Climate Alliance

Climate Alliance

Position on the Energy Union

Climate Alliance

Position on the Energy Union

25 November 2015

Climate Alliance

CLIMATE ALLIANCE
European Secretariat

Headquarters
Galvanistr. 28
60486 Frankfurt am Main
Germany

T. +49 (0)69 717139 0
europe@climatealliance.org

Brussels Office
1, Sq. de Meeus
1000 Brussels
Belgium

T. +32 (0)2 504 78 60
brussels@climatealliance.org

climatealliance.org

Klima-Bündnis der europäischen Städte mit indigenen Völkern der Regenwälder | Alianza del clima e.V.;
Vereinsregistereintragung Amtsgericht Frankfurt am Main, No. 10149; Vorsitzende: Holger Matthäus und Tine Heyse


Photo by Andrea Geldiszár

CLIMATE ALLIANCE POSITION ON THE ENERGY UNION

Climate Alliance very much welcomes the ambition of the EU Commission's *Energy Union Strategy* to fundamentally transform the European energy system in order to put citizens at its core, taking a decentralised, demand-side based approach. Only with a decentralised and sustainable energy system will the EU be able to reach its commitment of reducing greenhouse gas emissions by 80 to 95% by 2050.

Climate Alliance member cities have been working towards this goal for many years and are committed to continue doing so. However, this transition can only succeed if all levels of government work together with local authorities acknowledged and supported as full players of the Energy Union.

The Key Mesages

- The energy transition is well underway and will bring about a large number of direct and co-benefits for Europe, on an economic, environmental, and social level.
- A decentralised energy system can only work with a strong role for local authorities. They have been taking action on the five dimensions of the Energy Union for decades and are ready to continue doing so, as demonstrated by the members of Climate Alliance and the signatories of the Covenant of Mayors.
- Local authorities must be further supported by the national and the EU levels in order to continue this work and upscale it all over Europe.
- The governance system of the Energy Union needs to be based on local potentials. Before investing in heavy infrastructure and conventional energy sources, the potential for local and sustainable energy sources must be considered and reinforced.

CLIMATE ALLIANCE VISION FOR THE ENERGY SYSTEM 2050

The energy system will be conceived based on local potentials, including maximum energy savings and efficiency. The remaining energy needs will be covered by almost 100% renewable sources. There will be fewer large scale energy production plants and instead, numerous small renewable energy production units. There will also be fewer traditional big energy production companies and many more SMEs providing energy-related services and products. A market for energy services means that generation and consumption will be organised across all energy providers according to economic principles. Demand and supply will be meaningfully linked through a holistic local approach. Energy demand will be lowered thanks to highly efficient buildings, local businesses having put in place energy efficiency measures, energy savings in the mobility sector and well-informed citizens. Management of energy peaks will be ensured through local combined heat and power plants, thermal energy storage, and electricity storage, for example, through electro mobility. Local authorities, the public, local businesses, energy agencies and energy utilities providing energy services will all prove essential to the implementation of these measures, which create regional value and jobs, involve the public into the new system and exploit local potentials. Everyone can have a role in the new energy system.

Maros Šefčovič, Vice-President of the European Commission for the Energy Union, *reaffirmed* that "there is no other way to bring about the energy transition other than working with the local authorities." We welcome this statement and will work actively with the European level to make this transition happen. We would like to stress that:

THE FIVE DIMENSIONS OF THE ENERGY UNION NEED TO BE BASED ON LOCAL POTENTIALS.

The five dimensions of the Energy Union are

- Decarbonising the economy
- Moderating European energy demand
- Further integration of national energy markets
- Boosting innovation and research
- Energy security, solidarity and trust

Local authorities hold the solutions to the challenges that the Energy Union is tackling. As Vice-President Šefčovič has said, “the energy transition is all about decentralisation of our energy production, turning consumers into prosumers, increasing efficiency of residential buildings, smartening our cities, encouraging cross-border cooperation and ensuring adequate cross-border infrastructure. The local authorities and cities are therefore indispensable and will play a major role in this change!”

European local authorities are and will continue to be at the forefront when it comes to realising the Energy Union. They are best suited to take action on the creation of a decentralised, low-carbon energy system in which citizens are empowered and the multiple co-benefits of the transition are reaped. This fact needs to be realised in practice and acted upon by decision-makers on both the European and national levels.

How local authorities are already acting on the five dimensions of the Energy Union and what support is still needed to tap their full potential

1 Decarbonising the economy by investing in and fostering the uptake of renewable energies

Local authorities are at the forefront of building a decentralised low-carbon energy system based on renewables and efficient energy use. Like the *100% RES communities*, they are taking action by using their local energy potentials to their fullest according to their geographic and social circumstances. Being close to citizens, businesses and other stakeholders, they can mobilise local potentials and make sure that the money spent on energy stays on their territories, thus boosting a decarbonised economy.

Güssing (AT)
100+% Renewable Energy

In the 1990s, this small town with 3,770 inhabitants decided to turn its economic hardship around using a model that included supplying 100% of its energy needs with local resources. It succeeded. Currently, the town is a net renewable energy exporter, producing about 10 times more energy than it needs and approximately 40 times more electricity than it can use. Along the way, the town was able to attract 60 new companies, 1,500 new jobs, and annual revenues of € 17 million from energy sales, all resulting from the growth of the renewable energy sector.

What further support is needed from the EU and national levels?

- Strengthen Energy Union governance by taking into account local energy and climate strategies in national and EU-wide plans, basing strategies on local potentials.
- Design the energy market to give priority to local energy projects, for example, through guaranteed access to the grid, fixed tariffs and an obligation for electricity distribution operators to integrate an increasing share of renewable energy in their portfolios. Local and self-generation should be encouraged instead of hindered. The energy market should be organised as a market for energy services, with the participation of a variety of market actors. See also *Climate Alliance's answer* to the public consultation on the Energy Market Design.
- Strengthen EU initiatives to support local authorities in decarbonisation, like the Covenant of Mayors, whose more than 6,400 signatories are committed to exceeding the EU climate and energy targets. The Covenant should be further supported, i.e. through fast-track access to funds for cities with an inte-grated sustainable energy action plan. See also Climate Alliance's *5 recommendations for the future of the Covenant of Mayors.*

❷ Moderating European energy demand, leading by example and enabling others to follow

The energy transition can only succeed by tapping the enormous potential for reductions in energy demand. Local authorities have long understood that saving energy and increasing efficiency not only leads to important CO_2 reductions and heightened energy security, but that improving energy efficiency, for example, in buildings, also reaps financial savings, increases indoor comfort and reduces energy poverty, thus providing multiple benefits. Local authorities are leading by example by increasing the efficiency of their own buildings such as schools, theatres, swimming pools, public housing etc., but also by helping citizens, businesses and others to save energy themselves.

Ghent (BE)
Holistic approach for energy savings

In order to become climate neutral by 2050, Ghent has to engage all parts of society in the energy efficiency field. In the programme 'ESCO4GHENT' different SMEs are clustered to increase the size of investments in energy efficiency and make energy performance contracting (EPC) more financially attractive. It focuses on clarifying the legal thresholds, investigates the economic liveability, the financial risks and the technical potential to implement bundled projects. This work results in standardized procedures, which flow back to the policy-making of the city to provide a supportive legislative framework for EPCs.

On the other hand Ghent also prioritizes low-income households in its Rational Energy Use Programme (REGent). Households receive free advice on how to save energy and water and employs staff from vulnerable groups to conduct the audits and energy scans. It facilitates the energetic retrofits in the residential sector by providing low to zero-interest loans, grouped purchases and facilitation of the whole process.

What further support is needed from the EU and national levels?

- An ambitious policy framework is paramount to triggering action at the local level and providing investor certainty. The 2030 EU target for energy efficiency thus needs to be raised to at least 40%.
- The energy efficiency first principle should be applied throughout all forthcoming legislation of the Energy Union.
- Existing legislation on energy efficiency needs to be strengthened and implementation sped up.
- Investments in energy efficiency must be ensured and existing barriers removed: adequate mechanisms and financial instruments to support local authorities – the closest level to the building stock and the citizens living/working in them – and to encourage the private market to step in must be ensured.
- Local authorities are reliable partners for energy performance contracting and intracting. Their access to revolving funds should therefore be facilitated.
- Debt constraints that hinder local authorities from investment in sustainable energy projects in certain Member States must be loosened.

❸ Cross-border cooperation for better integration, not only of energy markets

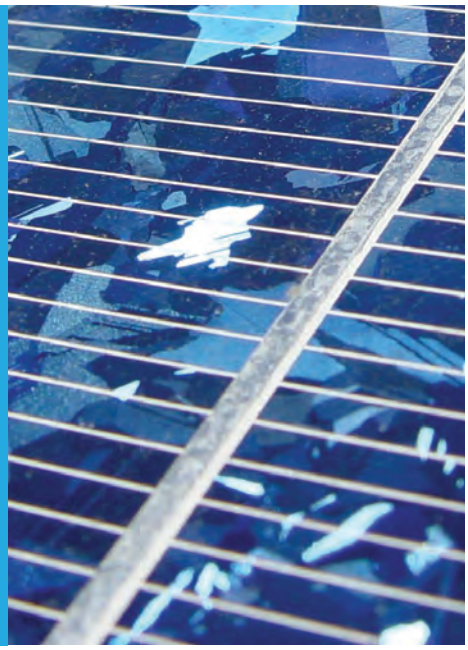
Integrating European energy markets can partly mitigate flexibility needs arising from increasing shares of fluctuating wind and solar energy. Market integration, in addition to energy storage and other technologies, can thus be an integral part of the transition towards an energy system based on renewable energies.

In a decentralised energy system, local authorities located along national borders are the key players in the cross-border integration of energy markets. In these areas, local approaches require the cooperation of subnational authorities in order to tap regional potentials. Their cooperation goes further than a mere exchange of electricity and heat – they forge close ties between people, companies and institutions located on both sides of a national border, thus bringing the European idea forward.

On his Energy Union tour, Vice-President Šefčovič visited the highly successful border region between the northern Netherlands and Germany's Lower Saxony, where a '*miniature energy union' i*s already being put in place, coordinating much more than merely energy flows.

Landkreis Aurich (DE) Flexible cross-border energy system of the future

The district of Aurich in Germany's Northwest is heavily involved in the coordination of the cross-border cooperation with the neighbouring region of Groningen (NL). Together, they are creating a more flexible energy system that responds optimally to the needs of more decentralised, smaller-scale and variable production. It involves citizens, companies, universities, schools etc., in order to accelerate the energy transition by pooling ideas, plans and initiatives.



What further support is needed from the EU and national levels?

- Like the highly successful "living lab in energy transition" at the Dutch-German border, cross-border projects and the additional coordination efforts they imply should be supported, e.g. through INTERREG or Horizon2020.

4 Boosting innovation and research by enabling and implementing innovative solutions

In the energy transition, cities often act as testbeds for innovative, low carbon technologies. By doing so, they can prove the viability of solutions at an early stage of development and help secure investments. Applied technological innovation that answers to the needs of citizens is crucial. In Berlin, a micro smart grid is being tested in the urban district of the EUREF-Campus. Last year, the district already reached the climate and energy goals that Germany had defined for itself for 2050 thanks to innovative solutions for energy efficiency and load management, namely through storage in e-mobility.

Non-technological solutions are equally important in enabling the large scale implementation and market uptake of sustainable energy solutions. These include financial innovation, for example, setting up new business models to finance implementation and to hire qualified staff. New social models that empower citizens, raise awareness and support behavioural change are also essential.

Province of Barcelona (ES) €100 million in sustainable energy investments thanks to the ELENA facility

Thanks to a grant from the EIB's ELENA facility, the Province of Barcelona was able to finance the preparation of bankable energy efficiency projects, mainly in the field of public lighting for the region's cities and towns, in the framework of its *REDIBA* project. The money was used to provide technical support and assistance to small municipalities in order to set up new contracting models, which resulted in private investment of € 100 million and at least 1600 new jobs.

What further support is needed from the EU and national levels?

- Mechanisms ensuring that R&D are driven by local needs (research should support policy making).
- Multidisciplinary approaches in research and improved links between research and practice (testing, piloting, and real life experiments). This should also be operationalised by inviting actors beyond the research community to European Commission platforms such as the SET Plan Steering Group.
- Further investment in research and the piloting of a diversity of energy storage technologies, which support the implementation of a decentralised energy system.
- Taking into account the important role of cities and citizens in developing innovative solutions and putting them into practice.
- Dedicated support for non-technological solutions to enable the market uptake and thus the implementation of sustainable energy solutions like the ELENA facility.

❺ Ensuring energy security, solidarity and trust by making local authorities full players of the Energy Union

Competitiveness and energy security – the most frequently mentioned keywords when arguing against ambitious climate policies – are best achieved through increased energy savings and efficiency paired with more decentralised energy production via renewable sources.

As the above examples show, local authorities already hold the solutions to the implementation of this energy system and they are numerous. More than 6,400 of them, covering one third of the EU's population, have demonstrated through their committment to the *Covenant of Mayors* that they are ready to act on all these fields by reducing their greenhouse gas emissions by close to 30% by 2020; the 1700 Climate Alliance members have pledged to cut their greenhouse gas emissions by 50% by 2030.

The European Commission's Communication on the Energy Union stresses that "most of the work has to be done at national, regional and local level." In order to do this work, local initiatives need to be further supported and up-scaled throughout the European Union. This is why we need a coherent governance system for the Energy Union that includes the local and regional levels. Climate Alliance welcomes the pledge of the European Commission to continue working with the Covenant of Mayors to facilitate effective governance of the Energy Union. To this end,

- National and European energy and climate plans should be required to both take into account local and subnational strategies and to report on them. These local and regional strategies should constitute the basis for other plans.
- The energy market should be organised around a market for energy services: different energy service providers will supply their various customer groups with a variety of offers tailored to these customers' energy needs.

CONTACT DETAILS

Pirita Lindholm – Director Climate Alliance Brussels Office
p.lindholm@climatealliance.org

Lea Kleinenkuhnen – Policy Officer
l.kleinenkuhnen@climatealliance.org

Elise Steyaert – Policy Officer
e.steyaert@climatealliance.org

About Climate Alliance

For more than 25 years, Climate Alliance member municipalities have been acting in partnership with indigenous rainforest peoples for the benefit of the global climate. With over 1,700 members spread across 26 European countries, Climate Alliance is the world's largest city network dedicated to climate action and the only one to set tangible targets: each member city, town and district has committed itself to reducing greenhouse gas emissions by 10 percent every 5 years. Recognising the impact our lifestyles can have on the world's most vulnerable people and places, Climate Alliance pairs local action with global responsibility. The network fosters cooperation with indigenous peoples, runs awareness raising campaigns and develops tools for climate action planning. It provides ample opportunity for participation and exchange while representing member interests at the national, European and international levels.

Climate Alliance

European municipalities in partnership with indigenous rainforest peoples – the world's largest city network taking local action on global climate change

CLIMATE ALLIANCE
European Secretariat

Headquarters
Galvanistr. 28
60486 Frankfurt
Germany

T. +49 69 717139 0
europe@climatealliance.org

Brussels Office
1, Sq. de Meeus
1000 Brussels
Belgium

T. +32 2 504 78 60
brussels@climatealliance.org

Climate Alliance

Find out more on climatealliance.org and follow Climate Alliance on social media!