URBAN AGENDA FOR THE EU

Building Decarbonisation Partnership

Joint Response to the update of the Governance of the Energy Union and climate action

19th March 2026

INTRODUCTION

The Building Decarbonisation Partnership (BDP) -part of the Urban Agenda Initiative for the EU- looks forward to the update of the Governance of the Energy Union and climate action, to set a robust framework for climate policies in the next period.

To support this aim, the BDP is continuously engaging with policymakers and has elaborated the attached document, which is structured as:

Acronyms

BDP	Building Decarbonization Partnership, also 'the Partnership'
BREACH Plans	Building Renovation and Cooling and Heating Plans
EEF principle	"Energy Efficiency First" principle
EED	Energy Efficiency Directive
EPBD	Energy Performance in Buildings Directive
H&C	Heating and Cooling
LHCP	Local Heating and Cooling Plan
LTS	Long-Terms Strategy
LTRS	Long-Terms Renovation Strategy
MMSS	Member States
NBRP	National Building Renovation Plan
NECP	National Energy and Climate Plan
RED	Renewable Energy Directive

Country codes:

AT	Austria	ES	Spain
BE	Belgium	FI	Finland
CZ	Czech Republic	HU	Hungary
DE	Germany	IT	Italy
DK	Denmark	NL	The Netherlands

1 POSITION AND RATIONALE

The European Union has set very ambitious energy and climate goals, including the decarbonisation of all its building stock by 2050. The challenge lies in cities - the largest proportion of the EU building stock is within urban centres (43%), with 33% in urban clusters and 24% in rural areas. 75% of space in the EU is residential, 25% is non-residential. Within the EU, 42% of non-residential buildings and 38% of residential buildings were built pre-1970, before the oil crises prompted adoption of some energy conservation measures. As of 2020, approximately 12% of the EU residential built stock has been renovated to meet climate change targets, while 9% of the non-residential stock has been renovated (EUI, 2024). The implementation of revised EU directives and regulation on energy and climate – Governance Regulation, EPBD, EED and RED – creates a unique momentum for cities and towns to decarbonise their building stock.

The BDP is convinced that cities can play a crucial role within a multi-level governance, which is needed for integrated energy actions, such as building renovation programmes and local heating and cooling plans. It is within this context that the Partnership submits this joint position paper to provide feedback on the revised Governance Regulation, emphasising the need to align it with the EU's ambitious climate and energy goals by supporting cities – where the majority of the building stock is concentrated – as key actors in implementing integrated, district-level renovation strategies within a multi-level governance framework.

1.1 Energy Efficiency is a non-negotiable target of EU's energy policy

Energy efficiency targets are the tools to facilitate the implementation of the "Energy Efficiency First" (EEF) principle, which the European Climate Law acknowledges regarding the definition of the Intermediate Union climate targets. Furthermore, the Energy Efficiency Directive (EED) sets energy efficiency as a priority policy in all sectors. But beyond legal reasoning, there are more inherent benefits of energy efficiency that make it more relevant than ever.

The new geopolitical context is defined by weakened chains of supply, including energy. Natural Gas is provided by neighbouring countries that can use it to blackmail the Union (Russia, Morocco, Algeria, Turkey…). GNL is provided by our no-longer ally USA. Petrol is subject to control of 'choke points' such as Ormuz, Suez, or Gibraltar. Coal is not a compatible option with the climate targets. Finally, renewable energy remains largely dependent on Chinese technologies and rare earths. With this scenario, **energy efficiency is the most strategic resource we can leverage.**

Every kilowatt-hour saved due to energy efficiency can be redirected to strategic sectors such as industry. Strengthen industry within Europe is in line with the EU Green Deal, and manufacturing is essential to increase competitiveness and assure our strategic capabilities, including defence. The building sector has a huge potential of energy efficiency as 40% of the energy consumption of the Union happens in buildings, 75% of which are considered inefficient (EPBD).

Moreover, the EEF principle is a great tool to avoid inefficient investment. Energy infrastructure requires large investments, which are dimensioned according to energy demand. Every euro invested in energy saving at the final consumption point is a euro saved in energy generation and transportation infrastructure. Regarding building decarbonisation, it is strategic to reduce energy consumption in buildings (renovation) to optimise the investments in urban heating and cooling systems.

Finally, a flexible and decentralised energy system is the shield from crisis and shocks. When considered all together, it is a more resilient system. For example, increased energy performance in

buildings (renovation) protects the inhabitants from rising energy prices and extreme heat and cold, even during energy cuts. Also, distributed renewable generation and self-consumption protect citizens from failures or attacks on strategic energy infrastructure such as large power plants.

Finally, regarding on the post-2030 target's structure, it is important to maintain energy efficiency targets as they help Governments and the private sector to strengthen the business case for energy efficiency measures. Systems such as the energy efficiency obligation schemes (EED art.9) are based on these targets and have proven very successful in countries such as France, Italy, the UK or Spain.

Recommendation. Keep energy efficiency as one of the main principles of the Energy Union, as it is the most strategic energy resource within Europe. To foster energy efficiency measures, energy efficiency targets are needed. The building sector should be a priority, as it can protect the citizens during an energy crisis and has a huge energy saving potential.

1.2 Horizontal planning is a key tool to assure policy coherence

The current horizontal planning, including NECPs and LTSs, has proven to be effective to assure policy coherence and strengthen sectorial planning. As an example, the Long-Term Renovation Strategies (LTRS, mandated by the previous EPBD) and NECPs had common targets for building renovation and energy use reduction. According to the European Commission (2024), the Governance Regulation resulted in:

- Policy coherence was assured. Targets were set by the horizontal planning (NECPs) while measures were set by the sectorial planning (LTRS). This implied coordination between different government departments (Energy and Buildings), breaking silos.
- Planning is more efficient. Merging a wide range of planning and reporting obligations into one regulation also concentrates costs from across other pieces of legislation. Up to EUR 11.6 million for the whole Union may have been saved.
- Stronger case for sectoral planning. As the LTRS are based on targets set by the NECPs, building renovation becomes a policy shared by the whole national Government. Many measures that are not directly linked to the NECPs have been integrated in the plans, reflecting the Regulation's 'framework nature' which integrates obligations from other pieces of EU energy and climate legislation. This echoes into society and the private sector as it was conceived as a common National goal, thus creating a golden loop between energy and housing planning.

The current five pillars of the Energy Union have been a useful tool for now, as each sector could implement actions to better improve some of them. For example, the building sector reinforced pillars 3 (Improving energy efficiency) and 4 (Decarbonising the economy), while other sectors could provide stronger benefits in other pillars.

The revised EPBD (art.3) turned the LTRS into NBRPs and bonded their submittals to the NECP submittals. Therefore, sectorial planning was incorporated into horizontal planning without losing both approaches.

Recommendation. Foster a hybrid approach where horizontal planning set the targets for decarbonisation and energy, while sectorial planning defines the measures. Both horizontal and sectorial planning need a clear governance and structure to assure coherence.

1.3 Integrated implementation still lacks further horizontal coordination

While the horizontal-sectorial approach has proven generally effective, the Partnership has identified policy gaps that need to be overcome to facilitate implementation. Some measures that tackle specific pillars of the Union, may be inefficient if the other pillars are not considered.

This is the case of Local Heating and Cooling Plans (LHCPs) required by the EED (art.25) for municipalities over 45.000 inhabitants. To develop such plans, the first step is to estimate the heating and cooling demand, including in buildings. However, renovation policies are to be implemented in the upcoming years, reducing the energy demand of buildings and, thus, affecting the energy planning. Moreover, NBRPs will set measures to boost renovation at the national level (EPBD art.3). However, there is no such requirement for the local level. If those two policies (energy and renovation planning) are not considered together, there is a risk of ineffective implementation.

The Partnership is working on this topic (Actions 1 and 3) and aims to publish a Roadmap for cities to deliver Building Renovation and Cooling and Heating Plans (BREACH Plans). Firsts insights from the report "Bridging LHCP & NBRP: Insights from implementation across EU member states" (ACE-RTA, 2026a) are:

- Integration of LHCP & NBRP varies according to country. There are cases of very advanced (DK, NL, AT), advanced (FI, DE, BE), intermediate (IT, CZ) and early stage (HU, ES) countries.
- Five dominant mechanisms for integration have emerged:
    1. Legislative coupling. Legal provisions explicitly require coordination between building renovation and heating decarbonisation.
    2. Funding conditionality. Subsidies are prioritized in targeted districts and conditioned to considering both renovation and energy planning.
    3. Spatial planning. Identifying priority districts for district heating expansion, electrification, renovation or hybrid solutions.
    4. Technical tools and scenario modelling. Shared models including renovation and energy planning.
    5. Institutional coordination platforms. Based on inter-ministerial task forces, national competence centres or municipal associations.
- Key bottlenecks for the integration of LHCP & NBRP are institutional fragmentation (energy-buildings-urban planning competences), misaligned planning cycles (until 2050 for NBRP and 5-10 years planning for LHCP), and capacity gaps.
- Drivers for integration are strong national mandates, targeted financial instruments and p leading cities as testbeds.
- Data is the backbone of effective integrated planning. However, many barriers still exist that hinder data collection and standardisation.

Recommendation. Strengthen the horizontal planning and governance as coordination tools between sectorial measures, so that policies, regulation and funds can be implemented in an integrated way. Regarding the building sector at municipal level, we propose to integrate energy and renovation planning within Building Renovation and Cooling and Heating Plans (BREACH Plans).

1.4 The revised Governance Regulation should support moving swiftly from planning to implementation

The current regulation has strongly focused on planning. NECP, LTS and governance structures have proven to be effective in terms of planning. These efforts should not be discarded, and new policies should rather build on them.

However, the revised Regulation beyond 2030 should move towards effective implementation of measures, most of them already included in the strategic framework (NECP, LTRS…). Governance should shift from consultation towards practical implementation, including investments. This can be done through specific mission-oriented programs or projects.
Cities and municipalities can play a crucial role in this new governance, as they are able to deliver practical implementation if guidance and resources are downstream through them. Specifically, European and national programs to implement local decarbonisation might be very effective. The policy framework for these is increasingly maturing (NBRP under development, LHCPs requirements already into force in several MMSS) and they have a strong replication potential as municipalities all over Europe can take the lead and leverage action of citizens and local companies.

We strongly support the aim of the Governance Regulation that NECPs must become investment plans that direct public and private funding to where it is most needed. This is indeed a prerequisite in order to steer the massive investments needed for a green and competitive energy sector.

To illustrate this with a specific sector i.e. buildings: The Building Decarbonisation Partnership is working on how financial mechanisms and instruments can help municipalities to implement building decarbonisation projects such as district heating, public building renovation, and neighbourhood decarbonisation (Action 4 and 5), starting from a comprehensive mapping of existing investment funds, technical assistance, and research funding programmes of the EU available for building decarbonisation projects at the national, regional, and local level (Green partners, 2026a).

Furthermore, an analysis has been done on financial instruments commonly used and financial products typically offered for building decarbonisation by the main financing institutions, national promotional banks and programmes and the private sector on the market (Green partners, 2026b).

First insight from the report "Financing building and district decarbonization in Cities – case studies" (Green partners, 2026c) are:

- There are funding options available at European level but accessibility varies greatly among MMSS, with a large difference among cities and municipalities;
- while cities increasingly adopt integrated climate strategies, financing mechanisms remain largely segmented by sector and ownership. Public buildings, private housing, and energy infrastructure are typically funded through separate instruments, institutions, and timelines, limiting opportunities to optimise capital deployment at city scale;
- Investments should be downstreamed from EU level to local implementation. Municipalities can implement integrated projects such as renovation + H&C infrastructure, but they need mechanisms to bundle and standardise different buildings projects, and projects at the neighbourhood level to create portfolios and reduce transaction costs and risk.
- The blending of financial instruments and grants in interesting ways happens mostly at national or sometimes at regional level due to the lack of capacity that exists at the local level. Although national programmes scale well, they rarely deliver place-based impact.
- City-level success is resource-intensive and under-recognised. The planning, aggregation, coordination, awareness, overcoming legal barriers, co-financing, and enforcement strain local administrations and the little capacity they have.

This preliminary work highlights the need for strong coordination among multiple policy levels in order to develop effective and efficient investment plans, leading to the implementation of NECPs at local level.

Recommendation. Steer current governance towards implementation, building on previous planning efforts. Governance should be mission-focused for the implementation of measures already identified in NECPs and sectoral planning, and should include key stakeholders for real implementation, such as municipalities.

1.5 Municipalities are key players in implementing decarbonisation projects

The current governance structure has focused on MMSS, while local and regional authorities have been generally overlooked. This has created a great gap between planning at the national level and implementation at the local level. Consultation is the first step to involve municipalities. It allows National Governments to engage other public authorities so that they share the goal for decarbonisation. Consultation is also crucial to design new planning and move to an effective implementation of projects because (1) it allows to early identify barriers and (2) identify the needs and motivations of local authorities so that National Governments can leverage on their interests.

Secondly, there is a lack of formal multi-level governance structures. Once a program or project is defined at the national level, after a consultation process, there is a need to establish a coordination and governance framework that fit for purpose. This multi-level governance should include different levels (national, regional, local) and topics (energy, buildings, etc), according to the specific program or project to implement. European Governance Regulation could define these governance structures, while allowing for flexibility for MMSS. Evidence from the LIFE project NECP Platform (Energy Cities, 2025) demonstrated that, where national-level dialogues happened, they were instrumental to contribute to climate and energy measures in the plans, and to clearly identify opportunities for implementation based on local knowledge and conditions.

The Building Decarbonisation Partnership (and other partnerships of the Urban Agenda for the EU) is an example of an energy dialogue between multiple policy levels (European, national, regional and local). With City of Mechelen – a medium-sized city – and Green Building Council España – a building sector organisation – at the driving seat, this partnership will implement actions with the aim to improve local, national and European regulation, financing and knowledge on building decarbonisation, including EED and EPBD. This allows involved EU institutions such as DG ENER to collect in-sights from implementation in real-life projects and bottom-up experience. Another good practice is the Spanish Urban Agenda program, where the State has funded capacities for municipalities to develop their own Urban Agenda, and collect all cases online. Evidence from the LIFE project NECP Platform demonstrated that, where national-level dialogues happened, they were instrumental to contribute to climate and energy measures in the plans, and to clearly identify opportunities for implementation based on local knowledge and conditions.

We acknowledge that the involvement of municipalities is limited due to their large number and -in many cases- lack of resources and capacities. While voices of different types of municipalities should be incorporated in the governance, this should be considered when creating programs, for example targeting by number of inhabitants or rural/urban contexts. It may be the case that some programs focus on specific large cities, while other are open to many smaller municipalities. Some examples are:

- PREE 5000 program (Spain). It funded building renovation in small municipalities with less than 5.000 inhabitants.
- District renovation funded by Next-Generation Funds (Spain). While the State funded the program, Municipalities had to apply to the open calls managed by the Regions. The implementation project was finally agreed by the three parties, and implemented by the Municipality.

- RENORED program (Spain). Funds the installation of new district H&C systems. It is an open call for projects, but higher points are given for projects located in small municipalities, vulnerable neighbourhoods or municipalities with 'just transition agreements'.

Furthermore, the Partnership is working on governance at local level (Action 6) and aims at providing guidance to set governance schemes to implement municipal decarbonisation. A first report that examines governance structures behind policy implementation has been prepared to start understanding how local ecosystems can effectively deliver EU climate objectives. Firsts insights from this report, called "Governance models for Building decarbonisation: A regional comparative analysis across European cities" (ACE-RTA, 2026b), are:

- Governance aspects such as clear mandates, coordination mechanisms, and defined leadership roles, is as decisive as technological deployment in determining implementation speed and coherence of building decarbonisation plans and strategies.
- Municipal mandates, technical capacity, or fiscal autonomy are limited if a vertical governance framework is not clearly set up that allows translating mature national policy into rapid and coherent local implementation.
- Local contextual factors, including energy prices, building stock characteristics, ownership fragmentation, cultural aspects and administrative traditions, strongly condition which horizontal governance models are feasible and socially acceptable.
- Structured multi-actor cooperation (including citizen engagement) is needed and should be aligned with the quadruple helix approach, ensuring defined roles rather than ad-hoc participation.
- Finally, cities that combine clear municipal leadership with structured stakeholder engagement and stable financial governance tend to demonstrate the highest policy implementation maturity.

Recommendation. Include municipalities within formal multi-level governance structures so that National programs and plans can benefit from the implementation potential of the local level. The diversity among municipalities should not hinder this collaboration but rather facilitate the collaboration with frontrunners or tackle specific groups of municipalities.

2 RESOURCES

The reports marked with a star (*) can be obtained on request, please contact the Building Decarbonisation Partnership coordinators at bd-coordinators@urban-initiative.eu

*ACE-RTA (2026a) Bridging LHCP & NBRP: Insights from implementation across eu member states. Technical report prepared for the Building Decarbonisation Partnership.

*ACE-RTA (2026b) Governance models for Building decarbonisation: A regional comparative analysis across European cities. Technical report prepared for the Building Decarbonisation Partnership.

Building Decarbonisation Partnership (2025) Orientation paper. Prepared in the framework of the Urban Agenda for the European Union. Available at: https://www.urbanagenda.urban-initiative.eu/sites/default/files/2025-09/Building%20Decarbonisation%20Orientation%20Paper_0.pdf (Accessed: 16 January 2026)

*Building Decarbonisation Partnership (2026) Action plan. Prepared in the framework of the Urban Agenda for the European Union (forthcoming).

Energy Cities (2025) NECPlatform project webpage. Accessible at: https://energy-cities.eu/project/life-necplatform/ (Accessed: 10 March 2026)

European Commission (2024) Report 'COM/2024/550 final' from the Commission to the European Parliament and the Council on the Review of the Regulation on the Governance of the Energy Union and Climate Action.

*Green Partners (2026a) Overview of local and EU level funding sources available to municipalities for building decarbonization, staff capacity-building and technical assistance. Technical report prepared for the Building Decarbonisation Partnership.

*Green Partners (2026b) Analysis of financial instruments for building decarbonisation. Technical report prepared for the Building Decarbonisation Partnership.

*Green Partners (2026c) Financing building and district decarbonization in Cities - Case Studies. Technical report prepared for the Building Decarbonisation Partnership.

Lorimer S. (2024) Ex-ante assessment of the "Building Decarbonisation: Integrated Renovation Programmes and Local Heating and Cooling Plans" thematic area under the Urban Agenda for the European Union. https://www.urbanagenda.urban-initiative.eu/sites/default/files/2024-08/EAA_Building%20Decarbonisation_FINAL.pdf

Urban Agenda (2024) Building Decarbonisation Partnership – website. Accessible at: https://www.urbanagenda.urban-initiative.eu/partnerships/building-decarbonisation

3 ABOUT THE PARTNERSHIP

The Building Decarbonisation partnership consists of **24 partners**, working across different governance levels and sectors, and therefore, creating an important platform to align EU level policy objectives with local implementation. The Partnership includes 1 Member State, 3 regional authorities, 8 local authorities, 3 umbrella organisations, 5 DGs of the European Commission, and 4 other European stakeholders, reflecting the multi-level and cross-sectoral approach which is key to the Urban Agenda for the EU Coordinated by one urban authority, the **City of Mechelen** and an NGO, **Green Building Council España,** it provides an important space for cities, EU institutions and sectoral experts to commonly identify regulatory barriers, share practical experiences and co-create solutions to accelerate the decarbonisation of EU's building stock.

In doing so, the Partnership strengthens the role of cities in achieving the EU's climate objectives, while identifying concrete Actions that can support better integration of energy systems at the district level, better integration of funding and finance to develop district portfolios, and stronger governance models by bringing together the most relevant ecosystem actors at the local level. Further information about the Partnership, its objectives and upcoming activities for the next two years, can be found on the **Building Decarbonisation Partnership webpage** of the Urban Agenda for the EU.

The full list of members is presented in the table below.

Table 1. List of Building Decarbonisation Partnership Members

Type of Organisation	Name of Organisation	Country	Role in the Partnership
Member State	MIVAU (Ministry of Housing and Urban Agenda)	Spain	Working Group and Action Leader
Regional Authority	Catalan Land Institute (INCASÒL)	Spain	Working Group and Action Leader
	Department of Environment & Spatial Development Flanders	Belgium	Action Leader
	South Moravian Agency for Public Innovations (JINAG)	Czech Republic	Member
Local Authority	City of Mechelen	Belgium	Partnership Coordinator
	City of Vaasa	Finland	Working Group and Action Leader
	City of Milan	Italy	Member
	City of Kladno	Czech Republic	Member
	City of Bytom	Poland	Member
	City of Bergisch Gladbach	Germany	Member
	City of Baja	Hungary	Member
	City of Cesis	Latvia	Member
Umbrella Organisation	Council of European Municipalities and Regions (CEMR)	Belgium	Action Leader
	German Association for Housing, Urban and Spatial Development (DV)	Germany	Action Leader
	EUROCITIES	Belgium	Member
Other Stakeholders	Green Building Council España (GBCE)	Spain	Partnership Coordinator

	Green Finance Institute	Spain	Working Group and Action Leader
	UniverCities	Italy	Member
	Hungarian Energy Efficiency Institute (MEHI)	Hungary	Member
EU Institution	EC – Directorate General for Regional and Urban Policy (DG REGIO)	Belgium	Member
	EC – Directorate General for Energy (DG ENER)	Belgium	Member
	EC Joint Research Centre (JRC)	Belgium	Member
	EC – Directorate General for Internal Market, Industry, Entrepreneurship and SMEs.(DG GROW)	Belgium	Member
	EC – Directorate General for Climate Action (DG CLIMA)	Belgium	Member