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Press release

'Unconventional' financing paves the way for sustainable investments in cities

How to finance sustainable energy investments in cities was the issue at stake at yesterday's Covenant of Mayors workshop in the Committee of the Regions in Brussels. In times of sharp budget cuts, most European cities are struggling to finance energy projects. Local "climate funds", energy cooperatives and public-private partnerships seem to be part of the solution to overcome financial restrictions, as demonstrated through a large number of examples.

The event, co-organized by the Covenant of Mayors Office and the Committee of the Regions, brought together a panel of representatives of the European institutions and city officials to discuss funding opportunities for Covenant of Mayors signatories within the upcoming Multiannual Financial Framework 2014-2020. The President of the Committee of the Regions, Ramón Luis Valcárcel Siso, gave a passionate speech about the need to match ambitions with actions, praising the actions of Covenant Signatory cities in a time where a lot of politicians "wear" green credentials but do not deliver on their promises. He recognized the Covenant of Mayors as "a vehicle whereby local authorities prove that European policies are being implemented to serve the citizens".

European Commission officials urged cities and regions to strengthen collaboration with the private sector increasing the leverage effect of European funds. They called on local authorities to move from a grant culture to a mixed approach that combines European funding and private investments: "European funds will never be sufficient to cover all Europe's challenges. This is why private investments, with a payback time of 10 to 15 years, should be privileged", said Adam Szolyak from the Directorate-General for Energy.

Catarina Freitas from the city of Almada in Portugal agrees with this approach. Facing important budget cuts, the Portuguese city has developed a hybrid approach to finance its local sustainable energy



projects¹. While European funds have been privileged for purchasing equipment, financing feasibility studies or demonstration projects, new funding streams have been created at the local level. It is the case of the “Almada Less Carbon Fund” launched in 2009 that internalizes the CO₂ emissions savings of the previous year which are then re-invested in energy-saving activities in different fields such as lighting, mobility or energy-efficiency in buildings.

The Province of Limburg in Belgium is also convinced of the importance of diversifying funding opportunities. At the moment, two investment cooperatives are in place in the Province, which aims at becoming carbon neutral by 2020. The “Limburg Climate Fund” invests in climate-friendly local projects ensuring an annual dividend that is 1% higher than the yield on a savings account to all Limburgers that participate in the fund. “Limburg Windt”, a public company where the 44 municipalities of the Province are shareholders, has invested in 90 wind turbines that provide all households of the Province with clean energy.

The Covenant of Mayors is the mainstream European movement involving local authorities, voluntarily committing to increasing energy efficiency in their territories. To date more than 5,000 cities and regions have committed to meet the European Union 20% CO₂ reduction objective by 2020 and some 3,000 have adopted a Sustainable Energy Action Plan.

More information: <http://www.eumayors.eu/>

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¹For more information : <http://www.covenantofmayors.eu/Almada-s-local-energy-forum-and.html>