Building Decarbonisation Partnership

Steering the next MFF towards real implementation

Building Decarbonisation in Cities Campaign

URBAN AGENDA FOR THE EU

Policy Paper

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Executive Summary

Why the Building Decarbonisation in Cities Campaign and recommendations?

Europe stands at a pivotal moment. As the European Union defines its Multiannual Financial Framework (MFF) for 2028–2034, decisions taken over this and next year **will shape the continent's ability to deliver on its climate and competitiveness goals for decades to come**. Implementing decarbonisation initiatives at the district/neighbourhood level requires a new way of combining different sources of public and private capital, asset classes, and governance structures. Neither subsidies nor loans alone will activate the market and deploy the capital required to achieve the **scale and pace European cities need** for their existing building stock and district heating/cooling infrastructures.

Instruments coming from the ongoing period , such as the Next Generation EU funds and the European Regional Development Fund, have been deployed with varied outcomes across Europe. Even though they have created catalytic and impactful results in specific contexts, they have also created an **uneven distribution of funds** due to the lack of involvement of local authorities and consideration of their needs. There have been cases in municipalities where pipeline of projects had to stop due to the lack of funds or the capacity to blend these grants with private capital. **Learning from such examples and local experiences is key to identifying gaps**, challenges, and levers to improve the design of the future MFF and to ensure access to comprehensive district decarbonisation initiatives.

The Building Decarbonisation in Cities Campaign advocates for the crucial role of cities in the design and implementation of the MFF and climate policies of the European Union. The Campaign has produced this policy paper that intends to provide recommendations on **how to create funding & financing schemes** that support both the capacities of municipalities and the implementation of integrated district decarbonisation approaches in the next EU Multi-annual Financial Framework (MFF) for the period 2028-2034.

Where in the EU Multi-annual Financial Framework does this policy paper sit?

When it comes to the urban dimension, Cohesion Policy is the one that has supported cities the most in **providing a clear response to their local challenges** in the period 2021-2027. With an increased compulsory allocation of 8% from ERDF, EUR

24 billion is currently under the direct management of cities. To support both Member States and local authorities in developing innovative solutions, Cohesion Policy allocates more than EUR 100 billion in total[1]. Moreover, the European Urban Initiative (EUI) and URBACT, two flagship instruments with a budget of EUR 395 million and EUR 79.7 million ERDF, have the objective of supporting cities with financial resources, capacities, and networks. Additionally, cities have been direct and indirect beneficiaries of Horizon and LIFE programmes and key initiatives such as the EU Mission on Climate Neutral Cities.

Under the current proposal for the next MFF, and the introduction of the National Regional Partnership Plans (NRPPs), **Cohesion Policy has been shifted under the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security**. In that sense, the recommendations are relevant for Title I: General provisions (Article 1 to 9), Title II: Financial framework (Article 10 to 20), Title III: National and Regional Partnership Plans (Article 21 to 25), Title IV: EU Facility (Article 26 to 34), Title IX: Specific type of support (Article 71 to 79) and Title XII: Social Climate Fund and Modernisation Fund (Article 80 to 83).

As the new European Competitiveness Fund (ECF) has been proposed as a key instrument to strengthen European competitiveness while advancing a just and sustainable transition, it offers another opportunity for cities to strengthen their capacity to implement **EU policies**. Building on the experience of InvestEU, the new facility ECF InvestEU seeks to mobilise private capital through a unified financial toolbox that simplifies financing processes and maximises **the leverage effect of public investment**. The ECF will be implemented under direct EU management and will cover the entire investment cycle, from research (supported by the Horizon Europe program) to industrial and commercial deployment in strategic sectors, thereby reinforcing the EU's capacity to strengthen its global competitiveness. The recommendations will mainly target Chapter I: General Provisions and Chapter II: ECF Toolbox. Additionally, recommendation 7 targets the Performance Regulation.

The EU Cities Agenda

The EU Agenda for Cities: Driving Growth and Prosperity, published on December 3 last year, has defined the **EU vision for cities of all sizes to become liveable, prosperous, and inclusive**. In doing so, it proposes a set of policy actions and recognises the key role cities play as strategic partners in the implementation of EU policies as well as their present needs, shortcomings and unlocked potential. Among them, it is worth highlighting the commitment to hold regular dialogues with cities, targeted technical consultations, a web portal to facilitate cities' access to

[1] The amount of more than EUR 100 billion includes the share of over EUR 24 billion implemented directly by cities through sustainable urban development strategies.

current EU support, and the pledge to embed **the partnership and multi-level governance principles in the next MFF**. It encourages Member States to support local initiatives through their NRPPs , and it sees funding opportunities for cities in the European Competitiveness Fund and Global Europe Programme.

In a Joint Declaration, the Ministers responsible for Cohesion Policy, Territorial Cohesion and Urban Matters recognised that "regions, cities of all sizes and their functional areas as strategic partners in shaping and implementing EU policies, rather than as passive recipients of funding"[2]. In its 2025 resolution on the ninth report on economic and social cohesion, the European Parliament calls for ensuring more **direct EU funding for regional and local authorities, cities and urban authorities**[3]. In the Council Conclusions, it was highlighted the need for improved EU and national coordination, simplification, digitalisation and capacity building to strengthen urban governance and investment capabilities, and acknowledged that cities, particularly medium-sized and smaller ones, face disproportionate administrative and financial constraints that limit access to EU funding. The European Committee of the Regions has requested the Commission to develop the future policy agenda for cities based on the well-established territorial approaches and cooperation mechanisms of cohesion policy[4]. It is clear that the EU Agenda for Cities, in order to succeed in its future endeavours and implement its vision, needs tangible and specific earmarked envelopes through both direct and indirect access to EU funds in the next MFF.

Call to action for EU co-legislators!

As negotiations on the 2028-2034 MFF and NRPP architecture enter their most intense stage before the final version of the MFF is adopted, the main target audience for the Partnership policy recommendations paper is the EU co-legislators in the EU Council and Parliament. Regarding the first group, it specifically addresses the General Affairs Council (National ministers) responsible for drafting the successive negotiating boxes during EU presidencies. Indirectly, this Policy Paper informs the European Council's final political compromises (Heads of State and Government). Since the Parliament adopted its interim report on April 28, the focus has been on the sectoral committee positions developed by the rapporteurs, co-rapporteurs, and shadow rapporteurs. Specifically, on the Parliament's MFF position, NRPPs, and the committees REGI (cohesion and regional funding) and ITRE (Research, competitiveness, Horizon Europe). Furthermore, and in light of the final consent on the trilogues (after the Council has its own full position), political group coordinators are encouraged to take into account such recommendations.

[2] Polish Presidency (2025) Joint Declaration

[3] European Parliament (May 2025) Ninth report on economic and social cohesion

[4] European Committee of the Regions (May 2025) Metropolitan regions and functional urban areas as socio-economic drivers of sustainable investment in the 2021-2027 Cohesion policy framework

The Council should use its negotiating boxes and General Affairs Council discussions to require mandatory territorial and urban chapters in every NRPP, ringfenced support for integrated district decarbonisation, and enforceable multilevel governance safeguards so municipalities are involved in design, delivery and monitoring, avoiding purely consultative approaches.

The European Parliament, through BUDG, REGI, ITRE and the relevant rapporteurs, co-rapporteurs and shadow rapporteurs, should translate these demands into amendments to the MFF, NRPP, ECF, InvestEU, Horizon Europe (and potential new LIFE files), securing predictable urban envelopes, direct or safeguarded access to EU funds for cities, performance indicators linked to territorial delivery, and dedicated support for project preparation, technical assistance and blended finance.

Together, the co-legislators should ensure that the next EU budget not only tracks climate spending statistically but also enables cities and municipalities to deliver place-based, integrated, and socially fair actions on the ground.

Our Recommendations

1. Embed Place-Based Approaches to Strengthen Cities as the Key Enablers of Building Decarbonisation. The next MFF should make district and neighbourhood-level place-based approaches more visible in funding design, especially within NRPPs. Cities should be recognised as delivery platforms because they are closest to citizens, building owners and local market actors. EU funding should support long-term territorial transformation strategies rather than fragmented building-by-building interventions.

2. Align Building Renovation and the Heating and Cooling Transition through Portfolio Integrated Neighbourhood Initiatives. Neighbourhood decarbonisation requires that building renovation, district heating and cooling, renewable energy, and infrastructure be planned as a single integrated investment portfolio. Current funding frameworks remain too sector-specific, creating risks of investments that are either oversized or poorly timed. The next MFF should allow cities to bundle cross-sector investments under integrated neighbourhood strategies.

3. Set up Structural Initiatives that Complement Project-Based Funding. The MFF should support durable local systems, not only isolated projects. This means financing permanent coordination structures, one-stop support, data systems, territorial planning, and municipal capacity to manage long-term decarbonisation programmes. Such structural initiatives help cities continuously plan, coordinate, finance and implement building decarbonisation at scale.

4. Invest in Project Preparation as a Prerequisite, not an Afterthought. Cities need systematic technical assistance to develop investment pipelines, procurement capacity, financial engineering and monitoring systems. Existing instruments such as ELENA, LIFE PDA and EUCF are useful but fragmented, so the next MFF should create a more coherent "investment pipeline journey" from planning to financing. Project preparation support

should also fund one-stop-shops and local delivery structures that reduce administrative burdens for municipalities and citizens.

5. Efficient Public Spending Through Derisking Building Decarbonisation. The main barrier to scaling investment is not always lack of capital, but the mismatch between project risks and available financing structures. The MFF should support innovative instruments such as EPCs, ESCOs, property-linked finance, guarantees and blended finance to reduce risk and mobilise private capital. These tools can help municipalities, vulnerable owners and multi-apartment buildings access upfront investment without relying purely on grants.

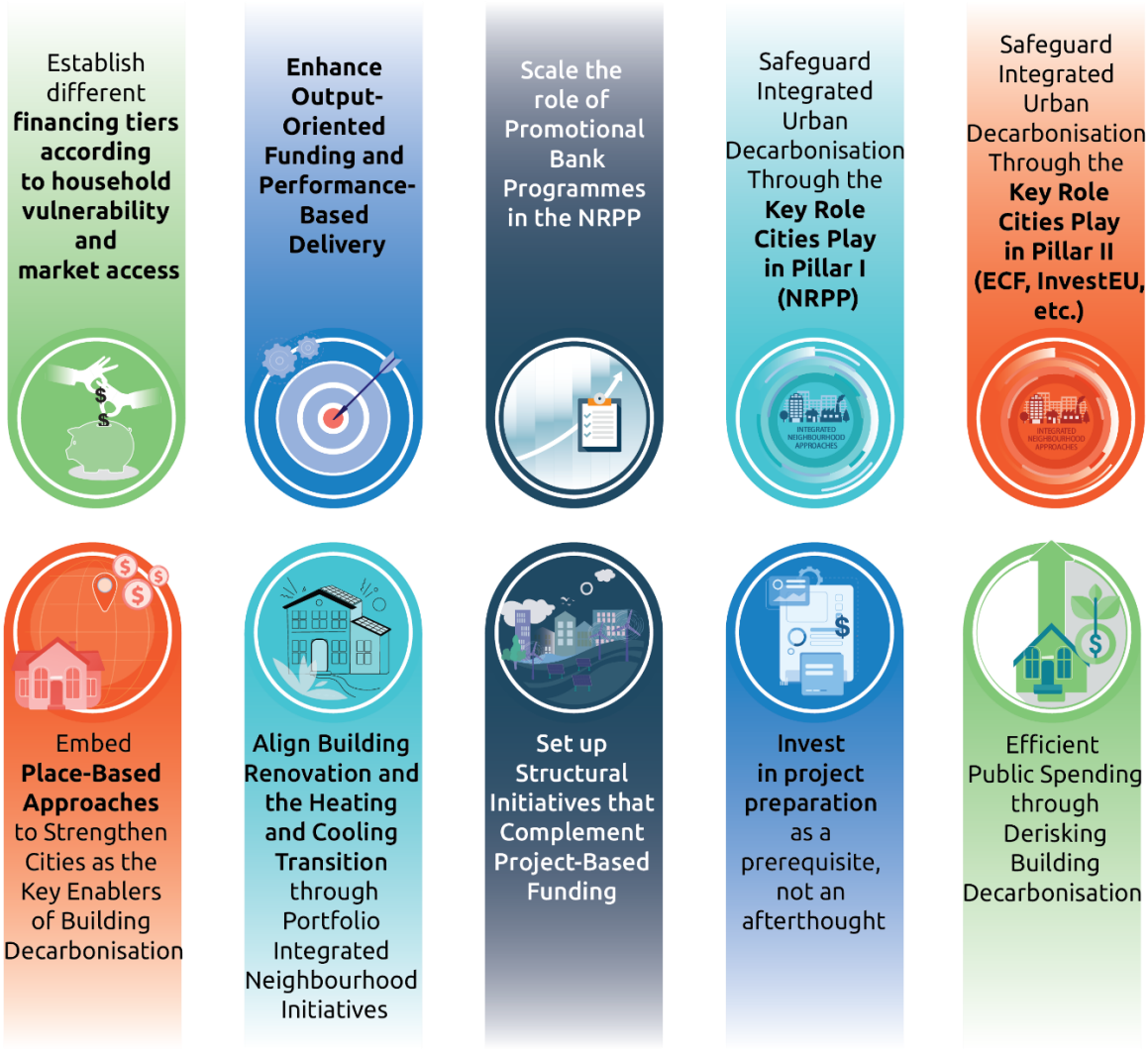
6.Establish Different Financing Tiers According to Household Vulnerability (Homeowners and Tenants) and Market Access. Funding schemes should differentiate between vulnerable households, middle-income owners and higher-income groups. Grants should target vulnerable and energy-poor households, while guarantees, subsidised loans and market-rate finance should serve groups with stronger repayment capacity. NRPP Social Climate Plan chapters should include income-based grant thresholds, protect tenants from rent impacts, and support community-based housing models such as Community Land Trusts.

7. Enhance Output-Oriented Funding and Performance-Based Delivery through Territorial and Multilevel Performance Frameworks. Public support should be linked to verified decarbonisation outcomes, such as energy savings, emissions reductions and progress towards 2050-compatible pathways. However, performance-based funding should not penalise cities with weaker capacity or higher energy poverty. Cities should be involved in defining milestones and indicators so that performance frameworks measure real territorial delivery, not only national absorption or aggregate climate spending.

8. Scale the Role of National and Regional Promotional Bank Programmes in the NRPP. National and Regional Promotional Banks can help bridge the gap between EU funds, municipal grant schemes and private capital. They should be formally recognised as intermediary delivery partners in NRPPs, offering standardised financial products that cities can use without designing instruments from scratch. Their role is especially important for smaller cities and private building owners that cannot directly access international financial institutions.

9. Safeguard Integrated Urban Decarbonisation and the Key Role Cities Play in Pillar I (NRPP). NRPPs should include mandatory territorial and urban chapters, with earmarked funding for integrated urban decarbonisation (ERDF and cohesion). Cities should be legally involved in programming, implementation and monitoring, rather than only consulted voluntarily. The recommendation also calls for stronger safeguards, predictable urban envelopes and a mandatory Just Transition chapter to protect vulnerable territories and communities.

10. Safeguard Integrated Urban Decarbonisation and the Key Role Cities Play in Pillar II (ECF, InvestEU, Horizon Europe, and a ringfenced LIFE). Cities should be recognised as strategic beneficiaries and partners in the European Competitiveness Fund, InvestEU, and Horizon Europe. The ECF and Horizon Europe should support urban decarbonisation, clean energy, heating and cooling, and mission-oriented city approaches across the full investment cycle. LIFE should retain a strong, dedicated role for climate and environmental action, while Pillar II instruments should provide accessible support for cities beyond competitive industry-focused calls.



What have we learned from the current programming period?

Backed by the knowledge of the Building Decarbonisation Partnership and evidence gathered through four technical reports, five lessons learned can be found across the support at the EU level. The reports expand from an overview of local and EU level funding sources available to municipalities for building decarbonization, staff capacity-building and technical assistance to an analysis of financial instruments for building decarbonisation and case studies across Europe[5]. The recommendations behind this policy paper build on efforts from the Greening Cities Partnership and its Position to the European Commission with a set of concrete recommendations aimed at improving funding mechanisms and ensuring a more strategic and systemic approach to financing urban greening infrastructure across the European Union[6]. Such position was based on a survey to 85 European cities.

A key conclusion is that EU funding for building decarbonisation in the current period flows through several parallel instruments, each with its own eligibility rules, application procedures, and intermediary structure.

Financial support for Building Decarbonisation within and beyond the MFF

European Regional Development Fund (ERDF) and Cohesion Fund — the largest source of building renovation investment, programmed through National and Regional Operational Programmes. Municipalities typically access these funds as project beneficiaries or through national schemes. Disbursement routes and grant intensity vary widely across Member States and regions. Largest source of funding for cities (8% - €17 billion).

Just Transition Fund (JTF) — available to regions transitioning away from fossil fuels; used for district heating decarbonisation and building renovation in coal-dependent regions.

Recovery and Resilience Facility (RRF – not MFF per se) — the post-Covid recovery debt instrument that injected large grant volumes into building renovation, particularly in Spain (Next Generation EU funds through Opengela) and Romania (residential

[5] Green Partners (February 2026a) Overview of local and EU level funding sources available to municipalities for building decarbonization, staff capacity-building and technical assistance.
Green Partners (January 2026b) Analysis of financial instruments for building decarbonisation.
Green Partners (March 2026c) Financing building and district decarbonization in Cities - Case Studies.
Green Partners (March 2026d) Final report for external expertise to support the building decarbonization partnership.
The reports can be acquired on request, please contact the Building Decarbonisation Partnership coordinators at bd-coordinators@urban-initiative.eu

[6] Greening Cities Partnership: https://www.urbanagenda.urban-initiative.eu/sites/default/files/2025-04/Greening_Cities_Position_Paper.pdf

energy efficiency). Its time-limited, high-volume character created both opportunities and distortions into the market.

EU Innovation and technical assistance instruments — ELENA, LIFE (the Project Development Assistance facility and the EU City Facility), Horizon Europe provide grants for project preparation, research and innovation, capacity building, and market development. These instruments have been relatively accessible and effective, but frequently fail to translate into timely investment due to missing downstream financing.

InvestEU — provision of guarantees, backed by NextGen Funds and implemented by EIB, EIF, NPBs

EIB instruments (not part of MFF per se) — implementing guarantees, loans and blended finance for larger projects.

The **EIB Public Sector Loan Facility** under the Just Transition Mechanism represents the most advanced blended instrument, combining grants with EIB lending for integrated investments in transition regions.

Lessons learned

Building decarbonisation funding is not cross-cutting

- Support is spread across multiple policy silos — energy, housing, social, cohesion, climate — with limited integration at the neighbourhood or district scale.
- Public buildings, residential buildings and district heating are typically funded through entirely separate instruments with different timelines, eligibility rules and managing authorities.

Territorial disparities are wide

- Funding availability, disbursement routes and effective support levels differ sharply across Member States and regions.
- Access depends heavily on national programming choices rather than on EU-wide consistency of support, meaning cities in less-resourced national contexts face a structurally weaker starting position.

Subnational levels have the power to shape the reality at the local level

- Under the current programming structure, only national or regional entities have the capacity to develop blended instruments and provide the derisking condition for implementing integrated district decarbonisation projects.
- Cities become reliable delivery partners when they have access to technical assistance and dedicated support structures.

Cities play a growing but constrained role

- Municipalities are increasingly recognised as key delivery actors for building decarbonisation, but remain dependent on national and regional programming decisions, with limited influence over funding design, instrument selection and allocation of resources to the local level.
- Under the current programming period and landscape, only national or regional institutions have the capacity to develop blended instruments and provide with the derisking condition for implementing integrated district decarbonisation projects

Where revolving instruments have been used, they outperform one-off grants

- Several Member States have transformed EU cohesion funds into revolving financial instruments, enabling sustained investment cycles and substantially higher leverage overtime compared to direct grant disbursement.

Programmes providing high grant shares without combining private capital have distorted markets and reduced private sector appetite

- High grant shares can crowd out private finance, delay project pipelines, and discourage the development of scalable financing mechanisms
- The Opengela experience in Spain illustrates this directly: carefully designed de-risking instruments went unused because the availability of Next Generation EU grants removed the incentive for banks and owners to engage with more structured financial product

Our Recommendations

Recommendation 1: Embed Place-Based Approaches to Strengthen Cities as the Key Enablers of Building Decarbonisation

Cities and municipalities are indispensable actors for achieving large-scale decarbonisation of the European building stock. They are closest to citizens, building owners and local market actors, and are uniquely positioned to design and implement policies that respond to diverse urban, social and climatic contexts. A genuinely place-based approach to building decarbonisation is not possible without a stronger and more explicit role for municipalities.

While the importance of cities is increasingly acknowledged at EU level, the proposed architecture of the next MFF does not sufficiently earmark funding for urban transformation. In the absence of dedicated urban eligibility criteria, investments risk being fragmented into isolated, building-by-building measures that fail to deliver systemic impact.

The next MFF should therefore embed district and neighbourhood place-based approaches more systematically within the National-Regional Partnership Plans, one of the key Cohesion Policy principles also present in the Territorial Agenda, the Urban Agenda for the EU, and the New Leipzig Charter. The proposal should incentivise Member States to allocate resources to integrated approaches with a clear geographical and territorial scope.

Evidence from cities such as Cascais, Cornellà and Ghent shows that when municipalities are empowered to co-finance and locally manage renovation programmes, outcomes improve significantly: support reaches vulnerable groups more effectively, administrative processes are faster, and participation rates among homeowners increase. EU funding instruments should formally enable and reward this model of delegated local delivery, allowing municipalities to adapt eligibility criteria and complement national schemes with local top-ups.

City case studies across Europe confirm that building decarbonisation is primarily a challenge of local coordination and market development rather than solely technology deployment, underscoring the central role of municipalities as integrators and delivery platforms. Beyond financing, cities play a critical integrator role. One-stop-shops, municipal project units and housing companies help overcome last-mile barriers by coordinating stakeholders, supporting

project development and building trust at neighbourhood level. To unlock their full potential, cities need predictable, flexible and accessible EU funding that supports long-term and geographical urban transformation strategies.

Regulation article(s) addressed: **The Fund,** Article 75: Integrated territorial and urban development (1)-(3); Article 22: Requirements for the NRP Plan (2)(h)(i).

Recommendation 2: Align Building Renovation and the Heating and Cooling Transition through Portfolio Integrated Neighbourhood Initiatives

Neighbourhood-level decarbonisation is the most complex, but also the most impactful, form of urban climate investment. It requires the coordinated transformation of buildings and heating and cooling supply, involving multiple actors across public and private sectors. Yet, current EU and national funding frameworks remain largely sector-specific, making it difficult for cities to align investments in building renovation, district heating and cooling, renewable energy and supporting infrastructure within a single, coherent portfolio intervention. In practice, demand-side renovation and supply-side heating and cooling investments often proceed in parallel rather than in coordination. This disconnect creates real risks: deep renovation reduces energy demand, which can undermine the business case for district heating and cooling networks if systems are not simultaneously redesigned for lower-temperature operation. Without integrated planning and heat demand modelling that accounts for renovation and connection policies together, investments in both sectors risk being incorrectly sized and poorly timed, undermining both renovation impact and district heating viability.

Case studies from Bottrop, Mechelen and Cornellà demonstrate that integration is possible when neighbourhood-level masterplans or spatial planning instruments provide a common framework for action. These approaches bundle investments across residential and public buildings, heat infrastructure and enabling measures, curating the programmatic coherence needed to mobilise multiple funding sources and private partners. However, in many cases heating and cooling investments are still planned largely in parallel and such outcomes do not emerge spontaneously from the market. To overcome such barrier, investments in governance capacity, coordination and local planning have been key in such examples.

The next MFF should therefore complement sectoral funding for building renovation, heating networks and renewable energy with dedicated support for portfolio integrated neighbourhood strategies. Funding instruments should allow cities to bundle investments from different actors and sectors within one broad envelope, aligned with integrated urban decarbonisation plans. Strengthening this approach—especially under MFF Pillar 1 via National-Regional Partnership Plans—would enable more municipalities, including smaller ones, to deliver scalable and effective neighbourhood-level climate action.

Regulation article(s) addressed: **The Fund**, Article 3: Specific objectives of the Fund (1)(a)(iii); Article 75: Integrated territorial and urban development (2)(c); **ECF**, Article 33: Specific activities to support clean transition and industrial decarbonisation policies (1)(b)-(c).

Recommendation 3: Set up Structural Initiatives that Complement Project-Based Funding

Progress in building decarbonisation is most visible where governance and implementation conditions are structurally embedded rather than organised through isolated and short-term projects. Structural initiatives create lasting frameworks for action, which are long-term in nature, applied across many buildings rather than a single site, hold a permanent management and a range of financing mechanisms, and strengthen local capacity, institutional practices and decision-making processes. Such an approach increases the effectiveness of one-off interventions in delivering sustained renovation, heating and cooling transition and energy efficiency improvements. Following this direction, cities and municipalities will move from the challenge of developing and implementing single projects towards establishing durable systems that can continuously plan, coordinate, finance, and implement decarbonisation measures at scale.

For this approach to succeed, clear accountability, continuous cross-departmental coordination and communication, territorially targeted planning, one-stop support for residents, and data systems for planning and prioritisation are highly needed. A clearly designated lead body or coordinator is essential to avoid fragmentation between departments. Continuous coordination mechanisms ensure that cooperation among technical, social, financial, and planning actors is institutionalised rather than project-based. Territorial planning helps municipalities define priority districts and integrate building renovation, heat planning, public space interventions, and social support within a multiannual perspective. One-stop support services that are especially important in smaller municipalities, where residents often need practical help with technical, legal and financial questions, including oftentimes decision-making in apartment buildings. Finally, robust data systems allow municipalities

to identify priority areas based on building stock, heat demand and social vulnerability, replacing ad hoc decisions with evidence-based planning.

Examples in Europe show that these structural conditions are already being applied successfully in different local contexts. In Ludwigsburg, the municipal utility SWLB acts as a technical and operational integrator, while in The Hague the municipality has taken a strong coordinating role in the transition towards gas-free districts. Vienna has developed area-based district heating expansion and provides free renovation advice, while Milan and Oostende apply neighbourhood- and district-based planning approaches. In Vitoria-Gasteiz, the OPENGELA model offers technical, legal and financial support to homeowners, and in Santa Perpètua de Mogoda and Brno, building stock mapping and centralised data systems support the identification of priority territories.

These examples demonstrate that progress depends not only on available funding, but on the existence of integrated governance, advisory and data structures that can support implementation over time.

At the same time, many cities and municipalities, especially small towns and rural local authorities, face a clear lack of capacity. Staff, technical expertise, tools or administrative infrastructure are needed to develop and implement structural initiatives on their own. For this reason, the next MFF should include dedicated support to strengthen the capacity of cities and municipalities of all sizes (especially small ones), by providing not only practical instruments and ready-made action plans but also human resources to carry out the activities mentioned above. Support should focus not only on financing individual projects, but on enabling the local uptake of embedded structural solutions. This approach would significantly increase municipal readiness to attract different forms of financing, improve implementation capacity, and accelerate progress towards local decarbonisation plans in a more systematic, long-term and durable way.

Regulation article(s) addressed: **The Fund**, Article 22: Requirements for the NRP Plan (2)©; Article 50: Functions of the coordinating authority (h); **ECF**, Article 26: Project Advisory (2)(a).

Recommendation 4: Invest in project preparation as a prerequisite, not an afterthought

Cities become reliable delivery partners when they have access to technical assistance and dedicated support structures for project preparation. The next MFF should provide more systematic technical assistance to urban authorities, including project pipeline development, procurement, financial engineering, and monitoring, and ensure that this assistance is accessible beyond high-capacity cities. Technical assistance instruments from within and outside the EU budget—ELENA, PDA, EUCF—have been among the most effective tools in the current period to bridge the gap between planning and building decarbonisation investments, precisely because they address the project development deficit, the primary bottleneck for most municipalities. However, these instruments vary in accessibility, risk, terms and conditions and do not form one coherent and continuous journey from plan to investment pipeline. This makes the task of matching investment timelines a real challenge.

Currently, the EU City Facility offers action grants of 60.000 EUR to cities and municipalities to develop investment concepts for local climate actions. Such a contribution can lead to large-scale investment pipelines in residential retrofit, district heating and cooling and other building decarbonisation projects. Programmes such as LIFE's Project Development Assistance, similar to EIB's ELENA fund, offer technical support to implement these large-scale investment pipelines, eventually with additional financial support from public investment funds such as InvestEU. Streamlining these different technical assistance programmes and investment funds with each other in a 'investment pipeline journey' is key, to make sure cities and municipalities have access to this technical assistance and simultaneously increase the effectiveness that these result in actual investments.

Rather than relying on a single funding source, **Mechelen** assembled a layered financing pathway centred on public grants and technical assistance. The initial heat feasibility study (€120,000) was funded by the Flemish government under the Klimaatwijken programme. Follow-up work for condominium renovation was supported through successive EU instruments: an EU City Facility grant (€60,000) to develop an investment concept; LIFE CondoReno (€245,562 over three years) to establish a one-stop-shop renovation service for co-owned buildings; and PDA REFINED (€1.05 million) to unlock at least €10.9 million of neighbourhood and condominium renovation investments over four years.

For district heating, Mechelen relied on Interreg NSR GRITH (€417,000, 60% co-funded) and smaller national grants, while also drawing on regional capacity funding via the Local Energy and Climate Pact. A key element to highlight is that most resources targeted project preparation, capacity building, and market activation, rather than direct capital subsidies. The municipality played a central enabling and orchestration role (planner, convenor and project developer).

Furthermore, providing structural funding and support for the establishment of public bodies, market developers and integrators as One-Stop-Shops. One-stop shops can be established for residential renovation, as well as for public building retrofits and district heating and cooling project development. When successful, they perform a wide range of functions, align strategic urban planning with project delivery, consolidate demand for renovation projects, coordinate stakeholders, structure financing solutions, and support implementation. By acting as a central delivery channel, they significantly reduce the administrative burden for municipalities, market players, and building owners. In mature markets, these organisations could increasingly self-finance from project development and service fees.

Regulation article(s) addressed: **The Fund**, Article 12: Technical assistance at the initiative of the Commission (1)–(2); Article 13: Technical assistance at the initiative of the Member State (1), (2), (5); Article 22: Requirements for the NRP Plan (2)(e); **ECF**, Article 26: Project Advisory; Article 31: Access to Union funding.

Recommendation 5: Efficient Public Spending Through Derisking Building Decarbonisation

Across building decarbonisation, district heating and cooling (DHC) transformation, and neighbourhood-level integrated projects, the main barriers to scaling investment are not the absence of capital, but the mismatch between project risks and financing structures. Effective financing mechanisms therefore emerge from the combination of four elements—financial instruments, policy instruments, access modalities, and repayment modalities—each addressing a different category of risk. Although the current MFF proposal highlights the need for a higher share of private capital, instruments that are already working across Europe are not taken into account, and therefore, their impact may be dismissed or underutilised.

For overcoming fragmentation and credit barriers (who borrows and how projects reach scale) and repayment modalities (aligning cashflows with risks), there are long-term private financing mechanisms such as the Energy Performance Contracting (EPC) implemented by

Energy Service Company (ESCO and Super ESCO), primarily used for energy efficiency upgrades and energy system modernisation in buildings, particularly in the public sector. They are widely recognised and used across Europe, and their core value proposition is replacing upfront capital expenditure with future payments financed from guaranteed energy savings. EPC therefore functions as a form of off-balance-sheet investment for municipalities, enabling upgrades without immediate budgetary impact, provided projects are sufficiently large and savings are predictable.

EPC-based investment finance deep renovation of multi-apartment buildings through direct investment, and in consequence, removing the need for household borrowing altogether. Models such as the Latvia Baltic Energy Efficiency Facility (LABEEF) mobilises private and IFI capital and is particularly suited to small and medium-sized cities in moderate-income contexts where conventional retail lending is ineffective. Given that there are discrepancies across Member States[7] this instrument is deployed, often due to lack of fiscal capacity and of an enabling framework that does not provide the national regulations, knowledge and proven business models, such instruments will position EPC and ESCO models as an attractive alternative for integrated building decarbonisation.

For vulnerable homeowners, particularly elderly ones and those in multi-family buildings who cannot take on debt, deferred repayment structures tied to the property rather than the natural or legal person, have proven effective to make upfront capital available for residential, commercial and public buildings. EU funds should explicitly support the establishment of such innovative financial instruments by following the principles established by the Global Property Linked Finance initiative[8], and Member States should ensure their legal and accounting frameworks allow property-linked obligations to be registered and enforced. Increasing the fiscal and debt capacity makes public funds available for other priorities.

Berliner Energieagentur GmbH (BEA) is established as a limited liability company (GmbH) operating under a public–private partnership structure, with shareholders including the State of Berlin, energy utilities, and KfW (Germany's promotional bank). This hybrid governance model combines a public policy mandate with operational and commercial capacity. BEA has retrofitted approximately 1,300 buildings (~73,000 tCO_2/yr reductions) throughout a programme running continuously since 1996.

Elverum Municipality in Norway implemented EPC across 38 municipal buildings (95,000 m²), covering more than 300 individual energy efficiency measures between 2012 to 2023.

[7] PROSPECT+ (March 2025). Energy Transition Without Subsidies: Why Local Authorities Struggle with Innovative Financing.

[8] The Global Property Linked Finance (GPLFI) aims to unify and accelerate global Property Linked Finance (PLF) markets by establishing a shared framework and fostering local innovation. Learn more about it here.

Property Linked-Finance examples exist already in Belgium, Denmark and Spain: For example, Ghent's Knapt Op project, where renovation grants of €15,000–€45,000 are repayable only on sale, inheritance or donation of the property, demonstrates such model.

These two measures should be integrated within NRPP, complementing other frameworks to tackle risks such as long payback periods as well as stabilising demand and revenues. This includes on the one hand, blended finance, combining loans with grants or interest subsidies (see pointRecommendation 10) with guarantees and portfolio guarantees that absorb part of the credit risk and enabling commercial lenders to participate. And on the other, encouraging the use of policy instruments, which are not financing tools in themselves, but they are often decisive for bankability, particularly for DHC (e.g., connection obligations, zoning, and spatial heat planning) and integrated neighbourhood projects (e.g., carbon pricing, certificates, tax incentives).

Regulation article(s) addressed: **The Fund**, Article 3: Specific objectives of the Fund (1)(a)(iii); Article 11: Additional resources and use of resources (2); Article 27: Implementation in the form of budgetary guarantees, financial instruments and blending operations; **ECF**, Article 21: General Framework ECF InvestEU Instrument (1)-(2); Article 12: Implementation and forms of Union support (6)–(7); Article 33: Specific activities to support clean transition and industrial decarbonisation policies (1)(b)-(c).

Recommendation 6: Establish different financing tiers according to household vulnerability (homeowners and tenants) and market access

The most effective city programmes targeting building decarbonisation efforts have differentiated their support according to household income and ownership structure: **grants for vulnerable and energy-poor households**; **first-loss guarantees or subsidised loans for middle-income owners**; and **market-rate financing for higher-income segments**. Uniform grant schemes, by contrast, tend to disproportionately benefit middle- and upper-income households who have the capacity to navigate application procedures and front financing costs. Successful programmes have also included funding for free advisory support for individual beneficiaries/applicants (house owners or tenants). A key step to move forward into that direction and providing low-

cost, easy-to-access and long-term financing for Europeans to renovate their homes, is the introduction of an EU Renovation Loan Facility[9] within the NRPPs regulation.

In several examples across Europe, the contribution rate was defined based on income brackets, giving a 100% grant for the lowest income brackets and gradually less contributing rate to higher brackets. It also caped the total amount per type of intervention. Additionally, a limit to the total possible investment for each beneficiary was often introduced, regardless of the number of types of support for which they applied (receiving a maximum amount of €10,000). The solutions eligible for investment were wide-ranging to capture the diversity of housing stock and household needs (e.g., heat pumps, biomass boilers and heat recovery units, energy-efficient household appliances, façade work, and others). The success factor of these funds was the cooperation with the NGOs, organizations that already were close to the vulnerable communities which created a pipeline of demand for the Fund and helped target this group of people that is otherwise very difficult to reach for the municipality.

Such tiered financing schemes should also strengthen the key role of Energy Communities in tackling energy poverty, alternative instruments to green reverse mortgages such as SAVE or HEVA for vulnerable groups that not only provide the upfront capital with a long-term care insurance coverage, but also a care package to pay for energy bills. On the other hand, Community Land trusts (CLTs), defined as community-based organizations that develop and manage affordable homes and urban facilities are another powerful tool for creating perpetual low-income housing. They take ownership of land, bundle retrofit projects, access to subsidies and control real estate prices, preserving affordability over time for the benefit of local residents. They thus create cohesive low-carbon neighbourhoods through perpetual affordability and extensive community and resident involvement[10]. Up to 2025, CLTs have delivered 6162 affordable housing units, including different tenure types such as home ownership (71%), rental (20%) and cooperative housing (9%), and counts with a pipeline of 25,341 new more homes. A key element is that 78% of the rents are in line with national ocial housing regulations or link prices to local incomes.

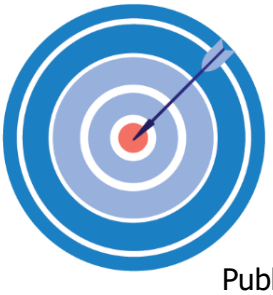
There are a number of **case studies that strongly rely on the City's capacity to setting up its own fund for building decarbonization.** This is especially interesting in the case of medium and smaller size cities and it is often linked to tackling energy poverty based on the city's own initiative as opposed to a top down approach which was from a regional, national or EU initiative. Cities such as Cascais (Portugal) and Ghent (Belgium) have built this structure into their municipal fund designs, while Cornellà (Spain) has applied it at the neighbourhood scale through the Metropolitan Housing Consortium (CMH) and EIB loans. On the other hand, there are multiple tangible examples that link decarbonisation, affordability and protection of vulnerable households, such as Brussels, Ghent, Lille, Rennes and Cork[1].

[9] Climate Strategy (November 2022). The EU Renovation Loan: a new instrument to fund the EU Renovation Wave
[10] Community Land Trust Europe (December 2025) Community Land Trusts in Europe: State of the Sector Report

European Parliament's draft report on the NRPP Regulation: It has already included the amendment 423: "The Commission shall develop an EU Renovation Loan Facility in cooperation with the EIB Group, other international financial institutions and national promotional banks. The EU Renovation Loan Facility shall support building renovations aligned with Directive (EU) 2024/1275 [the Energy Performance of Buildings Directive] and national building renovation plans."

Member States under their NRPP (Social Climate Plan chapter) should establish grant thresholds according to household income and decarbonisation depth (achieved by either deep retrofit or combining energy efficiency measures and an increase in the shared use of renewables), tapering support for households that can access market-rate financing. Here, it is fundamental to differentiate between homeowners and tenants as investment in retrofitting are often hampered by rent increases. The plans should also recognise and include the role of CLTs to deliver community assets and contributing to creating resilient neighbourhoods, encouraging specific funding for their implementation.

Regulation article(s) addressed: **The Fund**, Article 1: Subject matter (1)(a)(iv); Article 80: Social Climate Plan chapter (6); Article 71: Financial instruments (16); **ECF**, Article 21: General Framework (2).



Recommendation 7: Enhance Output-Oriented Funding and Performance-Based Delivery through Territorial and Multilevel Performance Frameworks

Public support schemes should recognise the economic reality that deep retrofit often remains financially unviable without substantial grant support, especially for vulnerable households, low-rent housing providers, multi-apartment buildings, housing associations and cooperatives, and owners without access to affordable credit. The objective should therefore be to link grants to verified results and to 2050-compatible decarbonisation pathways, including a range of building envelope measures, renewable heating, fuel switching and other minimum interventions. In this context, grant programmes should include minimum requirements or incentives for packages of measures that are consistent with long-term climate neutrality objectives and progressively align with the EU Taxonomy and DNSH principles, as well as with emerging performance-based budgeting under the post-2027 MFF.

The shift towards performance-based budgeting should not turn building decarbonisation into a narrow compliance exercise based only on national milestones, absorption rates or

aggregate climate expenditure, i.e., a single narrow preference. Performance should be assessed against real territorial delivery: energy and emissions reductions, social targeting, strengthened municipal capacity, integrated renovation and heating and cooling planning, and the avoidance of carbon lock-in at the neighbourhood level. This approach should be combined with differentiated financing tiers (see Recommendation 5), so that vulnerable property owners, housing companies and associations with vulnerable tenants are not excluded by a purely results-based model that includes deep retrofit as the minimum threshold. Upfront support for project development, aggregation, advisory services and one-stop-shop structures remains essential, while performance-linked disbursement should apply mainly to the investment implementation phase. In this way, output orientation can help shift renovation policy from spending-based absorption towards measurable decarbonisation impact.

This is particularly important for cities and municipalities facing weaker administrative capacity, complex building ownership structures, older building stock or higher levels of energy poverty. A model based entirely on results, if not properly designed, could penalise the territories where EU support is most needed. As National and Regional Partnership Plans and European Semester-related reform priorities increasingly shape EU investment conditions, cities and municipalities should be formally involved in defining the milestones, indicators and delivery conditions linked to building decarbonisation. This involvement should take place through permanent multilevel governance mechanisms connected to the NRPPs, ensuring that national reform commitments reflect local implementation realities. Without such involvement, performance-based delivery risks rewarding well-designed national plans rather than effective implementation on the ground.

Examples from European cases at the national level show that output-oriented financing can be operationalised by linking disbursement to certified energy savings, minimum EPC improvement thresholds, guaranteed energy performance, or compliance with EU Taxonomy technical screening criteria. Replicable models include Latvia's ALTUM programme, where capital rebates are paid only after verified savings are achieved. France's Certificats d'économies d'énergie (CEE) and Spain's Certificados de Ahorro Energético (CAE), systems based on certified savings and taxonomy-aligned green lending frameworks, have been used effectively by public and private financial institutions.

In this sense, the next MFF should strengthen output orientation by linking a meaningful share of public support to verified outcomes rather than only planned works or committed expenditure. National and EU programmes should move towards disbursement models where a share of the grant support is paid only after demonstrated energy performance improvement, while ensuring that project preparation, technical assistance and social inclusion measures remain eligible upfront and critical pre-implementation. This would

improve accountability, reduce quality risk for public budgets, and create stronger incentives for effective implementation.

Regulation article(s) addressed: **The Fund**, Article 22: Requirements for the NRP Plan, in particular provisions related to territorial and urban development; Article 65: Submission and assessment of payment applications (2)-(3); Article 67: Suspension of payments (1)(c); Article 75: Integrated territorial and urban development; and Article 68: Financial corrections by the Commission (1)(d). **Performance Regulation**, Article 8: Budget expenditure tracking and performance framework (1)–(2); Article 9: Budget performance monitoring and reporting (1)–(2); Article 11: Evaluations by the Member States under shared management (1)–(4); Article 14: Implementation through plans by Member States – performance monitoring and reporting (1)–(5).

Recommendation 8: Scale the role of Promotional Bank Programmes in the NRPP

Most effective mechanisms for scaling building decarbonisation investment have been designed and deployed not at the city level but at the national or regional level, typically through development finance institutions mandated by EU member states or National or Regional Promotional Banks (NPBs). Across Europe, such institutions have combined public resources with private capital, reached diverse household types, and operated continuously rather than through periodic competitive calls. These instruments represent the "missing middle" between EU cohesion funds, which require complex programme management, and municipal grant schemes, which lack the capital base to operate at scale. They are also crucial for smaller cities or private building owners who may not directly access International Financial Institutions.

The structural logic of NPB programmes, meaning separating public risk absorption from private capital deployment, linking financial terms to performance, and operating at programme scale, is directly applicable to the design of the next MFF. In the design of the upcoming National Regional Partnership Plans, NPBs should be formally designated as intermediary delivery partners for city-level programmes, enabling municipalities to access standardised financial products without needing to design their own instruments from scratch. The EIB PF4EE instrument and the Lithuanian JESSICA II model can already provide mature templates.

Among the programmes offered, first-loss guarantee structures may become the standard delivery mechanism for mobilising commercial bank lending in middle- and higher-income market segments. In that sense, direct grants will be reserved for vulnerable groups

(including households, cooperatives, associations, low-income tenants and Community Land Trust) and for the performance gap between commercially financeable retrofit and climate-neutral standards.

The Spanish government's decision to **favour neighbourhood-level approaches when allocating Next Generation EU funds** for residential decarbonisation — making place-based project design an eligibility condition rather than an optional feature — was a key factor in the emergence of Opengela and comparable programmes. Across Europe, there are several examples to name such as KfW Energy -Efficient Buildings Loans (Germany), Altum "Energy Efficiency Programme for Multi-apartment Buildings" (Latvia), Latvia Baltic Energy Efficiency Facility (LABEEF), National Housing/Energy Efficiency Funds (Lithuania's Jessica II fund, Estonia's KredEx fund, Poland's Thermo-Modernisation Fund) and Banque des Territoires & CDC (France).

The BD Partnership has identified examples across six countries and a range of instrument types — from portfolio guarantees and soft loans to ESCO receivables purchase and blended concessional lending. See table "National Promotional Bank Programmes: The Scaling Layer" in Annex I.

N/RPBs are essential to address market failures within integrated neighbourhood-level decarbonisation initiatives. They have the capacity to combine national resources with EU-level financial instruments to separate risk from rewards, link financial terms to energy performance, reach building owners and tenants who cannot self-finance, and operate at programme rather than project scale and leverage EU funds into sustained revolving capital.

Regulation article(s) addressed: **ECF**, Article 25: Community of implementing partners (1); Article 22: Support to scaleups and startups (2); **The Fund**, Article 71: Financial instruments (15)©

Recommendation 9: Safeguard Integrated Urban Decarbonisation and the Key Role Cities Play in pillar I (NRPP)

The EU Agenda for cities underlines how cities can be clearly integrated in the NRPPs and delivery of EU and national objectives. It points out to an expectation of stronger and more explicit support for territorial cooperation and integrated urban development strategies within Member States' plans, building on the existing role of cohesion policy in supporting urban strategies. It frames cities' future role as requiring strengthened capacity and

operational tools, supported through funding, regulatory measures and knowledge resources. However, all these are not clearly addressed or guaranteed in the draft MFF. Given that the NRPPs replicate the RRF model, concerns from the experience of eight National Recovery and Resilience Plans arise claiming that national policy priorities may take over, with urban authorities playing a substantially weaker role in the programming than they typically do under Cohesion Policy[11].

The MFF proposal introduces horizontal spending targets for climate protection and environmental objectives. While these requirements signal political priority, they do not constitute binding earmarking at programme or territorial level. In their current form, they can be fulfilled only through aggregated expenditure tracking and sectoral investments, without ensuring integrated or place-based implementation with a protagonist role of cities on the ground. To translate the European Green Deal objectives into effective local action, the NRPP should include a ringfenced earmarking for such priorities, building on the 5% and 8% applied in the last two periods for the ERDF. Following URDICO's recommendations[12], this share should be increased to reflect the scale of urban challenges and the need for integrated investments, ensuring that urban strategies have predictable and sufficient resourcing. Additionally, smarter conditionalities are needed to protect and ensure funding predictability for final beneficiaries from rule of law breaches by Member States as well as data collection across Member States, so that performance monitoring and policy learning can occur in real time.

The NRPP regulation should include enforceable requirements to ensure that cities and urban authorities are meaningfully and legally involved in programming, implementation, and monitoring, rather than relying on voluntary consultation. Through a truly mandatory, multi-level, and stakeholder-involved process, with territorial and urban chapters, the risk of recentralisation and 'gatekeeping' dynamics that can sideline cities will be reduced. This will ensure that Member States and regions can channel stable, multi-annual EU funding perspectives for urban strategies, with credible and predictable funding envelopes.

The NRP Regulation should ensure the continuation of the Just Transition Mechanism and ongoing support to current Just Transition NUTS3 regions. Such territories face the greatest socio-economic challenges from decarbonisation and require predictable, targeted and territorially anchored support[13]. In that sense, the NRPP should include a mandatory Just Transition chapter to strengthen the provisions of the Social Climate Fund / Plan and establish a minimum, legally binding financial reserve, ensuring specific, earmarked resources for the regions, sectors, and communities most exposed to the socioeconomic costs of decarbonization and climate risk.

[11] Valenza A., Iacob A., Amichetti C., Celotti P. (t33 Srl), Zillmer S. (Spatial Foresight) and Kotrasinski J (2021) Regional and local authorities and the National Recovery and Resilience Plans

[12] ESPON, URDICO (January 2026) Urban Dimension of Cohesion Policy and other EU programmes, project 2025-2026

[13] BankWatch (May 2026) Joint civil society reaction to the European Parliament report on the national and regional partnership plans

Experience from previous funding periods demonstrates that integrated urban and neighbourhood-level projects require European steering effects to remain visible and financially secure in national programming processes. Without minimum allocations and explicit requirements for sustainable urban development and territorial instruments, integrated approaches to building renovation and heat supply transformation risk being crowded out by national priorities or short-term, single-sector investments.

Draft Interim Report by European Parliament: One of the key messages is that cities and municipalities need predictable, ringfenced and sufficiently funded EU instruments, especially under cohesion and territorial policy.

Local Alliance: In several positions, the alliance calls for mandatory regional and territorial chapters in each NRPP, including a mandatory urban chapter, stronger multilevel governance, protection of cohesion and territorial objectives from dilution, and safeguards to guarantee local and regional access to EU funds.

European Alliance for a Just Transition: In its recommendations, the alliance calls for an European Social Fund and the adequate and continued funding for just transition regions and territories.

ESPO URDICO Project: The study warns that without strong enforceable mechanisms to secure local authority participation, the NRPP model could sideline cities in both planning and implementation, repeating patterns observed in the RRF (and even in Cohesion policy programming at national level in some MSs), where local authorities in many cases were only marginally and/ or formally involved.

Greening Cities Partnership: Proposes to dedicate a fixed share (10-15%) of ERDF funds to urban greening infrastructure under Policy Objectives 2 and 5 from the current framework for consistent, impactful funding across all Member States.

The MFF final proposal, under Pillar I, should therefore require NRPPs to explicitly provide for regional and territorial/urban chapters for cities to establish their own priorities and include place-based and portfolio integrated neighbourhood initiatives. Such initiatives align building renovation and energy efficiency, green and water infrastructure, and local governance capacities, as described in Recommendations 1, 2 and 3. By linking the European Green Deal policy priorities together with an earmarking for the urban dimension and multi-level governance, the next MFF can ensure that climate and environmental targets are not only met statistically, but delivered through coherent, integrated and socially effective urban decarbonisation pathways accessible to cities of all sizes.

Regulation article(s) addressed: The Fund, Article 3: Specific objectives of the Fund (1)(a)(i); Article 22: Requirements for the NRP Plan (2)(h)(i); Article 75: Integrated territorial and urban development` (1)-(3)

Recommendation 10: Safeguard Integrated Urban Decarbonisation and the Key Role Cities Play in pillar II (ECF, InvestEU, Horizon Europe, and a ringfenced LIFE)

The new ECF regulation is designed to be a key instrument for strengthening European Competitiveness while also advancing a just and sustainable transition. However, its four priority areas and competitive calls , along with little reference to the participation of cities in its governance, drastically reduce their potential to benefit from it. In parallel, the new Horizon Europe programme is strongly connected to the ECF with a focus on research and early innovation. Although structured as a standalone programme, it will support the scale-up, deployment, industrialisation and commercialisation phases that the ECF is meant to target. Together, these programmes and facilities will cover the entire investment cycle across the value chain.

Cities are powerful magnets of talent and drivers of competitiveness, digitalisation, innovation and investment[14]. To safeguard their access and key role in promoting strategic technologies and strengthen the single market's value chains, cities must be placed as strategic beneficiaries and actively participate in the governance of the European Competitiveness Fund and InvestEU Facility to develop innovative projects and invest in building decarbonisation and other advanced and late-stage clean energy and green infrastructure projects. Specifically, there is a need for prioritising urban decarbonisation challenges under the 'Clean and Green Transition' pillar of the ECF and 'Competitiveness and Society Pillar II' of Horizon Europe. Under research-oriented programmes, it is imperative to safeguard place-based and mission-oriented programmes such as the Climate Neutral and Smart Cities and Adaptation to Climate Change, as well as the New European Bauhaus, that target urban strategies and neighbourhood approaches.

The joint output of this second pillar should provide direct support for cities and municipalities for building decarbonisation projects, covering the whole investment cycle from renovation programmes, decarbonisation investments, and the implementation of heating & cooling plans. Streamlining technical assistance programmes (see Recommendation 4) alongside a unified financial toolbox (including loans, guarantees, and equity investments) that simplifies financing processes such as the ECF InvestEU will ensure that each measure, sector, and final beneficiary is assessed to justify when grants provided through the ECF and other programmes are necessary and when financial instruments are more appropriate to maximize public impact and mobilize additional private investment. Making such a process accessible also for cities and municipalities with less capacity will increase the efficiency and maximise the leverage

[14] European Commission (December 2025) An EU Agenda for Cities: Driving Growth and Prosperity

effect of public investment. On this front, it is imperative that the only EU programme up to date fully dedicated to environment, climate, and energy objectives and a core delivery instrument for the European Green Deal and local sustainability transition, is incorporated again to the MFF proposal under the ECF.

European Parliament Interim Report: It formally endorses a ring-fenced LIFE envelope in the Competitiveness Fund, with 3 billion euros dedicated to funding. It asks for direct funding for municipalities in the EU Facility to a budget line for LIFE

Joint Spanish Civil Society Initiative: This joint letter calls for a strengthened ECF budget for the Clean and Energy Transition (50 billion euros) and establishes the InvestEU Instrument as the preferred implementation mechanism to mobilise private investment and blended finance structures. It also argues that grants should be reserved for projects that cannot be financed by the market (e.g., research and innovation projects within Horizon Europe, biodiversity and nature projects), for technical assistance, and for results-based support to scale up certain strategic technologies in the early stages of commercial deployment.

Greening Cities Partnership: It requests a streamline application and reporting procedures, lower thresholds for smaller cities, introduce an EU pre-financing mechanism for upfront greening infrastructure costs, and establish a risk-sharing fund to attract private investment and reduce financial barriers.

Therefore, the next MFF should create a stable, accessible right-to-support for project preparation and delivery of place-based and portfolio integrated neighbourhood initiatives that is separate from other competitive industry- and research-oriented calls in the programmes and facilities mentioned above. A core element for this support to succeed is that the LIFE program must retain its autonomous status and direct management as a specific program supporting climate and environmental action.

Regulation article(s) addressed: **ECF**, Article 7: Coordination (1); Article 80: Specific activities to support civil security industry policy (3)–(4); Article 21: General Framework ECF InvestEU Instrument (1)–(2); Article 33: Specific activities to support clean transition and industrial decarbonisation policies (1)(b)–(c); Article 77: Principles of governance and security.

Who is behind this campaign?

The promoter of the Building Decarbonisation in Cities Campaign is the Urban Agenda for the EU (UAEU) **Building Decarbonisation Partnership**, an initiative in which cities and municipalities directly collaborate with the European Commission to tackle urban challenges and **align EU level policy objectives with local implementation**. It provides an important space to commonly identify regulatory barriers, share practical experiences and co-create solutions to accelerate the decarbonisation of the EU's building stock. As stated in all our reports the UAEU Building Decarbonisation Partnership addresses **decarbonisation of buildings through a strategic integrated approach**, going beyond individual buildings by encouraging the district/neighbourhood approach and making full use of the provisions in the revised directives – Energy Performance of Buildings Directive (EPBD) and Energy Efficiency Directive (EED).

The Partnership will test and demonstrate **multilevel governance approaches** that integrate district and neighbourhood strategies with local heating and cooling plans, driving the decarbonisation of Europe's building stock in line with the European directives. Based on this, the key strategic goals of the Partnership are:

- To **support municipal strategic planning** by mapping existing legislation and planning requirements and assessing how they interact across levels of government;
- To **develop and promote strategies** to fund city-wide building decarbonisation;
- To develop ways of **improving municipal capacities for running integrated district approaches**, aligns investments with urban regeneration and local energy strategies, explores the potentials of alternative financing methods, and strengthens municipal fiscal capacity (taking into consideration tools like green bonds and public-private partnerships); and
- To **explore how cities can lead building decarbonisation** by working as part of dynamic local ecosystems, focusing on stakeholder engagement, data-driven decision-making, and multi-level cooperation.

Other Urban Agenda for the EU Partnerships that have been consulted:

Greening Cities Partnership

Water Sensitive City Partnership

Building Decarbonisation Partnership Members:

GFI España
A Green Finance Institute member

MECHELEN

DV
Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung e.V.

CĒSIS

GBCe GREEN BUILDING COUNCIL ESPAÑA

MEHI
HUNGARIAN ENERGY EFFICIENCY INSTITUTE

Stadt Bergisch Gladbach

MINISTERIO DE VIVIENDA Y AGENDA URBANA

VAASA.

INCASÒL
Institut Català del Sòl

KLADNO

Flanders
State of the Art

BAJA

UNIVER CITIES

Comune di Milano

AGENZIA MOBILITÀ AMBIENTE TERRITORIO

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EUROCITIES

ANNEX 1

Table 1. National and Regional Promotional Bank Programmes: The Scaling Layer. Overview of Financial Instruments Supporting Building Renovation Across Six Countries

Programme	Country / NPB	Instrument type	Target beneficiary	Scale / leverage	Key features for decarbonisation
JESSICA II — EIB First-Loss Portfolio Guarantee	Lithuania / HESA	Portfolio guarantee + grant rebate	Multi-apartment building owners' associations	€100m guarantee mobilises €500m from private banks; ~1,100 buildings, €290m disbursed	EIB covers 80% credit risk on each loan; cap at 25% portfolio loss; 5× leverage; 3% fixed rate, 20yr maturity; no collateral or own contribution required; grant rebate paid by HESA on completion
JESSICA II — Soft loan via BGK	Poland / BGK (state development bank)	Soft loan (revolving)	HOAs, cooperatives, municipalities	~€29m regional fund; ~250 buildings (~7,200 apartments) renovated	Up to 20yr maturity; 0.15–0.5% fixed interest rate (tiered by energy performance achieved); up to 85% loan-to-cost; BGK acts as OSS disbursement channel
ALTUM guarantee + grant rebate	Latvia / ALTUM	Guarantee + capital rebate	Multi-apartment building owners	Up to 80% guarantee on commercial bank loan; 40–50% capital rebate post-completion	Owners can choose: commercial bank loan backed by ALTUM guarantee, or ALTUM direct loan; rebate paid only after verified energy savings achieved — performance link built in
Banque des Territoires — Éco-Loan / Adaptéo	France / CDC – Banque des Territoires	Long-term concessional loan	Social housing organisations, local authorities, public institutions	Loan sized to energy performance achieved (€6,500–€33,000/dwelling); up to 100% financing	Loan amount scaled to primary energy gain (kWh/m²/yr); maturities 5–36yr; rate below A-savings account; can be combined with Éco-Loan for energy renovation + heating switch; equity or quasi-equity component available
IFRRU 2020	Portugal / IFD (national development FI)	Loan + guarantee	Building owners, businesses, municipalities in urban	Up to 100% of eligible costs; no own contribution required for eligible borrowers	Combines ERDF/ESIF funds with **commercial bank co-financing**; guarantee component covers commercial bank downside;

			rehabilitation zones		targets urban rehabilitation zones; includes energy efficiency as eligible use
LABEEF (ESCO receivables purchase)	Baltic states / LABEEF	**ESCO credit forfeiture** / receivables purchase	ESCOs delivering EPC contracts	Frees ESCO balance sheet; accelerates project uptake	Investment fund acquires future EPC cashflows from verified projects; removes outstanding debt from ESCO balance sheet; enables ESCOs to immediately start new projects rather than waiting for repayment

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