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

Key Recommendations

1. 80-100% co-financing rate for Coordination and Support Actions (CSA) to support the transition to renewable energy and increased energy efficiency (art.10.2 point e.) (see p.3-7)
2. Procedural alignment with Horizon Europe (see p.8-11)
3. Continuation of direct management of CSA clean energy projects by EASME (see p.9)
4. Focus on local & regional actions (see p.12).
5. Inclusion of sustainable energy experts as members of the LIFE Committee (see p.13)

Dear Representatives of the European Commission,
Dear Members of the LIFE Committee,

FEDARENE (European Federation of Agencies and Regions for Energy and the Environment) welcomes the provisional agreement1 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 indeed 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,

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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
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 municipalities and regions towards common sustainable development goals.

In order to sustain this momentum through the next LIFE programme, the members of FEDARENE leveraged their experience and make the following recommendations along with structured justifications.

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

In accordance with article 17 point 2. ebb) of the LIFE Regulation (common understanding from 20 March 2019 following trilogues), the co-financing rate of the clean energy CSA projects will be set in the multiannual workprogramme (2021-2025) of the new LIFE programme.

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 agreement².

1.1. Non-existing or hard to access match funding

Match funding from public sources for LIFE projects has developed in only a few countries and does not systematically cover clean energy related topics, nor is it easily accessible.

1.1.1. Non-existing public match funding

➢ In many countries such as Spain, Romania, Cyprus, Bulgaria, Italy, Slovenia, Ireland and the United Kingdom, Denmark, Estonia public match funding for LIFE projects does not exist³.

➢ 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

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² “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.”

³ Based on a survey of FEDARENE’s members.
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.

- Securing match funding through third-parties (utilities, banks, ESCOs) is a very uncommon scenario in Romania and Bulgaria. In such cases the negotiations on how the project may be beneficial for the co-funding organisation may be extremely long and very burdensome, or even impossible to achieve. When private third-party match funding is found, it’s often in the frame of sponsorships from private companies who support the CSA actions in accordance to their own corporate social responsibility branding strategy.

- The prospects of seeing public match-funding of CSA-energy projects being developed in countries such as Croatia or Bulgaria are not optimistic as environmental projects appear to be prioritised by national funding programmes. In Croatia for instance, in the current structure of operational programmes for structural funds, environmental projects (mostly related to water protection and waste) have priority and are on the list of strategic projects in most cases. This implies that they receive direct funding and that their allocated envelope has more funds. Energy related projects are financed on a competitive basis and are in general not put on the list of strategic projects (and the total envelope for energy related projects is smaller).

1.1.2. Existing match funding but with limited and difficult access

- In the case of Sweden, Croatia, France, Czech Republic\(^4\) 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 and usually unfitting timelines.

- In the case of Sweden for instance, the Swedish Energy Agency does provide matching funds, however the funds are very limited and only fund 50% of the

\(^{4}\) Based on a survey of FEDARENE’s members.
necessary co-financing. Meaning if a project receives 60% funding from LIFE, we could apply for 20% from the Swedish Energy Agency and 20% from a different source. The timing of when the calls for match funding is open seldom match the reality (you have to apply for co-finding within specific call dates and the proposal with EU must be approved, but the applier must not have signed the contract with the EU yet). Beneficiaries from Germany mention a similar situation where in many cases deadlines, funding and reporting regulations and financing modes are so different that it is very complicated to find a consistent mode to fund the projects.

The Swedish regions/counties do have small funds to match EU-projects if needed, which could be used for match funding. However, these funds are very limited and have normally other evaluation criteria. The criteria seldom match the criteria of the EU-project, neither the timing of the application nor the reporting procedures or goals. This amounts to having to build a parallel project just for the match funding.

➢ In France, match funding for LIFE projects can be provided by public sources on a case by case basis. However, smaller local energy facilitators such as energy agencies are increasingly involved in large scale deployment of sustainable energy actions, needing to address multiple stakeholders and requiring significant efforts and time. Finding the time to spend to obtain match-funding will be prejudicial to their work on market uptake and policy support.

➢ While local authorities could in theory be a source for match funding, it is challenging to convince them to allocate resources for CSA-energy projects without "direct investments" such as in pilots or demonstrations.

➢ CSA-energy projects require high level professionals who have been working on these issues for a long time, developing their skills and knowledge. Low co-funding rates of such CSA-energy projects may result in less attractiveness of such projects to be submitted as the dependency on match funding will increase, bringing more complications to reach agreements with authorities providing the match funding. As a result, the departure of such professionals to different areas on market may occur and long-time built capacities will decrease.

➢ 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.

1.2 Lack of alternative funding at national, regional or local level for Coordination and Support Actions on energy

Coordination and Support Actions are challenged in attracting other financing as they are typically:

- Not pure research, therefore don’t attract research funds nor early investors.
- Not market products, therefore don’t attract enterprises for investment.

It is indeed more difficult to attract co-financing for CSA project because it is believed they do not bring as many immediate direct benefits as the hard investment projects or even the innovation projects (that are actually high-risk projects). It is difficult to assure co-funding bodies that CSA projects bring long-term sustainable changes in the local context when conducted properly.

CSA projects prepare the ground for concrete investments and favourable policy frameworks. Co-funding for this type of measures at national, regional and local level is extremely rare, making EU funding for CSA unique and crucial.

Furthermore, CSA are usually linked to putting into the market technologies and solutions which are not fully expanded. Thus, the funding available is scarce as there are more traditional energy solutions.

1.3 Lower co-financing rates will compromise the outstanding impact that EU funded CSA projects have on energy savings, RES production, investments & GHG emission reductions

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 5.

CSA projects have proven to be instrumental for stimulating such investments in the decarbonisation of Europe’s economy. 60 projects co-funded under Intelligent Energy Europe (IEE, renamed CSA in H2020) related to energy efficiency in buildings were estimated to achieve the following results 6:

- 540,000 toe of primary energy savings per year, with an estimated 40 million toe per year achieved by 2020 [a 72x multiple];
- 450,000 toe of renewable energy generated per year, with an estimated 10 million toe achieved per year by 2020 [a 24x multiple];
- ~6 billion euros invested in sustainable energy, with an estimated 270 billion euros invested by 2020 [a 46x multiple];
- 2 million tonnes CO2e reduced per year, with an estimated 160 million tonnes CO2e reduced per year by 2020 [a 70x multiple].

Based on EASME’s costs-effectiveness assessment, each thousand euros of total investment in buildings projects supported under the Programme was reported to have supported the following impacts at the time of project close:

- 8.0 toe/year saved in terms of primary energy;
- 6.4 toe/year generated from renewable energy sources;
- €70,000 invested in sustainable energy; and,
- 31.6 tCO2e/year of emissions avoided.

This outstanding impact will be compromised by lower co-financing rates requiring rare and unstable match funding. It will create an additional burden for project promoters.

**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

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5 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

6 Evaluation of building projects under the Intelligent Energy Europe II Programme, Final Report, 2017, made by EASME
authorities such as the ones mobilised in the European Covenant of Mayors for Climate and Energy\textsuperscript{7} need to be backed by appropriate financial support.

2. **Procedural alignment between LIFE and Horizon Europe and direct management by the Executive Agency**

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:**

2.1. At application stage

- **“Two-step” applications** can be useful for larger projects and may help in reducing redundant expenditure for project development, under certain conditions:
  - the first-stage evaluation should be performed rigorously, enabling applications that reach the second-stage to have a 50% chance of succeeding as applications in 2 steps create extra costs and prolong the duration of the application.
  - the prolongation incurred by this 2stage scheme should remain within a reasonable timeframe.

- The application procedure should be completely online and on the same electronic platform as the one used for reporting during the project implementation.

\textsuperscript{7}https://www.covenantofmayors.eu/en/
2.2. 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).

2.3. During implementation

➢ We strongly recommend the direct management of the LIFE projects (or at least of the clean energy projects) 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.

➢ The removal of the 2% rule is very much welcomed. This rule was 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.

➢ 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.
Article 181(6) of the REGULATION 2018/1046 on the financial rules applicable to the general budget of the Union, allows for a higher flat rate for indirect costs if “authorised by a reasoned Commission decision”. Such a decision could be comprehensively reasoned based on the evidence from beneficiaries who as mentioned above are gravely challenged by this 7% flat rate.

➢ **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. **Types of Coordination & Support Actions for sustainable energy required at local and regional level to accelerate the energy transition**

➢ **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.

➢ **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.

4. **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”\(^8\), 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). Such assistance should aim at institutionalising local and regional one-stop-shop advisory services for sustainable energy measures.

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.


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\(^8\) 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
10. Establishment and support of sustainable energy clusters of clean technology companies. Such projects should ensure that Europe’s progressive industries expand and remain competitive globally.

11. Local/regional integrated planning (energy & climate). As adaptation becomes an urgent need, strategies and methodologies need to be developed and 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. Sustainable mobility projects reducing/rethinking the need of mobility (such as the promotion of digital web-conferences for meetings between public authorities or in other frames).

15. Development and implementation of sustainable cooling solutions such as district cooling systems.

16. Decarbonising energy systems of geographical islands.

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

18. Promotion of smart grids and smart cities with large input in terms of energy efficiency and renewable energies to facilitate the process to zero carbon emissions. Such projects could prepare municipalities and cities for the “Smart Cities and Communities” transition.

19. Decarbonization of ports and the port industry

5. 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 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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