From Tackling the Energy Crisis to Implementing the European Green Deal:

Seizing the Power of Multilevel Governance through Building Retrofits

GLOBAL COVENANT of MAYORS for CLIMATE & ENERGY

Bloomberg Philanthropies

Co-funded by the European Union

C40 CITIES

Covenant of Mayors for Climate & Energy EUROPE

Introduction

In 2021, the European Commission presented a set of climate and energy legislative proposals to operationalise the EU's 2030 climate target of at least 55% net greenhouse gas emission reduction. This included updating laws on the emission trading system, renewable energy, energy efficiency and the energy performance of buildings. More than three years later with the processes around the legislation finalised, the EU is entering a new era of implementation at the national level.

Delivering the European Green Deal and the 2030 climate and energy targets is not a matter of compliance with a specific piece of legislation but an opportunity to ensure that Europe addresses many challenges at the same time, showcasing leadership towards greater climate ambition that leaves no one behind. This is especially important, taking into account that there is an increasing need for demonstrating how the just transition works on the ground.

Cities are at the frontline in the fight against the consequences of the multiple crises. They are confronted and provide answers to the dire consequences for residents, particularly for the most vulnerable, in relation to energy poverty, high energy bills and the most devastating impacts of the climate crisis. They hold the unique local knowledge and the ability to coordinate and take action quickly, which is essential for accelerating climate action and the just energy transition.

Cities have a track record in taking action for the just transition

In April 2022, as a response to the energy crisis and while still recovering from the impacts of the pandemic, the European member cities of C40 released an Energy Crisis Emergency plan with 10 principles for actions that can ease pressure on energy bills, remove reliance on fossil fuels, create good, green jobs and help the European region to meet its climate targets by providing immediate relief for residents, retrofitting buildings, and accelerating renewable energy deployment.

The 10 principles of the Energy Crisis Emergency Plan for European cities

- Taking all necessary steps to lift all residents from energy poverty
- Accelerate investments into making all municipal buildings and social housing properly insulated and run on renewable energy
- Ensure that all residents can access trusted energy advice through services that strengthen community resilience
- Eliminate wasteful energy use through stimulating behaviour change
- Massively boost energy retrofit rates, prioritising all worst-performing buildings
- Reverse increasing urban reliance on gas through accelerated deployment of clean, affordable heating and cooling systems and phase out direct fossil fuel use
- Unleash the untapped potential for decentralised power systems and demand-side flexibility in our electricity systems
- Reduce oil demand through affordable, sustainable urban mobility options
- Ensure social dialogue with unions and secure and advocate for good green jobs
- Act with a collective voice and pool resources to tackle the emergency

The cities have initiated numerous projects spearheading clean energy solutions with the aim to contribute to the just transition and support the most vulnerable. These include:

Reducing energy consumption through housing retrofits and renewables:

- Amsterdam is investing in insulating the homes of vulnerable residents and aims to become natural gas-free by 2040.
- Milan's Air and Climate Plan includes a commitment to install over 60,000 m² of solar panels to meet the energy needs of public buildings.

Tackling energy poverty:

- Athens has launched an energy support desk, prioritising the protection of vulnerable groups and providing free energy advice.
- Rome and Barcelona are participating in Sun4All, a European project helping low-income households switch to renewable energy and reduce bills. Participants become co-owners of local photovoltaic (solar) plants at no cost and receive advice on efficient energy management.

Replacing old and polluting heating systems:

- Warsaw covers 100% of investment costs for low-income households to replace coal-burning stoves with heat pumps and insulate buildings.
- Copenhagen has collaborated with the Danish government to restrict older wood stoves.
- Paris and the Greater Paris Metropolis (Ile-de-France) are studying emissions from wood burning in heating to develop an action plan for tackling this leading source of ultrafine pollution particles.

Following the Energy Crisis Emergency plan, C40 has published a resource pack with guidance on the range of powers and levers that cities can use, alongside a toolkit with practical guidance on how to embed equity and inclusion into policies related to relief (of energy poverty), retrofit and renewables.

Similarly, the Cities Energy Saving Sprint launched by the Covenant of Mayors-Europe, the European Committee of the Regions and the European Commission, encouraged cities to put in place emergency energy saving measures to prepare for a winter strongly impacted by the energy crisis. Cities from across Europe of all shapes and sizes rallied to the call and joined the Sprint, sharing best practices to save energy while protecting vulnerable citizens, via a Repository and Videos, while using the Sprint Toolbox for tips.

More than two years after these initiatives were first promoted, their rationale and principles still stand. Taking into account that Europe and the world still face interlinked crises, including linked to the cost of living and affordable housing, it is imperative to speed up long lasting interventions targeting the most vulnerable first in order to break the dependency from fossil fuels, address energy poverty and tackle the climate crisis. This can't be done without the cities.

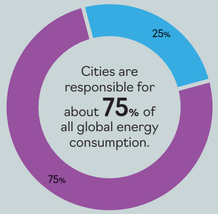
Such an approach is crucial for increasing ownership of the clean energy transition, including when it comes to the implementation of the updated European climate and energy legislation at the national level. This will also increase resilience, stimulate economic development and create good green jobs in the process, all key priorities of the new European Commission.

Buildings are a key sector to showcase inclusive climate action

Buildings are responsible for 35% of EU energy related emissions in 2021 but their potential for cutting emissions remains untapped. At present, three quarters of the EU's buildings have poor energy performance, with less than 1 percent of the building stock being deeply renovated each year.

Through initiatives such as the Cities Energy Saving Sprint and the C40 Energy Crisis Emergency Plan, European mayors have highlighted the cities' role in delivering and harnessing the benefits of fossil-free and energy efficient buildings.

Cities and buildings critical to a fair energy transition



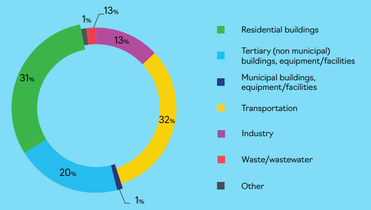
75% of Europeans live in urban areas

35% of energy related EU greenhouse gas emissions comes from the building sector

Nearly **10%** of people in the EU struggled to keep their homes warm in 2022 due to high energy prices and the cost of living crisis

Buildings untapped potential

GHG emissions per sector in EU Covenant signatory cities



Buildings are a large GHG emission source in cities

About **75%** of EU buildings are energy inefficient

EU deep renovation rate is less than 1% each year, while at least 3% is needed

Buildings and Cities:

RENOVATIONS A KEY SOLUTION TO TACKLE THE CLIMATE CRISIS & ENERGY POVERTY

Renovating buildings brings benefits to people

C40 analysis shows that in EU C40 cities:

4.5x MORE JOBS

investing €1 million in building renovations and residential solar panels could create over 4 times more jobs than investing in new fossil gas plants

Additional benefits of sustainable buildings include:

- Reduced energy poverty
- Clean air
- Better mental health with natural light
- Reduced health risk from extreme heat
- Improved learning in schools
- Less indoor noise pollution
- Reduced asthma in dry homes
- Warmer homes, fewer winter deaths
- Increased productivity

Examples on how cities are delivering

More than **50%** of actions in EU Covenant energy and climate action plans target buildings

Relief, energy advice and renovations

BARCELONA
SPAIN
Energy assessment in energy poor households

FREIBURG IM BREIGSAU
GERMANY
Future-proof building stock

VIENNA
AUSTRIA
A building renovation wave in Vienna

LJUBLJANA
SLOVENIA
Public-private partnership for large scale retrofits

Phasing out fossil fuels and increasing renewables

AMSTERDAM
NETHERLANDS
Fossil gas free neighbourhoods

WARSAW
POLAND
Heat pumps in low income households

MILAN
ITALY
Photovoltaic panels in public buildings

Sources Urban-rural Europe- Eurostat; Greenhouse Gas Emissions - EEA; Energy Poverty - European Commission; Cities Untapped - C40; The cost of fossil gas - C40; Covenant of Mayors- Case Studies; Covenant of Mayors: forthcoming assessment -JRC

Crucially, this involves investing in deep retrofits with proper insulation and renewable energy to render buildings more energy-efficient, more resilient to the severe climate impacts like extreme heat and free from fossil fuels. It is also about deploying clean energy solutions such as heat-pumps and solar panels and urgently achieving an annual renovation rate of at least 3% of the building stock. Additionally, clean construction practices can drive the construction sector towards a more sustainable future. This includes prioritising existing stocks to tackle the housing crisis and address vacant, underutilised and stranded assets; leading by example with public procurement; and ensuring that retrofitted and new buildings and infrastructure embed circular economy and climate resilient principles in their design, material and construction method choices.

A C40 study focusing on modelling conducted in Barcelona, London and Warsaw, three European cities with different energy profiles, showed that retrofits have different benefits including potential for good green jobs, lower bills, lower energy demand and improved resident's health. The report highlights how vital investment is needed to scale up retrofits and renewables in cities, and how these must be attainable for residents, particularly the most vulnerable. The report also highlights examples of cities that are already working to eliminate energy poverty and scale building retrofit investment.

Furthermore, decarbonising heating and cooling systems is critical for Europe to achieve net-zero emissions by 2050, considering that approximately 75% of the heat demand covered from fossil fuels and around 60% of the overall heat demand consumed in buildings. The City Detox Campaign of the Covenant of Mayors for Climate and Energy - Europe aims to empower and inspire cities to decarbonise heating at local level, through comprehensive heat planning, especially related to district heating. When it comes to moving off fossil fuels worldwide, another C40 report revealed the cost of fossil gas and made the case in support of the energy transition at global level, highlighting the role of buildings. The analysis also showed that in European C40 cities, building retrofits and residential solar in particular, have high employment potential, generating four times more jobs as similar investments in fossil gas.

Overall, retrofits, sustainable heating and cooling solutions and green new buildings offer a unique opportunity to improve both our health and wellbeing. Cities can use inclusive engagement approaches centred around health to generate consensus, improve and strengthen the relationship between the city and community, and deliver a more sustainable and equitable clean transition of buildings.

Buildings and the built environment in general is one of the key sectors to act to reduce emissions for cities and national governments. This is also in line with the principles of the Coalition for High Ambition Multi-level Partnerships (CHAMP), an initiative endorsed by 70+ countries at COP28, which further boosts the momentum for mayors, governors and national governments to collaborate for elevating national climate ambition and propel collective efforts forward.

The update of the EU climate and energy legislation is an opportunity for multilevel cooperation

The recent update of the EU legislation related to climate and energy to deliver the 2030 climate and energy targets widens the opportunities to tap into the potential of buildings and champion solutions suitable to tackle the impacts of multiple crises which are hitting the most vulnerable the hardest.

Examples of EU updated policies related to buildings

The Fitfor55 package is a set of EU sectoral legislation on climate and energy that was updated to deliver the 2030 EU climate target. There are various pieces of legislation that are relevant to the just energy transition and more specifically to the buildings sector, such as the Emissions Trading System, the Energy Efficiency Directive, the Renewable Energy Directive and the Energy Performance of Buildings Directive.

Energy Efficiency Directive (EED)

The Energy Efficiency Directive, which was updated in 2018 and 2023, sets rules and obligations for Member States with the aim to collectively achieve the EU's 2030 energy efficiency targets.

Renewable Energy Directive (RED)

The Renewable Energy Directive, which was updated in 2018 and 2023, sets rules and obligations for Member States with the aim to collectively achieve the EU's 2030 renewable energy targets.

The Energy Performance of Buildings Directive (EPBD)

The EPBD serves as the primary legislation guiding building construction and renovation in the EU to enhance building performance and efficiency in order to achieve the EU climate and energy targets. The directive was adopted in 2002, recasted in 2010 and amended in 2018. Its final update was concluded in 2024

ETS II and Social Climate Fund

The Social Climate Fund was established through an EU regulation in 2023. It is linked to a new EU emissions trading system covering the sectors of buildings and road transport, which will be fully operational in 2027. The Social Climate Fund, which will start from 2026, aims to provide funding to Member States for measures and investments included in their national Social Climate Plans to support vulnerable households, small businesses and transport users that are particularly affected by energy and transport poverty to increase energy efficiency and access to zero- and low-emission mobility and transport.

More information on the European Green Deal legislation and cities can be found in the report: Cities in European Green Deal : Opportunities and responsibilities

Cities welcome the update of the legislation under the Fitfor55 package and are ready to put their experience in motion to boost home retrofits, accelerate renewables uptake and deliver good green jobs across Europe during this new phase of implementing these policies. This is a key opportunity to enhance cooperation, dialogue and engagement between cities, Member States and the European institutions.

Next steps

Local and regional governments will have to implement their share of the European Green Deal legislation and **it is important that the relevant policies developed at the national level are codesigned with them to ensure effective implementation and alignment with local needs and challenges.** This includes provisions such as the development of building renovation plans, setting minimum energy performance standards, addressing energy poverty, and establishing one-stop shops.

Additionally, **cities and local governments require more financial and capacity support to effectively draft and implement the local heating and cooling plans, as required by the EU legislation.** These plans should be tailored to local contexts and contribute to the overarching goal of achieving climate neutrality. With the right empowerment and support, cities can equitably speed up the phase-out of fossil fuels from heating systems. Similarly, **cities and local governments must have all the necessary resources to set up plans, incentives and appropriate and faster permitting processes to facilitate the roll out of rooftop solar systems** and take advantage of the benefits of solar power.

Overall, cities participation and engagement **is crucial for the benefits of the energy transition to reach those most in need. National governments must work with cities to ensure social safeguards** and financial support reach vulnerable communities. Policies should focus on equity, aiming to lift people out of energy poverty and improve health, well-being, and quality of life. **For example, the preparation of National Social Climate Plans by 2025, an important tool to support the most vulnerable people in the transition to a sustainable future, requires bottom-up governance, cross-sectoral collaboration, and meaningful participation of cities and stakeholders.** In other words, it is essential to ensure that cities are involved in the process and funds are allocated accordingly to have more inclusive, fair and people centred plans to increase their quality.

To conclude, the commitment to meet the targets and the objectives set as part of the European Green Deal provides certainty for Europe's direction towards achieving climate neutrality and cities are ready to do their part.

Within this context, **intensifying coordinated partnerships and direct high level political dialogues between European institutions, national and local governments can leverage the power of the cities to tackle social inequalities and ensure that the benefits of the energy transition are shared among residents in an equitable way.** This can be facilitated through alliances such as the Covenant of Mayors - Europe and Global Covenant of Mayors together with their Boards of Mayors and the support of city network partners.

There is vast existing knowledge, experience and good examples from different European cities to build on to accelerate climate action in general and particularly on buildings. However, **cities still require the right level of support to proceed fast with the investments needed. Therefore, it is critical they directly and easily access funds and technical assistance as well as be able to have adequate capacity** to scale up retrofits and renewable energy projects and ensure the most vulnerable are protected and engaged in the process. This will not only help Europe to achieve its climate goals but it will also benefit its economy and the well-being of all its residents.