

Position paper

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Energy Cities' position on the European Energy Union



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Key messages

The European Union needs to change its mind set from “big scale infrastructure to aggregating the small” local capacity. Although the 5 actual pillars of the Energy Union are quite relevant, they have to provide enough space to subsidiarity so that cities, the drivers of change in the energy sector, can assume their leadership in action. **The « Energy Union » should be grounded in today’s reality. It should reflect the ongoing transition towards ever more distributed and decentralised energy systems, benefitting local communities and economies.**

If not rooted in local reality, these five axes risk being dominated by different logics that contradict each other. The energy security pillar for example merely focuses on the supply-side aspect of securing “imports”, with little regard for energy efficiency and the potential of local renewable energy sources. Similarly, the internal market one primarily intends to redirect investment to interconnection which risk becoming oversized assets, instead of identifying first what sort of energy resources – or efficiency – could be harnessed in the territory. *Besides, by doing so, the Energy Union would then integrate the social dimension of the energy transition, particularly in tackling energy poverty.*

Cross-pillar coherence and the assessment of local needs and opportunities are thus of paramount importance. We call for the Communication on the Energy Union to detail how the European Union will ensure it by proposing policies and measures under each pillar to support local authorities in energy transition. We believe the debate about renewing the Energy policy governance for 2030 should seemingly propose to include sub national levels in designing future energy systems.

The ongoing transformation of the European Energy sector has been overwhelmingly carried by cities and local authorities. These local actors have a leading role in terms of energy efficiency actions and the scaling up of renewable energy. They embrace this transition with new organisational models that allow for a low carbon, decentralised energy system, and play an increasingly important role in the energy sector. In this context, the ambitious initiative of the Energy Union offers an opportunity to build an integrated institutional and political framework that allows for the energy transition to happen swiftly, cost-efficiently, across the European Union.

1) Security of supply, based on solidarity and trust

A secure supply is a major concern for energy markets. Indeed, it is crucial that European citizens do not suffer from supply disruption. Yet, we do not believe that the issue of energy security should be reduced to securing imports, and therefore reduced to security of “supply”. It is imperative that the Energy Union puts great emphasis on decentralised energy production the energy security benefit of energy efficiency.

The Energy Union needs to acknowledge that cities can be central actors for the energy security of Europe as they have proven to be able to implement sensible energy policies¹. The optimisation of local resources slashes the EU import dependency, particularly for natural gas as many other heat sources exist in territories. Decentralisation of the energy system can also be a factor of security, provided it is well interconnected, as it is more resilient in front of supply disruption. Moreover, cities have proven that they are able to work together on the basis of solidarity of trust through fruitful initiatives like the Covenant of Mayors. Cities also have significant experience of good local governance, being the closest to citizens – which is crucial in building solidarity between European Member States.

Security of supply based on solidarity and trust is about building on the existing movement of Covenant of Mayors signatories who committed to reach an average 28% of GHG reduction by 2020; 25% of the EU population is living in a territory which had taken a path of reducing demand and increasing local renewable supply. Commitments signed under the Covenant of Mayors represent 17% of the EU target in emission reduction by 2020. ***Reinforcing the Covenant of Mayors by providing capacity building, exchange, and access to finance will deliver more long term solutions and reinforce the European cohesion.***

2) A competitive and completed internal market

The internal market can yield significant benefits in terms of energy efficiency, driving energy costs down, securing supply and decarbonisation. Decentralised systems driven by local community also have the advantage of contributing to economic dynamism as they create local jobs of all levels of qualification, and require local investment, while transforming consumers in “prosumers”.

Therefore, to ensure that the Energy Union yields a competitive and complete internal market it is necessary to tackle obstacles, often legal, so that much more energy is produced and consumed locally. In complement to public works for interconnection, the European Union needs to tap as much as possible in the potential of local stakeholders to reduce consumption, optimise energy production and develop cooperation and solidarity between communities, cities, regions and member states.

In order to achieve this, legal barriers have to be removed for local communities to invest in sustainable energy. Besides, cities and local authorities need funding and tools for financial engineering or project development such as ELENA. Besides, cities need to have an easy access to EU funding, notably the € 315 billion Investment Plan.

3) Moderation of demand

Although a mere moderation of energy demand lacks ambition, this third pillar of the Energy Union should not be overlooked: the European Union needs to mainstream energy efficiency in its policies. Energy efficiency measures are long lasting local investment that can yield significant economic and social benefits. Actions in terms of moderation – or reduction – of energy demand can be subdivided into energy efficiency – reducing the energy consumed for obtaining the same outcome – and demand management – adapting energy consumption behaviours to its availability. Unlike large infrastructure investment, these actions create local jobs and participate in reducing energy poverty, financially empowering citizens. Besides, reducing demand diminishes the overall need for investment in the energy system – be it in terms of transmission or generation capacity.

Actions taken by cities to improve energy efficiency in housing, public buildings or transports have also proven to yield quality of life improvements for citizens. In a context of growing euro-scepticism, it is important for the European Union to design an ambitious Energy Union that puts equity and the citizens’ wellbeing and revenue improvement at the centre.

4) Decarbonisation of the EU Energy mix

There is no debate that the decarbonisation of the European energy mix is a top priority. Decarbonisation however supposes a paradigm shift in the organisation of energy production and consumption, and the Energy Union needs to address that. It is notably important that the Energy Union is not a pretext to scrap EU regulations on carbon emissions and environment; instead it needs to be emblematic of the European Union’s commitment to tackle climate change.

The Energy Union therefore needs to support cities and local authorities which are at the forefront of the decarbonisation of the EU Energy mix. For instance cities signatories of the Covenant of Mayors have planned abatements of 189Mt in CO₂ emission reduction – 44% of which in the building sector – and expect to generate up to 20% of their energy demand from local sources. It is therefore important to provide them with the financial and technical support they need. **Notably, local actors should have access to European funding, notably from the Commission’s Investment Plan and the ETS revenue (for instance the NER400). In a context of difficult access to capital, European green funding institutions should be able to back local projects at a lower cost than private financial institutions and that does not account for public debt.**

5) Research and innovation

Research and innovation have already changed the energy landscape of the last decade by providing the means for decentralisation. They will continue to offer new opportunities. For instance the development of energy storage is important for integrating renewable energy sources to the grid. However, the energy transition also requires non-technological innovation. In particular, we are asking a stronger emphasis in research/ actions projects to identify the new governance models needed to ensure the energy transition. ***The institutional innovation and new forms of participation and partnership are completely transforming the role of local authorities and more research would be highly beneficial to scale up new governance models.*** New policies must be experimented to find measures that allow reducing energy consumption or integrating renewable energy production in urban areas. In that sense and as a priority, sustainable energy policies should be one of the key areas of the Urban Innovative Action proposed under the cohesion policy.

What we would like to see three years from now, once the Energy Union is set up:

In three years' time:

The mindset of the European Union has switched from a "big scale infrastructure" perspective to one of "aggregating the small units".

Energy cooperatives are well spread and easy to develop all across the EU. Citizen's involvement in Energy policy has moved from protesting against large and/or high carbon projects to taking part in designing low carbon local solutions.

To support this paradigm shift, financial streams target local projects (by aggregating them). Thanks to a reduction of energy consumption and an increased use of local energy sources, European communities are have become more resilient to climate or geopolitical disruptions. Moreover, this renewed investment in cities has driven employment up thanks to job intensive measures in energy efficiency and RES scale-up.

Finally, European citizens and their local representatives feel part of the Energy Union and EU institutions can rely on this renewed trust to advance and reinforce Europe.

Our proposals echo our [Big Five](#) recommendations to guide and inspire EU Policy-Makers.



www.energy-cities.eu

*The European Association of local authorities inventing their energy future.
The Association created in 1990 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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ⁱ See the Covenant of Mayors high level conference on Local Authorities for the Energy Security of Europe of the 9 October 2014