



EUROCITIES statement on the Energy Union Package

A localised Energy Union of smart cities
- for jobs, prosperity and sustainability

May 2015



Our cities have been pushing ahead on climate action and sustainable energy for years, with many setting themselves more ambitious emission reduction goals than the EU. We fully agree with the Energy Union objective of creating a resilient energy system and an ambitious climate policy for 'secure, sustainable, competitive and affordable energy', integrating both heat and power.

The Energy Union is an opportunity to better integrate EU and member state policies related to energy and climate. A clear, long-term framework is crucial for public and private investors alike to move towards a more sustainable and resilient energy system. This framework must include an effective reform of the EU Emission Trading Scheme (ETS) as well as enabling policies for the local level.

Localising the Energy Union

The Energy Union Package should provide the framework and tools to better achieve our shared priorities: not only on climate and energy targets, but also on job creation, stimulating our economy and tackling social inequalities.

Cities are indispensable for an Energy Union that has 'citizens at its core, where citizens take ownership of the energy transition'. Cities are the level of government closest to 75% of Europe's citizens. We are ready to play our part by building on our considerable experience of: bringing together key energy stakeholders; raising awareness; providing information to citizens and businesses; and supporting citizens and businesses in becoming more energy efficient, saving on energy bills, getting a better deal from energy markets, and avoiding or overcoming fuel poverty.

We intend to use this transition to provide our citizens with a better quality of life, stimulate local economic development, attract investment and create green jobs.

Cities are also where the effects of a multitude of EU energy and climate policies come together and interact. The Energy Union should take into account the combined effect of EU policies at the local level. For instance,

- (e-)mobility and (smart) electricity grids, alternative fuels, modal shift and multi-modal approaches to transport are all closely related to each other.

- district heating and cooling does not only influence the energy efficiency of buildings. It also needs to consider its energy sources and related policies, such as on waste to energy or on using waste heat from industrial sources.

We will continue to work towards more sustainable, energy efficient and cleaner solutions for energy production and distribution as well as for urban mobility. A coordinated approach will be just as important when designing the corresponding EU policies.

Energy efficiency and production

The Energy Union should address heating and cooling as well as electricity, and should have a clear focus on energy efficiency and low-carbon and renewable energy generation. These solutions will deliver the greatest benefits in the mid and long term in terms of financial savings, job creation in Europe, and ensuring access to secure, affordable low carbon energy that is independent of volatile global markets and potentially unstable energy supply countries.

The most cost effective, secure and sustainable energy is the energy that is not needed in the first place. Commissioner Cañete has suggested applying the 'efficiency first' principle¹. This approach should be used in a smart way to support and exploit the potential of our European model of sustainable, compact urban development for energy efficiency and low carbon transport. To do so means properly integrating the Energy Union with related policies and goals, such as air quality policy, to avoid conflicting results. An example would be the 'dieselisation' of Europe's car fleet, which has improved energy efficiency, but has also aggravated air pollution, especially in cities. The EU should avoid similar problems with biomass burning by taking into account both the energy efficiency and the overall impact on climate change and air quality of different solutions. For instance, district heating can be more advantageous on all three than small biomass heating installations.

When it comes to the energy efficiency of buildings, the Energy Union should address issues both at the level of individual buildings, such as insulation, and of districts, such as efficient district heating and cooling. Given the right framework, cities are best placed to improve energy efficiency at both levels, and to integrate building and district measures into city-wide energy strategies that include various relevant sectors.

The Energy Union should take a balanced approach to connecting and decentralising energy supply and distribution to achieve decarbonisation and security of supply. More and smarter electrical grid connections between member states and thermal smart grids that can use waste heat in cities; the completion of the internal energy market; and increased regional cooperation across member state borders are all important. These should be complemented by investments in decentralised renewable energy production and its integration into the grid where this is environmentally sustainable and reduces

¹ <http://bit.ly/1C7x9cc>

emissions. With this approach, decentralised production can take the pressure off long distance grids and increase the overall resilience and security of energy supply.

Energy Union and EU Urban Agenda

The growing debate on an EU Urban Agenda is an opportunity to design a policy framework that empowers cities to deliver the objectives of the Europe 2020 strategy and the 2030 climate and energy framework for a smart, sustainable and inclusive Europe. The urban agenda should connect EU and member state policies that have an impact on cities, and better involve cities in the process of designing and coordinating these policies.

When it comes to the Energy Union, initiatives such as the Covenant of Mayors and the Smart Cities and Communities European Innovation Partnership (EIP) have already made significant progress towards these goals. The Covenant of Mayors has successfully engaged the local level, with over 6,000 signatories committed to reducing their greenhouse gas emissions by an average of 28% by 2020. The Smart Cities EIP has supported innovative measures that help deliver on local climate commitments through close cooperation between cities, industry and researchers.

The way forward

The Energy Union, the 2030 climate and energy targets, and the new Commission can benefit considerably from these EU city initiatives by:

- **renewing and prolonging the Covenant of Mayors**
 - with a new local commitment of at least 40% CO₂ reduction by 2030, to align it with the EU 2030 climate and energy targets
 - merging the Covenant with EU Mayors Adapt
- **renewing the Smart Cities and Communities EIP**
 - reinforcing and consolidating key elements of the initiative such as:
 - Fostering the co-creation and co-production of solutions by cities, industry and researchers with cities playing a central role in defining the initiative's strategy and projects. City needs must drive innovation to ensure a citizen and market demand-led approach. This is crucial to avoid the risk of a poor uptake of new solutions that is sometimes associated with supply-led initiatives. Technological solutions and innovations should meet citizens' needs.

- Further engaging with initiatives such as our Green Digital Charter², through which cities commit to reducing emissions through ICT and tackling climate change through the innovative use of digital technologies.
 - Focusing on cities, where: strategic investments will deliver the best results in the shortest amount of time; a critical mass of activities can create economies of scale; a critical mass of SMEs is innovating at small and large scale, and innovation clusters can most effectively develop; and where the best opportunities for public-private partnerships exist to develop innovative solutions.
 - Striving for scalable solutions, including through open data and standards, and common performance indicators and data collection procedures, such as those being developed within the CITYKEYS³ project.
 - Remaining sufficiently focused; in particular, the Smart Cities EIP should not compete with or replace the EU Urban Agenda as the broader, umbrella initiative for EU engagement with cities.
- improving the initiative by:
 - Organising a more structured way of identifying city needs and challenges.
 - Looking beyond ICT, energy and mobility, to address urban sustainability issues such as air quality, noise, resource efficiency and the circular economy, water management, fuel poverty, local green jobs, and health issues.
 - Focusing more clearly on linking the initiative to ‘smart citizens’; they should be more involved and engaged in the smart cities agenda.
 - Complementing the replicability of smart city solutions with a more structured exchange of knowledge between cities, so that more cities can learn from smart ‘frontrunner’ cities. As the major network of European cities, we are well placed to play an active role as multiplier and keen to facilitate this. We also have experience to offer in terms of methodologies for structured exchanges, for example from the CASCADE project on local sustainable energy leadership⁴.
 - Ensuring that process innovation is continually included and integrated with technological innovation. Notably, urban planning considerations should always be part of new smart city solutions, so that solutions work within the complex urban environment of integrated planning, policy making and delivery, taking advantage of opportunities for connectivity and system integration. Cities have the necessary experience of taking an integrated approach that addresses social, economic and environmental issues.

² www.greendigitalcharter.eu

³ <http://bit.ly/1wHWQod>

⁴ www.cascadecities.eu

- **coordinating initiatives through the EU Urban Agenda**

For instance, the EU Urban Agenda could:

- Help streamline EU initiatives that aim to reduce greenhouse gas emissions from cities, such as the Covenant of Mayors and the Smart Cities EIP.
- Coordinate work on sustainability indicators between the smart cities activities and follow up actions to the 7th Environmental Action Programme (7th EAP).

A roadmap that unlocks city potential

In order to exploit fully the city potential to contribute to the goals of the Energy Union, its roadmap of policy recommendations should consider the following recommendations.

ENERGY MARKETS

Effective implementation of the 10% electricity interconnection target

The implementation of this target should include support for integrating local renewable energy production into the grid, and measures to make the grid more efficient in terms of design and management. The proposed Energy Infrastructure Forum should invite stakeholders involved in local, sustainable, low-emission energy production and distribution, such as local authorities and energy cooperatives, and address better integration of renewables into the grid.

Initiative on [electricity] market design and regional electricity markets, and coordination of capacities to ensure security of supply, boosting cross border trade and facilitating integration of renewable energy

This initiative should ensure that renewable energy production is well integrated into the market and grid. Grid operators should give preferential access to renewables, including small scale, decentralised, renewable energy where this is sustainable and reduces emissions. The initiative should explore opportunities for district heating networks to balance the grid by storing surplus electricity as heat. Member states should commit to stable long-term policies when it comes to feed-in tariffs, subsidies and taxation. This is crucial to protect investment certainty. Experiences such as those of the Netherlands and Spain have shown that an unstable framework of fees and taxes can hamper the development of renewable energy.

New deal for energy consumers: empowering consumers, deploying demand side response; using smart technology; linking wholesale and retail markets; phase-out of regulated prices; flanking measures to protect vulnerable customers

Our cities already work hard to protect vulnerable groups from fuel poverty, helping them improve the energy efficiency of their homes, changing behaviour and ensuring

sustainable and affordable energy supply, for example through district heating networks. However, avoiding energy poverty is a responsibility shared by the EU, national, regional and local governments. It involves appropriate national fiscal policies and EU and national financial support for local actions.

While we support the principle of enabling consumers to switch energy providers easily, competition in energy prices should not deter progress on emission reductions or on broader or longer term economic and social benefits.

We agree that smart technology can help incentivise better demand response and reduce peak loads. However, smart meters should only be deployed after carefully ensuring that the benefits of their real world usage clearly outweigh the costs, and that citizens' data is protected.

RENEWABLE ENERGY

Renewable Energy Package

Energy solutions should be assessed based on their potential to reduce energy demand and greenhouse gas emissions, and their wider environmental impact, such as on air quality.

The EU and its member states should work on means to ensure that national taxation frameworks incentivise renewable energy and energy efficiency. In particular, taxation should:

- Provide reliable incentives for sustainable energy in the mid and long term, so that businesses and citizens will invest in sustainable solutions.
- Consider new financial schemes that facilitate collective investment and running of installations for sustainable, low-carbon energy production, such as solar panels on apartment buildings that have several owners.
- Focus not only on CO₂ emissions, but also on their impact on air pollution, for example from diesel-powered vehicles or biomass burning.

Effective sustainability criteria for biomass and biofuels are key to ensuring that they contribute positively to EU climate, energy and environment objectives.

Communication on waste to energy

Waste can be a useful resource, be it as a raw material for industry or as a fuel to produce energy. Both aspects are important: Using secondary raw materials from waste, instead of virgin raw materials, can reduce the overall energy consumption of manufacturing. Waste to energy plants are an important part of local energy planning and waste management. Many European cities have invested in efficient waste to energy incineration plants that deliver energy for district heating and cooling systems and

electricity generation. The planned Commission communication should be closely coordinated with the upcoming proposal for a modified review of waste legislation and targets for recovery and recycling. In particular, both strategies need to consider how the EU and member states can cooperate with local and regional authorities to ensure a more efficient use of the resources contained in waste, in particular by moving away from landfilling. Good capacity planning for efficient 'waste to energy' installations is essential to achieve this goal.

TRANSPORT

Review of the Directive on the Promotion of Clean and Energy Efficient Road Transport Vehicles, and communication on decarbonising the transport sector

Soft, zero-emission transport modes like walking and cycling are the most energy efficient options in cities, followed by public transport and car sharing. EU support for energy efficient transport should concentrate primarily on a shift to the most sustainable modes. This will also address other challenges such as air pollution, congestion, quality of life, road safety and scarcity of space. New technologies and clean fuels should complement modal shift, and should reduce not only fuel consumption and CO₂ emissions, but also air and noise pollution.

Electric vehicles can contribute to this goal. Incentives for electric vehicles should take into account that their greenhouse gas balance sheet or 'well-to-wheel emissions' largely depend on how electricity is produced. Cities need to retain the flexibility to choose the most appropriate technology mix that suits their local circumstances and needs.

While fuelling and charging infrastructure is a necessary part of the transition to low carbon vehicles, infrastructure alone will not necessarily create demand for alternative fuel vehicles. Business models for infrastructure investment should also include complementary measures for stimulating demand, such as innovative incentives to increase the sale and use of clean vehicles.

Review of regulations setting emission performance standards to establish post-2020 targets for cars and vans

The EU should swiftly agree on post-2020 CO₂ targets for cars and vans, and set binding CO₂ targets for heavy goods vehicles.

The review of emission performance standards must include an effective review of the test methods that measure fuel consumption/CO₂ emissions and pollutant emissions from cars and vans. The current test cycles heavily underestimate emissions, misinforming consumers and unnecessarily polluting the air in our cities. Test cycles and methods must be realistic and should accurately reflect urban driving conditions, both for CO₂ and for pollutant emissions.

Revision of the Eurovignette Directive and framework to promote European electronic tolling

The EU should avoid mandatory, uniform criteria for urban road pricing and access restrictions and should leave cities the flexibility to adapt measures to their specific local situation and governance structures.

Energy efficient Trans-European Transport Network (TEN-T) corridors and urban nodes

The EU should encourage TEN-T corridors to become greener, such as by promoting green procurement in TEN-T projects. ‘Green Corridors’ would provide a good basis and testing ground for the deployment of the EU’s Clean Power for Transport Strategy. Good connectivity of the cities along these corridors to the core network is key to the success and efficiency of all TEN-T networks.

ENERGY EFFICIENCY

Review of the Energy Efficiency Directive

The review of the Energy Efficiency Directive should enable cities to facilitate and implement further energy efficient building renovation and energy efficient, low carbon energy supply, in particular using district heating and cooling. Cities can work directly with citizens, acting as trusted brokers between local stakeholders, such as homeowners, architects and construction companies. The directive should give cities the space to act within their local context but should also look into options for an EU and national policy framework that is more supportive. In particular:

- The review of the directive should be closely coordinated with work on relevant financial instruments and the heating and cooling strategy (see below).
- New financial instruments for energy efficient buildings and districts should be available to finance the renovation of buildings and develop energy efficient, low carbon heating and cooling supply systems. There should also be instruments designed to address fuel poverty and the renovation of social housing.
- The revision of both the Energy Efficiency Directive and the Energy Performance of Buildings Directive should exploit opportunities to improve energy efficiency at district level. Public authorities should be able to combine different solutions according to the local context, such as district heating and cooling together with measures on buildings themselves.
- The transposition of the revised public procurement directives by the Members States should leave sufficient room for manoeuvre for cities to use green and social criteria. The implementation of this revised legislation is also an opportunity for the European Commission to support cities in the procurement of innovation in order to support developments of energy technologies.

- The EU and member states should work together to ensure that European funding is available for training in energy efficiency and renovation related skills.

Review of the Energy Performance of Buildings Directive, including a Smart Finance for Smart Buildings initiative

We would welcome new financial instruments for energy efficient buildings. As specified in the Energy Union communication, these should apply to the renovation of existing building stock, and should be complemented by funding instruments for smart heating and cooling. They should also cover collective investment in installations for sustainable, low-carbon energy production, and cover both residential and non-residential buildings. The application process for local authorities should be as simple as possible.

As mentioned above, the revision of both the Energy Efficiency Directive and the Energy Performance of Buildings Directive should exploit opportunities to improve energy efficiency at district level.

Review of the energy efficiency framework for products (Ecodesign and Energy Labelling Directives)

Energy labelling and ecodesign are useful tools for green public procurement and promoting energy efficiency in our cities. The review of the labels should go beyond energy consumption to include aspects such as durability, reparability and recyclability.

While tyre labels should continue to inform buyers about fuel efficiency, wet grip and noise, the Commission should explore an additional indicator on abrasion, as it pollutes ambient air with harmful particulate matter.

Strengthening the targeted use of financial instruments to support investments in energy efficiency

We would welcome financial instruments for energy efficiency. The key to their success will be to make them easily accessible and usable for cities, with clear, straightforward rules and achievable minimum funding thresholds.

Building on experience with instruments such as ELENA, the EU should provide additional technical assistance funding for the development of projects that are attractive to public or private investors.

In order for cities to play a full role in implementing the European Fund for Strategic Investments (EFSI), it should take into account the five points we have developed from an urban perspective⁵.

⁵<http://bit.ly/1IQ3Fpf>

EU strategy for heating and cooling

Further developing urban district heating and cooling systems as part of local sustainable energy strategies can:

- help improve energy security, making efficient use of local heat sources and generating electricity
- help reduce demand for primary energy and greenhouse gas emissions at building and district levels simultaneously
- support the balancing of electricity grids.

An EU strategy on heating and cooling should enable cities to develop more energy efficient and smarter heating and cooling systems, for example using district heating and cooling networks. The strategy should:

- be closely coordinated with:
 - the review of the Energy Efficiency Directive and Energy Performance of Buildings Directive
 - the communication on waste to energy and the review of EU waste legislation
 - work on financial instruments for energy efficiency, notably when it comes to technical assistance funding (see above)
- explore possibilities for specific funding mechanisms that recognise the long payback period of district heating networks (up to 20 years)
- encourage the reduction of primary energy demand and greenhouse gas emissions from heating and cooling, in particular when these are pursued simultaneously to deliver the most sustainable and efficient solutions

A new European energy research and innovation (R&I) approach

The new approach should comprise specific support for smart cities, including and integrating process with technological innovation, and covering areas such as ICT, energy, mobility and smart citizens. It should also exploit synergies with other urban sustainability issues such as air quality, noise and waste management.

As mentioned above, the implementation of the revised public procurement directives is also an opportunity for the European Commission to support cities in the procurement of innovation in order to support developments of energy technologies.

