energycities WHERE ACTION & VISION MEET

The European association of local authorities in energy transition

Position paper

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Energy Cities' position
Juncker Investment Plan

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Key messages

The Investment Plan for Europe, the so-called Juncker Plan, is an opportunity for the European Union to step out of its economic sluggishness. This EUR 315 billion growth plan aims at creating jobs, which cannot be done by investing in "business as usual" large assets. Instead, investing in the energy transition at the local level can create numerous lasting and non-outsourceable jobs, and added value for the territories[1]. If the European Union is to meet its objective of 80-95% reduction of GHG emissions by 2050, **this investment plan needs to lead the transition of the economy away from its traditional fossil fuel dependency. This supposes moving to a post-carbon and more decentralised economy.** Besides, **investments in the low carbon economy such as energy efficiency or renewable energy are more job-intensive. They also reduce foreign imports of fossil energy, which takes a heavy toll on competitiveness and security.**

To maximise impact, the Juncker Investment Plan thus needs focusing on:
- Job-intensive local investments that contribute to green growth;
- Support the aggregation of community-led projects in the energy sector;
- Include local communities in a fully transparent project selection.

Job-intensive local investments that contribute to green growth

To achieve its Energy Roadmap 2050, and sustain a virtuous circle of competitive low-carbon economy, the EU needs long-term investments in line with its long-term targets. This means that the European Fund for Strategic Investment (EFSI) needs to prioritise "no-regret" projects when possible. Favouring projects that comply with European economic priority of "*sustainable development of the European Union*[2]", as laid out in the treaties is key to the success of the Plan. It must notably aim at the "*improvement of the quality of the environment*" and creating jobs.

To achieve this, the European Investment Bank must adopt a strategic vision when considering the portfolio of projects to be financed by the Investment Plan for Europe. **It needs an investment strategy that is compatible with European priorities of sustainable development.** In this regard, the Juncker Investment Plan should be aligned with the priorities of the European Structural Investment Fund, where at least 20% of funds are earmarked for renewable energy and energy efficiency. Moreover, **it is crucial that projects funding goes to riskier projects and is made on the basis of the additionally principle.**

Projects backed by the Juncker Investment Plan need to reflect the motto of a "*strengthen[ed] […] competitiveness and stimulate[d] investment for the purpose of job creation*" announced by the President of the Commission.

This implies that investments are directed to job intensive sectors that provide added value for the community. Actions both in energy efficiency and renewable energy at the local level fit these criteria. By contrast, projects competing with these priorities should not receive funding[3].

Besides, considering the Investment Plan for Europe's main goal, **its funding should not account as public debt**. Indeed for local authorities, crucial actors of public sector infrastructure investment, it typically is the budgetary constraint and not the lack of project that blocks investment. The plan should not crop EU budget lines that already favour long term investment and innovation for funding the guarantees.

[1] See for instance Energy Cities' study: *Economic Impact of the Energy Transition at the Local Level*.
[2] Treaty of Lisbon, 2007
[3] The Juncker Investment Plan should first prioritise actions that benefit EU based job creation and sustainable development. To this end, investment must first be moved away from large, carbon-intensive assets (notably to avoid stranded assets).
Then, money should be channelled to projects according to a "pyramid" of criteria such as: 1) Reducing energy consumption, 2) Recycle or reuse waste to produce energy or goods, 3) Invest in new renewable energy production capacity

Support the aggregation of community-led projects in the energy sector

To “kick-start” a virtuous cycle of investment, the Juncker Investment Plan should favour “needs-driven” investment. Local authorities and communities have set out visions and planned tangible projects for a sustainable future and the EFSI must tap into these resources. For example, the **actions listed in the Sustainable Energy Action Plans[4] of some 3,500 signatories of the Covenant of Mayors represent 17% of the total carbon abatement needed for the EU wide target to 2020**. Yet, financial institutions often point the lack of bankable projects as the main cause for low investment levels. **Local communities therefore need capacity building to scale-up these actions, and a platform to aggregate small projects so they can benefit from adequate financing.** As for the EIB, in charged with managing the Plan, it should develop mechanisms with a lower threshold of investments.

Aggregating small projects is a key factor of success for the Juncker Investment Plan. They indeed provide more return to the territories, and are those most confronted to the investment gap. **By serving as local hubs for aggregating projects and providing expertise, local energy agencies can address this gap.** They can establish the link between the European and local level – much like the KfW-ELENA programme is organised – as they have the technical expertise to assess local energy projects. Local energy agencies also have a deep knowledge of the territories’ resources, and can best identify how to harness them. Assisting these actors in acquiring expertise in project development and financing would provide long-lasting payoff at the European Union level. It also means more jobs and growth and the local level.

A facility dedicated to community-led energy projects should also be established, and Covenant cities’ SEAPs should serve as roadmap to identify the aggregated measures to be financed. Part of the guarantees provided under the EFSI should thus be earmarked for funding the implementation of the SEAPs. Such a financing platform would allow the EFSI to uphold its role of investing in strategic sectors of the European economy. As Europe’s energy system moves towards more decentralisation and citizen involvement, the European Union must make sure that grassroots projects benefit from appropriate levels of investment. **It needs to provide support for capacity building at local level to create a sustainable investment dynamic.**

Ensure cities are eligible in a fully transparent project selection

Numerous local communities have set up long term visions of the investments needed to shape their future. This is exemplified by the Sustainable Energy Action Plans elaborated by local authorities upon signing the Covenant of Mayors. For instance, Covenant of Mayors signatories voluntarily committed to an average 28% reduction of GHG emission by 2020, exceeding the EU’s own 20% objective. **As such, this initiative is an excellent example of the cities’ willingness to get involved in policy making at the European level, and the EU should capitalise on it and recognise cities as full partners and not mere implementers.** As the Covenant is set to integrate the newly adopted 2030 climate and energy objectives, it should become more strongly embedded in EU level policies, notably the Juncker Plan.

Knowledge economy and renewable energy were the two sectors for which the European Investment Bank did not meet its investment targets for 2014[5], yet they are key sectors for delivering long lasting growth and jobs. Local authorities and their partners are more in touch with the “real economy” and the job and growth expectations of their communities.

In light of this, they should be given a strong role in the governance of this investment plan. In this perspective **the EFSI should not be limited to a collection of existing EIB financial instruments**. It should provide instruments that ease the funding of small aggregated projects.

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[4] The Sustainable Energy Action Plans (SEAPs) are the “document in which the Covenant signatory outlines how it intends to reach its CO2 reduction target by 2020. It defines the activities and measures set up to achieve the targets, together with time frames and assigned responsibilities” http://www.covenantofmayors.eu/+-SEAPs-+.html

[5] See the European Investment Bank’s activity report 2014

In order **to include and support cities and local authorities, the governance of the EFSI must be fully transparent**. To guarantee a fair project selection, **the EIB needs to uphold the best practices in terms of transparency policy**.

What we would like to see three years from now as consequence of the Juncker Investment Plan:

Investment has returned to sustainable levels in the European Union, and has given a large momentum to the transition of the energy system to decarbonisation and increased decentralisation.

Through their local energy agencies working as a link between local projects and EU funding, European cities, local authorities and communities are a leading force of the ongoing transition.

Thanks to the support from the European Union in the form of project development assistance and a dedicated facility for aggregating projects, local actors carry the bulk of energy demand reduction actions, contributing to energy security, competitiveness and job creation.

Our proposals echo our Big Five recommendations to guide and inspire EU policy-makers.

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www.energy-cities.eu

The European association of local authorities inventing their energy future.
Created in 1990, the network now represents more than 1,000 towns and cities in 30 countries.
Energy Cities leads the Covenant of Mayors Office (www.eumayors.eu).

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