Brussels, 2nd of September 2019

Subject: FEDARENE’s Recommendations for Coordination and Support Actions for Clean Energy Transition within LIFE 2021-2027

Dear Representatives of the European Commission,

FEDARENE (European Federation of Agencies and Regions for Energy and the Environment) welcomes the provisional agreement\(^1\) reached by the European Parliament and Council on the LIFE programme for the Environment and Climate Action 2021-2027.

As the first work-programme of the LIFE programme is currently under discussion, the members of FEDARENE wish to contribute to this process by bringing forward their experience with previous EU support programmes, more specifically in regards to coordination and support actions for clean energy transition.

As recognised by recital (7a) of the provisional agreement, coordination and support (CSA) projects on clean energy market uptake and capacity building projects have brought an amazing added value in regions, cities and communities. They have enabled local/regional energy agencies and public authorities to stimulate local economic development, create jobs, stimulate demand and supply for energy efficiency services and products, implement and upscale renewable energy projects, develop the first adaptation strategies, alleviate energy poverty, improve air quality and truly inform and empower citizens and local initiatives. These projects have been incredible drivers of European integration, creating transnational long-lasting partnerships, jointly embarking cities and regions towards common sustainable development goals.

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\(^1\) Confirmation of common understanding on the Proposal for a Regulation of the European Parliament and of the Council establishing a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EU) No 1293/2013, 20 March 2019
In order to sustain this momentum through the next LIFE programme, the members of FEDARENE leveraged their experience and made the following recommendations along with structured justifications.

**Above all, the clean energy transition sub-programme should have a co-financing rate above 80% and its implementation be directly managed by the Executive Agency in charge.**

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1. **Minimum 80% co-financing rate for Coordination and Support Actions to support the transition to renewable energy and increased energy efficiency (art.10.2 e))**

It is critical to ensure a **co-financing rate above 80%** for “other actions needed for the purpose of achieving the general objective set out in Article 3(1), including coordination and support actions aimed at capacity-building, dissemination of information and knowledge, and awareness raising to support the transition to renewable energy and increased energy efficiency.” (art.10.2. (e) of the proposal for a regulation). Such level of support is indispensable to respond effectively to the needs of market uptake actions and entities, as required by recital (28a) of the provisional agreement

- **What Coordination and Support Actions for sustainable energy consist of?**

  - **Market facilitation** projects that focus on stimulating the energy efficiency and renewable energy markets through a combination of strategic interventions improving commercial relationships between market actors, training and communication on the value propositions of energy transition measures.
  - **Policy dialogue** projects focusing on accompanying policy makers (local, regional/national and EU) through information, evidence and advice for optimal and accelerated sustainable energy and climate strategies.
  - **Technical assistance for project development** services enabling public and private project promoters to build the technical, economic and legal expertise and documentation needed for project development, and leading to the launch of concrete investments before the end of the action.

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*“The maximum co-financing rates should be set at levels which are necessary to maintain the effective level of support provided by the Programme. In order to take into account, the necessary adaptability that is needed to respond to the existing range of actions and entities, specific co-financing rates will facilitate certainty, while maintaining a degree flexibility that be afforded as per specific needs or requirements.”*
➢ **Capacity building** projects that raise the level of practical skills and knowledge of staff in public authorities and their affiliate agencies in charge of sustainable energy. Activities may include peer to peer learning programmes, master classes, expert missions, expert workshops.

➢ **Replication** projects that enable organisations to implement in their own cities/regions approaches and methods that have been successful in other places in Europe.

➢ **Standardisation** projects that target development and documentation processes, understanding of risks and value, contracts, performance data and reporting.

➢ **Information, awareness, dissemination and networking** projects that connect all the stakeholders and decision-makers whose involvement is required in the decarbonization of EU’s economy.

- **Challenging match funding for Coordination and Support Actions in clean energy**

While match funding from public sources has developed for LIFE projects on environment and climate topics, this has not been the case for sustainable energy. In the cases where such funds are available, they are only accessible through competitive bidding and cover a small portion of the remaining gap, thus obligating beneficiaries to search for yet another source of funding with yet another type of application procedure. This long and cumbersome process creates a prohibitive load of administration, heightens the risks for projects and adds to the barriers of local and regional energy transition.

EU co-funding of projects in this field has been vital for local/regional authorities and their affiliate energy agencies who are mostly small-medium sized non-profits, with varying and often precarious levels of financial support from public authorities. Their capacity to self-finance their participation in EU projects is extremely limited as is for many small organisations working in this area. Absence of match funding has often obligated smaller organisations to match
funding with their own resources, thus destabilising even further their financial situation.

Lower co-financing rates will therefore not lead to co-financing more sustainable energy projects but will result in much fewer applications and less energy transition action in Europe. Only associations capable of co-funding the projects will engage and therefore it is foreseeable that only large organisations (often the same ones) will capture most of the awarded CSA projects, preventing smaller organisations and newcomers to enrich the programme’s impact and approaches.

- Climate urgency entails increased financial support for immediate decarbonisation

2020-2030 will be a decade of crucial importance if the EU is to reach net-zero GHG emissions by 2050. Achieving it will require considerable additional investments in the EU’s energy system and related infrastructure compared to today’s baseline, in the range of EUR 175 to 290 billion a year. CSA projects have proven to be instrumental for stimulating such investments. Reducing financial support through lower co-financing rates for projects promoting renewable energy and energy efficiency is not the right signal to send to regions, cities and their inhabitants. Ambitious commitments of local and regional authorities such as the ones mobilised in the European Covenant of Mayors for Climate and Energy need to be backed by appropriate financial support.

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3 European Parliament resolution of 14 March 2019 on climate change – a European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy in accordance with the Paris Agreement
4 https://www.covenantofmayors.eu/en/
The move of the above-mentioned clean energy activities to LIFE is yet another restructuring of the original Intelligent Energy Europe programme, implying this time around a sizeable procedural change for applicants. Harmonising the administrative procedures of LIFE (at application and implementation stages) and Horizon Europe would lead to reduced administration costs for beneficiaries as well as economies of scale for the Executive Agency managing the programmes. This would also be consistent with the LIFE programme’s role as a catalyst for the deployment of research and innovation results from Horizon Europe.

Such an alignment would imply the following considerations:

- **At application stage**
  
  - “Two-step” applications can be useful for larger projects and may help in reducing redundant expenditure for project development. However, if a two-step procedure is to be retained for certain types of projects, the first-stage evaluation should be performed rigorously, enabling applications that reach the second-stage to have a 50% chance of succeeding.
  
  - The application procedure should be completely online and on the same electronic platform as the one used for reporting during the project implementation.

- **At evaluation stage**
  
  - The evaluation criteria used under Horizon 2020 (excellence, impact, quality and efficiency of the implementation) are clear and have been successfully used in selecting impactful projects. The “impact” criterion of the evaluation is fundamental for CSA projects and should be the most determinant criterion.
➢ The **evaluation process should be as short as possible**, aiming for a maximum of 8 months between application and grant agreement signature (5 months for evaluation feedback).

- **During implementation**

  ➢ We strongly recommend the **direct management** of the LIFE programme (or at least of the clean energy sub-programme) by the responsible Executive Agency, avoiding any subcontracting to external organisations. Horizon 2020 has demonstrated the added value of direct management by EASME & INEA.

  A key aspect of the CSA in H2020 was to inform and support policy making in the field of the energy transition. Numerous projects supported policy interactions with stakeholders and provided feedback from the ground on current and future programmes and policies. It created a strong link between EU policy and local implementation, thereby creating a strong driver for the energy transition. Adding an administrative layer without direct access to the experts in the different Commission services, entails a high risk that this role cannot be fulfilled in the future. Given the urgency for well-informed policy making in view of the impending climate catastrophe, the input from these projects should not be lost.

  Direct management accelerates decision making related to the project implementation and implies for the executive agencies to benefit from appropriate resources in order to effectively manage the number of projects. Lowering the administrative burden and harmonising H2020-LIFE procedures would enable that. The experience of EASME & INEA in streamlining administrative procedures should be leveraged.

  ➢ Project related **financial statements** should not be confused with financial audits. While beneficiaries should be obligated to have a reliable internal accounting and reporting system related to the project implementation (timesheets, original invoices, proof of salary payments etc.), they should
not be obligated to comprehensively demonstrate this reliability at every reporting phase during the project implementation. There is wide evidence available from the H2020 and IEE programmes that the key beneficiaries are well-established organisations that are not in a risk category requiring external audits. Providing a financial audit is often a very costly procedure - sometimes as high as several percent of the total project costs which are then "lost" to the programme objective: combating climate change and contributing to the clean energy transition. They also create an unnecessary administrative burden.

The reporting methodology of the previous “Intelligent Energy Europe” programme was pragmatic and appreciated by beneficiaries (every 9 months submission of a technical progress report, a financial statement at the interim and final stages).

➢ Both financial and technical reporting should be carried out solely through one and unique online platform for environmental reasons as well as to lower administrative costs. This platform should be the same as the one used for the application process. These processes could be undertaken through an existing platform such as the “Single Electronic Data Interchange Area”, where streamlined and effective procedures are in place and well-tested.

➢ Removal of the 2% rule is crucial. This rule is a deterrent from joining LIFE projects. The additional/non-additional employees’ distinction is unreasonable for public equivalent bodies (such as many energy agencies and other such implementing bodies) as their permanent personnel costs are not automatically covered by public funding, and, in the same time, they cannot hire new personnel due to national law restrictions. Public agencies need to have their permanent personnel costs accounted for in projects otherwise it will be virtually impossible for them to participate in proposals. Furthermore, this strict classification of employees between additional and non-additional sets them in an inequality position against each other in organisations dependent on external funding, given the equal need for external funding irrespective of the length of their employment history.
aim should be to treat employees equally regardless of their employment history.

➢ The **7% indirect costs rate in LIFE is largely insufficient** to cover the real office and administration costs created by LIFE projects. Private entities as well as public equivalent bodies cannot cope with it. A realistic rate should start at 25%, and in case of a low co-financing rate (below 80%), then the indirect cost flat-rate should rise as far as 60% (as it was under the IEE programme). A higher overhead percentage and funding rate would increase the interest in LIFE funding in organizations dependent on external funding.

➢ **Pre-financing is essential** for smaller and private organisations. Payments schedule should therefore keep a format similar to Horizon2020:

- one pre-financing payment (float that is fixed in each GA and automatically paid at the beginning of the action. For pre-financing this should be 100 % of the average EU funding per reporting period (i.e. maximum grant amount set out / number of periods).
- one or more interim payments, on the basis of the request(s) for interim payment.
- one payment of the balance, on the basis of the request for payment of the balance.
3. **Key priority topics in the first LIFE work programme**

In order to effectively “contribute to the shift towards a sustainable, circular, energy-efficient, renewable energy-based, and climate-neutral and resilient economy”\(^5\), from a local and regional perspective the following non-exhaustive list of priorities should be considered in the first work programme:

1. Increased technical assistance for developing local & regional integrated building renovation services (including for multi-family residential, commercial buildings, private & public owned).
2. Innovative financing for energy efficiency investments.
3. Development and roll-out of business models integrating energy efficiency, renewable energy sources, energy management, storage and/or other sustainable energy areas.
4. Increased project development assistance for aggregation projects.
5. Mitigating energy poverty (households and mobility).
6. Energy Communities – developing business models, demonstrating & promoting the value propositions of such new configurations.
7. Citizen mobilisation and involvement in sustainable energy projects – awareness raising and training, behavioural studies, use cases and technical assistance to develop energy communities.
8. Accelerating the decarbonisation of Europe's industries – projects demonstrating that competitiveness is achievable through energy transition measures.
10. Establishment and support of sustainable energy clusters of clean technology companies.
11. Local/regional integrated planning (energy & climate). As adaptation becomes an urgent need, strategies and methodologies need to be developed and

\(^5\) Programme objectives, Article 3, Confirmation of common understanding on the Proposal for a Regulation of the European Parliament and of the Council establishing a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EU) No 1293/2013, 20 March 2019
included in existing planning exercises, with a mobilising effect for cities & regions.

12. Management of energy, environment and climate data.

13. Sustainable mobility projects increasing the use of E-mobility, bio-CNG & hydrogen.

14. Decarbonising energy systems of geographical Islands.

15. Local and regional public authorities support through capacity building & peer to peer on project development and financing.

4. Inclusion of sustainable energy experts as members of the LIFE Committee

As the first multiannual work programme will be reviewed by the LIFE Committee, we invite the European Commission to encourage the inclusion of sustainable energy experts in the committee procedure. As “Clean Energy Transition” becomes a key focus of the LIFE programme through a specifically dedicated sub-programme, expertise in sustainable energy will be indispensable to ensure the committees’ control is effective (as required by Regulation n° 182/2011, recital 5), especially regarding the adoption of LIFE programme's multiannual work programmes related to clean energy transition.

FEDARENE welcomes the opportunity to meet and discuss these issues with a view to be an active contributor to the design of a new LIFE Programme that maximises the ability of citizens and regions to realise the energy transition agenda.

FEDARENE (European Federation of Agencies and Regions for Energy and the Environment) is the premier European network of regional and local organisations, which implement, coordinate and facilitate sustainable energy and environment policies. Regional and local agencies, ministries and departments working in these fields are represented in FEDARENE.

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