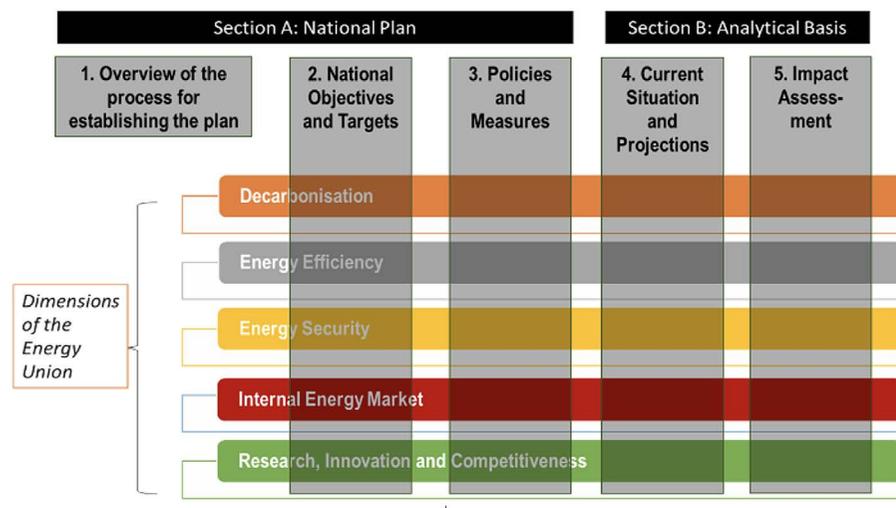
On October 24, 2023 the Commission presented the [State of the Energy Union Report 2023](#) which assesses the state of play with the green transition at national, European and global level, and sets out further challenges and opportunities ahead as Europe pursues its ambitious climate and energy goals for 2030 and 2050. With the EU legislative framework currently in place, **Member States need to implement their shared commitments, and the National Energy and Climate Plans (NECPs) are a key tool for planning and tracking this process.** This year's Report presents the first assessment of the Progress Reports submitted by Member States on their 2019 National Energy and Climate Plans, which is **crucial to take stock of where the EU stands in delivering its climate and energy ambitions.** The Commission is still waiting for several Member States to submit their updated NECPs to allow a thorough assessment by the end of this year of whether or not the EU is on track for achieving the revised 2030 targets, and what measures would be needed to address any shortfalls.

The [European Green Deal](#) sets the objective for Europe to become the first climate-neutral continent by 2050. In this context, the [Regulation \(EU\) 2018/1999](#) on the Governance of the Energy Union and Climate Action, one of the main pillars of the [Clean energy for all Europeans package](#), is considered to be the core mechanism for coordinating the EU's energy policies.

NECPs are National Energy and Climate Plans for 2021-2030. The NECPs were introduced by the Governance Regulation. These fundamental documents combine the targets, policies and measures planned by EU Member States to achieve their climate and energy commitments. Member States had to first submit these ten-year plans by 31 December 2019.

To meet the EU's climate and energy targets, the Member States are required to establish and periodically revise NECPs, and to establish Multilevel Climate and Energy Dialogues (MCEs) in order to bring in cities and regions in the drafting and revising of the plans, pursuant to Article 11 of the Regulation.

Figure 1: Structure of National Energy and Climate Plans according to Regulation (EU) 2018/1999 Annex I



Source: REKK, Hungary, 'National Energy and Climate Plans in the Danube Region' study, December 2020

Updating the plans 2023

Member States are currently working on updating their NECPs to reflect the EU Green Deal and the updated EU climate targets for 2030, as well as the revised climate and energy legislation – the 'Fit for 55 package'⁶. The draft updated NECPs will be submitted to the European Commission by 30 June 2023 and the final plans by 30 June 2024, in line with article 14 of the Governance Regulation.

In December 2022, the Commission published [Guidance](#) to Member States on the process and scope of the update of the 2021-2030 NECPs. In their NECPs, Member States need to show how they will contribute to achieving the EU-wide targets. The HOW — the policies, measures and plans that EU Member States intend to formulate to deliver their obligations – should also be described in their NECPs.

The European Commission also emphasises the need to provide a platform “to discuss with stakeholders the different scenarios envisaged for energy and climate policies and achieving the EU’s climate-neutrality objective set out in the Climate Law”, mentioning the NECPlatform Project⁷.

Multilevel energy and climate dialogue

Under Article 11 of the Governance Regulation, Member States must establish a multilevel energy and climate dialogue and shall report on the progress in establishing this dialogue in the biennial National Energy and Climate Progress Reports (NECPRs)⁸. However, the first versions of the NECPs highlighted shortcomings in the implementation of Article 11 of the Regulation. The European Commission pointed out this discrepancy in [the first assessment of the plans](#), signalling that the NECPs had not involved local and regional governments and stakeholders as they should have.

For public consultations, Member States are encouraged to strengthen the multilevel dialogue and work with regional and local individuals and groups who can bring forward concrete measures. They should also explore synergies with existing forums, such as the EU Covenant of Mayors. Member States also need to ensure full and timely consultation and involvement of social partners, in accordance with the relevant national rules and practices. Social dialogue and a whole-of-society approach are key for developing and implementing effective energy and climate policies in line with the principles of the European Pillar of Social Rights.

In the updated NECPs, Member States are required to include a summary of the consultations and of the public’s view or provisional views. Member States should explain how views of the public were considered ahead of submitting the draft and final national plans. Member States are also expected to describe how the process allowed the public to participate transparently and fairly.



The future of European energy governance

In 2024, the European Commission will have to revise the Governance of the Energy Union and Climate Action Regulation, which was designed to be the overarching governance mechanism of the Energy Union within the Clean Energy Package, before the release of the Green Deal.

While regions and cities are engines of economic growth, they are also engines of environmental impact. Therefore, as main energy consumers, regions and cities play a crucial role in implementing the European Green Deal and achieving a more sustainable energy future. For this reason, regions and cities must be effectively engaged in the policy process and supported in their efforts to mobilise climate and energy-related investments.

In this context, the European Committee of the Regions (CoR) Directorate for Legislative Work I – Unit B2 (ENVE commission) in collaboration with the Council of European Municipalities and Regions (CEMR) commissioned an [online survey questionnaire](#) on 'Local and regional authorities in the Governance of the Energy Union'. Both organisations will use the information collected in this questionnaire to shape their respective positions on the revision of the governance regulation and integrate the findings into their reflections on the future of the European Green Deal.

In complementarity with this CEMR study, the CoR tasked Milieu Consulting srl to prepare a study on the role of local and regional authorities (LRAs) in the governance of the energy union⁹. The CoR will also make use of the information gathered for the Opinion "[A multilevel governance for the Green Deal. Towards the revision of the Governance Regulation](#)", led by rapporteur Joško Klisović (HR/PES).

Study need and scope

Study need

CEMR commissioned E40 Communications to conduct this study on the 'Review of the National Energy and Climate Plans: Local and Regional governments in climate action and energy policies' in order to draw lessons and recommendations that will be used to advocate for improved inclusion of local and regional governments in climate and energy policies.

The upcoming revision of the Governance of the Energy Union and Climate Action Regulation was timely for assessing the implementation of the NECPs/Energy and Climate policies to date and areas for improvement in the future. This will allow for the proposal of strategic adjustments to the European Commission and Member States to ensure the NECPs/ Energy and Climate policies will fit the needs of local and regional governments.

In particular, this study explores the challenges and levers for the successful implementation of national energy and climate plans/policies on the ground through horizontal and vertical integration, with a specific focus on multilevel governance processes and the role and means dedicated to local and regional governments.



Study scope

The study provides lessons and evidence-based policy recommendations for stakeholders at different government levels. The key aspects of the analysis requested by CEMR were:

- 1. Multilevel governance:** examining LRG-relevant competences and subnational governments' involvement in the revision of the NECPs;
- 2. Case studies:** identifying good practices on how (national) policies can support municipalities and regions in their energy and climate transitions, and
- 3. Investment patterns and financial means perceptions:** assessing investment patterns and CEMR members' perception about financial means available to local and regional governments.

The in-depth analysis based on data, figures, graphics, material and sources included in the study have been gathered from the **40 European countries** covered by [CEMR membership](#). Amongst the 40 CEMR countries covered by this study, there are 36 unitary countries (including regional states like Spain and Italy), four with federal systems (Austria, Belgium, Bosnia and Herzegovina and Germany) and eight countries¹⁰ have an intermediary tier of governance, e.g. provinces or counties, and more than half¹¹ have a regional government level.

Core activities

The core activities of the study focused on desk research, with particular reference to extracting, visualising and analysing data from the following key sources:

- i. the Committee of the Regions' [Division of Powers Portal](#)
- ii. responses to a joint Committee of the Regions-CEMR survey on "Local and regional authorities in the governance of the energy union"
- iii. responses to further targeted CEMR member consultations
- iv. the 2019 and draft 2023 NECPs
- v. the [LIFE-NECPlatform](#) project
- vi. the OECD [Subnational Government Climate Finance Database](#)





2. Multilevel governance in Europe's climate and energy policies

In the context of the energy crisis, national authorities will only be able to successfully achieve their targets if they work closely with local and regional governments. However, too often, one sees that national energy and climate plans do not tap into the enormous potential of local and regional governments to drive the climate and energy transition.



Multilevel governance involves coordination and cooperation between different levels of government (local, regional, national, European) based on the recognition that not all decisions can or should be made by a single central authority. The approach recognises that not all governance decisions can or should be made by a single central authority. In the EU, the multilevel governance is enshrined in Article 5 of the Treaty on the EU on the principle of subsidiarity. Effective multilevel governance is not only important for bringing different voices to the task of identifying new solutions or ensuring collective buy-in to new policies, but also because responsibilities for key aspects of climate and energy policies lie at different levels of government.

The importance of multilevel governance for responding effectively to Europe's energy and climate challenges is increasingly recognised. This is confirmed in high-level policies and commitments such as the European Green Deal and the international Paris Agreement on climate change and translated into practical proposals for action.

The [Regulation on the governance of the energy union and climate action](#) (EU)2018/1999 (Art.11) **requires Member States to “establish a multilevel climate and energy dialogue** pursuant to national rules, in which local authorities, civil society organisations, business community, investors and other relevant stakeholders and the general public are able actively to engage and discuss the different scenarios envisaged for energy and climate policies, including for the long term, and review progress”. In its 2020 NECP assessment and 2022 notice for the update of the plans, the European Commission recommended Member States to leverage the multilevel dialogue on climate and energy for revising their NECPs. Local and regional governments (LRGs) are key constituents of any serious multilevel dialogue-based approach to climate and energy policy and multilevel governance has long been a key issue for CEMR and its members.¹² **The study therefore sought to investigate and understand the extent and quality of multilevel governance seen across Europe so far**, including:

- i. Mapping the division of competences for climate and energy-related policies across levels of government
- ii. Assessing the existence and quality of multilevel governance mechanisms for updating the 2023 NECPs
- iii. Assessing the evolution of multilevel governance mechanisms from 2019 to 2023.

Chapter highlights

- Local and regional governments implement a large share of climate and energy policies, with sole or shared responsibility for 68.3% of all relevant competences covered by this study.
- However, in several EU countries, CEMR's member national association(s) of local and regional governments do not yet know how they can contribute and be involved in drafting the NECP.
- Where LRGs are consulted, they often receive information top-down without a real opportunity to exchange or raise locally perceived needs. Timing is crucial, with LRGs rarely involved early in the process.
- Of the 22 respondent CEMR members, only 3 (14%) felt that LRGs' contributions had been considered in the NECP revision process (by June 30 2023).
- At the same time, a relative lack of importance seems to be given to the NECP within some LRG organisations. At least one member felt that the NECPs lack importance as national policy documents – being more a reporting mechanism between the Member States and European Commission
- Despite some good examples of multilevel governance practices across Europe, it is clear that LRGs are generally still not considered or involved enough by national authorities.
- Overall, national governments need to do more to tap into the enormous potential of LRGs in driving the climate and energy transition if they are going to successfully achieve their targets.



2.1 Mapping and analysing subnational competences for climate and energy policy

2.1.1 Methodology

The methodology for mapping subnational competences for climate and energy policy in CEMR countries had two primary components: (1) identifying competences and (2) visualising them in a matrix.

(1) Identification of subnational energy- and climate-relevant competences

- The exercise to identify relevant subnational competences in climate and energy policy relied substantially on the excellent work already undertaken by the Committee of the Regions through its [CoR Division of Powers portal](#). This portal provides detailed country-by-country information on the decentralisation of powers across a range of policy areas, including ones relevant to this study – however this information was not yet available in the format desired by CEMR.
- All the sub-categories of the five dimensions of the NECPs were mapped out, as follows

Category (NECP dimension)	Sub-category (climate- and energy-relevant competence)
Decarbonisation	(1) Renewable Energy Sources
	(2) Waste, wastewater, water supply and management
	(3) Spatial planning and land use
	(4) Permits and approvals
	(5) Sustainable development
	(6) Environmental Impact Assessment
	(7) CO2 emissions/ Air pollution Monitoring
Energy efficiency	(8) Energy Efficiency measures
	(9) Energy Efficiency of buildings
	(10) Energy savings
	(11) District heating and cooling systems
Energy security	(12) Security of supply
	(13) Energy Storage
Internal market of energy	(14) Production of energy
	(15) Transmission system operator
	(16) Distribution system operator
Competitiveness	(17) Research and Innovation
	(18) Education
	(19) Vocational training



- The relevant sections of the Division of Powers portal were manually reviewed to extract pertinent information. This included – for each CEMR country for which data was available – looking at the ‘country summary’ and the policy areas of: ‘energy’; ‘environment & the fight against climate change’; and ‘education and vocational training’.
- The data provided by the portal was analysed to associate different text segments provided on the portal to the respective category (NECP dimension and sub-

category (see table above) and identify the relevant government tier responsible (local, regional and national). It was possible for a category to be associated with more than one government level.

- **To ensure the rigour and reliability of this work**, each sub-category was defined in more detail and complemented with examples and/or keywords so that relevant information could be identified in the portal.

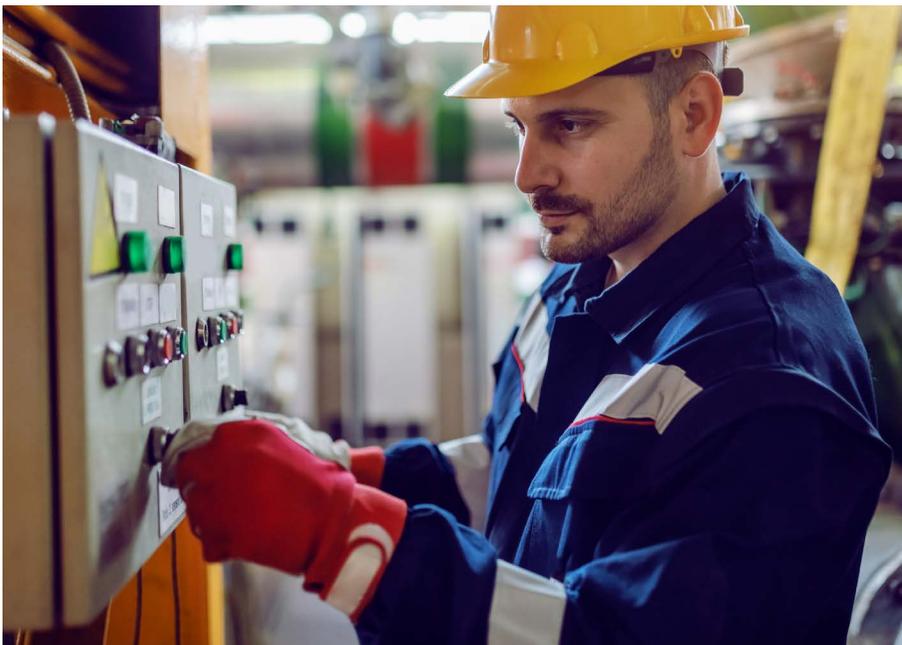
Figure 2: Example of the raw competences analytic table of the CoR Division of Powers data for the ‘Decarbonisation’ NECP dimension

		DECARBONISATION						
Country	Level of gov.	Renewable Energy Sources (1)	Waste, wastewater, water supply and management (2)	Spatial planning and land use (3)	Permits and approvals (4)	Sustainable development (5)	Environmental Impact Assessment (6)	CO2 emissions/ Air pollution Monitoring (7)
		the gov level is responsible for the planning and implementation of RES deployment, maintenance and operation, e.g. offshore wind farms	the gov level is responsible for waste, wastewater, water supply and management	the gov level is responsible for spatial planning and land use, incl. forestry and marine spaces	the gov level is responsible for permit-granting and their approvals	the gov level is responsible for sustainable development	the gov level is responsible for the execution of environmental impact assessments	the gov level is responsible for CO2 emissions/ air pollution monitoring
Belgium	Local		x	x			x	
	Regional	x	x	x			x	x
	National	x				x		



- In the process of assigning the competences to specific government tiers, the definitions of competences were based in the sense of “de facto government responsibilities”, i.e. focusing on the implementation of the respective government tasks. Examples / complementary information:
 - Based on the exact wording (e.g. the box was ticked for “energy efficiency measures” when the word “energy efficiency” appeared among the competences of any level)
 - Or through an interpretation (e.g. when “housing” was mentioned as a competence, it was understood as also including “energy efficiency of buildings”)
 - If there is a transfer of competence from federal/national level to the regional or local level to implement the policies decided by the national legislation, only local level is ticked
 - When a national agency (that has an implementing power) is located in several regions of the country, its competences were considered to be “national”.

- This work resulted in a raw competence file (available for CEMR internal use only).



(2) Visualisation of subnational energy- and climate-relevant competences

To turn the raw competence file into a visualisation, a colour coding system has been used.

- The first step was to classify the identified competences as either ‘local’, ‘national’ or ‘mixed’. Within each of these categories, sub-categories were defined to provide the clearest possible picture, resulting in the following coding system:

• Local

- Local only: **(1)**
- Regional only: **(2)**
- Local and Regional: **(3)**

• Mixed

- National and Local: **(4)**
- National and Regional: **(5)**
- National, Local and Regional: **(6)**

• National

- National only: **(7)**

- This then enabled an initial visualisation (analytical coding table) of competences at two levels: i) a simple colour code identified whether responsibilities were local (green), national (red) or mixed (orange); whilst ii) a numerical code provided more detail on the category of ‘local’ or ‘mixed’ e.g. local and regional or national and local.



Figure 3: Snapshot of the analytical coding table for Albania, Austria and Belgium

	DECARBONISATION						ENERGY EFFICIENCY			ENERGY SECURITY		INTERNAL ENERGY MARKET			RESEARCH AND INNOVATION AND			CEMR proposal (in matrix)		
	Renewable Energy Sources	Waste, wastewater, water supply and management	Spatial planning and land use	Permits and approvals	Sustainable development	Environmental Impact Assessment	CO2 emissions/Air pollution Monitoring	Energy Efficiency measures	Energy Efficiency of buildings	Energy savings	District heating and cooling systems	Security of supply	Energy Storage	Production of energy	Transmission system operator	Distribution system operator	Research and Innovation		Education	Vocational training
Albania	7	6	4	4	7	4		1						7	4	5	4	6		
Austria	5	4	3			6	7	4			7			7	7	7	7	6	5	
Belgium	5	3	3		7	3	2	2	2	2	2	7	5	4	5	3	2	6	2	

- However, it was decided that the numerical reference was not intuitive to read from the chart, since the number lacked meaning on its own without cross-referencing the key. An improved visual representation of the colour code was achieved by using a pictogram comprised of the letters N, R & L (where N is for National government, R for Regional and L for Local).
- In each pictogram, the corresponding level of government is highlighted in solid white when it has competences in the sub-category. If several levels of governments have competences in one sub-category, several letters can be highlighted in the pictogram.
- The result (see Figure 4 below) is a visualisation that enables both a first level visualisation of whether competences are national (red), local (green) or mixed (orange) and a second more detailed visualisations of whether 'local' means only local, or local plus regional etc by letter.

Limitations in the methodology

- It should be noted that data from the CoR portal may not integrate more recent components of national and local legislation. The latest update of the website was carried out in 2020. In particular, the energy legislation and assignment of (new)

government tasks changed potentially (and eventually might have changed considerably) after the adoption of the European Green Deal and revised / new legislation, like the "Fit for 55" package. Nevertheless, the transposition into national law is not yet fully effective.

- On the portal, no data is available for Norway. To fill this gap, the CEMR sent a targeted email to the relevant contact persons of its Norwegian Association of Local and Regional Authorities (Kommunesektorens organisasjon KS) to retrieve information on energy and climate-relevant competences in Norway.

2.1.2 Visualisation of subnational energy- and climate-relevant competences

The visualisation of the subnational competences in the form of a matrix as described in the methodology above is presented on the following page (Figure 4) and analysed further below.



Figure 4: Matrix of subnational energy and climate-relevant competences in EU and CEMR countries





2.1.3 Analysis of subnational competences

The results of the mapping of subnational competences in climate and energy can be analysed in various ways, including in terms of the overall allocation of responsibilities, per the five NECP dimensions, per the 19 NECP sub-dimensions and by country.

Overall

A first analysis of the overall share of green (subnational only), orange (mixed) and red (national only) colours within the matrix as a whole highlights that for across all the 19 sub-categories of the NECPs:

- **27.90% of competences are subnational only (green)**
- **40.40% of competences are mixed (orange)**
- 31.70% of competences are national only (red)

This shows a relatively even split between subnational only and national only (around 30% each) with a larger share (around 40%) being mixed. However, perhaps the most striking fact is that **LRGs have sole or shared responsibility for 68.3% of all the climate and energy sub-domains** (green + orange in the matrix). This further reinforces the **importance of LRGs for achieving Europe's energy and climate ambitions** and underlines the need for further collaboration between LRGs and national governments and the necessity to strengthen multilevel governance mechanisms to ensure complementary and consistent implementation of climate and energy policies across levels of governance.

Per NECP dimension

	Decarbonisation	Energy Efficiency	Energy Security	Internal Energy market	Research, Innovation and Competitiveness
National	27%	20%	69%	40%	26%
Mixed	42%	22%	18%	28%	67%
Subnational	31%	59%	13%	32%	8%

Of the five dimensions of the NECPs:

- **Energy efficiency is by relatively far the NECP dimension in which the 'subnational level only' is the level of competence for decision making and implementation across different CEMR member countries (59%)**
- Energy security is the NECP dimension in which the 'national level only' is most frequently the level of competence for decision-making and implementation (69%)
- The dimensions where mixed competences across national and subnational levels are most frequently seen are firstly research, innovation and competitiveness, and secondly decarbonisation.



Per NECP sub-dimension (competence)

	Decarbonisation							Energy Efficiency				Energy Security		Internal Energy Market			Research And Innovation		
	Renewable Energy Sources	Waste, wastewater, water supply and management	Spatial planning and land use	Permits and approvals	Sustainable development	Environmental Impact Assessment	CO2 emissions/ Air pollution Monitoring	Energy Efficiency measures	Energy Efficiency of buildings	Energy savings	District heating and cooling systems	Security of supply	Energy Storage	Production of energy	Transmission system operator	Distribution system operator	Research and Innovation	Education	Vocational training
National	45%	4%	0%	13%	55%	37%	53%	42%	7%	50%	0%	78%	50%	43%	55%	21%	76%	0%	5%
Mixed	45%	29%	34%	57%	10%	33%	39%	15%	3%	7%	11%	15%	25%	33%	30%	21%	11%	96%	89%
Subnational	11%	68%	66%	30%	35%	30%	8%	42%	90%	43%	89%	7%	25%	23%	15%	59%	14%	4%	7%

- The climate- and energy-relevant competences that are **mostly at the subnational level only** are the 'energy efficiency of buildings' (90%) and 'district heating and cooling systems' (89%).
- The climate- and energy-relevant competences that are **mostly at the national level only** are: the 'security of supply' (78%) and 'research and innovation' (76%).
- The climate- and energy-relevant competences that are **mostly at the subnational level only or shared with the national level** are: 'waste, wastewater, water supply and management', 'spatial planning and land use', 'education' and 'vocational training'.



Per country

The mapping also allows us to calculate for each country, the overall balance of responsibilities between the different levels of government for the 19 sub-categories of the NECPs, which are visualised in the following table.

	National	Mixed	Subnational
Albania	25%	67%	8%
Austria	46%	46%	8%
Belgium	11%	28%	61%
Bosnia and Herzegovina	0%	13%	87%
Bulgaria	23%	46%	31%
Croatia	21%	36%	43%
Cyprus	40%	47%	13%
Czechia	47%	27%	27%
Denmark	21%	50%	29%
Estonia	31%	19%	50%
Finland	33%	33%	33%
France	9%	55%	36%
Georgia	50%	43%	7%
Germany	13%	40%	47%
Greece	29%	29%	41%
Hungary	38%	15%	46%
Iceland	31%	31%	38%
Israel	64%	9%	27%
Ireland	21%	43%	36%
Italy	24%	35%	41%
Kosovo	38%	46%	15%
Latvia	27%	45%	27%

Lithuania	13%	47%	40%
Luxembourg	45%	45%	9%
Malta	55%	36%	9%
Moldova	50%	29%	21%
Montenegro	33%	40%	27%
Netherlands	19%	63%	19%
North-Macedonia	38%	31%	31%
Norway	11%	78%	11%
Poland	18%	65%	18%
Portugal	19%	56%	25%
Romania	36%	45%	18%
Serbia	47%	33%	20%
Slovakia	56%	31%	13%
Slovenia	44%	25%	31%
Spain	18%	59%	24%
Sweden	55%	18%	27%
Turkey	31%	46%	23%
Ukraine	45%	36%	18%
United Kingdom	7%	29%	64%

- The **top 3 countries in which subnational governments have the highest share** of climate- and energy-relevant competences overall are 1. Bosnia and Herzegovina (87%), 2. UK (64%) and 3. Belgium (61%).
- The **top 3 countries in which national governments have the highest share** of climate- and energy-relevant competences overall are 1. Israel (64%), 2. Slovakia (56%) and =3. Malta & Sweden (55%).



2.2 Multilevel governance experiences of LRGs in climate and energy policy

2.2.1 Methodology

The assessment of the multilevel governance experiences of LRGs in the context of climate and energy policies relies mainly on the responses to a [joint online survey launched in late April 2023 by the European Committee of the Regions \(CoR\) and CEMR](#) on 'Local and regional authorities in the Governance of the Energy Union'.

The survey consisted of 29 questions (a mix of open-ended and closed questions – see Annex I for full draft), which sought to clarify the role of LRGs in the design and implementation of the National Energy and Climate Plans (NECPs) and inform the policy positions of the two bodies on the revision of the Energy Governance Regulation.

The results collected from its launch until 30 June 2023 are included in the analysis for this study. As of 30 June 2023, 57 respondents from 25 countries had answered the survey, among which 22 CEMR members (national associations of Local and Regional Governments) from 20 EU Member States¹³.



Respondent CEMR member associations

Austria: Austrian Association of Cities and Towns (AACT);

Belgium: Association of Flemish Cities and Municipalities (VVSG); Union of Cities and Municipalities of Wallonia (UVCW);

Bulgaria: National Association of Municipalities in the Republic of Bulgaria (NAMRB);

Croatia: Croatian Union of Municipalities (Udruga gradova u Republici Hrvatskoj);

Cyprus: Union of Cyprus Municipalities (UCM);

Czechia: Union of Towns and Municipalities of the Czech Republic (SMOČR);

Denmark: Local Government Denmark (LGDK); Danish Regions (Regioner);

Estonia: Association of Estonian Cities and Municipalities (ELVL);

Finland: Association of Finnish Local and Regional Authorities (AFLRA);

France: French Association of the Council of European Municipalities and Regions (AFCCRE);

Germany: German Association of Towns and Municipalities (DSTGB);

Greece: Central Union of Municipalities of Greece (KEDE)

Hungary: Hungarian National Association of Local Authorities (TÖÖSZ)

Latvia: Latvian Association of Local and Regional Governments (LALRG);

The Netherlands: Association of Provinces of the Netherlands (IPO);

Portugal: National Association of Portuguese Municipalities (ANMP);

Romania: Association of Communes of Romania (ACOR);

Slovenia: Association of Urban Municipalities of Slovenia (ZMOS-SI);

Spain: Spanish Federation of Municipalities and Provinces (FEMP);

Sweden: Swedish Association of Local Authorities and Regions (SALAR)

In addition to CEMR's member associations (39%), other non-CEMR member national associations (13%), individual local and regional governments (34%), energy agencies (7%) or other contributors (7%) have shared responses, with more from organisations in Germany, Greece and Spain (see Figures 5 and 6).

It should be noted that the overall geographic coverage of respondents is well distributed between the four geographical regional areas¹⁴ across the EU.

Figure 5: Geographic overview of survey respondents

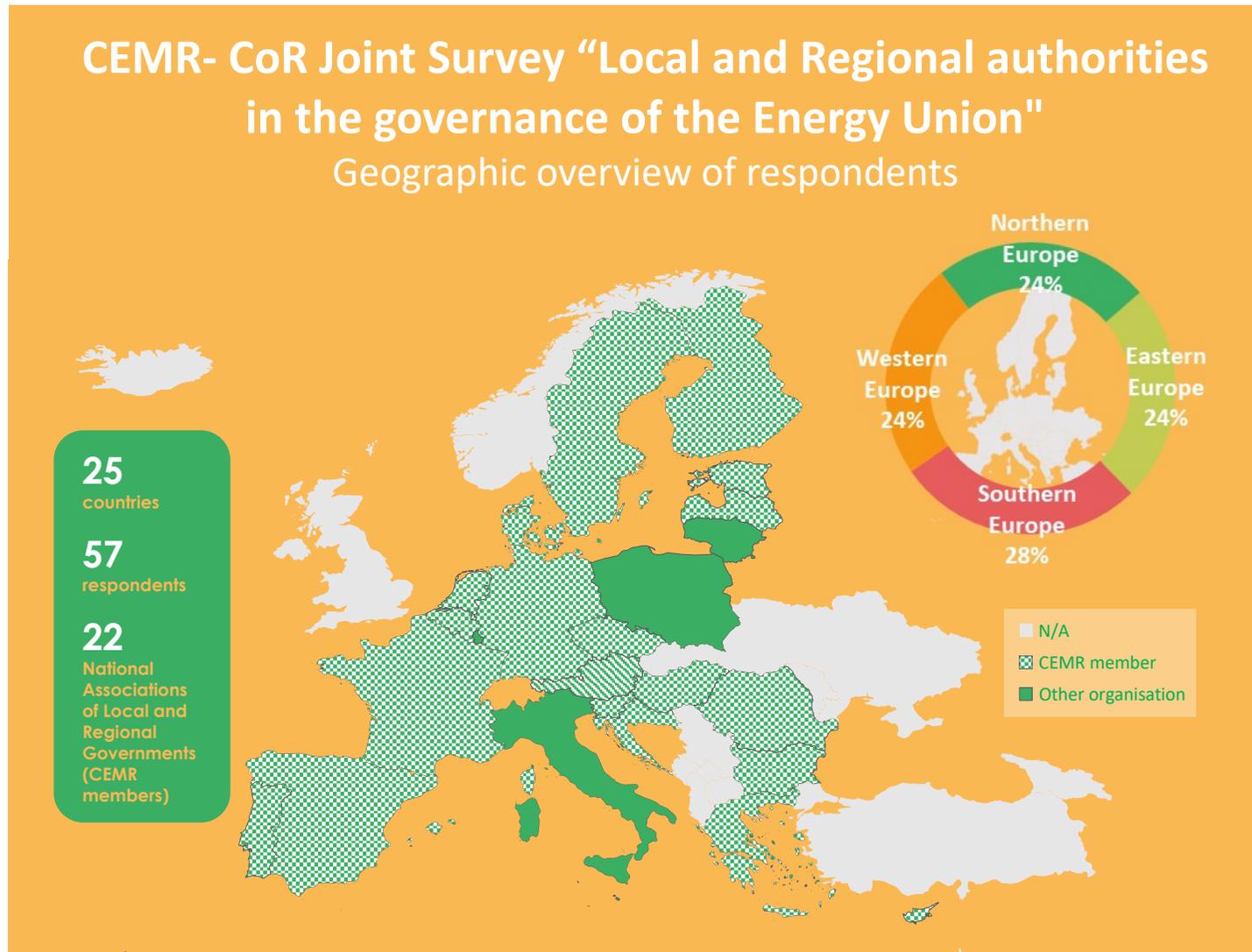
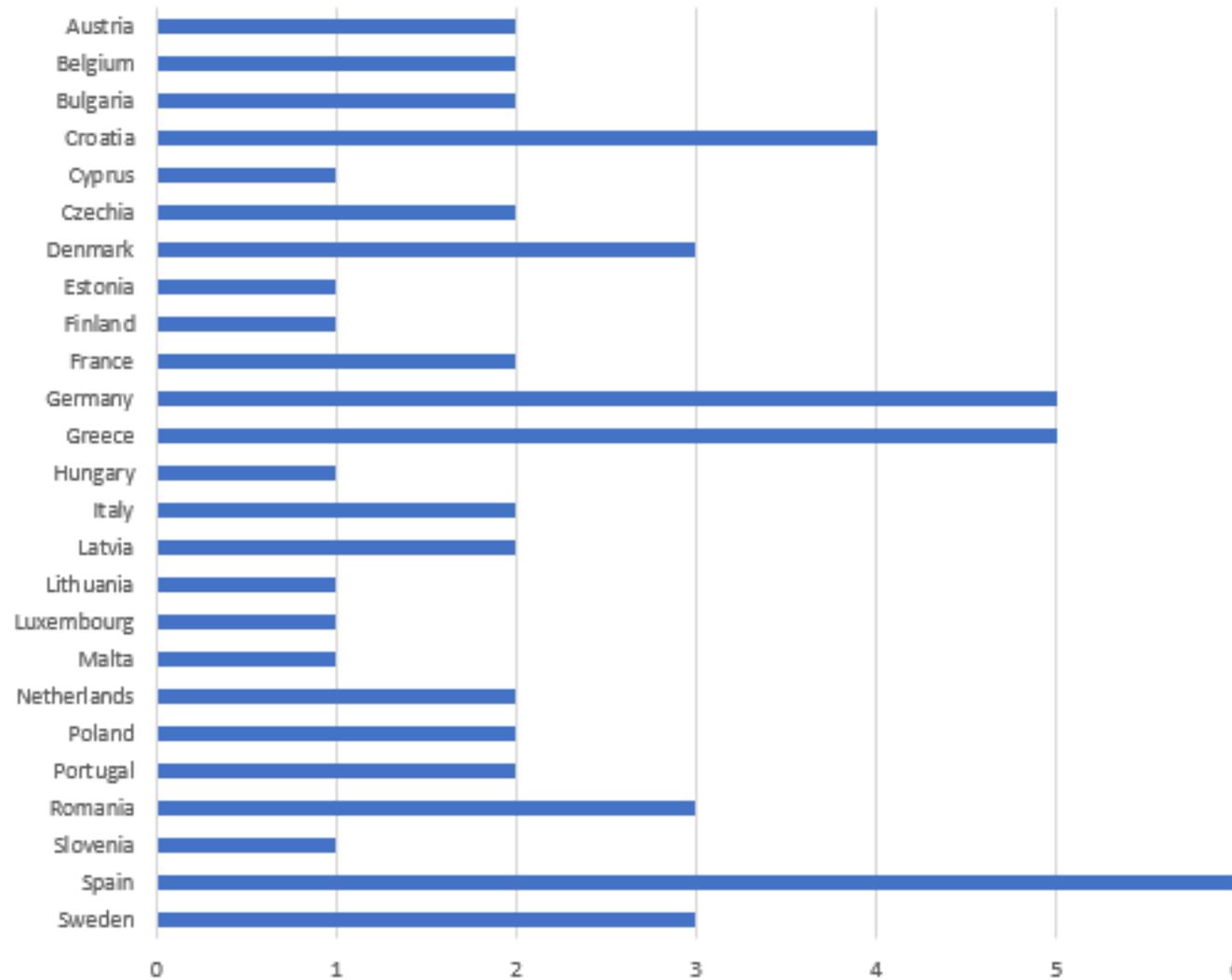




Figure 6: Origin of respondents



For the purpose of this study report, charts, graphs and maps below display responses from the 22 respondent CEMR member associations only. Nevertheless, responses shared by other contributing stakeholders have also been analysed and relevant findings incorporated within the body of the report, where appropriate.

2.2.2 Knowledge of NECPs amongst associations of LRGs

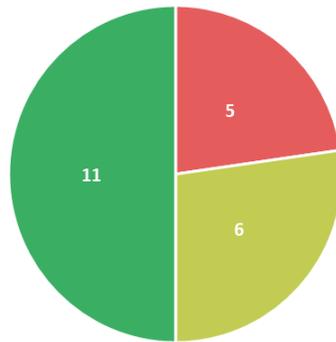
Question 4 of the joint survey aimed to evaluate the respondents' knowledge of the National Energy and Climate Plan (NECP) and its objectives within their organisation or administration.

Source: Survey (2023), n=57

Figure 7: Knowledge of the NECP within the respondents' organisation or administration

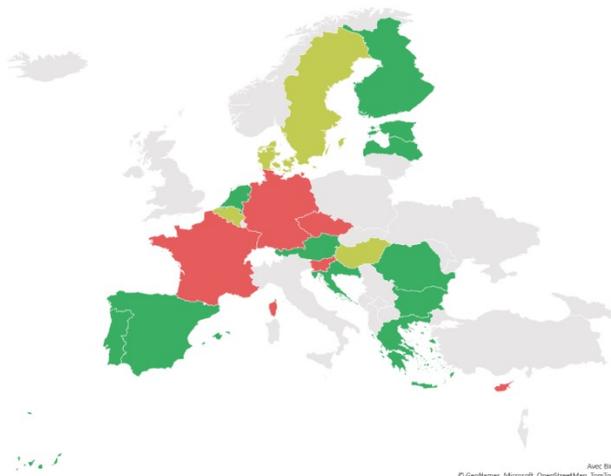
How do you evaluate the knowledge of the NECP within your organisation or administration?

■ Poor ■ Fair ■ Good



How do you evaluate the knowledge of the NECP?

■ N/A ■ Good ■ Fair ■ Poor



Source: Question 4, Survey (2023), n=22 (CEMR members only), single-choice question

Among the respondent CEMR member associations, half answered “Good: We are aware of the existence of the NECP and its objectives, and we know that we need to be involved in its drafting by the Member State”. However, the other half answered either “Fair: We are aware of the existence of the NECP and its objectives, but not of how we should be involved in drafting it.” or “Poor: Very few individuals are familiar with the NECP or are aware of its objectives”. The option ‘Very good’ was not available in the drop-down menu of this single-choice question.

Answers for the total cohort of 57 respondents (including non-CEMR members) are similar with 49% considering the knowledge of the NECP within their organisation /administration as good and 51% as fair or poor.

The map above shows the responses coming from the CEMR's member associations per country. Among CEMR's member associations, the respondents who considered their knowledge of the NECP as ‘poor’ come from France, Germany, Czechia, Cyprus and Slovenia, as ‘fair’ from Belgium, Denmark, Hungary and Sweden while as ‘good’ from Austria, Bulgaria, Croatia, Estonia, Finland, Greece, Latvia, Netherlands, Portugal, Romania and Spain.

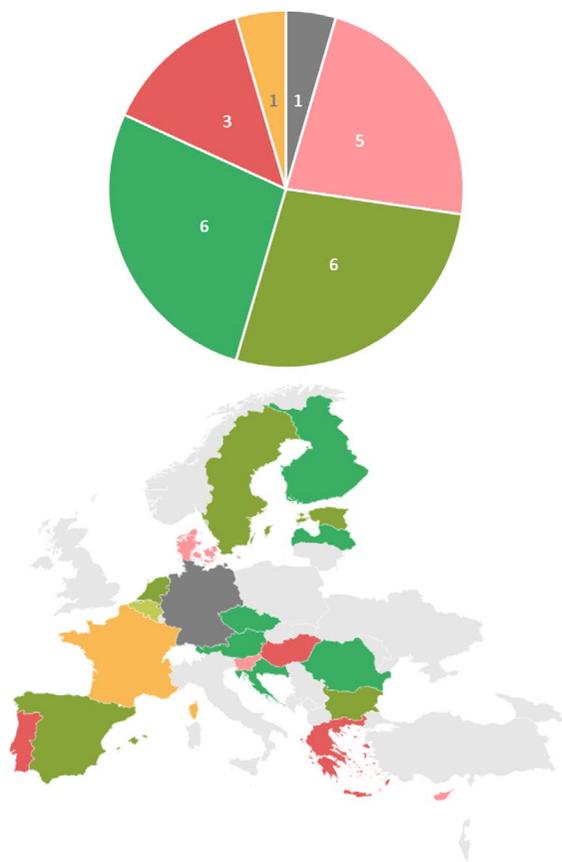
Question 5 of the joint survey asked respondents **who, within their organisation or administration, was in charge of coordinating the exchanges with the national authority**, when it comes to the NECP. Within CEMR's member national associations of local and regional governments, 6 out of 22 respondents answered that it was ‘A specific department or area (e.g. the sustainability department, the international department, etc.)’ and a further 6 answered that it was ‘A coordinated interdepartmental team, working group or taskforce (mix of different team members)’.

However, **only 3 member associations answered that the ‘highest level of decision-making’** was involved in the process and as many as 5 associations responded that ‘Nobody/no specific expert, team or unit’ was responsible within their organisation for coordinating the exchanges with the national authority. **This seems to show a relative lack of importance given to the NECP within many LRG organisations.**

Figure 8: Coordination of the exchanges with the national authority within the respondents' organisation or administration, when it comes to the NECP

Within your organisation, who is in charge of coordinating the exchanges with the national authority, when it comes to the NECP?

- I don't know
- Nobody/no specific expert, team or unit
- A specific department or area (e.g. the sustainability department, the international department, etc.)
- A coordinated interdepartmental team, working group or taskforce (mix of different team members)
- The highest level of decision-making of the organisation
- Other



While looking at the geographical coverage, the answer 'Nobody/no specific expert, team or unit' has been given by CEMR's member associations from Belgium-Flanders, Denmark, Cyprus and Slovenia, which is consistent with the 'fair' or 'poor' responses to question 4 above. If nobody is responsible within the organisation, it can explain that the knowledge of the NECP and its objectives is assessed as poor. The answer 'Highest decision-making level' is coming from CEMR's member associations in Hungary, Greece and Portugal. In Hungary, despite the highest hierarchical level being involved, they are not aware how they should be involved in drafting the NECP: this suggests that the national consultation mechanism on the NECP is poor and/or lacks clarity.

2.2.3 Implementation and quality of Multilevel Climate and Energy Dialogues (MCEDs)

This section assesses the status of multilevel climate and energy dialogues (MCEDs) at national level, focusing on both the establishment of consultation/dialogue mechanisms and on the respondents' perceptions of the quality of these mechanisms in terms of the specific mechanisms used, timings and level of engagement of LRGs and other relevant stakeholders.

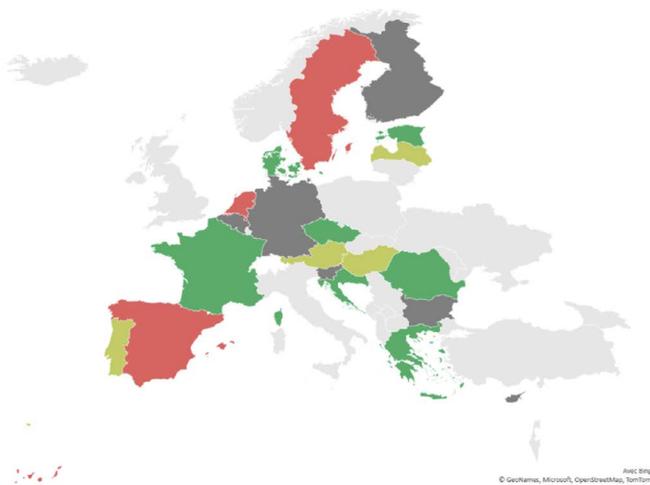
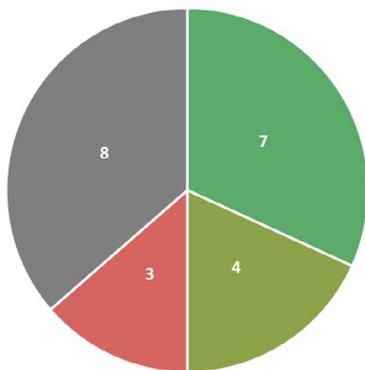
Establishment of MCEDs or equivalent consultation mechanism

Question 6 of the joint survey asked respondents **whether their national competent authority established a permanent mechanism for MCED or consultation on the NECP**. Their answers are illustrated in the graphs below.

Figure 9: Establishment of a permanent mechanism for MCED or consultation on the NECP

Has your national competent authority established a permanent mechanism for MCED or consultation on the NECP?

■ Yes ■ Partly, it is currently under development ■ No ■ I don't know



Source: Question 6, Survey (2023), n=22 (CEMR members only), single-choice question

In eleven countries i.e. 50% of the respondents, it is acknowledged that an established permanent mechanism for MCED or consultation on the NECP does exist. Of these, seven respondents (from Croatia, Czechia, Denmark, Estonia, France, Greece and Romania) answered that permanent mechanisms for MCED or consultation on the NECP are established, while four (from Austria, Hungary, Latvia and Portugal) answered that such permanent mechanisms were currently under development.

Respondents from three countries (the Netherlands, Spain and Sweden) stated there was no such consultation mechanism. But as many as eight respondents (Belgium-Flanders and -Wallonia, Bulgaria, Cyprus, Denmark, Finland, Germany and Slovenia) answered that they did not know whether an MCED or a consultation on the NECP was established in their country. Similar proportions apply when considering all 57 survey answers.

"The national government organised an inclusive consultation process when drafting the Dutch climate agreement in 2019, onboarding not only regional and local governments but also citizens in so called 'climate tables' as well as businesses and civil society in 'sector tables' (more than a hundred stakeholders). The national targets and contributions were translated into regional targets and policy strategies, anchored in the so called 'Regional Energy Strategies' (RES). The drafting of the Dutch NECP was practically the translation of the climate agreement into the required EU template - not another consultation of LRAs and other stakeholders. For the ongoing update, regions have not been actively approached as the exercise is mostly seen as an incremental update. There is no update to the 2019 climate agreement as of now, however this is likely to happen in the foreseeable future given the new targets under Fit-for-55 and the soon-to-be-adopted RED III¹⁵." (IPO, Netherlands)

"I am not aware of the existence of a permanent multilevel dialogue mechanism on the NEPC. This was drawn up by the MITECO in 2019 and in 2020 the FEMP produced a Guide to facilitate its application in the local entities of the sections contemplated in it in which local entities have competences." (FEMP, Spain)

"Not necessary, since the NECP is of very low interest and relevance as a policy instrument for the MS and LRAs. It is more a means for communicating with the Commission, compiling the national ambitions. There are other consultations on individual proposals and plans." (SALAR, Sweden).

Source: Question 6, Survey (2023), n=22 (CEMR members only), 6.1 Comment



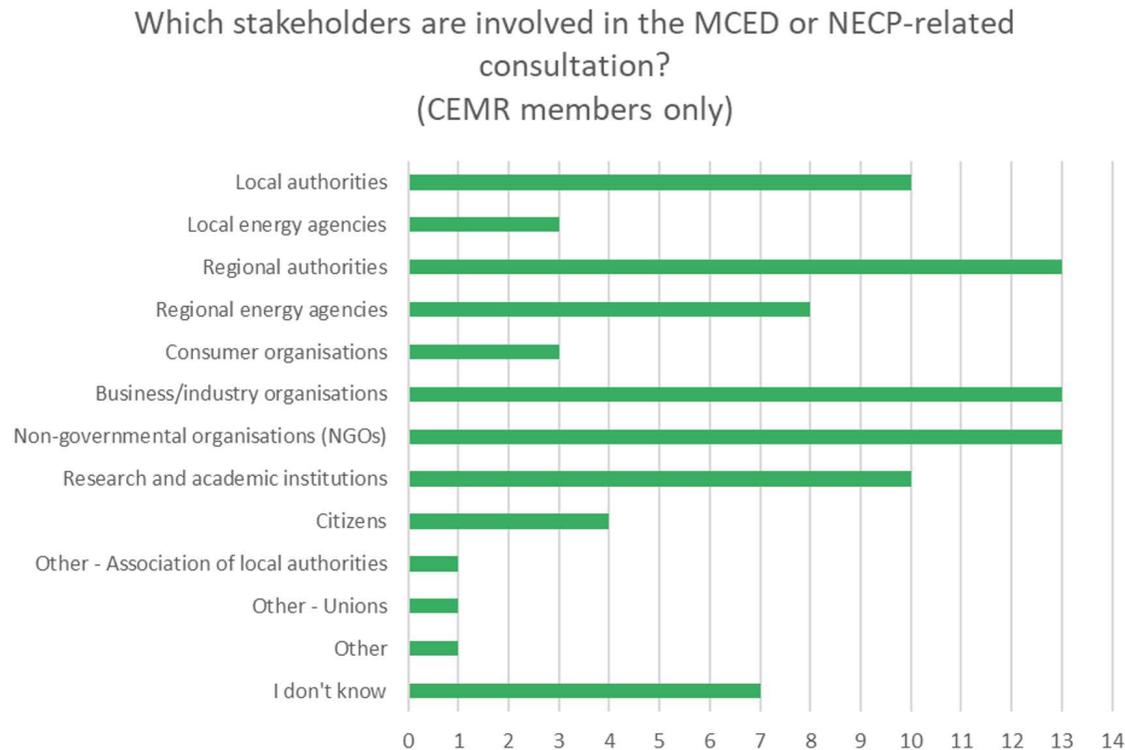
These results reinforce the message that, in a number of EU countries, CEMR's member associations do not know how they can contribute and be involved in drafting the NECP; highlighting the need to increase communication between them and their national governments – notwithstanding the impression in at least one country that the drafting of the NECP is not a real policymaking venture.

Quality of the stakeholder engagement

Question 7 of the survey asked respondents to select which stakeholders were involved in the MCED or NECP-related consultation from a pre-defined list with the possibility to answer "Other" and specify another group.

Figure 10 below shows the number of times each of the pre-identified stakeholder groups was selected by CEMR's member associations as being involved in the process. NGOs and business/industry organisations are the most chosen from all the groups, followed by regional authorities on the one hand and local authorities on the other. Local and regional energy agencies as well as research & academic institutions were also quite often selected. Consumer organisations and citizens are the least mentioned stakeholder groups involved in the consultations.

Figure 10: Groups of stakeholders involved in the MCED or NECP-related consultation



Source: Question 7, Survey (2023), n=22 (CEMR members only), multiple-choices possible

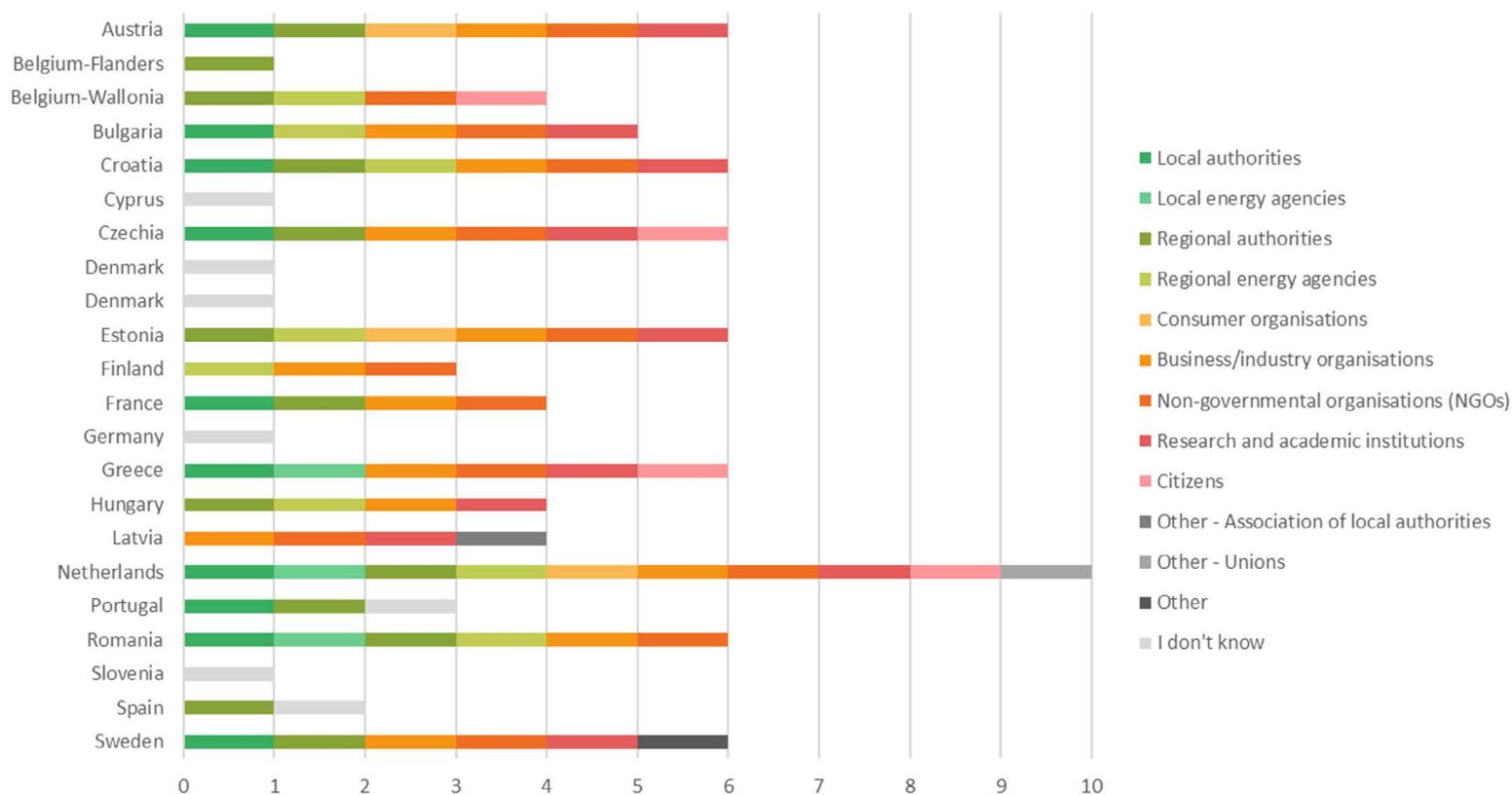


Looking at all survey responses, "other" stakeholder groups mentioned by some respondents include unions (in NL and LU) and different representatives of national authorities (BG, HR and SE). A few comments were related to consultations

being relatively open to lots of groups (IT and SE). Associations of local authorities have been mentioned only once (LV) as "Other" involved in such a dialogue or consultation mechanism.

Figure 11: Stakeholders involved in the MCED or NECP-related consultation per country

Which stakeholders are involved in the MCED or NECP-related consultation? (CEMR members only)



Source: Question 7, Survey (2023), n=22 (CEMR members only), multiple-choices possible



As shown in Figure 11 above, the overall range of stakeholders involved varies from one country to another, with some mentioning only a few types of stakeholders (for example in Spain) while some good examples emerge in terms of the variety of stakeholders involved (notably the Netherlands).

Respondents mentioned local authorities (10 respondents, 59%) and regional authorities (13 respondents, 76%), relatively frequently¹⁶. Local authorities were not mentioned in Belgium, Estonia, Finland, Hungary, Latvia and Spain while regional authorities were not mentioned in Bulgaria, Finland, Greece and Latvia.

Nevertheless, it is important to observe that the existence of a dialogue or consultation mechanism involving local and/or regional authorities or their association does not necessarily imply that local or regional needs are acknowledged in the NECPs. Some survey answers indicated that even when such consultations had taken place there remained important issues with the way local or regional concerns had been taken onboard -. This included a lack of recognition of regional or local needs in the NECP (e.g. AT, LV), ongoing divergence between national and local/regional climate and energy goals (SE), difficulty to adapt the provisions of the NECP to the regional or local level (BE-Flanders), and conflict regarding application of the NECP in terms of the social and environmental impact of the measures (AT, LV, NL, PT, SE).



Institutional consultation structure/mechanism used

Based on question 8 of the survey, Figure 12 details **the institutional structure and mechanism used** by the national competent authority in the drafting of the NECP to consult LRGs.

Traditional stakeholder consultation (such as written comments and online questionnaires) is the most used mechanism, as mentioned by 13 respondents (33%). This is closely followed by organisation of events (e.g. workshops, seminars) with 11 respondents (28%).

Fewer respondents mentioned collaborative platforms or committees (6 respondents, 16%) or regional/local plans and strategies (4 respondents, 10%).

“Other” mechanisms are mentioned by respondents from Denmark and Spain who commented *“A draft of the report is made publicly available in a public hearing. LRAs are specifically invited to provide input, but any other institution and citizen can provide written feedback and comments.”* and *“Meetings of the Climate Change Policy Coordination Commission and the National Climate Council. The FEMP has local representation in both. In these meetings all documents are usually presented, with little possibility of change and adaptation to reality.”*

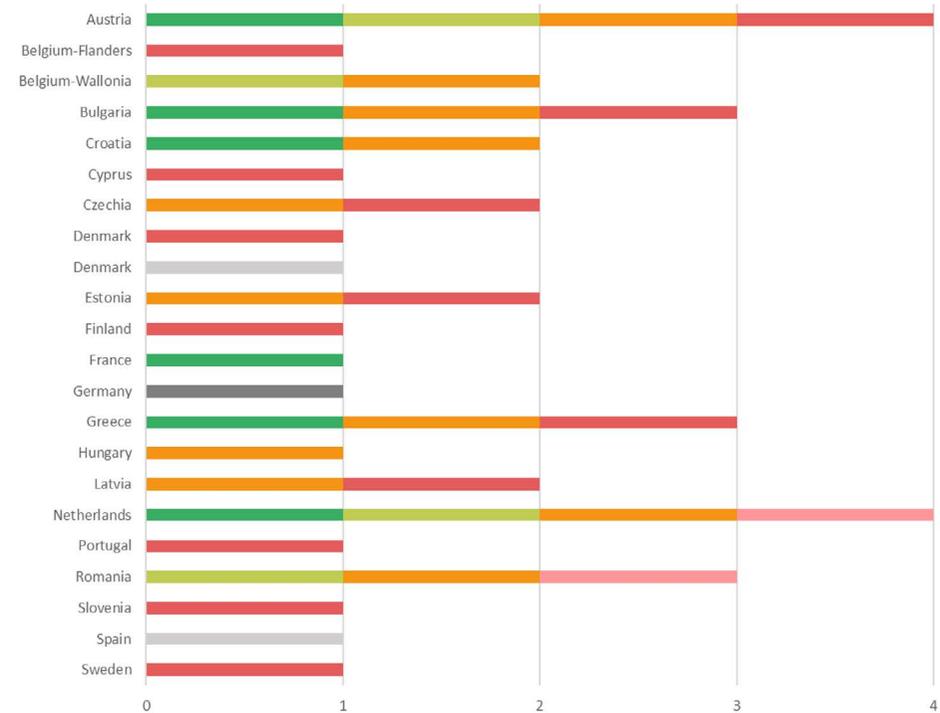
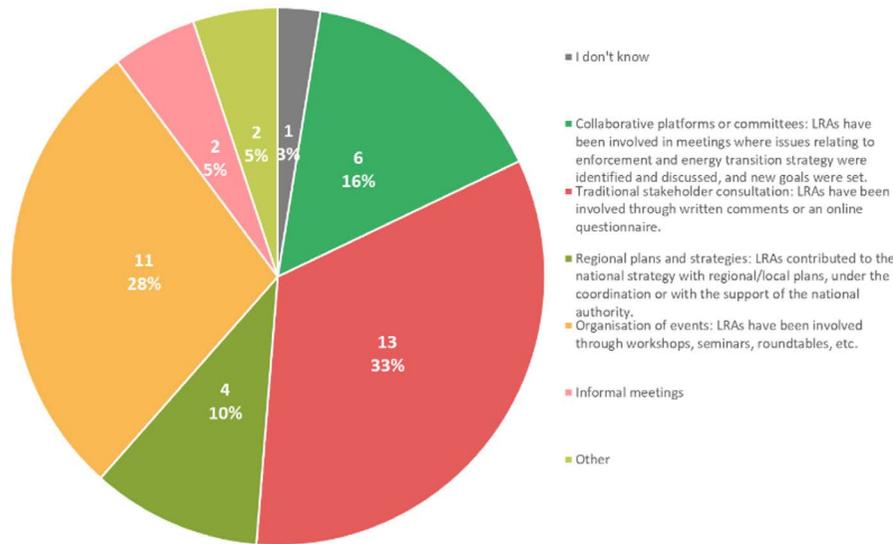
The respondent from Germany (“I don’t know”) does not provide any detail on the format of the dialogues or consultation mechanisms.

According to the responses, the format of the consultation mechanism consists solely in traditional stakeholder consultation in seven countries (Belgium-Flanders, Cyprus, Denmark, Finland, Portugal, Slovenia and Sweden) In some countries the format has varied (such as in Austria or the Netherlands). But all too often, consultations are carried out as a formality without adequate information, real representation, with no time to discuss and report back, and no chance of influencing the NECP content.



Figure 12: Mechanism used by national competent authority in drafting the NECP to consult local and regional authorities

What is the mechanism used by your national competent authority in the drafting of the NECP to consult local and regional authorities? (CEMR members only)



Source: Question 8, Survey (2023), n=22 (CEMR members only), multiple-choices possible

Stakeholder involvement is key to developing quality plans, with varied and meaningful dialogue or consultation opportunities. To guarantee a good quality process, stakeholders should be given early and effective opportunities to participate in the preparation and elaboration of both draft and final NECPs; sufficient information must be provided, including the draft NECP, within reasonable timeframes, even better if carried out at an early stage.

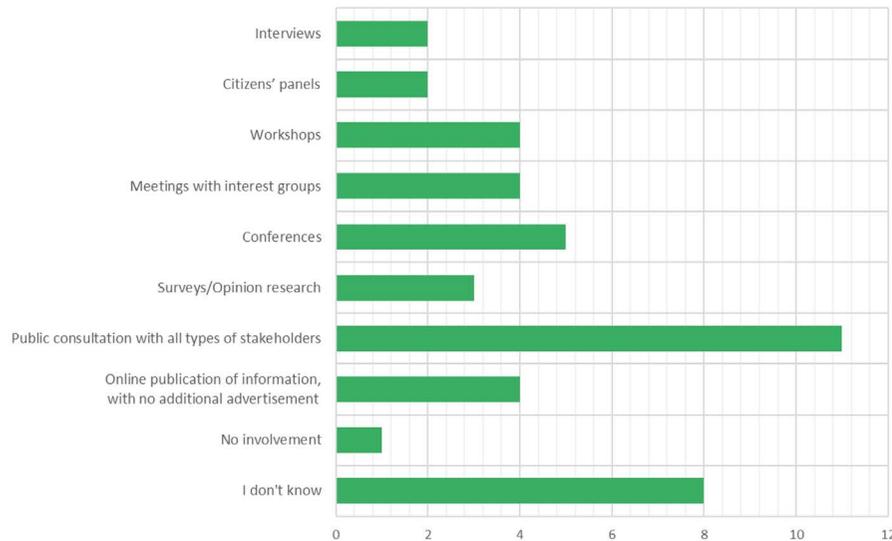


Processes of citizen engagement

The most popular mechanism used at national level to involve citizens in the process of designing and implementing the NECP was public consultation with all types of stakeholders, according to 50% of the respondents (Figure 13). At the same time, 36% of respondents did not know.

Figure 13: Citizens' involvement mechanisms in designing and implementing the NECP

Which mechanisms have been used at national level to involve citizens in the process of designing and implementing the NECP?
(CEMR members only)



Source: Question 13, Survey (2023), n=22 (CEMR members only)

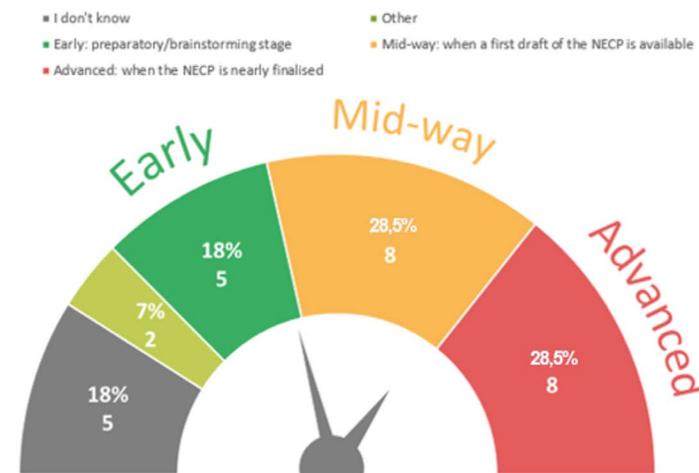
Timing of the consultation exercise

To question 9, only 18% of respondents answered that the MCED or consultation are carried out at the early stages of the NECP preparation process, namely when preparing and brainstorming (see Figure 14). Nearly 30% responded that these usually happen in the advanced stage when the NECP is nearly finalised, whereas the same number found this happening mid-way when a first draft is available.

Respondents mentioned "early stage" in Croatia, Estonia, Czechia, Netherlands and Portugal. Moreover, among the 57 total respondents, stakeholders from six countries indicated that the consultation is carried out at different stages. These stakeholders come from Croatia, Estonia, Lithuania, Netherlands and Portugal. The Spanish respondent answered "Mid-way" and "Other", nevertheless with the comment "Draft not very modifiable". Respondents from Belgium-Flanders and -Wallonia, France, Germany and Romania answered "I don't know".

Figure 14: Stage of the MCED or consultation in the NECP preparation process

At which stage of the NECP preparation process is the MCED or consultation carried out?



Source: Question 9, Survey (2023), n=22 (CEMR members only), multiple-choices possible



Overall quality of the consultation process

To question 10, when asked how they would rate the quality of the MCED or consultation process in their country, **41% of CEMR's member respondents rated the quality of the MCED or consultation processes as 'Satisfactory' but 32% thought they were 'Poor'**. No respondent rated them as 'Very poor' or 'Excellent'. However, **27% of the respondents did not know i.e. were not able to say whether**

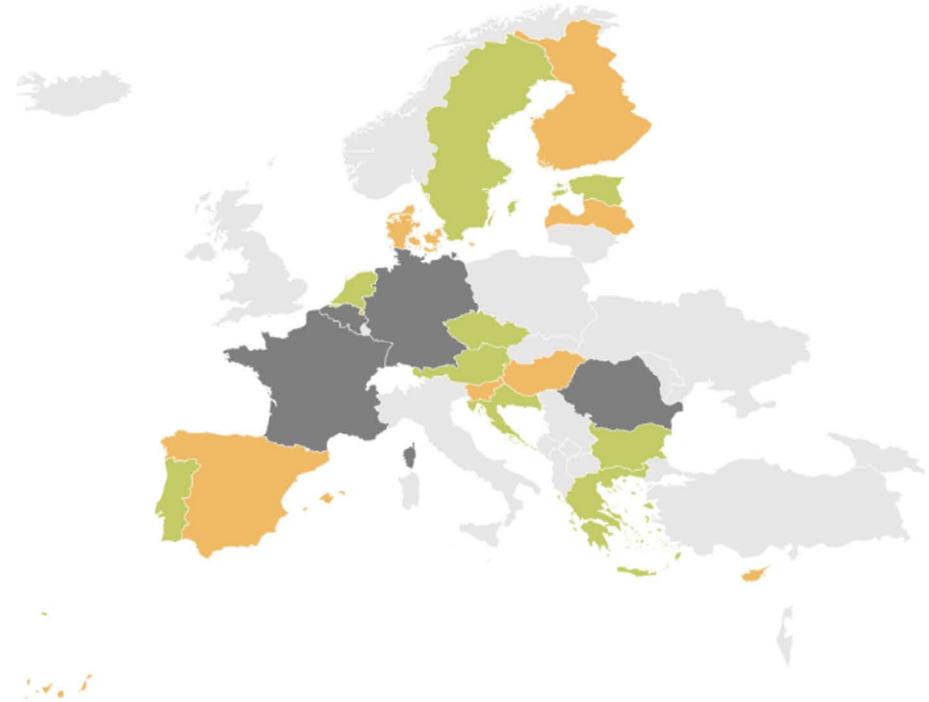
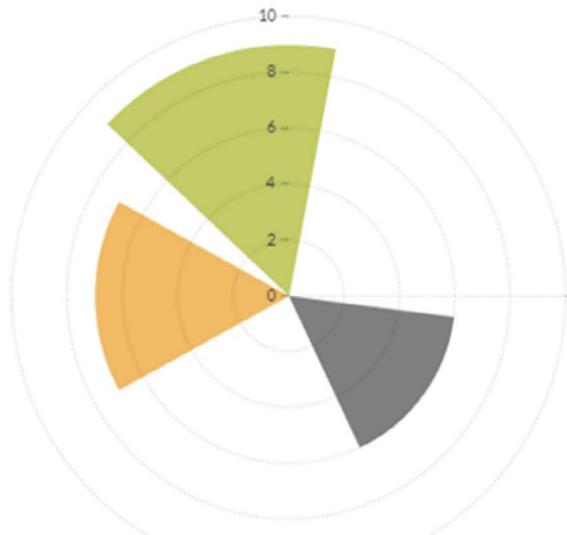
the quality of the MCED or consultation processes was 'poor' or 'satisfactory', which may signal a lack of effective information and communication between the national governments and the associations of LRGs on opportunities for them to provide their inputs and be engaged in the dialogue or consultation process (see Figure 15).

Figure 15: Quality of the MCED or consultation process

How would you rate the quality of the MCED or consultation process?

(CEMR members only)

■ I don't know ■ Very Poor ■ Poor ■ Satisfactory ■ Excellent



Avec Bing
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Source: Question 10, Survey (2023), n=22 (CEMR members only), single-choice question



Additional comments from respondents to explain their answers indicate that the MCED or consultation is a difficult process to rate and that greater efforts should have been made to raise awareness of the importance and role of the local and regional governments in the NECP consultation process.

"This is a very complex process, especially when you try to get most stakeholders involved; and, in addition, very different goals of the stakeholders." (AACT, Austria)

"We have only participated at the first meeting of the MCED so it's hard to rate the quality of the overall process. There is an additional webinar scheduled in May where the LRAs and their stance on NECP will be in the focus, so the quality of the process could even be improved in the later phase." (Udruga gradova u Republici Hrvatskoj, Croatia)

"The consultation is at the end of the process, and I have not seen any changes in the NECP due to the consultation. Feel that we are being heard but not listened to. Also, would like to see local authorities directly involved, not only through our representation." (AFLRA, Finland)

"We were consulted/involved in preparing the climate agreement, the NECP being merely a translation of this agreement into the required EU template." (IPO, Netherlands)

"With regard to municipalities, more effort should have gone to raising awareness on the importance and role of the NECP and on the role of cities. In my opinion, the general awareness of NECP at the local level is not satisfactory. I think that municipalities did not contribute their opinions and comments on NECP enough and should have been more interested, while also the preparatory team could have done more to actively engage with the local level. Probably deadlines were a factor - if I remember correctly, there was a delay in the adoption of NECP and so less time (and/or willingness) for consultations directly with cities." (ZMOS-SI, Slovenia)

Source: Question 10, Survey (2023), n=22 (CEMR members only), Please explain, optional, open question

2.2.4 Evolution of consultation mechanisms from 2019 to 2023

Taking stock of Member States' progress towards their multilevel climate and energy dialogues

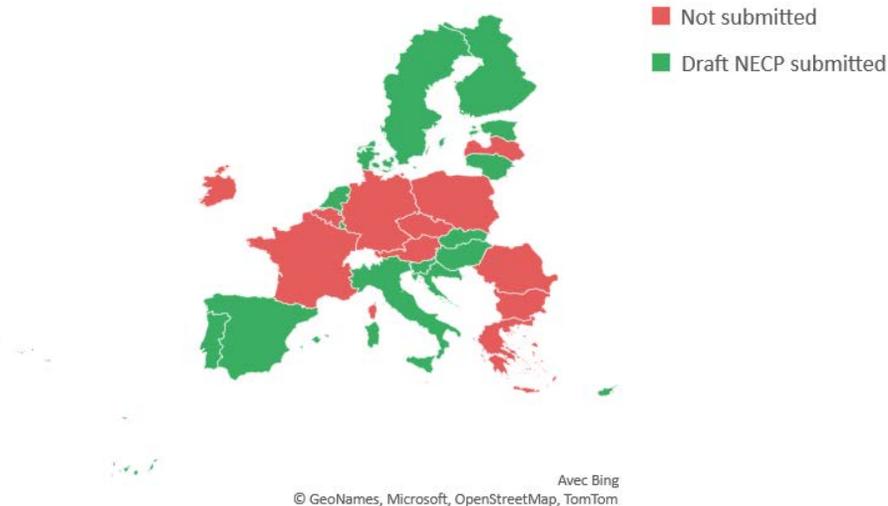
By 15 March 2023, Member States were due to report for the first time in an integrated manner on their progress towards implementing their 2019-2020 NECPs covering the period 2021-2030. This reporting covered progress towards their targets, objectives and contributions across the five dimensions of the Energy Union. Moreover, Member States had to report on progress towards the steps taken to establish a multilevel climate and energy dialogue. Based on their reports, the Commission has assessed¹⁷ Member State progress towards implementation of their first NECPs:

- The level of maturity, sophistication and structure of those dialogues varies substantially between Member States.
- The inclusion of local governments has been a strong focus for several Member States but is not prominent in most Member States. Overall, not all the Member States described sufficiently how the local governments have been involved.
- Many Member States limit the scope of their multilevel climate and energy dialogues to the NECP development process, while the Governance Regulation seeks for a more comprehensive framework, referring to the 'different scenarios for energy and climate policies including the long term'.

From a reading of the NECPs

The Governance Regulation requires the NECPs not only to be based on a strong consultation mechanism, but to report on the process followed, including the involvement of stakeholders. This means that **the final NECPs submitted in 2019 and the updated 2023 drafts can be read in order to compare the quality of the consultation mechanism described.**

Draft NECP update submissions as of 30 september 2023



This study was able to access all of the 2019 NECPs and the 17 updated [NECPs publicly accessible on the European Commission's website](#) by 30 October 2023.¹⁸ The relevant descriptions are found in Section A.1.3 of each NECP plan (alongside relevant annexes, where applicable) which are expected to detail the “Consultations and involvement of national and Union entities and their outcome”.

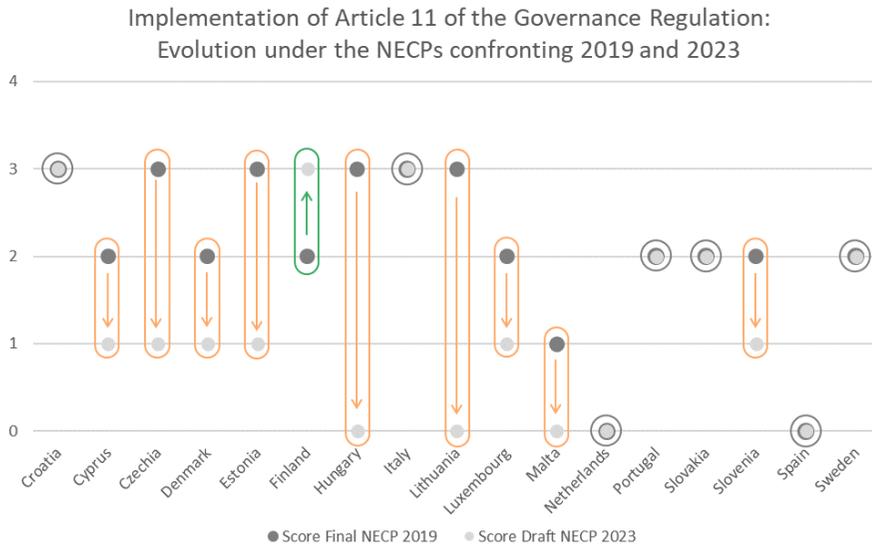
To facilitate a comparative assessment of the final 2019 and draft 2023 NECPs, scores have been assigned to categorise the scope of consultation within each country's plan according to the logic below. The categorisation of the consultation follows the logic below:

- 0. No specific consultation involving LRGs identified
- 1. Consultation akin to citizen engagement processes, such as the use of an online platform to collect contributions
- 2. Active consultation such as meetings between national governments and local/regional governments
- 3. Very active consultation marked by extensive stakeholder engagement through workshops and seminars

This approach considers the highest level of tier participation presented. For example, if a national process involves both contributions through an online platform (being allocated a score of 1) and meetings with representatives of national governments (a score of 2), the latter score, i.e. 2, has been assigned. The exercise resulted in this visualisation Figure 16 below. Note that the draft NECP for Spain was missing Section A.1.3 and no explicit reference to the engagement or contributions of local and regional governments in the consultation processes and their outcomes was found elsewhere.



Figure 16: Implementation of Article 11 of the Governance Regulation: evolution under the NECPs confronting 2019 and 2023



Source: Desk research comparing the NECPs of 2019 and the draft NECPs of 2023 available on Commission's webpage

This exercise is not intended to provide an in-depth quality assessment of the consultation process described, but rather to map the overall scope of national consultation processes undertaken in 2019 and in 2023 and record their evolution, whether these are generally weaker, identical or stronger.

The graph clearly shows that **in most countries, the 2023 consultation processes are the same or even weaker than in 2019, with the notable exception of Finland.**

Of course, the situation may change when all updated plans are submitted and with the final versions of the updated plans scheduled for June 2024. However, it is already striking that the application of the principles of consultation and multilevel dialogue was limited within the deadline for the submission of the draft revised NECPs (June 2023). Also, the fact that 12 countries (**i.e. just under half**) **failed to comply with the fixed deadline of 30 June** also reflects badly on the efforts of national governments to fulfil their commitments.

To create substantial involvement for the drafting and implementation of the final version of the NECP, it is essential for Member States to identify strategies around which to design a Plan that can articulate policies and measures appropriate to the various levels of responsibility with which stakeholders participate, from local and regional governments to private sector, civil society associations, and individual citizens.

Perceptions of LRG involvement compared to 2019

When asked in the joint CoR-CEMR survey whether respondents had experienced any changes to their involvement in the mechanisms for revising the NECP in 2021-23, compared to the first draft in 2018-19 (Q12), responses suggest that progress has been disappointing (Figure 17).

Firstly, **2 countries (9%) felt their involvement was “weaker in the revision phase”** and, secondly, as many as 50% of respondents considered that their involvement in the NECP consultation mechanism was the same as in the past. Nevertheless, **23% answered that their involvement was “stronger in the revision phase”**. Four respondents (18%) did not know.

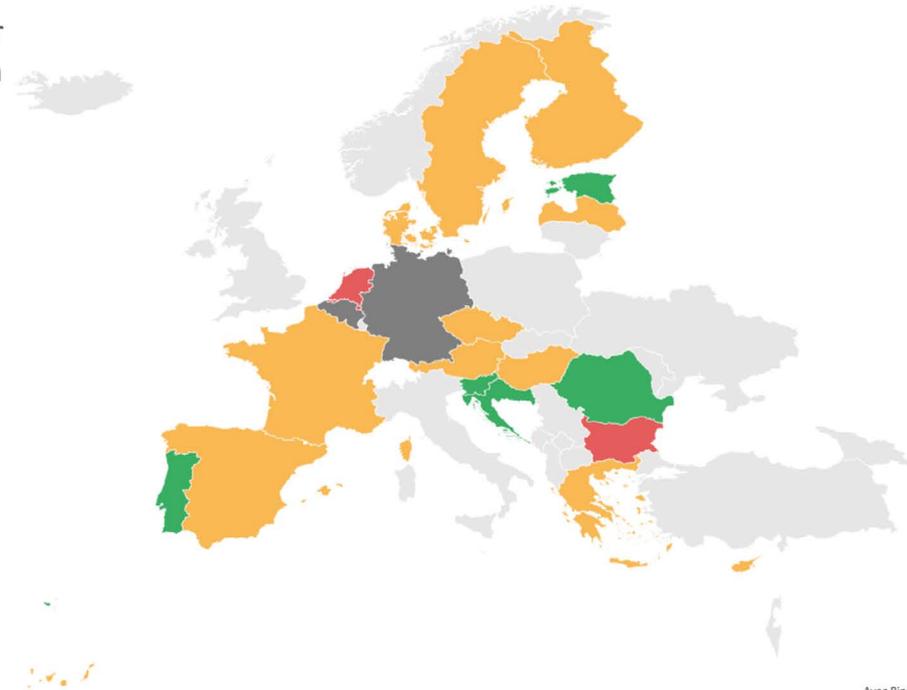
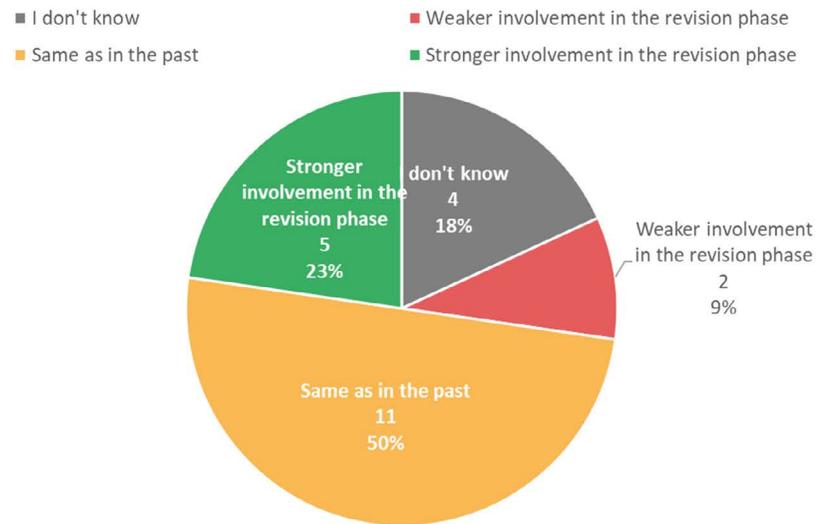
Looking at the above data, it is noticeable that whilst the Netherlands association of LRGs felt their involvement was weaker in the 2023 revision, the Dutch respondent commented the underlying policies and targets have not changed compared to 2018-19 when it was significantly involved.¹⁹.



Figure 17: Perception of LRAs' involvement in revising the NECP compared to 2018-2019

Has your administration/organisation experienced any change (progress, setbacks) in its current involvement in the mechanisms for revising the NECP, compared to what happened with the first draft in 2018-19?

(CEMR members only)



Avec BinQ
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Source: Question 12, Survey (2023), n=22 (CEMR members only)

2.2.5 Have contributions of LRGs been taken into consideration?

As shown in Figure 18 below, when asked whether contributions of LRGs to the NECP have been taken into consideration (Q.11), **just under half of the respondents (10 respondents, 46%) replied they “don’t know”**.

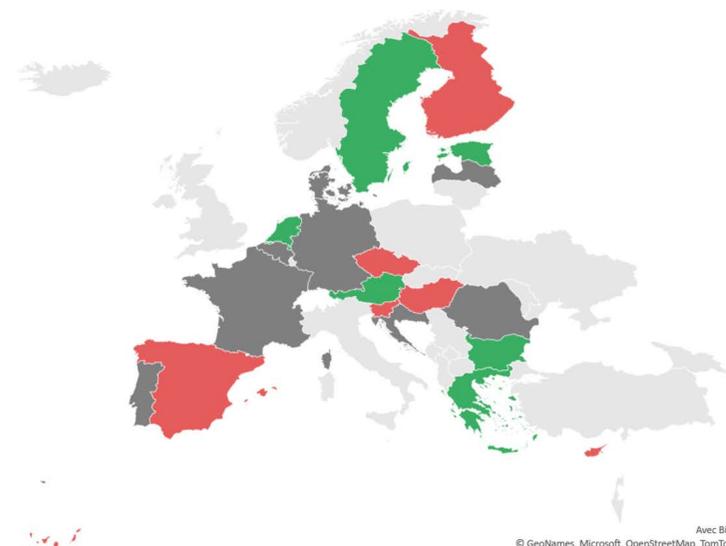
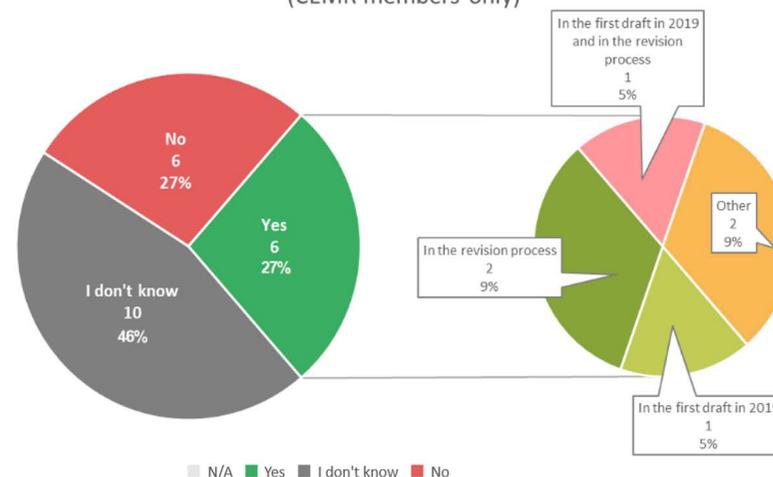
Among those that did have an opinion, it was equally balanced. Indeed, among the 12 respondents from the CEMR's member associations who shared their opinion on this matter, six answered 'Yes' (27%) whereas six replied 'No' (27%). Responses by country are shown on the map below.

After selecting “Yes”, respondents were asked to identify in which stage of the process the contributions were considered. Out of the 6 respondents who answered 'Yes', 1 answered “In the first draft in 2019”, 1 “In the first draft in 2019 and “In the revision process” while 2 answered 'In the revision process' and 2 “Other” with no option to explain what “Other” covers.

Overall, it is most striking that out of 22 CEMR member respondents, only 3 (14%) felt that local and regional governments' contributions to the NECP have been considered in the revision process by June 30, 2023.

Figure 18: Perception of consideration of LRGs' contributions to the NECP

Do you feel that the contributions of LRGs to the NECP have been taken into consideration?
If 'yes', in which part of the process were the contributions of LRGs taken into consideration?
(CEMR members only)



Source: Question 11, Survey (2023), n=22 (CEMR members only)

Relationship between NECPs and subnational plans

36% of the respondents from the CEMR's member associations replied that the NECP in their Member State does not take into account subnational energy and climate planning as a basis for the national plan.

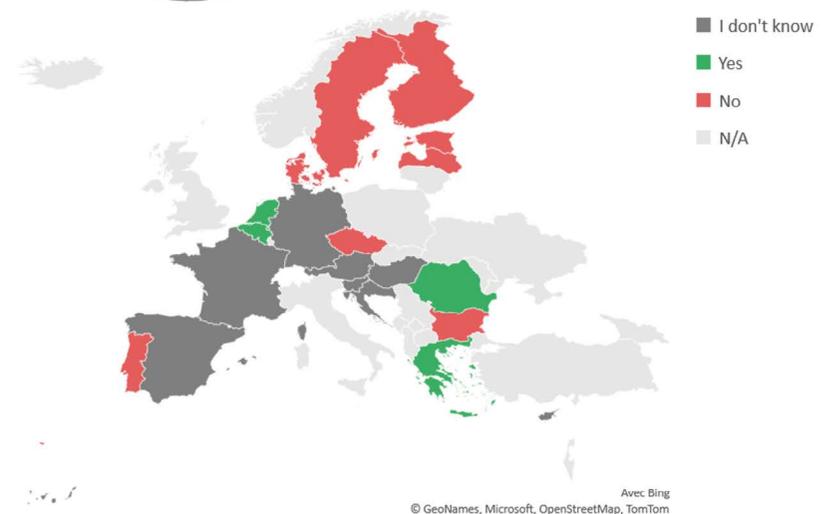
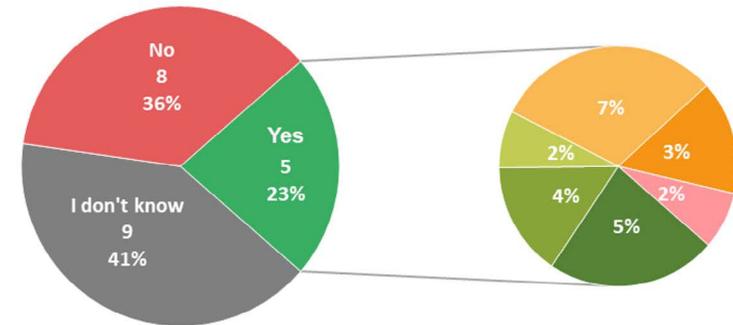
This was the finding of question 16 of the joint survey. This was, for instance, observed in all Nordic and Baltic countries that answered. Among the 23% that responded that the NECP did take account of subnational planning – which included Belgium, Greece, Netherlands and Romania – more than half found the NECP to take into account the regional/local climate and energy plan (Figure 19 below).



Figure 19: Relationship between NECPs and subnational plans

Does the NECP in your Member State take into account subnational energy and climate planning as a basis for the national plan?
(CEMR members only)

- I don't know
- Yes - Local climate and energy plan
- Yes - Local sustainable transport plan
- Yes - Regional adaptation plan
- No
- Yes - Local adaptation plan
- Yes - Regional climate and energy plan
- Yes - Regional sustainable transport plan



Source: Question 16, Survey (2023), n=22 (CEMR members only)



2.3 Good practices strengthening multilevel governance in energy and climate policies

Some good practices strengthening multilevel governance in energy and climate policies can be identified in several countries. One can refer in particular to two LIFE projects aimed at supporting EU Member States to set-up and manage permanent multilevel dialogues or consultation mechanisms as well as to the Covenant of Mayors for Climate and Energy – Europe initiative.

a) The LIFE-PlanUp project

The three-year [LIFE-PlanUp project](#) (2018-2021) - 'A multi-stakeholder platform for strong and inclusive energy and climate plans' - focused on five EU Member States (Spain, Italy, Poland, Romania and Hungary). To support rapid decarbonisation in Europe the project has promoted good practices in the transport, agriculture and building sectors and fostered dialogue on low-carbon policy making between local, regional and national authorities, civil society organisations and academia. In the [resource library](#), one can have access to all reports, analyses, guides and tools produced to engage with national governments in the NECP process, as well as good practice examples in the transport, agriculture and building sectors.

b) The LIFE-NECPlatform project

The [LIFE-NECPlatform project](#) (2022-2025), funded by the first LIFE-Clean Energy Transition call of 2021, aims at supporting six EU Member States' (Bulgaria, Croatia, France, Italy, Portugal, and Romania) transition to climate neutrality by setting-up and managing permanent Multilevel Climate and Energy Dialogue (MCED) platforms, in line with Article 11 of the Energy Union Governance Regulation. Understanding how multilevel governance is articulated in different national and regional contexts is important to stimulate the Climate and Energy Dialogue Platforms of the NECPlatform project. [A total of 21 initiatives were identified](#), which can inspire and help develop the Climate and Energy Dialogues in NECPlatform countries and beyond.

Among the initiatives in Europe, we find examples such as the Flemish Climate Pact in Belgium and the Natural Gas Phase Out Strategy in the Netherlands, as two successful examples of multilevel governance initiatives focused on climate and energy policies.

The **Flemish Climate Pact in Belgium** involves regional and local governments, ensuring effective links with the regions regarding local needs on four key pillars: nature-based solutions, energy mitigation policies, mobility, and water management. As a result of the Pact, over 95% of the Flemish municipalities have committed to 16 pre-defined targets in these areas. Meanwhile, the **Natural Gas Phase Out Strategy in the Netherlands** focuses on multilevel cooperation between the national and local levels, offering an integrated, neighbourhood-based approach to phase out gas heating, with a focus on affordability and feasibility.

For further detailed information, one can refer to their 2023 [report on good practices of multilevel governance](#) as well as their [first Policy Brief to the European Commission](#).

After considering the good examples, the project has pinpointed a few **success factors** for effective multilevel governance initiatives. First, it is essential to take the time to set up the process and listen to members, ensuring that everyone's voice is heard. Additionally, local and regional governments should be involved in the process and unburdened, rather than micromanaged. Finally, involving the national government is always a big advantage, as it helps to ensure national policies are coherent with their results for citizens at the local and regional level and that regional and local plans are taken into account in national plans.

c) The Covenant of Mayors for Climate and Energy - Europe

The Covenant of Mayors for Climate and Energy - Europe is the largest movement of voluntarily committed cities to take local climate and energy action. Funded by the European Commission, the initiative counts more than 11.000 signatories with 8.000 Sustainable Climate and Energy Action Plans (SECAPs) implemented at local level.



Since its launch in 2008, the Covenant of Mayors has demonstrated local governments' commitment to climate action, leading the way when national governments were just beginning to address climate change. Through SECAPs, cities across Europe have translated their political commitment into concrete actions.

However, in the initial versions of NECPs (2020), only 10 out of 24 EU Member States mentioned the Covenant of Mayors in their NECPs. This fails to fully capitalise on the potential of aligning SECAPs and NECPs to complement each other, reinforcing vertical policy alignment, setting clear links with available funding for municipalities and integrating local data.

In the latest draft NECPs (2023) submitted by 15 EU Member States in September 2023, 7 mentioned the Covenant of Mayors, including Croatia, Cyprus, Estonia, Italy, Lithuania, Luxembourg, and Portugal. Some of these countries, such as Croatia, Italy, and Portugal, proposed specific measures to strengthen SECAPs in their NECPs. For example, Croatia aims to improve local strategic planning, monitor SECAP progress, and use SECAP data in national planning revisions.²⁰

Supporting national multilevel dialogues

As a bottom up initiative and as part of the efforts to reinforce multilevel governance processes, the Covenant of Mayors is actively supporting the organisation of multilevel dialogues within the framework of the revision of the NECPs.

In Malta²¹, the Covenant of Mayors event, organised by the Local Councils' Association, facilitated discussions on a national energy and climate plan. Mayors and attendees explored the challenges faced by localities and the necessary support to achieve the goals outlined in the NECP.

In Slovenia²², the Association of Municipalities of Slovenia (ZMOS), in collaboration with the Covenant of Mayors for Climate and Energy and the Ministry of the Environment, Climate, and Energy, conducted a consultation on the role of municipalities in NECP preparation and implementation, emphasising the vital role of local communities in achieving climate neutrality.

During these events, participants learned about the NECP preparation process, its content, and dimensions such as decarbonisation and energy efficiency. The importance of municipalities actively participating in NECP updates was stressed, given their substantial role in implementing measures. The dialogues also addressed regulatory changes, legislation, and financial resources for local projects. These discussions underscored the complexity of energy and climate issues and the necessity for ongoing communication between national governments, municipalities, and other stakeholders to successfully achieve EU climate goals and climate neutrality.

In the context of the energy crisis, national authorities will only be able to successfully achieve their targets if they work closely with local and regional governments. However, too often, one sees that national energy and climate plans do not tap into the enormous potential of local and regional governments to drive the climate and energy transition.





3. National good practices for supporting LRGs in implementing the five dimensions of the NECPs

Case studies shared
by CEMR members



This section moves from the planning of climate and energy actions – together with their related consultation mechanisms – to the implementation of climate and energy-related actions. The study sought to identify good national practices supporting implementation of relevant actions by Local and Regional Governments (LRGs).

The primary source of information on this study question was provided by CEMR members through a targeted consultation exercise following the joint CoR-CEMR survey and took place towards the end of the summer 2023. Members highlighted a variety of support systems in place at national level to support local and regional implementation.

In addition, the study team sought to identify relevant good practices during the examination of the NECPs and through additional desk research. Some of the most interesting and inspiring examples of national practices in the context of this study are presented here under each of the five dimensions of the NECPs²³ and climate and energy policies in a broader sense.



Chapter highlights

- The practices showcased in this chapter highlight that the national level (governments, agencies, initiatives etc.) can play a key role in supporting local and regional governments to take effective action to achieve climate and energy-related objectives.
- It would be a mistake to imagine that the only support LRGs need -or are provided with – is solely financial support for undertaking necessary investments in climate and energy-related projects.
- Some of the most interesting and inspiring national practices involve shared commitments, harmonised reporting, networking and exchange and technical support on climate and energy-related initiatives.
- Practices' examples highlighted in this chapter include:
 - A network of municipalities and regions in Finland with a shared commitment to decrease GHG emissions by 80%.
 - A national initiative in Denmark providing municipalities with technical assistance and support to develop climate action plans in line with the ambitious C40 Climate Action Planning Framework.
 - A 'sector pact' between the national association of LRGs and the national energy agency in Portugal to promote LRG implementation of national energy saving recommendations.
 - A specific strand of work by the national association of LRGs in Denmark to support local authorities in developing and updating their emergency plans for extended power cuts.
 - A national legal framework specifically adapted to facilitate the creation of local energy communities in Italy to collectively produce, consume, and manage energy resources.
 - Also regional initiatives, under the national education and training system in the UK for adapting and reskilling workers for new jobs emerging within the green economy (green jobs).
 - Further identification and sharing of good practice policies at national level can help support increasingly rapid climate and energy transitions at local level.



3.1 Decarbonisation

Introduction

Decarbonisation – the process of **reducing greenhouse gas emissions to combat climate change** – is central to Europe's overarching energy and climate policy goals. Indeed, the EU has the ambitious goal to be climate-neutral – an economy with net-zero greenhouse gas emissions – by 2050. This objective is at the heart of the [European Green Deal](#) and in line with the EU's commitment to global climate action under the [Paris Agreement](#). Apart from that, most European governments made net-zero pledges by 2050 in their NDCs²⁴.

Decarbonisation involves reducing carbon dioxide (CO₂) and other greenhouse gas emissions across various sectors, including energy, transport, industry, and agriculture. However, the clean energy transition to renewable and low-carbon energy sources is particularly crucial in this context, since the production and use of energy account for **more than 75% of the EU's greenhouse gas emissions**.²⁵

Challenges faced by local and regional governments

Local and regional governments have a key crucial role to play in reaching the EU's decarbonisation targets because they have the authority/responsibility and proximity to implement policies, engage communities, and their contribution to infrastructure investments that directly contribute to emissions reductions.

However, the process of reducing greenhouse gas emissions presents several challenges for LRGs. Decarbonisation initiatives often require significant financial investment, as well as technological expertise. Other issues can include a potentially complex web of regulations and legal frameworks – such as zoning laws, building codes, and energy regulations – public resistance and a need for effective data and monitoring.

To address these challenges, local governments often engage in comprehensive planning, seek partnerships with relevant stakeholders, and develop clear strategies for achieving their decarbonisation goals. Additionally, leveraging available grants and incentives at the regional, national, and international levels can help overcome financial barriers and accelerate the transition to a low-carbon future.

Examples of national support for local action

National-level initiatives can play a critical role in supporting local and regional governments in their decarbonisation processes. Some of the most ambitious initiatives in this regard come from the Nordic countries of Europe, notably two national networks of municipalities working in different ways to support decarbonisation.

HINKU (Towards Climate Neutral Municipalities) network - Finland.

An ambitious and inspiring national approach to supporting local and regional governments to achieve decarbonisation objectives is provided by the **HINKU network in Finland**.

Coordinated by the Finnish Environment Institute (SYKE), the network currently brings together nearly 100 municipalities and five regions under a shared commitment to **decrease GHG emissions by 80%** from 2007 to 2035 in their territories. As well as making this commitment, to successfully join the network, **each local authority must also fulfil a set of criteria** related to decision-making, planning and reporting on climate action.

In return for their clear political commitment, the participating local and regional governments receive **expertise, tools and peer support** focused on addressing the challenges they are facing in their decarbonisation process. Specific activities of the network include: sharing of best practices – including regular awards for municipal emission-reduction actions; support for planning and preparing projects; and communication cooperation and networking opportunities.



In addition, SYKE helps each municipality and region by **calculating their consumption-based GHG emissions and providing a set of indicators** for municipal and regional climate work.

The network also encourages, supports and enables municipal authorities to **work together with business representatives, local residents, research institutes and experts** to devise and tailor new cost-effective solutions to reduce emissions. A large group of companies and experts are involved as partners in the network, supporting municipalities with their technical expertise in decarbonisation.

For more information: [Carbonneutralfinland \(hiilineutraalisuomi.fi\)](https://hiilineutraalisuomi.fi)



DK2020 - Climate plans for Denmark

In Denmark, DK2020, is a national initiative providing municipalities with **technical assistance and support to develop climate action plans** that comply with the [C40 Climate Action Planning Framework](#) in line with the 1.5 degree goal in the Paris Agreement.

Launched as a pilot initiative with 20 local authorities in 2019, the network already includes 96 of the 98 Danish municipalities, meaning that nearly all Danish municipalities are now working with the **same standard for climate action planning as used by some of the world's most climate-ambitious cities**. This is the first time that the C40 standard is being used by and further developed for use in smaller cities and municipalities. Thus, the DK2020 municipalities are writing international climate history.

Through the DK2020 network, Danish municipalities are therefore developing, upgrading or adjusting their existing work on climate action to global best practice. These plans focus on all sectors within the municipalities' geographical area and will define **how the municipalities will become climate neutral and climate resilient by at latest 2050**.

DK2020 is a partnership between Realdania (a private association in Denmark that supports projects in architecture and planning), Local Government Denmark (KL) and the five Danish regions. CONCITO – Denmark's green think tank – is project secretariat and knowledge partner, together with C40 Cities. **Each of these actors and local operators assist the municipalities** with advice and feedback on their climate action plans

For more information: <https://www.realdania.org/whatwedo/grants-and-projects/dk2020>



Other interesting national initiatives include:

- The [Delta Programme in the Netherlands](#) under which the government has entered into innovative collaborations with around 150 parties – including residents, businesses, knowledge institutes, and NGOs – to develop proposals to reduce greenhouse gas emissions by 49% by 2030, covering sectors including electricity, industry, land use and mobility.
- Based on the national Spatial Planning Act, a [National Coordination Scheme in the Netherlands](#) provides for national government coordination with local and regional governments in the allocation of permits and licences for large-scale RES projects. Municipalities continue to decide for themselves about the relevant environmental permits.
- A comprehensive 2023 amendment to the [Renewable Energy Law in Germany](#) included provisions to ensure the financial participation of municipalities in the development of renewable energy infrastructure. Municipalities will also be able to stipulate local nature conservation requirements for both subsidised and unsubsidised infrastructure. This aims to strengthen local acceptance and engagement with the clean energy transition as the municipal financial participation should become the norm in the future.
- The latest [2022 energy- and climate agreement](#) has strengthened the **district heating policy in Denmark** with the aim to further replace oil and natural gas. To begin the work, an agreement between the Danish Association of Municipalities and the government has laid out several steps, including municipalities identifying areas with potential for district heating and the provision of advice, supporting funds and guides for the roll out of projects by district heating companies to be approved by municipalities in 2023.
- **Sweden's groundbreaking [Viable Cities](#) initiative**, with a budget over SEK 200 million, is dedicated to achieving climate neutrality and sustainability by 2030. In a collaborative effort led by Vinnova, the Swedish Energy Agency, and Formas, the program partners with 23 cities and more than 100 organisations

spanning businesses, academia, civil society, and the public sector. Cities commit to substantial carbon reduction, fostering innovation, and community engagement. The initiative also includes national commitments, like a national platform for municipal funding in climate initiatives or revising national legislation to empower municipalities in climate leadership and prepare for the EU's 2030 call for climate-neutral cities.

3.2 Energy Efficiency

Introduction

Energy efficiency – the practice of using less energy to achieve the same or improved results – serves to reduce energy consumption, lower energy bills, and decrease the environmental impact associated with energy use.

It has a key role to play in meeting decarbonisation targets, going hand-in-hand with the transition to cleaner forms of energy to reduce overall emissions from the production and use of energy. Energy efficiency projects are often found to be more cost-effective than building new energy infrastructure.

Under the revised [EU Energy Efficiency Directive](#), the EU has agreed on an ambitious energy efficiency target for 2030 of reducing final energy consumption by at least 11.7% compared to 2020 projections. As part of their energy efficiency obligation schemes, EU countries will be required to achieve an average annual energy savings rate of 1.49% from 2024 to 2030. Critical sectors are reducing energy use in buildings, transportation, and industry.

[Challenges faced by local and regional governments](#)

Again, local and regional governments have a vital role to play in reaching the EU's energy efficiency targets since they typically have significant control over crucial dimensions of energy consumption, such as local energy systems, waste management, public transportation, building regulations and land use planning.



However, they face important challenges for achieving significant progress. The first is that energy efficiency measures can require significant upfront investment, with relatively long payback periods, particularly if the local infrastructure is relatively old and difficult to retrofit. Another can be the need to collaborate with (private) utility companies or landowners and the high-levels of expertise required to deal with the complexity of many energy efficiency technologies and practices. Accurate data is also needed to identify appropriate energy-saving opportunities. To address these challenges, local governments often adopt a multi-pronged approach that includes public-private partnerships, collaborating with regional and national governments, targeted financing mechanisms, citizen engagement, public outreach campaigns and regulatory reforms.

Examples of national support for local action

National-level initiatives can play a critical role in supporting local and regional governments in their efforts to improve energy efficiency within their communities.



Sector Pact for Local Administrations – Portugal

In Portugal, a 'Sector Pact for Local Administrations' was signed between the National Association of Portuguese Municipalities (ANMP) and the Energy Agency (ADENE) as **part of the national Energy Saving Plan 2022-2023** which was itself approved in the context of and in response to the voluntary 15% reduction in energy consumption launched by the Member States of the European Union.

The Sector Pact acts as a shared formal commitment to **improving the involvement of municipalities in the execution of the recommended measures of the national Energy Savings Plan.**

Through the Pact, the association of municipalities commits to promoting **adherence to the measures and actions recommended by the Energy Saving Plan 2022-2023** amongst its members and to encouraging the **adoption and sharing of other behaviours and good practices.** These recommendations can range from simple and low-cost efforts to foster behavioural changes, to more ambitious measures that require significant investment, for which LRGs need agile and effective access to community funds.

Municipalities are also committed to **regular monitoring of energy consumption**, which not only serves to identify progress in energy efficiency at local level, but also contributes in an important way to the national monitoring of the national Energy Savings Plan.

In exchange, the Energy Agency ADENE commits to: provide **training and information to local public administration technicians** in the context of projects under the Public Administration Resource Efficiency Program; provide campaign materials for awareness and information activities; and ad hoc support and answers to questions from local authorities.

The results show that municipalities have strongly adhered to the plan and demonstrated environmental and generational responsibility in introducing savings measures. **Improved energy saving and efficiency practices** have been particularly evident in public lighting, lighting in municipal buildings (inside and outside), air conditioning and reducing irrigation.

A large number of municipalities now have strategic plans for sustainability & energy transition, and **roadmaps for energy saving & efficiency.**



Another interesting practice is the establishment of voluntary [Energy efficiency agreements in Finland](#) for fulfilling EU energy efficiency obligations. Specific agreements for the municipal sector commit municipalities to setting an indicative target of at least 7.5% energy savings 2017-2025 and to report annually on progress. They are seen as a key tool of Finland's energy and climate strategy.

3.3 Energy Security

Introduction

Energy security – the ability to ensure a stable, reliable, and uninterrupted supply of affordable energy – is a critical component of a nation's overall security and economic well-being. It is fundamental to the functioning of modern societies and a key challenge of the modern world with important environmental and geopolitical implications, especially after the weaponisation of energy after Russia's unprovoked invasion of Ukraine.

Crucial issues include the risks of being reliant on any one particular energy source, the dangers of being reliant on external energy suppliers, threats from man-made and natural disasters, and complications associated with managing the transition from well-established but dirty fossil fuels to cleaner sources of energy which need to be built up to scale. Several energy security risks facing Europe have been highlighted by the war in Ukraine.

An [EU Energy Security Strategy](#) was defined in 2014. This set out necessary actions on aspects such as increasing energy production in the EU, further developing energy technologies, diversifying external supplies and improving coordination of national energy policies and contingency plans. By transitioning to domestic and renewable energy sources, the EU can reduce its vulnerability to supply disruptions and price fluctuations in global energy markets.

Challenges faced by local and regional governments

Whilst energy security is a high-level topic of national, European and international importance, it is also a relevant and important topic for local governments. **This includes local responsibility for ensuring the resilience of critical local infrastructure to extreme weather, natural disasters, cyberattacks and other disruptions. It also covers specific measures that local governments can take to promote access to energy for low-income households and build up energy storage solutions in a context of more volatile energy supply and demand.**

Local governments need to have contingency plans in place for local energy supply and be ready to respond to power outages, fuel shortages and other energy-related emergencies. They can also work to prepare their communities to face energy-related challenges and emergencies through outreach and awareness-raising.

Measures to support local renewable energy production and increase energy efficiency (see previous sections) also have an important role to play in supporting overall energy security.

Examples of national support for local action

Many of the national approaches to promoting energy security at local and regional levels focus on the promotion of energy efficiency and decarbonisation (see above) – as part of overall approaches to diversifying supply and decreasing reliance on external providers.

However, an example of a specific national approach to tackling local energy issues in terms of energy security is a Danish approach to ensuring local emergency preparedness.



Materials for local emergency preparation – Denmark.

The national authorities in Denmark called for local authorities to review the energy dependence of critical processes and functions and **assess and mitigate the risk of a potential energy failure**. This was identified as a priority in a context where the Danish Energy Agency highlighted that electricity distributors may have to shut down power to certain geographic areas in response to insufficient national supply in the winter months.

To support local authorities in **developing and updating their emergency plans**, the national association of local authorities 'Local Government Denmark' (KL) has undertaken a specific strand of work. This includes setting up a group of municipal emergency services and municipalities to jointly identify the most important issues and organising meetings with local authorities to raise awareness on this important topic.

Key **areas of focus** have been identified as: ensuring the water supply and wastewater management, whether and how communication and operations can continue without mobile coverage, whether the operation of schools/daycare centres can take place without electricity and how to support citizens who depend on energy at home. Work on these topics aims to ensure readiness by local governments to ensure continued operation in the event of extended power cuts.

Whilst the work to build the knowledge and capacity in the field of emergency preparedness is still ongoing, KL has already prepared a **pamphlet with a number of examples of what municipalities can do and should be aware of** in the event of a possible power failure. This includes examples of municipalities' preparedness before, during and after a power failure incident.

A key area of future attention will be **how to strengthen communication by and between authorities** before, during and after extended power cuts.

3.4 Internal Market

Introduction

The EU has been working to harmonise and liberalise the energy sector in the EU since 1996 in order to build a more competitive internal market with better services and lower prices. Measures have sought to address issues such as market access, transparency and regulation, consumer protection, interconnection and adequacy of supply.

A stronger internal market aims to support overall energy security and encourage both energy efficiency and the integration of renewable energy sources into the energy mix (see sections above). It also aims to strengthen and expand the rights of individual customers and energy communities, ensuring a more customer-centred, flexible and non-discriminatory EU electricity and gas market, with higher levels of consumer protection and addressing energy poverty.

A recent European Parliament factsheet identifies that "completion of the EU's internal market requires: the removal of numerous obstacles and trade barriers; the approximation of tax and pricing policies and measures in respect of norms and standards; and environmental and safety regulations"²⁶

Challenges faced by local and regional governments

Local and regional governments have a role to play in the creation of the EU internal energy market in various ways. **One key area is supporting diversification of local renewable energy production, including through community energy projects which seek to decentralise production, improve distribution grids, build energy storages and increase consumer choice, engaging residents in the energy transition.**

They can also engage with energy companies, neighbouring municipalities and regional authorities to deliver energy infrastructure projects that enhance cross-border connectivity and trade and work with local residents to build awareness of their rights and responsibilities as energy consumers.



Nevertheless, energy market policies and regulations are primarily the responsibility of national or supranational authorities, which limits the ability of local authorities to directly shape policy in this area. Trying to coordinate with higher level authorities, neighbouring jurisdictions, private energy companies and local communities to support, for example, new market entrants or cross-border trade can also be highly complex.

Examples of national support for local action

One way in which the national level can support local and regional governments in constructing the internal energy market is by providing a legal framework which facilitates the diversification of supply. A specific area of work identified by CEMR members in this context is around enabling the creation of energy communities at local level.

A supportive legal framework for energy communities – Italy

Energy communities are local initiatives that bring together individuals, households and businesses within a specific geographical area to **collectively produce, consume, and manage energy resources**. They can be a valuable component of the internal energy market in the EU, by diversifying and decentralising production, introducing more competition and choice for consumers.

Energy communities typically involve the deployment of clean energy systems at local level, such as solar panels, wind turbines, or biomass facilities, aiming to **promote renewable energy generation, more resilient local supply, energy efficiency and sustainable practices at local level**.

Energy communities operate under a **cooperative or participatory model**, with members actively engaged in decision-making processes and benefiting from shared energy resources.

Energy communities in Italy have gained prominence due to a **legislative framework introduced by the Italian government to support their establishment and operation in 2019**. The national law known as 'Conto Energia Quinto' (Fifth Energy Account) enables and encourages the creation of communities that exchange energy for the purpose of collective self-consumption, both instantaneous and deferred. It serves to **overcome many of the real or perceived legal barriers** to market entry for energy communities.

Anyone who consumes energy can participate in these communities, regardless of whether they own a photovoltaic system, a storage system or are a simple supporter of clean energy. Agreements for the sale of energy are bound by private contracts, however the **goal of this self-consumption by the community cannot be profit**, but the benefit of all at an economic, social and environmental level – underlying the importance of the 'community' aspect.

At the moment, energy communities can only be established downstream of a substation with sharing of surplus energy among community members only taking place through the existing distribution network. There are also limits on capacity. However, this is foreseen as being a **testing period on the low voltage grid** to allow public administrations and consumers to appreciate and verify the benefit of this new paradigm.

In the future, **the model is expected to be broadened**, so that more opportunities will exist to develop these communities further.

For more information: <https://www.regalgrid.com/en/magazine/energy-communities-in-italy>



CEMR members highlighted that **Portugal has also established a legal framework for the creation of renewable energy communities** and communities of citizens for energy from renewable sources.²⁷ However, it was found that there is still room for improvement in terms of the effective participation of Municipalities in energy communities, in particular the clarification and streamlining of applicable legal regimes.

The European Commission is developing a [European database of national approaches to supporting energy communities](#), covering definitions, rights and obligations, the enabling legal, regulatory and administrative framework, barrier assessment and removal, and support and financing schemes. Currently, the database provides information on the approaches used in Estonia, France, Malta, Poland, Romania and Cyprus.

3.5 Research, Innovation and Competitiveness

Introduction

Research and Innovation needs to be at the heart of Europe's climate and energy responses in order to deliver the technologies required for energy-system transformation at the scale of Europe's challenges and ambitions. The EU's [Energy Union Package](#) calls for research and innovation actions at both European level and within Member States to be grouped around four core priorities:

- i. next generation renewable energy technologies, including environment-friendly production and use of biomass and biofuels, together with energy storage;
- ii. participation of consumers in the energy transition through smart grids, smart home appliances, smart cities, and home automation systems;
- iii. efficient energy systems, and making the building stock energy neutral, and more sustainable transport systems that increase energy efficiency and reduce greenhouse gas emissions.
- iv. more sustainable transport systems that increase energy efficiency and reduce greenhouse gas emissions.

The EU seeks to promote more coordinated research and development across Member States (including through the [Horizon Europe](#) programme) and more effective links between research and industry and thereby bringing new technologies to the market in the EU.

Challenges faced by local and regional governments

Regional and particularly local governments face considerable challenges of scale, resources and expertise for developing research and innovation in support of energy and climate goals. They often require and seek innovation to improve the delivery and performance of various services, but are not typically well-placed to lead the discovery of new technologies.



Local authorities have a strong responsibility for the effective use of public money, which can make them understandably risk averse and hesitant to undertake unproven concepts or practices. They also lack the money or staff capacity to lead major technological innovation.

At the same time, local governments are crucial partners for the development of innovative solutions that can be applied in real contexts on the ground, not least for testing, monitoring and providing data to support innovation. Municipalities can serve as important demonstration sites for innovative energy and climate technologies and practices, which can inspire replication in other geographic areas.

Examples of national support for local action

Local and regional governments can also be crucial for rolling out innovation and supporting its uptake, including through the development of education and training to promote a workforce with the skills and confidence required to work with modern technologies and the latest innovations in climate and energy policy and practice. Interesting examples highlighted by CEMR members included different mechanisms to support the training of workers for implementation of the green transition.



Creating the workforce to deliver net zero - UK

Retrofitting and electric vehicle maintenance - Essex

The UK Government's [UK Community Renewal Fund](#) fully funded a project of Essex County Council in partnership with the non-profit organisation '[Retrofit Academy](#)' to develop and deliver training on retrofit skills and activity to relevant Publicly Available Specification standards. This saw the number of retrofit coordinators in Essex increase from 1 to over 50, training almost 300 people in professional retrofit skills in 18 months.

Also through the Community Renewal Fund, the Council has secured funding for a [new electric vehicles centre](#) in Harlow providing up-to-date training to upskill 50 automotive technicians in electric vehicle maintenance, to meet a growing market demand.

Green Training Hubs - East Sussex

East Sussex College is offering a range of fully accredited training courses through a new specialist [Green Training Hub](#). It supports local authorities, businesses, construction employers and homeowners by developing the skills necessary to install green energy products ranging from solar, and micro-wind installations to house-refitting and heat pump technology, in both commercial properties and housing. The hub aims to meet the aim of retrofitting 40,000 households across the region and creating job opportunities for local SMEs and micro businesses.

Green Skills Market Analysis - West of England

The West of England Combined Authority (CA) undertook a [Retrofit and Green Skills market analysis](#) which included identifying emerging skills gaps across a range of sectors. On this basis, the CA created support programmes to create local green skills and jobs and target investments through the Adult Education Budget. It also established the Green Recovery Fund to help meet the climate and ecology ambitions set out in the [Climate and Ecological Strategy and Action Plan](#).



4. The role of local and regional governments in financing energy and climate policies

Private sector capital may and should play a bigger role in climate finance, including with innovative financial instruments. But mobilising private sector investment at scale requires action across climate and investment policies in a coordinated way, especially with regards to the workability of sustainable finance products in a local and regional context.



Substantial investments are needed to ensure a transition to a low carbon European economy. Climate finance refers to the local, national or transnational financing—drawn from public, private and/or alternative sources of financing—that seek to support mitigation and adaptation actions that will address climate change.

Decisions made on financial flows and infrastructure investment in developing countries up to 2030 are critical to meet the goals of the Paris Agreement and deliver on the 2030 Agenda for Sustainable Development. OECD calculations show that an average of USD 6.9 trillion²⁸ investment in low-carbon, climate-resilient infrastructure will be required annually between 2016 and 2030 to meet climate and development objectives.

Furthermore, in 2021, the Commission estimated that achieving the 55% greenhouse gas emissions reduction target by 2030 would require additional investment of €392 billion per year²⁹ compared to the 2011-2020 average in the energy system alone. Experts have estimated that reaching net-zero emissions by 2050 in the EU-27 would require total (i.e. ongoing plus additional) investment of around €1 trillion per year³⁰ in the 2021-2050 period.

The role and importance of LRGs in delivering the energy and climate policies is increasingly acknowledged. However, supporting subnational government climate actions and providing recommendations on how additional climate finance resources should be mobilised requires having a better understanding of the current financial role and weight of subnational governments in financing energy and climate-related areas. This section of the study seeks to address that.

Chapter highlights

- Subnational governments play a pivotal role in climate-related expenditure and investments.
- In 2019, they were responsible for 58% of the total general government expenditure related to climate initiatives. This proportion was even higher before the global financial crisis in 2008, with subnational governments contributing around 60-62% of these expenditures.
- The percentage of subnational expenditure that is devoted to climate-significant expenditure ranges from over 20% in Luxembourg to around 1% in Iceland.
- Policy areas with the highest shares of subnational government expenditure in climate-significant expenditure are street lighting, wastewater management and waste management (about 80% in each), plus water supply, community development and housing development (60-70%).
- Around 45% of CEMR members feel that the NECP in their country provides support for the implementation, at local or regional level, of the measures included in the plan – particularly through EU funding, national funding, capacity-building opportunities or technical support.
- Nevertheless, most CEMR members (68%) either disagreed or strongly disagreed that the financial resources allocated to LRGs match the burden of responsibilities at the local level.
- Leveraging private financing and investment towards the transition will be essential for achieving the Union's climate and energy targets, however LRGs do not have the same capacities to realise necessary investments and access sustainable financial instruments.



4.1 Current financial contribution of local and regional governments

4.1.1 Data sources and definitions

Supporting subnational government climate actions and providing recommendations on how additional climate finance resources should be mobilised requires having a better understanding of the financial role and weight of subnational governments in energy and climate-related areas.

The analysis provided further below builds on the existing data from the [OECD subnational climate finance hub](#), in particular the [OECD Subnational Government Climate Finance database](#) which includes data on subnational government climate-significant expenditure and investment (see Box 1 for definitions of these terms) for 33 OECD and EU countries covering the period 2001 to 2019. Data was collected using a standardised methodology, initially developed in 2018 by the OECD and updated as part of the joint OECD-European Commission project, based on national accounts data.

The dataset provides for quantified financial data according to the following principles:

- **Data limitations:** The OECD dataset, which serves as the base dataset for the methodology, presents its own limitations. It relies on reporting from member countries on their national and subnational expenditures. Some countries do not report every year; others report subnational spending only for first-level Classification Of the Functions Of Government (COFOG)³¹ function categories. Some countries do not report on all categories. The scope and time coverage of data differs across countries based on data availability.
 - No data can be found for a number of countries, which explains why a complete coverage of all CEMR member countries is not possible³²,
 - For Israel, data was only reported starting from 2013,
 - For Turkey, data was only reported starting from 2008,
 - For Slovakia, data for the years 2003, 2004, 2005 and 2006 is missing.

- **International comparability:** Despite its limitations, this dataset is the first of its kind to provide internationally comparable data on subnational public climate-significant expenditure and investment.

- **Scope of government:** The methodology measures both national and subnational climate-related expenditure, which enables comparisons of levels of climate-related spending between the two levels of government (Box 2) It also makes it possible to identify the second-level Classification of the Functions of Government (COFOG) functions in which subnational governments or national governments spent more on “climate and environmental-related”. Comparisons between three levels of government are possible for federal countries that report both state and local government spending.

The available OECD data served as a basis for further visualisation and analysis by the study. This data analysis was backed up and complemented by qualitative analysis from other identified background documents, including other OECD pillars of work, [Subnational Climate-Revenue Tracking](#) and [Subnational Green Budgeting](#) as well as the CEMR study: “[Local Finances and the Green Transition](#)”.

Links have been made with the results found under chapter 3 (competences at the subnational government level) and possible good practices under chapter 4 where applicable.





Box 1: Definitions of subnational government climate expenditure and investment

The definitions used in this report align with the EU Taxonomy's³³ principle of "significantly contributing to climate change mitigation and climate change adaptation". More specifically, the terms "climate-significant expenditure" and "climate-significant investment" refer to expenditure and investment directed towards the economic activities the EU Technical Expert Group on Sustainable Finance (TEG) identified as significantly contributing to climate change adaptation and mitigation in their March 2020 final taxonomy report.³⁴

- **Climate-significant expenditure** covers both current and capital expenditure. Current expenditure includes staff costs, intermediate consumption, non-capital subsidies & tax expenditure. Interest expenditures are not included. Capital expenditure refers to indirect investment (capital transfers and capital subsidies) and direct investment (gross fixed capital formation (GFCF) minus disposals of non-financial, non-produced assets).
- **Climate-significant investment** refers to a subset of capital expenditure, specifically direct investment (GFCF minus disposals of non-financial, non-produced assets). Measuring investment provided a way to focus on the amounts invested in climate-related infrastructure specifically. Using this subset also provides a more accurate estimate of climate-related infrastructure investment spending than the overall spending category.

Source: OECD (2022), *Subnational government climate expenditure and revenue tracking in OECD and EU countries*

Box 2: Definitions of Government sectors included in the study

In the National Accounts, the term **General Government** sector is made up of four sub-sectors: central government, state government, local government, and social security funds and related entities.

The three 'government' sub-sectors included in this study are understood as:

- **Central government:** all administrative departments of the central government and other central agencies whose competences extend typically over the whole economic territory.
- **State government:** federated regions and Land/Länder in federal countries (in reference to Germany and Austria) as well as in quasi-federal countries (Spain) and related public entities (e.g. special-purpose state bodies, state public institutions and various satellite institutions attached to state governments).
- **Local government:** municipalities, intermediary tier of government including counties, districts, provinces/counties as well as regions (in unitary countries) and all related local public entities (e.g. special-purpose local bodies, inter-municipal cooperation structures, local public institutions and various satellite institutions attached to local governments).

In addition, the term **Subnational government** refers to the sum of two sub-sectors: state governments and local governments in federal countries, and only local governments in unitary countries where the subnational government sub-sector is equivalent to the local government sub-sector.

Source: OECD database methodology



A deeper understanding of LRG climate-specific expenditure still requires an examination of **expenditure by function** to reveal how much they spend on key areas. Here, the underlying expenditure and investment data comes from the National Accounts database, more specifically from the “Government expenditure by function” dataset (COFOG data). The **Classification Of Functions Of Government (COFOG)** is regarded as the appropriate basis to examine the structure of government expenditure.

Developed by the Organisation for Economic Co-operation and Development (OECD) and published by the United Nations Statistical Division (UNSD) as a standard classifying the purposes of government activities, the COFOG is a 3-level classification that classifies government expenditure data from the System of National Accounts by the purpose for which the funds are used. First-level COFOG splits expenditure data into ten ‘functional’ groups or sub-sectors of expenditures (such as economic affairs, education and social protection). Second-level COFOG splits these further into up to nine sub-groups³⁵. First-level COFOG data are available for 33 out of the 37 OECD countries (according to time series availability)³⁶, while second-level COFOG data are usually available for OECD European countries plus Australia, Colombia, Israel and Japan.

Also useful in this context is the [EU Taxonomy for Sustainable Activities](#) launched by the European Commission, which is a classification system that establishes a list of environmentally sustainable economic activities using consistent and objective technical screening criteria. The Taxonomy is just one element of a broader EU sustainable finance framework designed to direct investment towards sustainable projects and activities, which is a key component of the Paris Agreement.

The Taxonomy Regulation³⁷ entered into force on 12 July 2020, and tasks the European Commission with establishing the technical screening criteria. It sets out the EU’s six environmental objectives as well as four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable (for example, not locking in assets that undermine long-term environmental goals). Based on the EU Taxonomy, three first-level COFOG functions and 13 second-level COFOG functions, are identified as being “climate-significant”. This includes the first-level functions Economic Affairs, Environmental Protection, and Housing and Community Amenities, and second-level functions such as transport, fuel and energy, or waste management. The 13 second-level functions defined as climate-significant are set out in Box 4 below.

Box 3: Classification Of the Functions Of Government (COFOG) I level functions

The **Classification Of the Functions Of Government (COFOG)** divides expenditures into ten functions (I level):

- | | |
|-----------------------------|-------------------------------------|
| 0. General public services | 5. Housing and community amenities |
| 1. Defence | 6. Health |
| 2. Public order and safety | 7. Recreation, culture and religion |
| 3. Economic affairs | 8. Education |
| 4. Environmental protection | 9. Social protection |

Refer to Annex C in ‘Government at a Glance 2021’ for more information about COFOG I and II level functions and the types of expenditures included.



Box 4: Second-level "climate-significant" COFOG categories included in the study

COFOG 04.2. Agriculture, forestry, fishing and hunting
COFOG 04.3: Fuel and energy
COFOG 04.5: Transport

COFOG 06. 1: Housing development
COFOG 06.2: Community development
COFOG 06.3: Water supply
COFOG 06.3: Water supply

COFOG 05.1: Waste management
COFOG 05.2: Wastewater management
COFOG 05.3: Pollution abatement
COFOG 05.4: Protection of biodiversity and landscape
COFOG 05.5: R&D Environmental protection
COFOG 05.6: Environmental protection n.e.c.

Source: OCDE (2022), 'Subnational Government Climate Expenditure and Revenue Tracking in OECD and EU Countries'38

Expenditure in these areas contributes, to some extent, to climate adaptation or mitigation objectives. Nevertheless, it is clear that such a broad definition inherently captures spending that is not climate specific, but only indirectly contributes to climate mitigation or adaptation objectives.

4.1.2 The overall weight of subnational government finance in climate-significant expenditure

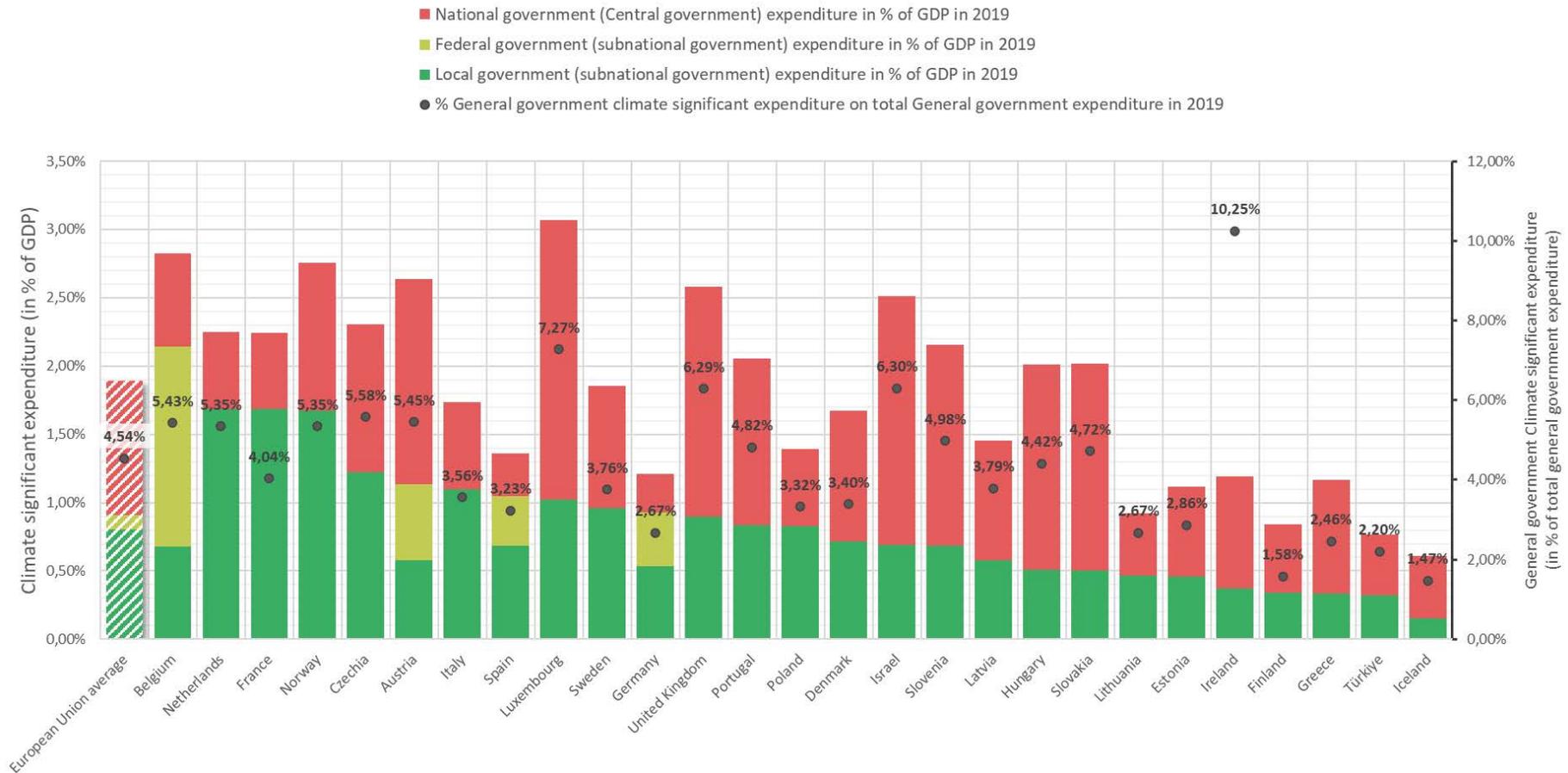
Figure 20 below displays the general government climate-significant expenditure as a % of GDP in the year 2019, divided into three 'government' sub-sectors, i.e. subnational-local, subnational-federal and national-central sub-sectors.

That explains why the subnational-federal sub-sector is present only for Austria, Belgium, Germany (federal countries) and Spain (quasi-federal country) while the subnational government sub-sector is equivalent to the local government sub-sector in all other countries (unitary countries).

In this graph, countries are ranked according to the share between subnational (local and federal) and national (central) sub-sectors, from highest subnational shares (Belgium, Netherlands, France on the left-hand side) to lowest subnational shares (Iceland, Turkey, Greece on the right-hand side).



Figure 20: Climate-significant expenditure in CEMR countries in 2019 (in % of GDP)



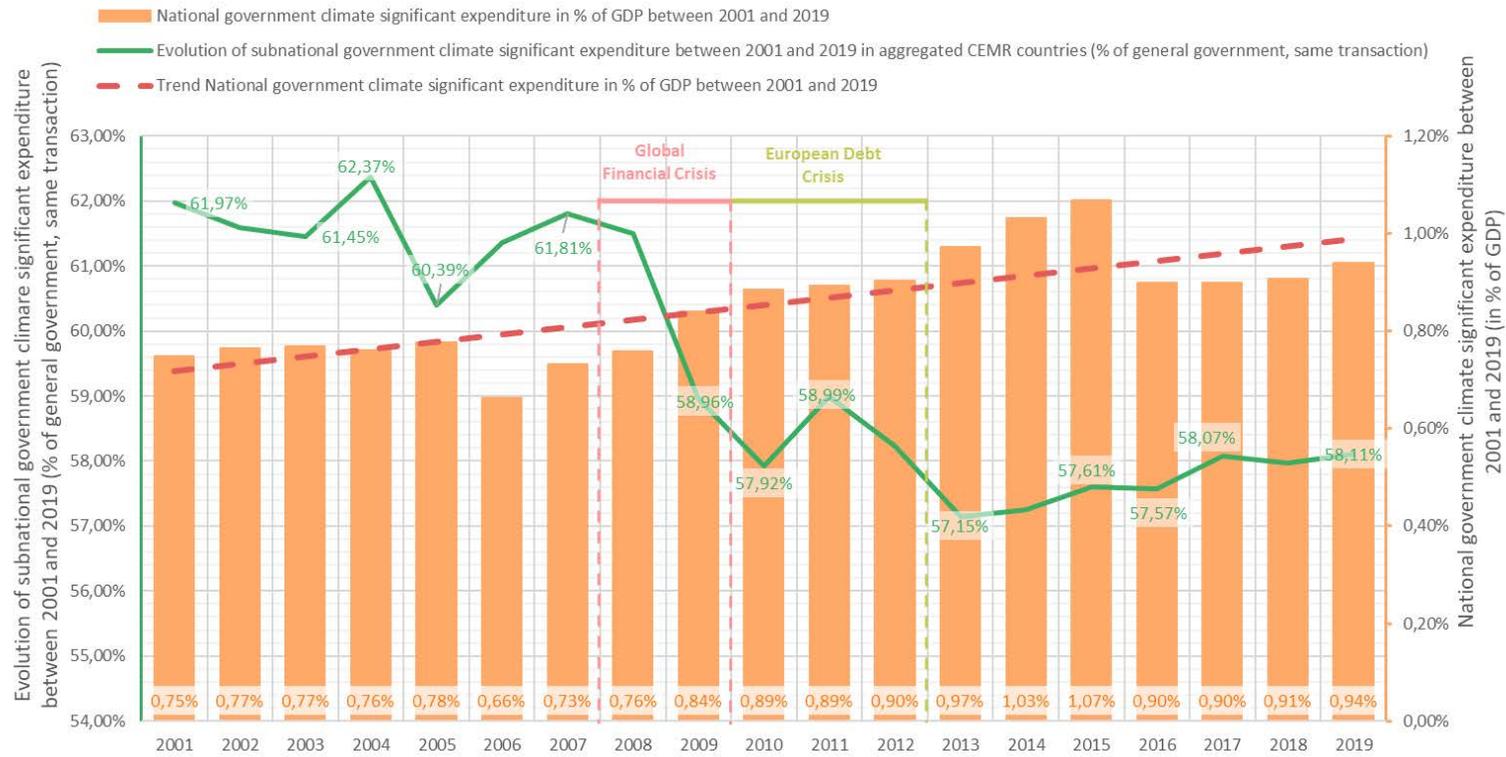
Source: Data extracted from the OECD database: <https://stats.oecd.org/Index.aspx?datasetcode=SGCFD>

The graph on the following page (Figure 21) allows to visualise the evolution between 2001 and 2019 of the extent of government climate-significant expenditure as a % of GDP (orange bars) and the evolution of subnational government climate-significant expenditure as a % of the general government expenditure (green line).

It shows an overall increase of the government climate-significant expenditure in CEMR countries between 2001 and 2019, while **the relative part of the subnational government climate-significant expenditure has decreased** (as a % of the general government expenditure).



Figure 21: Subnational and National Government Climate-significant expenditure in CEMR countries between 2001 and 2019



Source: Data extracted from the OECD database: <https://stats.oecd.org/Index.aspx?datasetcode=SGCFD>



Subnational governments accounted for 58% of climate-significant expenditures in 2019. Before the global financial crisis, this share was even higher and consistently accounted for 60-62% of climate-significant total general government expenditure 2001-2007 (green line). The share of subnational expenditure has nevertheless been increasing very gradually since the low of 57.15% in 2013 to reach 58.11% by 2019 around the levels seen immediately after the crash.

In addition, whilst the general trend line for overall government climate expenditure as a % of GDP has been up over the period 2001-2019 (orange bars), there have been two notable shocks – the first in 2006 and the second in 2016.³⁹ At the same time, the growth between the overall low in 2006 and what is still the peak in 2015 was well above the overall trend line for the entire period.

Some of these trends may be explained by the significant reforms in the governance and financial architecture and profound changes in the way financial policy measures are being conducted and money spent as a result of shocks such as the 2008-2009 financial crisis and the 2010-2012 euro area sovereign debt crisis.

While signs of moderate recovery showed in 2015, the risk of falling into deflation or secular stagnation remained high, and it was only in 2017 that the EU economy returned to a state similar to that of before the crisis.

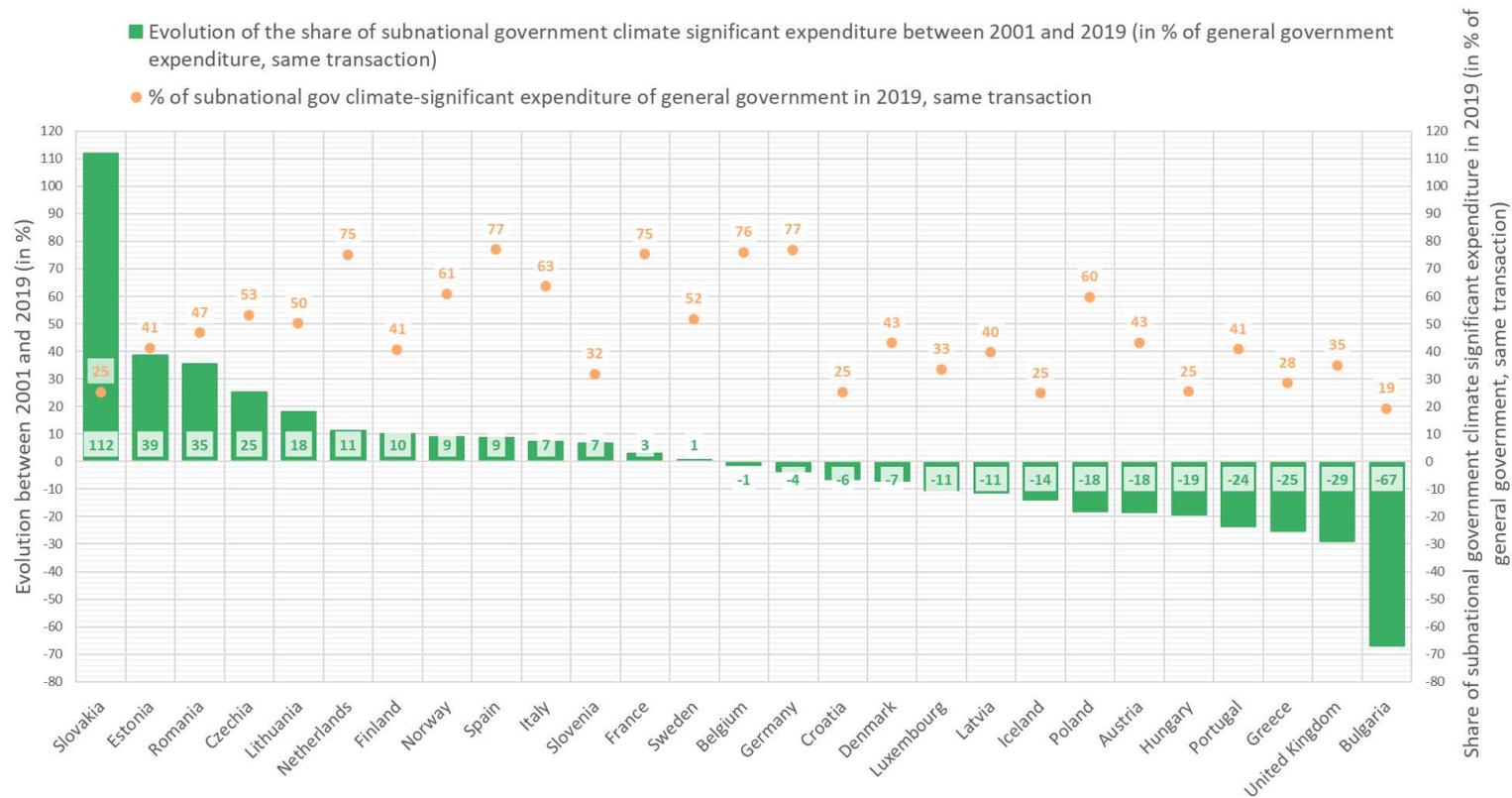
The chart on the following page (Figure 22) is a combination chart showing, per country, both the level of subnational government climate-significant expenditure as a percentage of the overall general government climate-significant expenditure in 2019 (orange dots) as well as the evolution of the share of subnational government climate-significant expenditure between 2001 and 2019 (green bars).

Looking at the share of the subnational government climate-significant expenditure in 2019, there is considerable variation between countries – ranging from 75-77% in countries such as Germany, Spain, the Netherlands, France and Belgium down to around 25% in countries such as Croatia, Iceland, Slovakia and Hungary and even as low as 19% in Bulgaria. These countries are also highlighted on the scatter chart seen in Figure 23 further below, which presents the same data in a different visualisation format.





Figure 22: Combination chart of subnational Government Climate-significant expenditure between 2001 and 2019



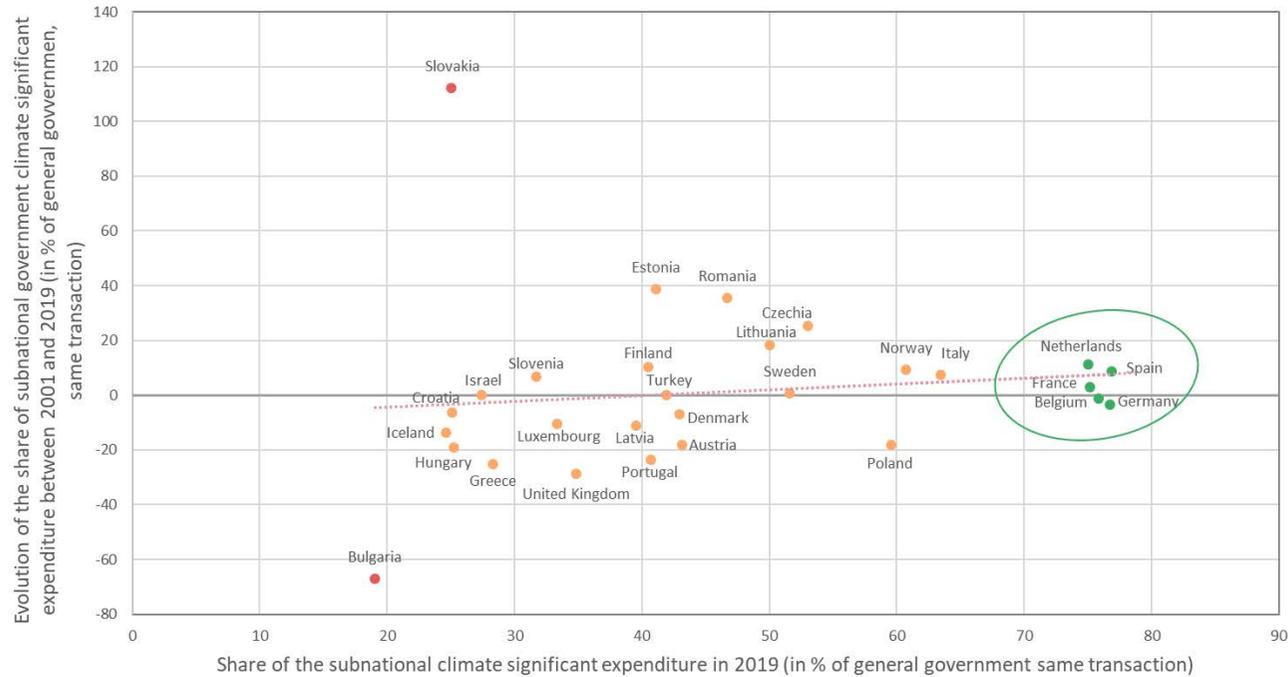
Source: Data extracted from the OECD database: <https://stats.oecd.org/Index.aspx?datasetcode=SGCFD>

The above chart (Figure 22) shows that subnational governments' climate-significant expenditure as a percentage of general government climate-significant expenditure, increased in about as many countries as it decreased. The most significant relative increase in local climate spending was in Slovakia, followed to a lesser extent by Estonia, Romania, Czechia, Lithuania and the

Netherlands. These are mainly decentralised countries with the notable exception of Slovakia. The group of countries where local climate spending decreased as a percentage of overall government expenditure, same transaction starts with Bulgaria, followed by the UK, Greece, Portugal, Hungary and Austria which are mainly centralised countries.



Figure 23: Scatter plot chart of subnational Government Climate-significant expenditure between 2001 and 2019



Source: Data extracted from the OECD database: <https://stats.oecd.org/Index.aspx?datasetcode=SGCFD>

The above scatter plot (Figure 23) shows the same data as the combination chart (Figure 22), but in a different visual format. The countries to the left of the chart have the lowest overall share of subnational government climate-significant expenditure within the overall government expenditure as of 2019. Meanwhile, countries below the x-axis have seen a decrease in the share of subnational government climate-significant expenditure; whilst those above it have seen a relative increase.

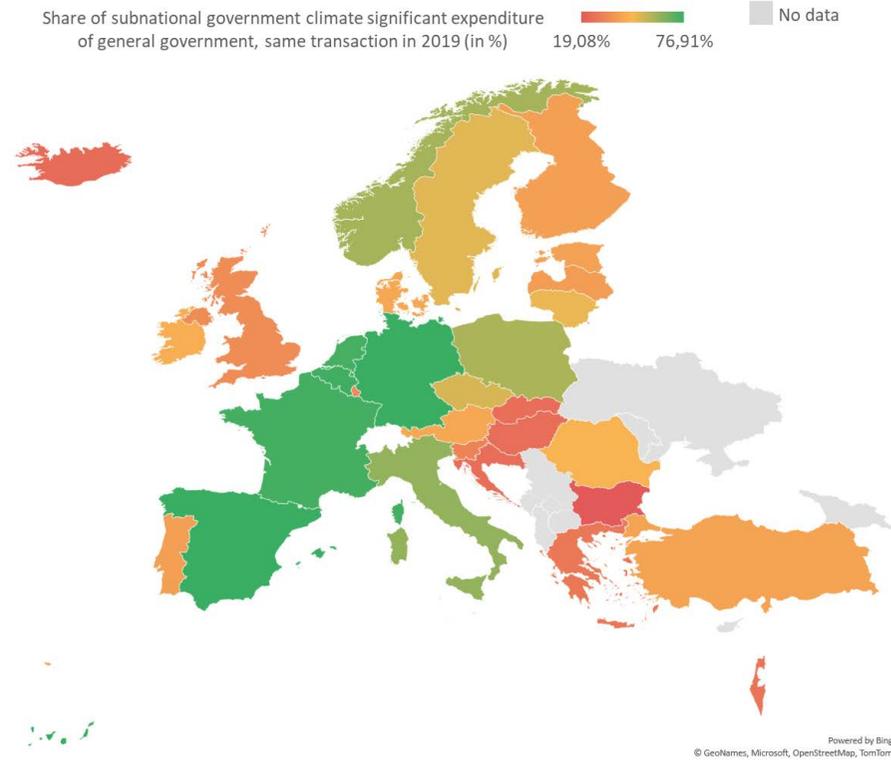
For example, the position of Slovakia highlights that the current share of subnational expenditure of climate-significant expenditure is one of the lowest in the CEMR countries at around 25%. However, this represents an increase of the share of subnational expenditure of around 112% (more than double) since 2001. Again, we see the group of countries in Western Europe (France, The Netherlands, Belgium, Germany and Spain – circled in green) emerging as those with the highest current share of subnational climate-significant expenditure. One could theorise, but it is not immediately obvious, why these countries have the highest proportions of spending at subnational levels.



Another trend is that most countries that now have less than 40% subnational climate-significant expenditure (2019 figures) have seen a relative decrease in this percentage since 2001 (with the slight exception of Slovenia and outlier exception of Slovakia). On the other hand, those that currently have between 40% and 60% subnational expenditure have typically seen relatively important increases in this share (decentralisation of expenditure). The final group of western countries having more than 70% subnational expenditure, however have only seen slight increases in this percentage or even slight decreases (Germany and Belgium).

As a further alternative to the two visualisations above, the map presented in Figure 24 below shows an apparent geographical (possibly cultural) relationship in the distribution of countries with higher and lower shares of subnational government climate-significant expenditure in 2019.

Figure 24: Share of subnational government climate-significant expenditure of general government in CEMR countries in 2019

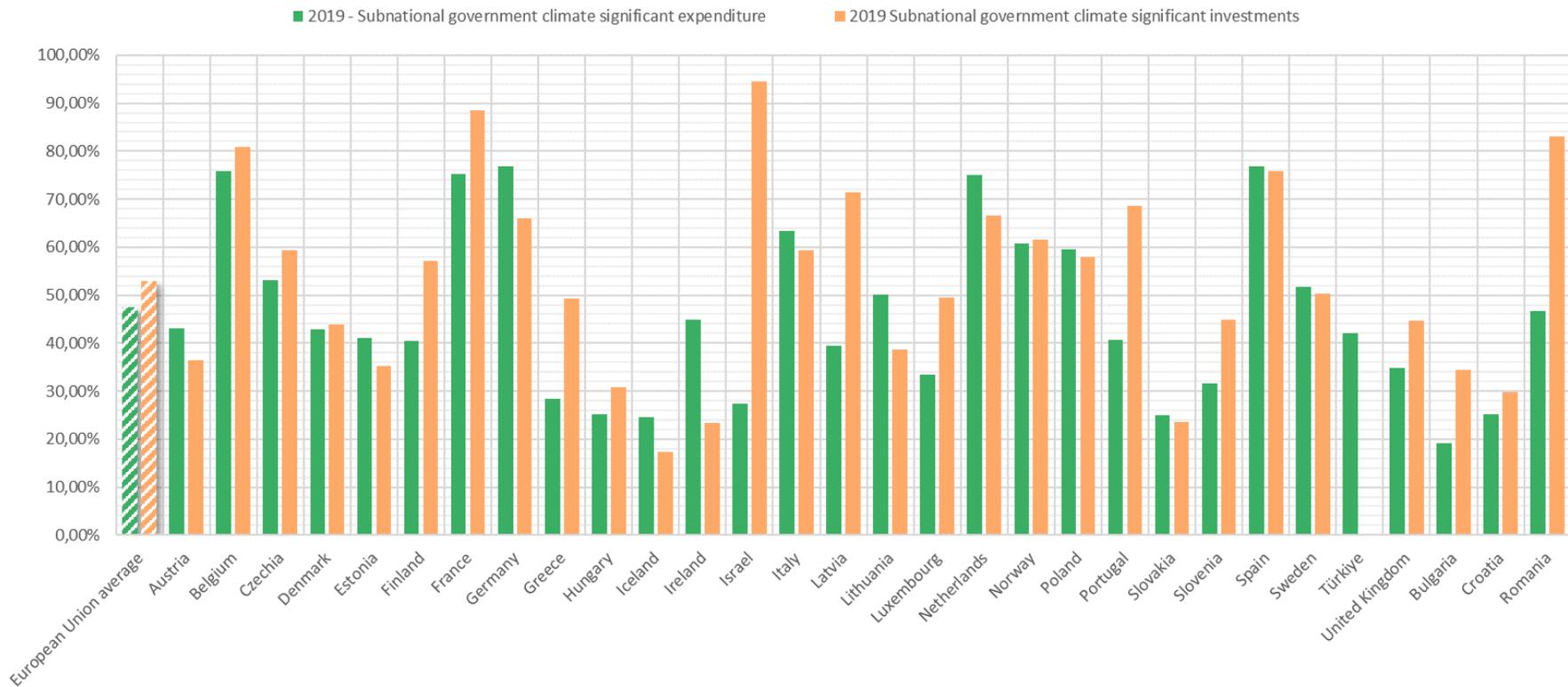


Source: Data extracted from the OECD database: <https://stats.oecd.org/Index.aspx?datasetcode=SGCFD>



Meanwhile, Figure 25 below shows the share of both climate related **investments and expenditures** incurred by subnational governments in 2019 (latest year available).

Figure 25: Share of subnational Government Climate-significant expenditures and investments among the CEMR countries in 2019



Source: Data extracted from the OECD database: <https://stats.oecd.org/Index.aspx?datasetcode=SGCFD>

Overall, this graph shows that **subnational governments play a significant role in climate-related investments.**

As with climate-relevant expenditure, the most decentralised countries in regard to climate-relevant investment (over 60% at subnational levels in 2019) are a group of similar countries (including France, The Netherlands, Belgium, Germany and Spain), with the notable addition of a few standout countries in terms of the proportion of subnational climate-significant investments (compared to climate-significant expenditure) in the form of Israel, Romania, Latvia and Portugal.

In Israel, the subnational share of climate-relevant investment is even above 90% of general government climate-significant investment (same transaction).

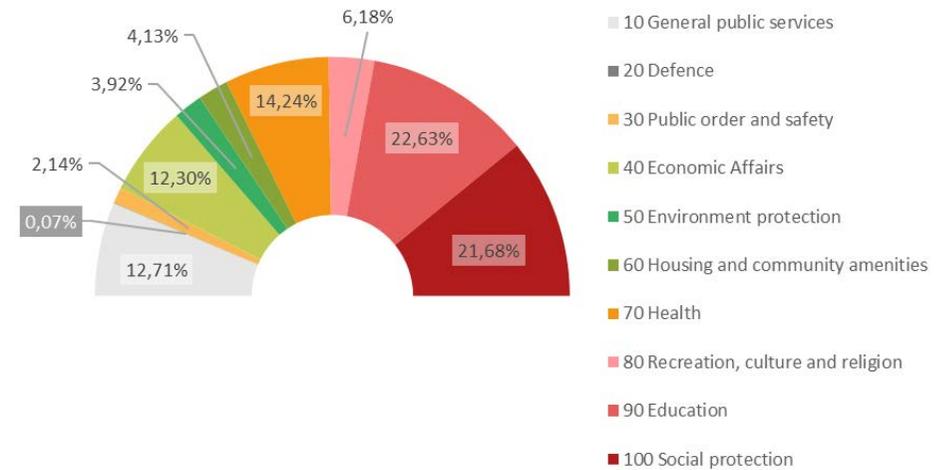
Considering the role played by local and regional governments in climate-related investments - which in some cases is even higher than their role in climate-related expenditures - it is essential to involve them in national consultation/dialogue mechanisms to ensure a better alignment between local & regional needs and priorities and national strategies & plans.

4.1.3 Subnational government finance in climate-significant expenditure by sector

The semi-circle pie chart (Figure 26) below shows the first-level COFOG functions and the **breakdown in percentage of subnational government expenditure per COFOG function on average in CEMR countries in 2019**. As can be seen, 12.3% of subnational government expenditure is allocated to the 'Economic affairs' function, 3.9% to the 'Environment and protection' function and 4.1% to the 'Housing and community amenities' function which makes a total of 20.35%. However, these three first-level COFOG functions envelope more second-level COFOG functions than those strictly identified as climate-significant according to Box 4 above.



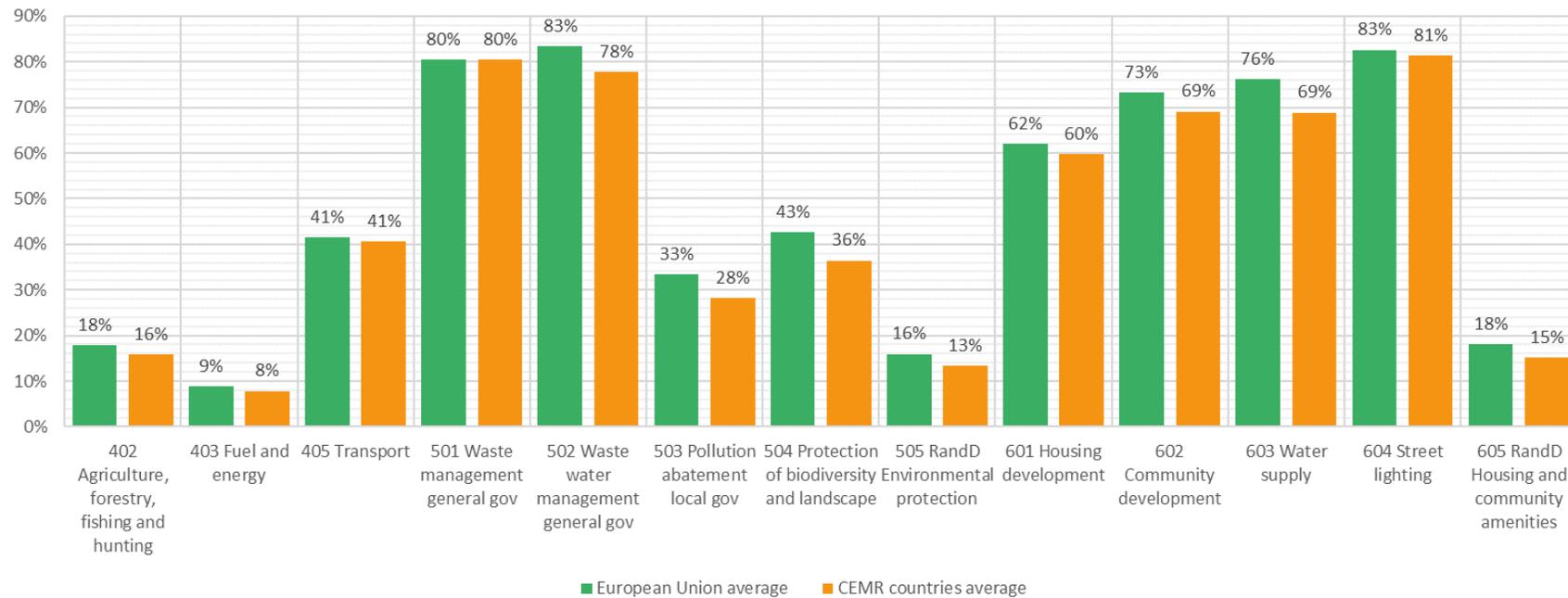
Figure 26: Share of subnational government expenditure per COFOG in CEMR countries in 2019



Source: Data extracted from the OECD database (5. SNG expenditures and investment by function): <https://stats.oecd.org/index.aspx?queryid=72695>

Therefore, in order to refine the analysis, it is relevant to focus on the share of subnational government expenditure as a percentage of general government expenditure per second-level function identified specifically as being climate-significant.

Figure 27: Subnational government expenditure as % of general government expenditure per second-level “climate-significant” COFOG in CEMR countries in 2019



Source: Data extracted from the OECD database (11. Government expenditure by function (COFOG)): https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE11

As can be seen in figure 27 above, in 2019 the shares of subnational government expenditure of general government expenditure in ‘climate-significant’ sub-functions are highly significant amongst some of the second-level functions in particular:

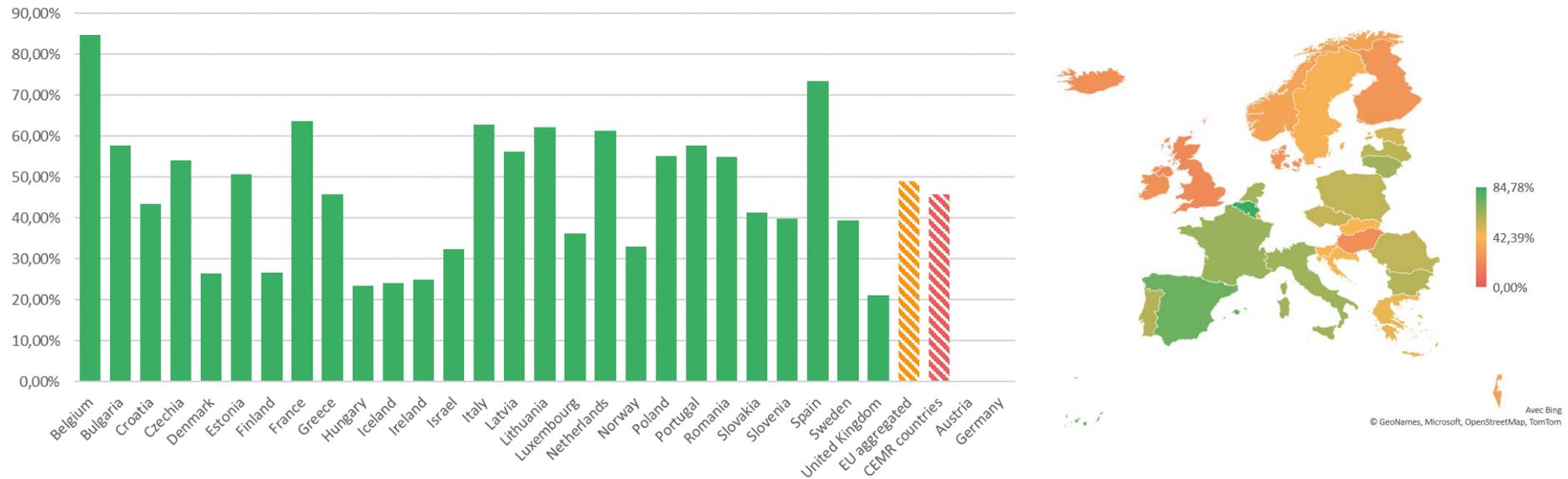
- **The highest shares of subnational government expenditure are related to street lighting, wastewater management and waste management (about 80% in each).**
- **Other relevant sub-functions, which also show a strikingly high proportion of subnational expenditure are water supply, community development and housing development (60-70%).**

- The lowest shares of subnational government expenditure relate to the sub-functions: fuel and energy; R&D environmental protection; R&D housing and community amenities; and agriculture, forestry, fishing and hunting. (around 10-20%).

Finally in this section, the figure and map 28 below illustrate the average share of total subnational government expenditure allocated to identified second-level “climate-significant” function (COFOG) cumulatively of general government expenditure by country, as well as on average in the EU and on average in the CEMR countries⁴⁰.



Figure 28: Subnational government expenditure as % of general government expenditure per second-level “climate-significant” COFOG in CEMR countries in 2019



Source: Data extracted from the OECD database (11. Government expenditure by function (COFOG))

Again, **data vary among countries, but these visuals clearly demonstrate that local and regional governments play a considerable role in financing some of the second-level “climate-significant” functions**, with more than 50% of

subnational expenditure devoted to such measures in a number of countries or even above 70% like in Belgium and Spain.

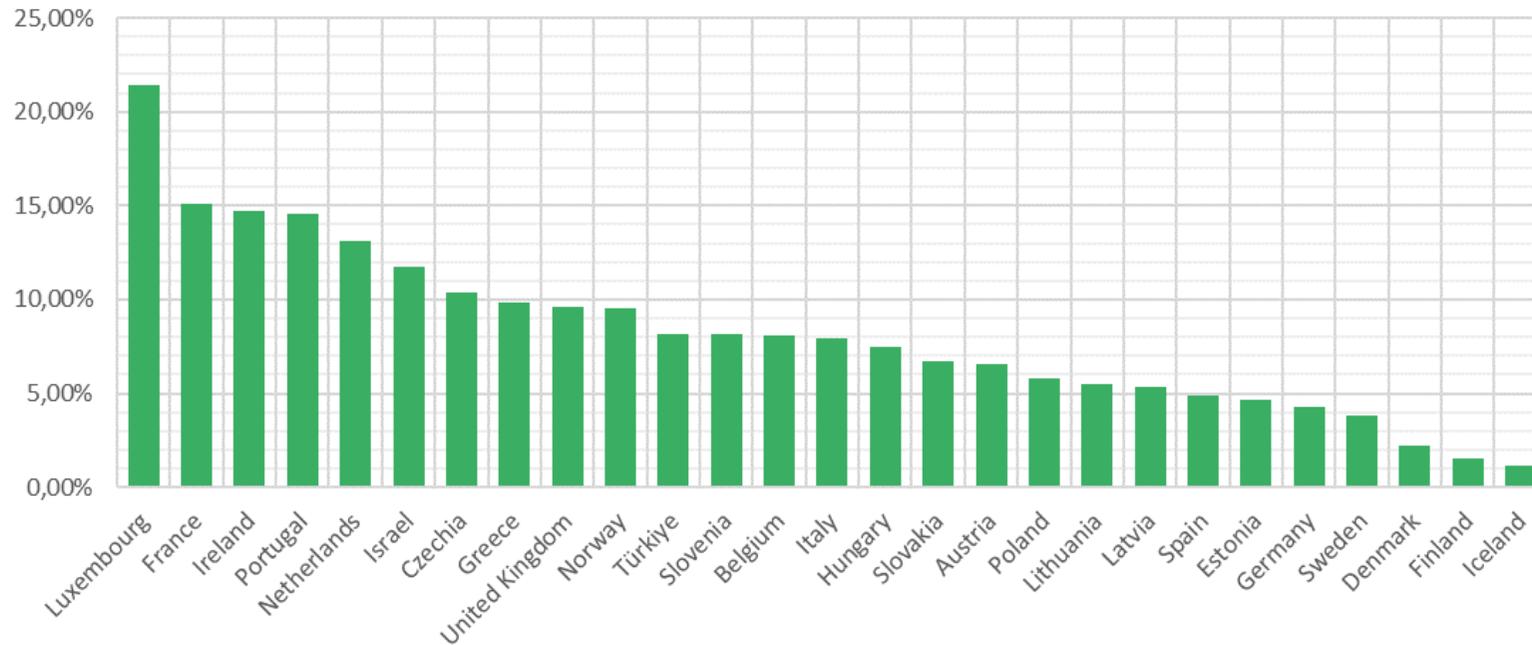


4.1.4 The importance of climate-specific expenditure within overall LRG expenditure

The chart below (Figure 29) presents the relative importance of climate-specific expenditure within overall LRG expenditure. This shows the share of subnational government climate-significant expenditure as a percentage of total subnational government expenditure.

The chart shows that the percentage of subnational expenditure that is devoted to climate-significant expenditure ranges from over 20% in Luxembourg to less than 3% in Iceland, Finland or Denmark. France, Ireland and Portugal are amongst the strongest performers on this metric, dedicating nearly 15% of their total subnational expenditure to climate-significant expenditure.

Figure 29: Subnational government climate-significant expenditure as % of subnational government total expenditure in CEMR countries in 2019



Source: Data extracted from the OECD database: <https://stats.oecd.org/Index.aspx?datasetcode=SGCFD>

4.2 Support available to local and regional governments

4.2.1 Financial support for implementation of climate-significant measures at local/regional level

This section provides an overview of stakeholders' perceptions of national support tools and financial resources for the implementation of NECP measures at local or regional level based on the responses given to the CoR-CEMR joint survey.

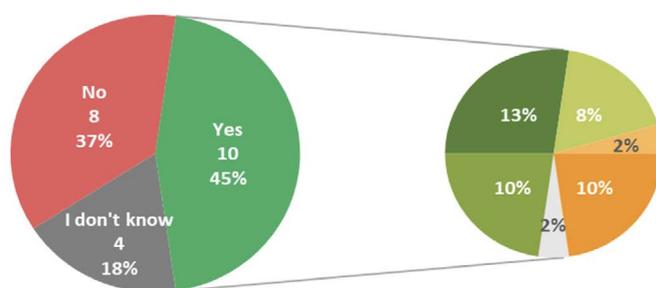
Respondents were asked (Q.21) whether, according to them, the NECP in their Member State provided support for the implementation, at local or regional level, of the measures included in the plan. Among CEMR's member associations, the largest share of those who answered the survey (10 respondents, 45.5%) affirmed "Yes" while another substantial share replied in the negative, saying "No" (8 respondents, 36.5%).

As for the remainder (4 respondents, 18%), they responded that they did not know/had no opinion in response to this question.

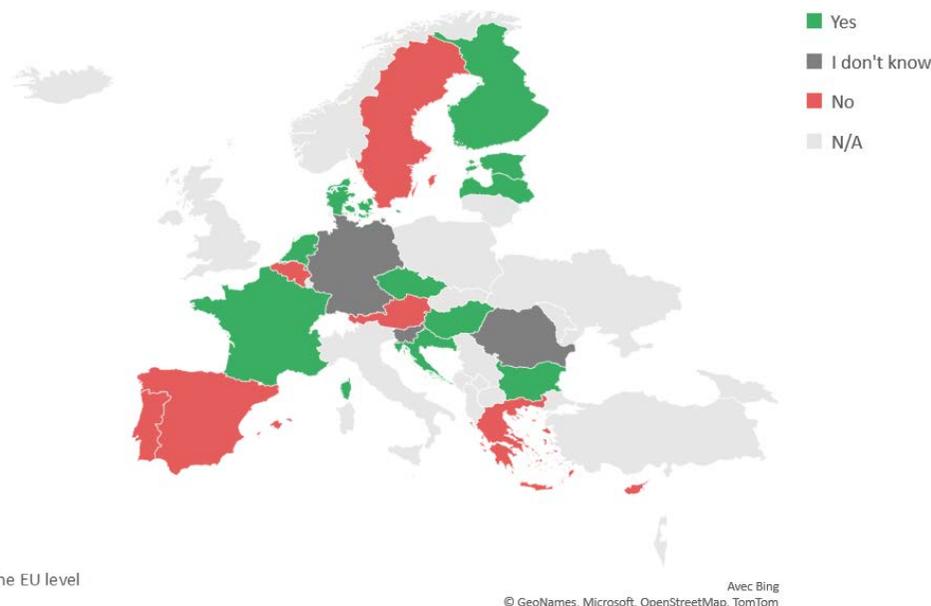
The figure below illustrates the geographic distribution of responses provided by CEMR's member associations to this question.

Figure 30: National support for the local and regional implementation of measures included in the NECP

Does the NECP in your Member State provide support for the implementation, at local or regional level, of the measures included in the plan? If yes, which supports are provided? (CEMR members only)



- Yes - I don't know
- Financial support from national funds
- Financial support from EU funds
- Technical support
- Opportunities for EU exchanges and peer learning at the EU level
- Opportunities for capacity-building



Avec Bing
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Source: Question 21, Survey (2023), n=22 (CEMR members only), multiple-choices possible

When providing a positive answer, stakeholders were given the opportunity to select what kind(s) of support the NECP does provide to LRGs, from a drop-down list of available predetermined options.

Among those that responded that the NECP does provide implementation support, the most selected option among the list is “Financial support from EU funds”, followed by “Financial support from national funds” and “Opportunities for capacity-building” with “Technical support” coming in fourth place. The least commonly identified support from the NECP to LRGs is “Opportunities for EU exchanges and peer learning at the EU level” which was identified in Hungary only.

Nevertheless, the proposed option “Financial support from national funds” was still only chosen by five of CEMR’s member associations accounting for less than a quarter of total CEMR member respondents (23%), namely from Croatia, Denmark, Finland, France and the Netherlands.

In terms of selecting multiple options, the association from Denmark selected the most options from the proposed list (“Financial support from national funds”; “Financial support from EU funds”; “Technical support”; and “Opportunities for capacity-building”).

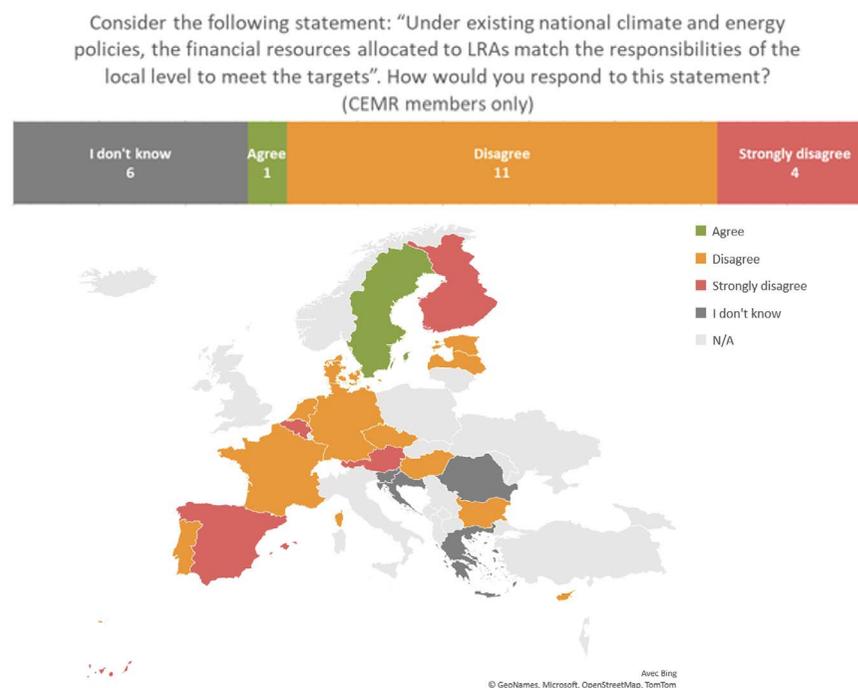
Question 22 asked respondents how they would agree with the following statement: “Under existing national climate and energy policies, the financial resources allocated to LRAs match the responsibilities of the local level to meet the targets”.

Respondents had the choice to answer from “strongly agree” to “strongly disagree”, with the possibility to answer “I don’t know”.

Looking only at the answers provided by the 22 respondents from the CEMR member associations, their opinion is set out in the chart below (figure 31 below). Most respondents either disagreed or strongly disagreed that the financial resources allocated to local and regional governments match the responsibilities of the local level to meet the targets under existing national climate and energy policies (15 out of 22 respondents, 68%). A small group

of respondents either agreed (1 respondent, 5%) or did not know (6 respondents, 27%). None of the respondents strongly agreed (0 respondent, 0%).

Figure 31: (Dis)Agreement with the statement on financial resources allocated to LRAs matching the responsibilities of the local level to meet the targets under existing NEC policies



Source: Question 22, Survey (2023), n=22 (CEMR members only)

Feedback from the larger cohort of 57 respondents showed similar proportions with 64% either disagreeing or strongly disagreeing that the financial resources allocated matched the responsibilities of LRGs and 27% saying they did not know. CEMR member respondents who did not know what to answer to this question came from Belgium-Flanders, Croatia, Denmark, Greece, Romania and Slovenia.



The single respondent who agreed that the financial resources matched the responsibilities comes from Sweden.

Even in countries where financial support from national funds was identified as one of the forms of support provided, respondents still almost always felt it was not enough.

Respondents had the possibility to explain their answer. **The comments below confirm and supplement the perception that financial resources allocated to LRGs do not match their climate and energy responsibilities.**

"For both climate adaptation and mitigation measures, the costs placed on LRAs are extensive and significant, facing high up-front capital investments to an extent the LRAs which is not fully matched by allocated financial resources". (LGDK, Denmark)

"There is financial support to LRAs but it does not meet the scale of the activities funded by the LRAs themselves". (AFLRA, Finland)

"LRAs are facing an important mismatch between their obligations and their financial capacities both in terms of investment capacity (investment wall regarding needs in public buildings for instance) and operating cost needed to finance human resources needed to develop and run complex projects. National financial support has been developed for LRAs such as the "green fund" which provides 2 billion euros for LRA projects, but it's clearly not sufficient." (AFCCRE, France)

"Local funding is deficient in all areas and no mechanisms have been articulated to address the climate emergency. Obligations and objectives are assigned to Local Entities, but economic resources are distributed among regional governments (Autonomous Communities), which may or may not have climate change as one of their priorities." (FEMP, Spain)

Source: Question 22, Survey (2023), n=22 (CEMR members only), Please explain, optional, open question

Overall, local and regional governments are facing an important mismatch between their responsibilities to meet the targets and their financial capacities, and national financial support is perceived as insufficient. Survey respondents generally agree that local and regional governments lack adequate resources to implement their climate and energy relevant competences satisfactorily in line with the ambitions of the NECP/Energy and Climate policies.





4.2.2 Mobilising private climate and energy financing

The study has already talked about the significant financing gap that exists to be able to implement the full range and scope of climate and energy policies required to achieve the Paris Agreement's goals and the 2030 UN Sustainable Development Goals.

Since government budgets are insufficient to generate the trillions of dollars required, **leveraging private financing and investment towards the transition is therefore essential for achieving the Union's climate and energy targets.** This is the aim of sustainable finance related policies and the development of so-called taxonomies to provide financial market participants reliable information and definitions on "green" financial products. The EU taxonomy for sustainable activities, an EU-wide classification system for sustainable activities, is at the heart of Europe's policies of "making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" (Art. 2 Paris Agreement on Climate Change).⁴¹

Although private financing was largely outside the scope of this study, it is worth reflecting briefly on the growing number of institutional investors, investment funds, and credit institutions that have already been paying attention to climate change and sustainability.

Several financial tools have been increasingly used in climate finance in recent years (see box below). At the same time, **local and regional governments do not have the same capacities to realise necessary investments and access sustainable financial instruments, such as green bonds.**

Box 5. Examples of Private Sector Climate Finance Tools

Commercial bank lending with climate considerations	Conventional commercial bank lending with climate considerations is growing, driven by both commercial banks' voluntary climate strategy and financial regulations.
Green bonds and green loans	Green bonds and loans are used to exclusively finance projects that have positive climate and environmental impacts. Some may qualify for a 'green' label. Green Sukuk are also being explored in Islamic finance.
Sustainability-linked bonds and sustainability-linked loans	Sustainability-linked bonds and loans are used by corporates and sovereigns to raise capital often at lower costs, by committing to achieve predefined key performance indicators (KPIs) on sustainability.
Sustainability bonds and social bonds	Sustainability and social bonds are financing tools where the proceeds are used to finance projects that achieve positive climate and social impacts.
Green asset-backed securities (ABS)	Green securitization can transform illiquid climate-friendly assets into tradable financial securities.
Other financial instruments	Other financial instruments are used in private climate finance, including through certain environmental, social, and governance funds (with climate considerations), as well as private equity and venture capital investments in climate-related firms. Shareholder engagement is also used to encourage companies' green investment decisions.

Sources: World Bank, OECD, Climate Bonds Initiative, and IMF.

Private sector capital may and should play a bigger role in climate finance, including with innovative financial instruments. But mobilising private sector investment at scale requires action across climate and investment policies in a coordinated way, especially with regards to the workability of sustainable finance products in a local and regional context.



5. Conclusions and recommendations



5.1 Conclusions

Competences and multilevel governance

The relative lack of involvement of municipalities and regions in energy and climate planning, despite implementing a large share of those policies, requires significant reflection on how to strengthen effective multilevel governance processes in line with the scale of the objectives.

- Multilevel governance is a key principle of the European approach to climate and energy policy set out in EU law and international agreements, such as the Treaty on the EU, the European Green Deal and international Paris Agreement on climate change.
- Local and regional governments are understood to be a key component of this multilevel governance, with legal, administrative and financial competences to become a real driving force for making European climate and energy ambitions a reality.
- In parallel, several EU urban initiatives – such as the Covenant of Mayors or the Mission 100 climate-neutral and smart cities – emphasise the key role of cities and regions in driving Europe to energy independence and climate-neutrality.
- Local and regional governments implement a large share of climate and energy policies. They were found to have sole or shared responsibility for 68.3% of all relevant competences covered by this study.
- LRGs have already taken significant action in areas such as the roll-out of renewable energy sources (RES) and in the enforcement of energy efficiency measures. 59% of Europe's energy efficiency measures are implemented at the subnational level only and LRG have a sole or shared competence for 73% of decarbonisation policies.
- LRGs are also crucial actors as both significant contributors to current GHG emissions, but also as laboratories for innovative solutions and citizen engagement.
- EU Member States are required to establish a multilevel climate and energy dialogue in which local authorities and other stakeholders can actively engage with the definition of objectives and actions in the National Energy and Climate Plan (NECP).
- However, in several EU countries, CEMR's member national association(s) of local and regional governments do not yet know how they can contribute and be involved in drafting the NECP.
- Where LRGs are consulted, they often receive information top-down without a real opportunity to exchange or raise locally perceived needs. Timing is crucial, with LRGs rarely involved early in the process.
- Of the 22 respondent CEMR members, only 3 (14%) felt that LRGs' contributions had been considered in the NECP revision process (by June 30 2023).
- Some LRG organisations do not give too much importance to the NECP – at least one felt that the NECP is less a national policy document and more a European reporting mechanism. However, overall, the revision of the NECPs is an important milestone to update plans, bring them in line with new targets or ambitions (Energy Efficiency Directive etc.) and an important opportunity to deliver a truly multi-level governance approach, embedding local and regional governments in the process.
- Despite some good examples of multilevel governance practices across Europe, it is clear that LRGs are generally still not considered and involved enough by national and European authorities.
- There is a need to strengthen multi-level governance mechanisms to ensure complementary and consistent implementation of climate and energy policies across levels of governance.
- Generally, national governments need to do more to tap into the enormous potential of LRGs in driving the climate and energy transition, if they are to successfully achieve their targets.

Supporting local and regional governments in implementing NECPs/climate and energy action

Whilst not yet systematic across Europe, good and inspiring national practices do exist for supporting local and regional governments in their role as key implementers of critical climate and energy-related actions. More attention is needed in identifying, exchanging and transferring good ideas that deliver practical results for local and regional governments.

- The example practices showcased in this chapter highlight that the national level (governments, agencies, initiatives etc.) can play a key role in supporting local and regional governments to take effective action on achieving climate and energy-related objectives.
- It would be a mistake to imagine that the only support LRGs need -or are provided with – is pure financial support for undertaking necessary investments in climate and energy-related projects.
- Some of the most interesting and inspiring national practices involve shared commitments, harmonised reporting, networking and exchange and technical support on climate and energy-related initiatives.
- Example practices highlighted in this chapter include:
 - A network of municipalities and regions in Finland with a shared commitment to decrease GHG emissions by 80%
 - A national initiative in Denmark providing municipalities with technical assistance and support to develop climate action plans in line with the ambitious C40 Climate Action Planning Framework
 - A 'sector pact' between the national association of LRGs and the national energy agency in Portugal to promote LRG implementation of national energy saving recommendations.
 - A specific strand of work by the national association of LRGs in Denmark to support local authorities in developing and updating their emergency plans for extended power cuts.
 - A national legal framework specifically adapted to facilitate the creation of local energy communities in Italy to collectively produce, consume, and manage energy resources.
 - Also regional initiatives, under the national education and training system in the UK for adapting and reskilling workers for new jobs emerging within the green economy (green jobs).
- Further identification and sharing of good practice policies at national level can help support increasingly rapid climate and energy transitions at local level.



Investment and financing

The overall level of financial support provided to local and regional governments is currently insufficient to match the implementation responsibilities of the local level in line with the ambitions of European energy and climate policies. More attention is needed to increasing the financial support available to LRGs to carry out the interventions required to achieve the policy objectives, including how to leverage private financing and investment through innovative financial instruments.

- Subnational governments play a pivotal role in climate-related expenditure and investments.
- In 2019, they were responsible for 58% of the total general government expenditure related to climate initiatives. This proportion was even higher before the global financial crisis in 2008, with subnational governments contributing around 60-62% of these expenditures.
- Looking at the share of the subnational government climate-significant expenditure in 2019, there is considerable variation between countries – ranging from 75-77% in countries such as Germany, Spain, the Netherlands, France and Belgium down to around 25% and even 19% in others.
- The percentage of subnational expenditure that is devoted to climate-significant expenditure ranges from over 20% in Luxembourg to approximately 1% in Iceland.
- Policy areas with the highest shares of subnational government expenditure in climate-significant expenditure are street lighting, wastewater management and waste management (about 80% in each), plus water supply, community development and housing development (60-70%).

- Policy areas with relatively low shares of subnational government expenditure included: fuel and energy; R&D environmental protection; R&D housing and community amenities; and agriculture, forestry, fishing and hunting (around 10-20%).
- Around 45% of CEMR members feel that the NECP in their country provides support for the implementation, at local or regional level, of the measures included in the plan – particularly through EU funding, national funding, capacity-building opportunities or technical support.
- Nevertheless, most CEMR members (68%) either disagreed or strongly disagreed that the financial resources allocated to LRGs match the responsibilities of the local level in line with the ambitions of the NECP/Energy and Climate policies.

Leveraging private financing and investment towards the transition will be essential for achieving Europe's climate and energy targets, however LRGs do not have the same capacities to realise necessary investments and access sustainable financial instruments.





5.2 Recommendations

The European Union and European countries have committed themselves to being a global leader in the transition towards climate neutrality. The EU and national governments will neither achieve climate neutrality by accident nor without thorough planning. Nationally Determined Contributions (NDC) and National Energy and Climate Plans (NECPs) are a central strategic tool in this regard, laying out key reforms at national level for achieving climate and energy targets, and mobilising crucial investments.

The next months – until the end of June 2024 – will be crucial for national governments to finalise the updated versions of their NECPs. The Council of European Municipalities and Regions (CEMR) now calls on national and European policymakers to improve their multilevel governance processes for revising their climate plans / NECP and to facilitate the access and use of financial resources by local and regional governments. We urge national governments and the European Commission to strengthen its support to local and regional governments, based on this study's main messages and recommendations.

Recommendation 1.

Improve the quality of national dialogues with local and regional governments to deliver effective multilevel governance on climate and energy policy

- National governments need to sharpen their focus on effective consultation mechanisms to effectively engage local and regional governments (LRGs) in the upfront policy planning of climate and energy responses to ensure a better alignment between local & regional needs and priorities and national strategies & plans.

- The process of revising the National Energy and Climate Plans (NECPs) provides a perfect opportunity to do so and CEMR recommends that national associations representing municipalities and regions should be integrated into art. 11 of the Governance Regulation of the Energy Union and Climate Action, when this is revised in 2024.
- National governments must aim for the highest quality active consultation mechanisms, underpinned by extensive stakeholder engagement through workshops and seminars. They must ensure that LRGs are engaged early in the process and that all relevant documents are available in a timely manner to increase the chances of capturing the views of LRGs, and avoid 'LRG dialogue-washing'.
- The aim should be for regular consultation meetings during the NECP and related national policy revision process to become permanent structured dialogues with local and regional governments and their representative associations that live beyond the current NECP revision.
- Good quality national dialogues can deliver effective multilevel governance to the European climate and energy response, facilitating a smooth implementation of those policies through local buy-in from local and regional governments and citizens for the sustainability transition.
- The European institutions should similarly establish good quality structured dialogue at their level with regards to energy and climate policies, including associations of local and regional governments, such as CEMR.



Recommendation 2.

Develop specific initiatives at national and European levels to support local and regional governments in their key role as implementers of climate and energy action

- There is significant potential to increase impact on the achievement of European energy and climate ambitions by strengthening the support provided to local and regional governments in implementing climate and energy actions. This would serve to fully recognise the key role that LRGs play in implementing climate and energy policies, in fields such as energy production, distribution and consumption, housing and land use planning.
- European and national policymakers should be vigilant to **avoid that the energy and climate agenda proceeds at two speeds**: placing a big focus and a high level of ambition at European and national level and then too little attention to what happens at local and regional levels. Support must be given to ensure that LRGs are systematically embedded in all decision-making processes and financing mechanisms in each country.
- One key aspect of this would be to **consider subnational climate and energy action and formally recognise the contributions of local and regional governments to the achievement of national targets, in the spirit of a bottom-up planning**.
- National policies should support LRG implementation of climate and energy actions through activities such as shared commitments, harmonised reporting, networking and exchange of local and regional practices.
- National policies to support LRGs should also be designed to accelerate sustainable transitions specifically by helping to overcome societal and market barriers in the transition, such as:
 - Citizens' acceptance for energy efficiency, renewable energies and green industries
 - Complex permit-granting procedures
 - Grid infrastructure limitations (e.g. distribution networks)
 - Energy storage
 - (insufficient) Re- / upskilling of the workforce
- More attention should be devoted at European level to **identifying and raising awareness of effective national initiatives for supporting local and regional governments in delivering on the scale of the ambitions** beyond the provision of financing. This will become increasingly relevant with concrete measures of the European Green Deal being implemented, which have a direct impact on local and regional governments.
- The EU should continue to develop and adjust European climate and energy policies building upon tested and experienced policies from the (sub-)national levels, whilst leaving enough flexibility for local and regional governments to find the most suitable solutions for their geographical, political and socio-economic context.



Recommendation 3.

Ensure sufficient financial support to empower local and regional governments to implement required climate and energy policies to meet the 2030 and 2050 targets

- National governments and the European institutions should **increase direct financial support to local and regional governments** to implement critical climate and energy-related interventions that match the level of responsibility and expectations for the local-level action to deliver the energy and green transitions.
- National governments and European institutions should **design adequate financial instruments in collaboration with local and regional governments** (and public financial institutions, such as local or regional promotional banks) that support the leveraging of private-sector capital to address the practical implementation of climate and energy policies.

- National governments and the European institutions should also **provide local and regional governments with an investment-friendly macroeconomic governance framework** to ensure that net-zero policies can be implemented at the local and regional levels.
- The **European institutions should focus on the workability of the sustainable finance agenda** (especially Taxonomy & EU green bonds standard) to allow regions and municipalities of all sizes to access financial and capital markets to ensure sufficient funding for the sustainability transition. The European institutions, especially the European Investment Bank, are encouraged to explore possibilities to increase technical assistance for subnational governments and address rural-urban gaps in accessing sustainable financial instruments.
- National governments and the European institutions should also **increase technical assistance to local and regional governments to facilitate the use of climate funds and financial resources from all sources**, reinforcing capacity building & targeted training programmes





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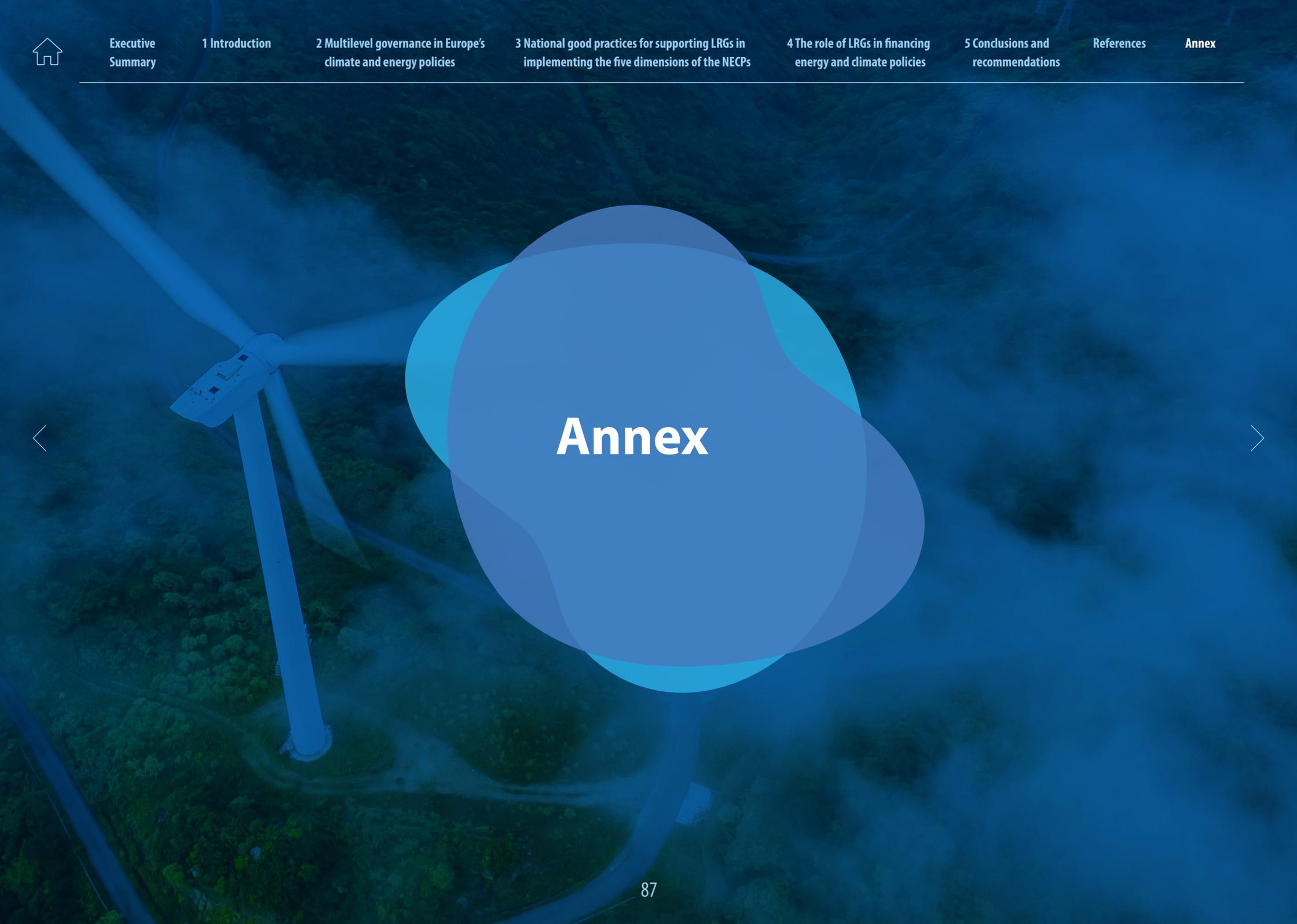
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<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1119>



Annex



Template of CEMR-CoR joint Survey Questionnaire on “Local and regional authorities in the governance of the energy union”

Towards the revision of the Governance regulation

SURVEY QUESTIONNAIRE ON “LOCAL AND REGIONAL AUTHORITIES IN THE GOVERNANCE OF THE ENERGY UNION”

ABOUT THE CONSULTATION

This online survey questionnaire aims to feed into the report on “**Local and regional authorities in the governance of the energy union**”, commissioned by the European Committee of the Regions (CoR) Directorate for Legislative Work I – Unit B2 (ENVE commission) in collaboration with the Council of European Municipalities and Regions (CEMR). Both organisations will make use of the information collected in this questionnaire to shape their respective political positions on the revision of the governance regulation by gathering information from the actors on the ground.

The [European Green Deal](#), published in 2019, sets the objective for Europe to become the first climate neutral continent by 2050 and introduces several legislative and non-legislative initiatives to achieve this political objective. This also means alignment of existing initiatives such as the [Clean Energy Package](#), in order to ensure that the European energy system meets the objectives of the European Green Deal.

The Governance of the Energy Union and Climate Action [Regulation \(EU\) 2018/1999](#), one of the main pillars of the Clean Energy Package, is considered to be the core mechanism for implementing the EU's energy policies. To meet the EU's climate and energy targets, the Member States are required to establish **National Energy and Climate Plans (NECPs)** (or any equivalent documents depending on the national context) and **Multilevel Climate and Energy Dialogues (MCEDs)**, pursuant to Article 11 of the Regulation. Member States submitted their NECPs in 2019 and are currently working on updating them. They will be submitted to the European Commission by June 2023.

However, the first versions of the NECPs along with the feedback received by members of the CoR highlighted shortcomings in the implementation of the above-mentioned Article 11 of the Regulation. For this reason, the CoR has tasked Milieu Consulting srl to prepare a study on **the role of local and regional authorities (LRAs) in the energy governance of the EU** in order to assess:

- the implementation of the MCEDs and their effectiveness in terms of engagement of LRAs and citizens;
- the connection between NECPs and subnational plans in the same field;
- the connection between NECPs and other relevant national plans; and
- the connection between the revision of NECPs and emergency-related instruments such as Recovery and Resilience Plans and RePowerEU.

You have been selected as part of the targeted stakeholders because you can potentially provide information related to the implementation of the MCED and NECP (or equivalent documents) in your Member State. If you have any questions regarding the survey, please contact: enve@cor.europa.eu.

We kindly ask you to fill in the questionnaire by **2 June 2023**.

PRIVACY STATEMENT

For more information on the processing of your personal data, please read the attached privacy statement:

[Privacy statement Survey - LRAs in the Governance of the Energy Union 23 EU languages reduced.pdf](#)



Contact details and stakeholder information

Please note that results will be anonymised. Your contact details will only be used in case the CoR needs additional information about your replies for possible best practices or interviews.

* 1. I am giving my contribution as:

- National authority/government
- Regional authority/government
- Local authority/government
- National association of local and regional authorities
- National energy agency
- Regional energy agency
- Local energy agency Other

* 2. Country of origin:

- AT - Austria
- BE - Belgium
- BG - Bulgaria
- HR - Croatia
- CY - Cyprus
- CZ - Czechia
- DK - Denmark
- EE - Estonia
- FI - Finland
- FR - France
- DE - Germany
- EL - Greece
- HU - Hungary
- IE - Ireland
- IT - Italy
- LV - Latvia
- LT - Lithuania
- LU - Luxembourg

- MT - Malta
- NL - Netherlands
- PL - Poland
- PT - Portugal
- RO - Romania
- SK - Slovak Republic
- SI - Slovenia
- ES - Spain
- SE - Sweden

* 3.1. First name:

* 3.2. Last name:

* 3.3. Email:

* 3.4. Function/position:

* 3.5. Organisation name:



*** 3.6. Contact with the CoR:** *(multiple answers possible)*

- I agree to be contacted by the CoR for the follow-up of this survey.
- I agree to be contacted by the CoR about the good practices shared in question 28.
- I would like to receive the report on “Local and regional authorities in the governance of the energy union” when it will be available.
- I do not wish to be contacted by the CoR and wish my answers to be anonymised before being used.

*** 4. How do you evaluate the knowledge of the National Energy and Climate Plan (NECP) of your Member State and its objectives, within your organisation or administration?**

- None: We are not aware of the existence of the NECP.
- Poor: Very few individuals are familiar with the NECP or are aware of its objectives.
- Fair: We are aware of the existence of the NECP and its objectives, but not of how we should be involved in drafting it.
- Good: We are aware of the existence of the NECP and its objectives, and we know that we need to be involved in its drafting by the Member State.
- I don't know
- Other

*** 5. Within your organisation or administration, who is in charge of coordinating the exchanges with the national authority, when it comes to the NECP?**

- A specific department or area (e.g. the sustainability department, the international department, etc.)
- A coordinated interdepartmental team, working group or taskforce (mix of different team members)
- The highest level of decision-making of the organisation
- Nobody/no specific expert, team or unit
- I don't know
- Other

A. Implementation of Multilevel Climate and Energy Dialogue (MCED) and citizens' engagement

The aim of this section is to assess the status of multilevel climate and energy dialogues (MCEDs) at national level, focusing on the established mechanisms and on the level of engagement of local/regional authorities (LRAs), relevant stakeholders, and citizens in the consultation process.

*** 6. Has your national competent authority established a permanent mechanism for MCED or consultation on the NECP?**

- Yes
- Partly, it is currently under development
- No
- I don't know

*** 7. Which stakeholders are involved in the MCED or NECP-related consultation?** *(multiple answers possible)*

- Regional authorities
- Local authorities
- Regional energy agencies
- Local energy agencies
- Consumer organisations
- Business/industry organisations
- Non-governmental organisations (NGOs)
- Citizens
- Research and academic institutions
- Other
- I don't know



*** 8. What is the mechanism used by your national competent authority in the drafting of the NECP to consult local and regional authorities?** *(multiple answers possible)*

- None: LRAs have not yet been consulted by the national authority.
- Traditional stakeholder consultation: LRAs have been involved through written comments or an online questionnaire.
- Collaborative platforms or committees: LRAs have been involved in meetings where issues relating to enforcement and energy transition strategy were identified and discussed, and new goals were set.
- Regional plans and strategies: LRAs contributed to the national strategy with regional/local plans, under the coordination or with the support of the national authority.
- Organisation of events: LRAs have been involved through workshops, seminars, roundtables, etc. Interviews
- Informal meetings
- Other
- I don't know

*** 9. At which stage of the NECP preparation process is the MCED or consultation carried out?** *(multiple answers possible)*

- Early: preparatory/brainstorming stage
- Mid-way: when a first draft of the NECP is available
- Advanced: when the NECP is nearly finalised
- Other
- I don't know

*** 10. How would you rate the quality of the MCED or consultation process?**

- Excellent
- Satisfactory
- Poor
- Very poor
- I don't know

*** 11. Do you feel that the contributions of LRAs to the NECP have been taken into consideration?**

- Yes
- No
- I don't know

*** 12. Has your administration/organisation experienced any change (progress, setbacks) in its current involvement in the mechanisms for revising the NECP, compared to what happened with the first draft in 2018-19?**

- Same as in the past
- Stronger involvement in the revision phase
- Weaker involvement in the revision phase I don't know

*** 13. Which mechanisms have been used at national level to involve citizens in the process of designing and implementing the NECP?** *(multiple answers possible)*

- Public consultation with all types of stakeholders
- Conferences
- Meetings with interest groups
- Workshops
- Interviews
- Surveys/Opinion research
- Citizens' panels
- Street booths
- Online publication of information, with no additional advertisement
- Other
- No involvement
- I don't know

*** 14. Were citizens informed/consulted about the local implications of implementing the NECP?**

- Yes
- No
- I don't know



*** 15. How would you rate the implementation of the MCED or NECP-related consultation in terms of citizens' engagement?**

- Excellent
- Satisfactory
- Poor
- Very poor
- I don't know

B. Relationship between NECPs and subnational plans

The aim of this section is to assess: the connection between the NECP and other subnational plans, such as local and/or regional climate and energy plans; the potential conflicts between national government and LRAs; and the existence of support tools for the implementation of NECP measures at local or regional level.

*** 16. Does the NECP in your Member State take into account subnational energy and climate planning as a basis for the national plan (bottom-up planning)?**

- Yes
- No
- I don't know

*** 17. How would you rate the connection between the NECP in your Member State and subnational plans?**

- Excellent
- Satisfactory
- Poor
- Very poor
- I don't know

*** 18. Is there any conflict between national government and LRAs with regard to the application of the NECP?**

- Yes, only at political level
- Yes, and, as a result, legal action was taken by the competent local/regional authority
- No
- I don't know

*** 19. Are national targets translated into subnational targets?**

- Yes
- No
- I don't know

*** 20. Does the NECP in your Member State provide for any reporting system by LRAs?**

- Yes
- No
- I don't know

*** 21. Does the NECP in your Member State provide support for the implementation, at local or regional level, of the measures included in the plan?**

- Yes
- No
- I don't know

*** 22. Consider the following statement: "Under existing national climate and energy policies, the financial resources allocated to LRAs match the responsibilities of the local level to meet the targets". How would you respond to this statement?**

- Strongly disagree
- Disagree
- Agree
- Strongly agree
- I don't know



C. Connection between NECPs and other national plans

This section focuses on the connection between the NECP and other national plans, such as the national adaptation strategy and/or the national adaptation plan.

*** 23. Was the NECP in your Member State connected to other plans covering other sectors of the European Green Deal and the Sustainable Development Goals (SDGs)?**

- Yes
- No
- I don't know

*** 24. How would you rate the connection between the NECP and the other national plans?**

- Excellent
- Satisfactory
- Poor
- Very poor
- I don't know

D. Connection between the revision of NECPs and emergency-related instruments

This section focuses on the connection between the revision of the NECP and emergency-related instruments, such as the national Recovery and Resilience Plan and the RePowerEU.

*** 25. Is the revision of the NECP in your Member State connected to the national Recovery and Resilience Plan?**

- Yes
- No
- I don't know

*** 26. Is the revision of the NECP in your Member State connected with the implementation of RePowerEU?**

- Yes
- No
- I don't know

Final remarks

The aim of this section is to gather your personal view on the design of the NECPs across the Member States, as well as for you to share any examples of good practices regarding the involvement of LRAs in the governance of the NECP in your Member State.

*** 27. Do you think the NECP in your Member State should be extended to cover other policy areas of the European Green Deal?**

- Yes
- No
- I don't know

*** 28. Do you have examples of good practices to share concerning the involvement of LRAs in the governance of the NECP in your Member State?**

*** 28.1. I agree to be contacted by the CoR about the good practices shared.**

- Yes
- No

29. Please feel free to add in the box below any other relevant comments and observations that can help improve how EU policy is implemented.





Endnotes

1 UN-Habitat Strategic Plan 2020-2023, https://unhabitat.org/sites/default/files/documents/2019-09/strategic_plan_2020-2023.pdf

2 <https://ec.europa.eu/eurostat/documents/3217494/7596823/KS-01-16-691-EN-N.pdf>

3 https://ec.europa.eu/regional_policy/policy/themes/urban-development_en

4 https://www.oecd-ilibrary.org/urban-rural-and-regional-development/making-the-most-of-public-investment-to-address-regional-inequalities-megatrends-and-future-shocks_8a1fb523-en

5 <https://cor.europa.eu/en/about/Pages/default.aspx>

6 The 'Fit for 55' package is a set of proposals to revise and update EU legislation and implement new initiatives with the aim of ensuring that EU climate, energy and transport-related policies are in line with its 2030 ambition and 2050 target of achieving climate neutrality by 2050. It consists in adapting existing climate and energy legislation to meet the new EU objective of a minimum 55% reduction in greenhouse gas (GHG) emissions by 2030, compared to 1990 levels. The proposed targets were further raised under the REPowerEU package in reaction to Russia's unprovoked invasion into Ukraine and the subsequent weaponisation of its energy supply to Europe.

7 The NECPlatform project funded under the LIFE Programme aims at supporting six EU Member States (Bulgaria, Croatia, France, Italy, Portugal and Romania) in setting up and managing permanent Multilevel Climate and Energy Dialogue (MCED) Platforms, helping them comply with Article 11 of the Governance Regulation by fostering vertical and horizontal integration of energy and climate policies. More info: Funding & tenders (europa.eu), <https://energy-cities.eu/project/life-necplatform/>.

8 By 15 March 2023, Member States were due to report for the first time in an integrated manner on their progress towards implementing their 2020 national energy and climate plans (NECPs) covering the period 2021-2030. This reporting covered progress towards their targets, objectives and contributions across the five dimensions of the Energy Union including on greenhouse gas emissions and removals, as well as the implementation or amendment of Member State policies and measures and their financing.

9 European Committee of the Regions (CoR), September 2023, study 'Local and regional authorities in the governance of the energy union', available on the Studies page of the CoR: <https://cor.europa.eu/en/engage/studies?from=01/01/2023&to=01/01/2024>

10 Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Ukraine.

11 Albania, Austria, Belgium, Bosnia and Herzegovina, Croatia, Czechia, Denmark, Finland, France, Georgia, Germany, Greece, Israel, Italy, Latvia, Moldova, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Spain, Sweden, Ukraine, United Kingdom.

12 Other CEMR work on multilevel governance includes, for example, the TERRI Report (2021) and the report on Local Finances and the Green Transition (2022).

13 22 respondents answering the survey come from 22 CEMR's member associations located in 20 countries since 2 associations are from Belgium and 2 from Denmark.

14 The geographical regions have been listed according to the United Nations' system of classification of European countries using the United Nations' reference: <https://unstats.un.org/unsd/methodology/m49/>.

15 The legislative revision stems from the 'Fit for 55' package. A key element in the 'Fit for 55' package is the revision of the Renewable Energy Directive (RED II) to help the EU deliver the new 55% GHG target. In this regard, in its plenary session of 12 September 2023, the European Parliament voted an important legislative resolution: https://www.europarl.europa.eu/doceo/document/TA-9-2023-0303_EN.html

16 For this question, 7 respondents answered "I don't know", so they are considered to be non-respondents to this question. The percentages are therefore calculated on the basis of those who were able to respond i.e. a total of 17 CEMR member associations.

17 Commission Staff Working Document 'Assessment of progress towards the objectives of the Energy Union and Climate Action Accompanying the State of the Energy Union 2023 Report', SWD/2023/646 final: <https://eur-lex.europa.eu/legal-content/EN/TX-?uri=SWD%3A2023%3A646%3AFIN&qid=1698236844015>

18 EU Member States were due to submit their draft updated NECPs to the Commission by 30 June 2023, in line with Article 14 of the Governance Regulation. As of 30 September 2023, only 15 of 27 Member States have submitted their draft NECP updates for 2023 to the European Commission. Czechia and Malta submitted their draft in October 2023.

19 In 2018-19, the Netherlands used its climate agreement (the Dutch equivalent of a multilevel climate and energy dialogue) to involve LRGs, civil society organisations and all stakeholders in co-defining key elements of its NECP, such as its 2030 GHG emission reduction target of -55% and how emission cuts would be split and delivered across all sectors and governance levels.

20 Source of information: <https://eu-mayors.ec.europa.eu/en/revision-of-national-energy-and-climate-plans-in-europe-why-it-matters-for-cities>



- 21 More information is available here: <https://www.lca.org.mt/event/discussing-the-national-energy-and-climate-plan-for-malta-and-the-way-forward-to-join-the-covenant-of-mayors/>
- 22 A news article can be found on ZMOS website at <https://www.zmos.si/izveden-posvet-zmos-na-temo-posodobitve-nepn/> (available in Slovenian only).
- 23 decarbonisation, energy efficiency, energy security, internal energy market, and research, innovation and competitiveness.
- 24 <https://www.imf.org/en/Publications/fandd/issues/2021/09/infographic-series-net-zero-2050-IEA-report>
- 25 https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-an-green-deal/energy-and-green-deal_en
- 26 <https://www.europarl.europa.eu/factsheets/en/sheet/45/internal-energy-market>
- 27 Decree-Law no. 15/2022, of 14 January.
- 28 OECD (2017), Investing in Climate, Investing in Growth, Editions OCDE, Paris, <https://doi.org/10.1787/9789264273528-en>.
- 29 Commission Staff Working Document Impact Assessment Report, SWD(2021) 621 final.
- 30 McKinsey & Company, How the European Union could achieve net-zero emissions at net-zero cost, 2020.
- 31 For further information on COFOG, refer to later Section 5.1.2.
- 32 Data is not available for Albania, Bosnia and Herzegovina, Cyprus, Georgia, Kosovo, Malta, Montenegro, Moldova, Republic of North Macedonia, Serbia, Ukraine.
- 33 The EU Taxonomy for Sustainable Activities is designed to support the transformation of the EU economy to meet its European Green Deal objectives, including the 2050 climate-neutrality target. As a classification tool, it establishes a precise EU-wide classification framework to identify economic activities and investments that can be treated as environmentally sustainable.
- 34 TEG (2020), Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf
- 35 OECD (2021), Government at a Glance 2021, OECD Publishing, Paris, <https://doi.org/10.1787/1c258f55-en> (see Annex C, Table C.1)
- 36 First-level COFOG expenditures data are not available for Canada, Mexico, New Zealand and Turkey.
- 37 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>
- 38 OCDE (2022), "Subnational government climate expenditure and revenue tracking in OECD and EU Countries", OECD Regional Development Papers, n° 32, Éditions OCDE, Paris, <https://doi.org/10.1787/1e8016d4-en>
- 39 The decrease from 2015 to 2016 was seen in 23 countries out of 29, including sharp declines in Hungary, Latvia, Slovenia and Czechia.
- 40 For Austria and Germany, there is only the general data without details of the distribution between local, state and central; therefore, these two countries are not taken into consideration in these graphs.
- 41 For more information, have a look at CEMR's training academy report on sustainable finance: <https://www.ccre.org/bibliotheques/getFile/efc2f7f9ae465f19770d61b5b0552d-78bfdc5921>



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References

Annex



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Local & Regional
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