



NetZeroCities White Paper

How can EU policy support climate-neutral and smart cities?

Deliverable D14.8

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Introduction

EU Missions are a new way to bring concrete solutions to some of our greatest challenges. They have ambitious goals and will deliver tangible results by 2030, by putting research and innovation into a new role, combined with new forms of governance and collaboration, as well as by engaging citizens. EU Missions are a novelty of the Horizon Europe research and innovation programme for the years 2021-2027. As one of its five missions, the EU's Cities Mission "100 Climate-Neutral and Smart Cities by 2030" is a key initiative for the decarbonisation of Europe, by focusing on cities as key actors of climate neutrality though green and digital transformation.

The EU Cities Mission involves local authorities, citizens, businesses, investors as well as regional and national authorities to:

- 1. Deliver 100 climate-neutral and smart cities by 2030
- 2. Ensure that these cities act as experimentation and innovation hubs to enable all European cities to follow suit by 2050.

The EU Cities Mission takes a cross-sectoral and demand-led approach, creating synergies between existing initiatives and basing its activities on the actual needs of cities.

NetZeroCities aims to enable European cities and citizens to show the way forward towards an inclusive, thriving, climate resilient and sustainable future. To do so, it tailors advanced capabilities related to systemic change, citizen engagement and democratic governance, capital and financial structuring, and social innovation, to ensure cities have access to the best expertise available to support them in their pathway to climate neutrality.

Policy-related tasks in NetZeroCities have focused to date on creating space for dialogue, exchange and learning on the policy barriers encountered by Mission Cities in their path to climate neutrality. The activities were based on four cornerstones: policy overview (via a regularly updated Policy Framework), policy dialogue (via EU Policy Labs), policy stakeholder engagement (via the Stakeholder Consultation Panels and Finance and Implementation Panels), and policy recommendations (via Policy Briefs).

This White Paper first explores the links between EU policies and legislation for cities and the experiences of Mission Cities pursuing climate neutrality on the ground. It then draws on key insights from NetZeroCities' policy-related activities to propose policy recommendations for EU policymakers aimed at guiding future EU policies. These learnings are crucial for effective future EU policies, as well as the Mission's long-term vision of positioning Mission Cities as key hubs for experimentation and innovation, paving the way for all European cities to achieve climate neutrality by 2050. Delivered at a pivotal moment which represents the halfway mark in the Mission Cities' journey to climate neutrality by 2030, these recommendations are intended to inspire timely policy action and help identify next steps or adjustments that can also benefit other cities pursuing similar goals in the future.

1 EU policy and climate neutral cities – state of play

1.1 The role of cities and EU policy

Cities are home to 75% of the EU's population and play a central role in both contributing to and addressing climate change. They account for over 70% of global CO₂ emissions, yet cities are also key engines of innovation, generating knowledge, creating enabling conditions for clean industry, advancing technologies, and developing practical solutions for the transition to climate neutrality. Their scale, complexity, and concentration of resources make them ideal testbeds for pioneering new ways of living and working in a climate neutral world.

EU policy and legislation is critical in setting the landscape in which the Mission Cities (and others) must act towards achieving their 2030 climate neutrality goals. By setting requirements and targets that cascade through national, regional, and local levels, EU policies create the framework in which cities operate, function and innovate. It is therefore important that EU policies and legislation are designed and implemented in such a way that they enable and support the actions and changes required in the Mission Cities, avoiding creating unnecessary complexity or placing barriers in the way of cities who wish to make progress in their transition towards climate neutrality.

1.2 Current EU policy priorities and their relevance for Mission Cities

As the European Commission entered the 2024–2029 term, the EU's new initiatives and legislative priorities expand to include competitiveness, security and democracy to address today's complex geopolitical, societal and economic challenges. While the European Green Deal remains central to the EU's economic and environmental agenda as the legislative framework for 2030 targets and for the 2050 climate neutrality objective, a number of upcoming policies and legislation that reflect the evolving policy landscape would be highly relevant for the Mission Cities¹.

Complementing the Green Deal, the Clean Industrial Deal, launched in February 2025, introduces a set of policy tools designed to accelerate industrial decarbonisation, lower energy prices and create jobs across Europe. Considering that the demand represented by Mission Cities in terms of clean and low-carbon materials and products in the transport, buildings and energy sectors can give a clear market signal to clean industries to plan industrial production more effectively, fostering a mutually beneficial dynamic that advances economic, social and environmental goals together, this set of policies becomes increasingly relevant. Therefore, the EU's competitiveness and industrial decarbonisation agendas remain highly relevant for Cities Mission.

The revision of the Public Procurement Directive, in particular, can further enable cities to play a leading role in deploying sustainable and innovative solutions towards climate neutrality. Additionally, policies like the forthcoming Circular Economy Act, expected by the end of 2026, which aims to stimulate demand for secondary materials, to harmonise end of waste criteria to facilitate the transition from waste to valuable secondary raw material, as well as to expand extended producer responsibility, and boost demand through criteria for public procurement will play a key role as these are policy areas in which cities have significant operational control.

Meanwhile, the proposal to include a 90% greenhouse gas reduction target for 2040 within the EU Climate Law strengthens the long-term regulatory context for cities. This move signals the EU's

¹EC, Political Guidelines 2024-2029: https://commission.europa.eu/document/e6cd4328-673c-4e7a-8683-63ffb2cf648 en.



continued commitment to climate leadership and positions Mission Cities as key accelerators of the broader 2050 climate neutrality goal.

Looking ahead, the next Multiannual Financial Framework (MFF) for 2028–2034 is expected to significantly influence the financial resources available for local climate action. For Mission Cities, this is of key importance as it will shape the access to future funding for urban infrastructure, green innovation, and inclusive climate policies.

A particularly important new instrument that Mission Cities are looking into is the Social Climate Fund (SCF), established to support vulnerable households and communities as the EU advances its climate agenda. The SCF is designed to cushion the social impacts of carbon pricing under the extended Emissions Trading System (ETS2), offering funding for targeted measures to address energy and transport poverty. For Mission Cities, the SCF provides both a policy and financial tool to ensure their transitions are equitable and inclusive, particularly for low-income and marginalised groups. Yet, until now their efforts to design the national Social Climate Plans through a multilevel governance approach has delivered limited outcomes.

Complementing these policy and funding developments, the European Commission is also preparing a new Agenda for Cities, reflecting growing recognition of cities as strategic partners in delivering EU's shared objectives. This emerging agenda is expected to strengthen multi-level governance, foster better alignment between EU, national, and local policies, and provide a more coherent framework for urban investment and regulation. According to the public consultation documents, the new Agenda for Cities also aims to improve the way cities engage with EU policymaking, giving them a stronger voice in shaping and implementing the transition toward a more sustainable, resilient, and fair Europe.

The upcoming Affordable Housing Plan aims to address the continent-wide housing crisis through a comprehensive, EU-level response. It is expected to support EU countries, regions & cities in increasing the supply of affordable and sustainable housing and improve access to housing for people in need by addressing structural challenges and unlocking public and private investment. For Mission Cities, this upcoming Plan offers a strategic opportunity to integrate affordable housing ambitions into their wider climate and social policies and deep renovation and energy efficiency projects.

Lastly, the upcoming "European climate resilience and risk management – integrated framework" could provide opportunities for both Climate- Neutral Cities and Adaptation Missions' cities and regions to better integrate adaptation with mitigation measures to strengthen the overall effectiveness of their local plans and increase long-term sustainability.

In addition, the Political Guidelines mention various principles that should guide the Commission's work. These include:

- Fostering research and innovation, and including investing in sustainable competitiveness, including through increased research spending
- Prioritising coherence, simplification and consolidation of EU legislation, reducing administrative burdens and simplifying implementation
- Holding implementation dialogues with stakeholders to better align implementation with realities on the ground, and engaging citizens (through European Citizens' Panels), civil society organisations, national, regional and local authorities in policymaking
- Ensuring a just transition for all

Taken together, these evolving EU policies and new guiding principles will significantly shape the actions of Mission Cities in the years ahead. EU policies that reflect the practical opportunities and challenges cities face on the ground are more likely to be implementation-ready, unlock local ambition, and deliver measurable impact by 2030, hence making the policy work of Mission Cities quite important.



1.3 The EU policy-relevant work of NetZeroCities

Within NetZeroCities, a Policy Framework was developed through a mapping exercise to identify and provide an overview of the most relevant EU policy and legislation for the EU Cities Mission. The Policy Framework includes both regulatory and policy/strategy documents from the EU level and includes both legislation currently in effect and legislation still at the proposal stage.

Since so many policies have the potential to directly or indirectly support or impact the work of the Mission Cities towards achieving climate neutrality, the resulting framework contains a large number of policies and pieces of legislation. These are categorised under several policy themes to make it easier to identify clusters of policies and see the links between them. The themes are climate neutrality and horizontal measures; mobility and transport; built environment; energy systems; industry; technology; circular economy; nature; finance; and social innovation.

The Policy Framework is available as an interactive online tool where users can click on a policy to read more details, including updates on its status, and the most relevant provisions of the policy for climate neutrality in cities. The Framework also attempts to indicate which policies are considered more important for climate mitigation in cities (those with larger shapes), the different types of documents (indicated by different shapes), and the interconnections between the various policies and legislation. A few very central policies such as the European Green Deal and Climate Law, sit in the centre of the Policy Framework. A screenshot of the Policy Framework is shown below.

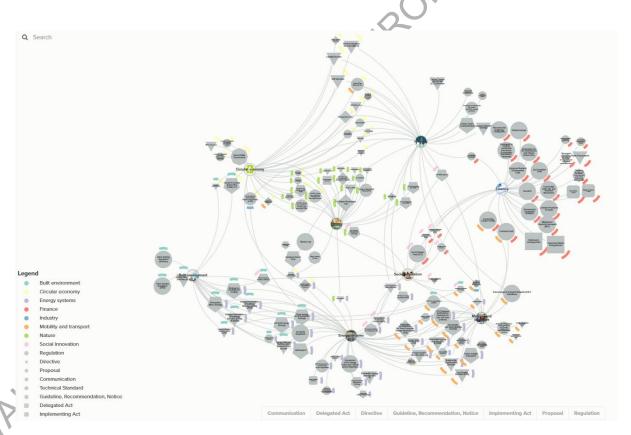


Figure 1: NetZeroCities policy framework²

In addition to the Policy Framework, a series of stakeholder engagement activities have provided valuable insights for the development of this White Paper. The outputs of the EU Policy Labs, Stakeholder Consultation Panels and Finance and Implementation Panels, including a set of thematic

² NetZeroCities, EU Policy Framework: https://embed.kumu.io/8d65cf726e7978b28ca10f61a28758c1#policyframework.



Policy Briefs, have all fed into the development of the policy recommendations. These Policy Briefs cover in particular: circular economy; finance and investment; nature-based solutions; energy communities; built environment; mobility; industry; and agriculture and food. The aim of drawing on these, together with a wide range of policy-relevant deliverables from across NetZeroCities, is to ensure

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2 How could EU policy better support climateneutral and smart cities?

This section outlines and discusses a set of EU level policy recommendations emerging from NetZeroCities. These recommendations draw on the experiences of the Mission Cities and the learnings Foster multi-level governance approaches based on constructive dialogue and working relationships

5. Strengthen knowledge exchange, capacity building etalogue.

6. Improve data availability. from the various policy-related work across NetZeroCities.

Five main recommendations have been identified:

- up processes to learn, change and act accordingly
- 7. Enhance and embed funding for cities in climate-relevant EU programmes

Each of these recommendations is discussed in turn in the following paragraphs exploring why the issue is important to help cities in achieving climate neutrality, with some illustrative examples of (Mission) City experiences, and then highlighting specific elements of EU policy and legislation that could be helpful in addressing the issue identified.

The overall aim of the recommendations is to help EU policymakers in identifying next steps, or potential changes to the existing policy landscape to best support the Mission Cities (and other cities in the future) in achieving their climate neutrality goals. It should be noted that the recommendations draw only on the work of NetZeroCities. They are intended to provide timely inspiration for EU policymakers at a critical point in the journey towards climate neutrality by 2030.

2.1 Ensure a coherent approach to policy development and legislative frameworks

As stated, cities operate within a complex policy framework shaped by a large number of policies and legislation. To effectively support Mission Cities and others on the path to climate neutrality, it is crucial for EU policy and legislation across this wide range of policy areas to be coherent and aligned. This coherence should go hand in hand with maintaining a high level of ambition, to ensure a solid foundation on which cities can build whilst pursuing their climate neutrality goals.

Achieving coherence across EU climate-related objectives and legislation is essential to reflect the 2040 climate targets and to unlock the full range of co-benefits that arise from coordinated action across policy areas. Rather than addressing sectors in isolation, a more holistic and systemic policy approach is needed - one that simultaneously engages the levers of governance, finance, infrastructure, and innovation. When sectoral policies are proposed at the EU level, their implementation at the local level often reveals both synergies and trade-offs. Anticipating these through structured dialogue with cities can help maximise positive outcomes, align local and EU-level goals, and support the broader transition toward climate neutrality. For example, policies on transport, energy, health and finance can all be mutually supportive if a holistic and coherent view is taken.3 Integrated approaches will enable synergies to be maximised across different areas of policy, and the creation of more impactful

³ NetZeroCities, D14.2 Report on consultation input to CCC Concept and Multi-level governance process.



and inclusive climate strategies.⁴ This will help to provide a firm foundation for action, allowing actors at both the EU and city levels to move together to achieve climate targets. It would be important for the upcoming EU Agenda for Cities to consider these recommendations from Mission Cities.

Simpler and clearer policy approaches, with common and ambitious objectives but allowing flexibility in implementation to respond to different local realities, could also be beneficial in some areas of policy. Nevertheless, simplification should not cause centralisation of decision-making or financing at one level of governance. Simplification efforts should focus on reducing administrative burdens on cities, and improving their access to finance which is often experienced as a barrier to climate action. This could include, for example, simpler and clearer rules on public procurement (such as through the provision of guidance) and greater harmonisation of extended producer responsibility (EPR), making rules clearer for both cities and businesses.

In addition, the role of cities in implementing EU policy and legislation should be more systematically considered, taking into account the actions of cities and their potential to contribute to legislative targets and objectives in relation to climate neutrality (see also the next recommendation).

Lessons from city experiences – policy coherence

Amsterdam⁵ has stepped ahead with its circular procurement plan. Its circular economy strategy exemplifies how policy coherence across sectors can harmonize action towards sustainability. By aligning food systems, consumer goods and the built environment in their Climate City Contract, the city comprehensively aims to reduce waste and preserve valuable resources. Based on the Amsterdam City Doughnut model, the strategy balances ecological boundaries with social needs, aiming to halve the use of new raw materials by 2030 and become fully circular by 2050. Collaboration is crucial in the plan, as residents, entrepreneurs, knowledge institutions, and government bodies all play a role. The plan, towards which 14 million euros are directed, includes infrastructure upgrades, campaigns aiming at behavioural change, and systemic innovation. Policy coherence ensures that these reinforce rather than contradict one another. Simultaneously, a smart monitoring system ensures measurable progress and guides adaptive decision-making. Amsterdam's coherent circular approach enhances resilience, reduces environmental pressure, and promotes a fairer, greener economy.

Uppsala focussed its NetZeroCities <u>Pilot activities</u> on redefining their city's climate governance, while boosting its circular economy and empowering local stakeholders in the climate transition. Of special relevance is Uppsala's focus on boosting circular economy by promoting material flows in the building sector and developing recycling schemes that support private households – based on existing policies and initiatives - including a central logistics centre for reusable building materials. One challenge they faced or an opportunity for national and European level legislation to support is the need to promote building material reuse at a larger scale (a lot of issues need to be addressed not at the local level but at the European level).

2.1.1 Recommended areas of focus – policy coherence

This recommendation is closely linked to the guiding principles of the Commission's Political Priorities to seek coherence, simplification and consolidation of EU legislation, to reduce administrative burdens and simplify implementation. The potential climate impacts should be fully considered within discussions

⁵ More information can be found here: <u>https://www.amsterdam.nl/en/policy/sustainability/circular-economy/.</u>



⁴ NetZeroCities, D6.5 Exemplar case studies for capacity and capability building among cities involved in Pilots or aligned with the <u>Mission</u>.

and impact assessments on proposed policy and legislation, as well as **ensuring that new proposals** are coherent with existing EU measures and targets.

Specific policy and legislation of relevance includes the continued implementation of elements of the **European Green Deal**, the new **Clean Industrial Deal**, and the revision of the **European Climate Law**, in order to include a 90% reduction target for 2040 recently proposed by the European Commission.

The important role of cities should be more systematically taken into account when developing EU policy and legislation, recognising the significant potential they have to act in support of achieving the EU's climate ambition. EU policymakers could create additional **structured and permanent platforms for dialogue with local and regional governments**, to involve them at all stages of the policy process, from design to financing and implementation. This would be complementary to existing institutions such as the Committee of the Regions and dialogues, such as Commission high-level and expert working groups on various policy themes.

In the area of circular economy, the forthcoming Circular Economy Act (due to be proposed at the end of 2026) would be an ideal opportunity to look into **greater harmonisation of EPR**. The lack of more coherent approaches in EPR schemes across Member States poses a significant challenge to obligated producers, who often have to adapt their business approaches to meet the requirements of multiple different schemes. This also links to the waste management services provided by cities, which are often key actors in the waste collection process – more standardised approaches would facilitate cities in sharing good practices, knowledge and experience that successfully support circular economy and EPR, with the associated reduced environmental impacts.

The **revision of the Public Procurement Directive** offers a window of opportunity to consider how the Directive impacts on cities' ability to work towards climate neutrality. For example, it would be useful to gather feedback from cities on how to ensure public contracts prioritize products and services with lower carbon footprints, particularly in high emission sectors (e.g. transport and buildings/construction). This could make a significant contribution to building capacity and knowledge within city administrations on moving towards less carbon intensive choices, as well as providing a way of engaging private sector companies in collaborative decarbonization efforts.

2.2 Foster multi-level governance approaches based on constructive dialogue and working relationships

Given that cities have a vital role to play in the EU achieving its climate objectives, EU policymakers need to work together with their city-level counterparts, forging constructive working relationships across the different governance levels, and also between departments at the same governance level, to ensure that all actors are pulling in the same direction. Effective multi-level governance that harmonizes climate goals across regions, national governments, and the EU is critical for enabling coordinated, large-scale climate action⁶.

EU policy and legislation, whilst forming an important part of the framework for city-level action, must not be purely top-down. EU policymakers working on the whole range of policies related to climate neutrality should foster continuous dialogue with local governments (as well as with private sector stakeholders and national governments). The views of cities, especially Mission Cities, should be gathered and considered when developing new EU legislation, and when revising existing legislation. This will help to ensure that legislation and policies can be designed to enable positive city-level actions, and not act as a barrier to them or create too much administrative or bureaucratic complexity. It should also help to assure a certain level of political support in cities for the pursuit of EU climate neutrality targets, to build trust between policymakers at different governance levels and contribute to a shared

⁶ NetZeroCities, D6.5 <u>Exemplar case studies for capacity and capability building among cities involved in Pilots or aligned with the Mission</u>.



sense of accountability⁷, helping to address the fragmentation of responsibilities across governance levels⁸.

Cities are of course key implementers of EU policy and legislation, responsible for contributing to many targets (both legislative and non-binding), and it is therefore important to maintain dialogue between EU and city policymakers also during the implementation phase of legislation. Cities will often have extremely valuable insights on how to translate policy objectives and targets into practical action and how to monitor progress⁹ towards climate neutrality. Such insights should be systematically fed back into reviews of EU policy and legislation, to maximise impact and progress. Cities also have much to learn from each other; this is further discussed under the next recommendation.

Lessons from city experiences - multi-level governance

Both Antwerp and Guimaraes faced multi-level governance hurdles in their attempts at establishing **energy communities**. **Guimaraes** struggled with limitations of the existing regulatory framework as well as the limited availability of capital at the national level in their efforts to implement a more comprehensive energy transition strategy. **Antwerp** struggled with their efforts to specifically target support towards more vulnerable citizen groups, as national support schemes were not specifically targeted at these groups, leading to their predominant use by citizens more adept at navigating the regulatory system. Moreover, Antwerp experienced fragmentation in energy-sharing policies between the EU-national-local levels, leading to uncertainties that hinder small-scale consumers from participating in energy communities. Better policy coherence across the local, national and EU levels could help to resolve such struggles.

Klagenfurt, the only Austrian city in the NetZeroCities 100 cities pilot group, provides an instructive example of national–regional–local policy alignment. Achieving climate neutrality by 2030 is a major organizational and budgetary challenge for a city, requiring close cooperation with the regional government of Carinthia and the Federal Government. Through a joint MoU, Klagenfurt has integrated EU mission goals into its Smart City Strategy. It has also managed to secure federal support for flagship projects, such as electric-bus rollout (€144 million), and institutionalize multilevel governance to ensure coherence from EU Green Deal legislation to local implementation frameworks. In addition, the national mission "Climate Neutral City – Klimaneutrale Stadt" was launched as a key research, technology, and innovation (RTI) initiative to support Austrian cities on their path to climate neutrality. This RTI framework, led by the Federal Ministry for Climate Action (BMK), is further complemented by targeted funding programmes, such as EBIN (Emission-Free Buses and Infrastructure), providing additional support for decarbonising urban mobility.

Budapest struggled with its proposals for green public transport and energy independence being blocked or ignored by Hungary's central government, which controls access to EU recovery funds. Despite securing an EIB loan, a signature that was required from the central government was not given. The government's insistence on redirecting pre-allocated funds reveals a punitive logic, where national actors undermine local capacity to assert control. These tensions reveal the limits of decentralization in practice, and the political cost of acting locally when governance structures remain tightly centralized¹⁰. If the next EU budget would be further centralised through much less direct access to funds for cities, these challenges might get even worse.

2.2.1 Recommended areas of focus – multi-level governance

This recommendation links to the new Commission's intention to hold implementation dialogues with stakeholders to better align the implementation of policy and legislation with realities on the ground, and

¹⁰ More information can be found here: https://eurocities.eu/latest/taking-on-orban-to-secure-a-green-future-for-transport/.



⁷ NetZeroCities, D14.2 Report on consultation input to CCC Concept and Multi-level governance process.

⁸ NetZeroCities, D13.1 Report on City Needs, Drivers and Barriers Towards Climate Neutrality.

⁹ NetZeroCities, D14.2 Report on consultation input to CCC Concept and Multi-level governance process.

in particular to engage with regional and local authorities in policymaking. Specific efforts could be made, for example, to engage with city level policymakers during the **evaluations of the Public Procurement and National Emission Reduction Commitments Directives**, as well as the planned ex-post and midterm **evaluations of various EU funds**.

As discussed in the first recommendation, such engagement could be sought via **structured and permanent platforms for dialogue** between the European Commission and local and regional governments. The Commission could now make more use of the **NetZeroCities platform for dialogues** (especially as it is now expanding to incorporate Mission-minded Cities), as representatives of European cities are at the forefront of efforts to achieve climate neutrality. Mission Cities now have a wealth of experience, for example, through developing their Climate City Contracts (where regional and national actors can be engaged in the Commitments¹¹ part), on the practical challenges of pursuing climate neutrality in the context of multi-level governance. They could therefore provide specific input on challenges and solutions on how to make policy implementation smoother and expedite the achievement of EU climate targets, as well as other legislative goals that support them. This could be organised in cooperation with other initiatives (with which NZC is collaborating), such as the Committee of the Regions, the Urban Agenda for the EU¹², or Commission high-level and expert working groups.

National-level obstacles to strong collaboration are frequent (political, economic or regulatory). There is a need for the development of "institutional infrastructures" to support the transformation towards climate neutrality, which is rarely addressed as such. Such infrastructures should include multi-level governance processes which are formalised and permanent, including the **steering**, **designing**, **and piloting of climate policies and programmes**. Too often multi-level governance is reduced to political dialogues. Effective multi-level cooperation structures require inter-DG (Directorate-General) collaboration at EU-level and inter-ministries collaboration at national level. Indeed, addressing climate change requires a systemic approach and thus breaking governance silos at EU and national levels, like cities do during the development and implementation of their CCC when establishing Transition Teams. Multi-level governance approaches should lead to an alignment of national and local finances on the same priorities based on local needs, and to a clear repartition of the funding of climate levers between these two-levels. However, this should not lead to a recentralisation of power at national level, which would risk marginalising cities and weakening their capacity to drive the climate transition.

The establishment of National Platforms for climate-neutral and smart cities is advancing in many Member States with the support of NZC and CapaCITIES. These platforms are needed as clear interfaces to ensure that top-down and bottom-up efforts are aligned and work together to address the barriers in the climate transition. The National Platforms also have the potential to be a coordination point between related initiatives, such as the Adaptation Mission, the National Platforms on Resilience, as well as for national consultation processes, like the Social Climate Fund.

2.3 Foster knowledge exchange, capacity building, stakeholder awareness and engagement

One key to unlocking progress towards climate neutrality is to promote the exchange of knowledge between actors, helping to **build the technical and administrative capacity and expertise for the action needed**. The Mission and Pilot Cities are building a significant body of experience and expertise which can make an extremely valuable contribution towards climate neutrality, if shared with the right stakeholders and other cities at the right time. The EU can play a valuable role in fostering knowledge exchange and building capacity by creating and supporting long-term networks, platforms, information repositories and events that allow cities to share their experiences and learn from them. Established

https://netzerocities.app/_content/files/knowledge/4467/recommendations_and_best_practices_for_regional_and_national_endorsements_and_commitments_in_cccs.pdf.

¹² More information can be found here: https://www.urbanagenda.urban-initiative.eu/urban-agenda-eu.



¹¹ More information can be found here:

platforms like NetZeroCities can provide the space to support learning and collaboration, especially given a longer-term time horizon. The NZC platform facilitates such peer exchanges and shared learning that allows cities to replicate successful practices and address common challenges¹³. Further promotion of the Climate City Contract model to other cities across the EU could be a useful tool for sharing the Mission Cities' experiences.

In addition, the target of climate neutrality requires broad collaboration with all stakeholders on board 14. Quality engagement with stakeholders and multi-actor partnerships is crucial to building successful city level actions, since many actors and groups have both a stake and a role to play in achieving climate neutrality. Awareness-raising and engagement with these actors, and also with citizens, is key for public acceptance of climate mitigation and net zero actions, and to build a foundation for the necessary behavioural change, which can be a challenge for cities 15. The Climate City Contracts can be a useful tool to engage, and ensure buy-in from, stakeholders 16. The EU can play a role in supporting cities in achieving behavioural change, by creating and encouraging a policy environment that supports long-lasting and integrated learning 17. In addition, the EU can support the sharing of good practices on stakeholder engagement methods, such as polls, public consultations, focus groups or citizens' assemblies.

It should be noted that pursuing a just climate transition is also an extremely valuable opportunity to better understand, and reduce, social inequality. Inclusive participation is however needed to maximise this opportunity by engaging marginalised groups and moving beyond the 'usual suspects' 18.

Inspiration from city experiences - knowledge exchange, capacity building and stakeholders

As a Pilot City in the NetZeroCities programme, **Mannheim** collaborates with **Aachen** and **Münster** to test innovations in multi-level governance, participatory tools, and behavioural change strategies. A central element of this work is the concept "House of Change", which supports a platform called "IDEAL for Mannheim", fostering co-creation, knowledge sharing, and citizen engagement. The platform identifies impactful local actions and actors, assesses their effectiveness, enhances their visibility, and strengthens connections among them, positioning itself as a catalyst for bottom-up community-driven transformation. At a broader level, the CoLAB pilot enables a diverse range of learning processes aiming at the capacity building of stakeholders. These include strategic, social, organisational, process-based, and experiential learning. Drawing on the collective expertise of Mannheim, Münster and Aachen, the initiative supports peer-to-peer learning in transformation governance and the use of agile methods for co-creation and co-production. Moreover, Mannheim leverages practical experience from Living Labs, Design Thinking workshops, stakeholder and citizen education formats, and training programmes such as "citizen coaches"—residents trained to support their peers in adopting more climate-friendly lifestyles.

Grenoble, France has been demonstrating how to embed citizens and stakeholder engagement into climate governance. The European Green Capital of 2022, the city hosted a citywide climate convention which saw 219 ideas submitted by 100 citizens chosen at random, covering emissions reduction in areas such as energy, mobility, and public space. All proposals from the Climate Convention were formally submitted to the Metropolitan Council. Elected officials then had the responsibility to assess each proposal individually. They could choose to adopt or reject the proposal through a formal vote or alternative pathways: in cases where proposals fell outside the jurisdiction

¹⁹ More information can be found here: https://conventionclimat.grenoblealpesmetropole.fr.



¹³ NetZeroCities, D6.5 Exemplar case studies for capacity and capability building among cities involved in Pilots or aligned with the Mission; D1.11 CCC progress report.

¹⁴ NetZeroCities, D13.1 Report on City Needs, Drivers and Barriers Towards Climate Neutrality; D1.11 CCC progress report.

¹⁵ NetZeroCities, D1.11 <u>CCC progress report</u>.

¹⁶ NetZeroCities, D13.1 Report on City Needs, Drivers and Barriers Towards Climate Neutrality.

¹⁷ NetZeroCities, D14.2 Report on consultation input to CCC Concept and Multi-level governance process.

¹⁸ NetZeroCities, D13.1 Report on City Needs, Drivers and Barriers Towards Climate Neutrality.

of the Metropolitan Council, they were forwarded to the relevant competent authorities. For particularly contentious proposals lacking clear political consensus, the final decision was deferred to the public through a citizen vote held at the metropolitan level. After eight months of collaborative work, approximately twenty members of the Citizens' Climate Convention chose to extend their involvement by becoming ambassadors²⁰.

The 9 Italian Mission Cities (Bergamo, Bologna, Firenze, Milano, Padova, Parma, Prato, Torino, Roma) will continue their efforts beyond the end of the pilot project Let'sGOv with the aim of establishing a national network of Italian cities committed to climate neutrality. Thanks to the pilot project, Italian Mission Cities acquired significant experience in testing innovative solutions, focusing on three key areas: developing renewable energy communities, leveraging urban climate data for planning and monitoring, and creating innovative financial tools to support climate action. In order to support this work, the cities have been divided among these three thematic clusters. Each city conducted its experimentation independently, leading to a diverse set of outcomes that offer valuable insights for other municipalities. Cross-city exchanges fostered collaborative learning and mutual support throughout the process. Over the course of approximately 16 months, these test beds delivered tangible evidence and policy-relevant knowledge to help accelerate progress towards climate neutrality.

2.3.1 Recommended areas of focus – knowledge exchange, capacity building and stakeholders

Whilst stakeholder engagement is a resource-intensive process, it is the essential for policy and implementation success, as well as the social acceptance and implementation of climate policies. Feedback from pan-European stakeholders (for example, gathered through three NZC Stakeholder Consultation Panels) shows that policy-making needs to take the realities on the ground into consideration.

The Commission has also started to implement this stakeholder collaboration approach in this term through **European Citizens' Panels**. To get direct feedback from cities on one or more of the policy and legislative proposals of most relevance to the pursuit of climate neutrality in cities, the Commission could consider a dedicated panel on topics relevant to the local level. These could be for instance on **how cities can contribute to achieving the ambitious proposed 90% emissions reduction target for 2040**, or how to better support households in their energy transition through local enabling factors, such as municipal subsidies.

The Climate City Contract model is now a well-established process among Mission Cities. The Commission could take steps to promote this approach to other cities across the EU as a useful tool to share and build on the Mission Cities' existing experiences or create synergies with other local level planning tools, such as Local Green Deals (developed under the Intelligent Cities Challenge) and Sustainable Energy and Climate Action Plans (SECAPs, developed under the Covenant of Mayors). The Climate City Contracts are also helpful in engaging, and ensuring buy-in from, different stakeholders when cities plan their actions towards achieving climate neutrality. They can therefore offer an opportunity to exchange knowledge and expertise between cities, to build capacity within city administrations on how to plan and take action towards climate neutrality, and to promote stakeholder engagement in city-level policy-making processes.

In addition, the Commission could provide technical assistance to those cities in need of additional support for pursuing climate objectives. This could include the use of well-established technical support measures such as the Technical Support Instrument (TSI) which is the main EU programme providing Member States with tailored technical expertise to design and implement reforms, and the

²⁰ More information can be found here: https://netzerocities.app/resource-casestudy-4323.



European Semester. For example, cities' technical assistance demand could be aggregated through a separate platform and cities could be given direct access to the Technical Support Instrument.

2.4 Improve data availability, verification, monitoring and learning

Adequate and quality information and data are critical to ascertain the progress towards climate neutrality, as well as to inform sound policy- and decision-making. This ensures an evidence-based approach to support systemic change while achieving climate neutrality at the EU, national and city levels. This evidence-based monitoring of climate actions is based on mandatory greenhouse gas inventories, as well as recommended co-benefits and their indicators. Closing the data loop of monitoring, reporting, verification is critical to provide evidence-based feedback in cases where adjustments to urban strategy, policy and legislation contributes to expediting the process of achieving climate neutrality.

Information and data may sometimes be asymmetrical, uneven, not comparable, patchy, or simply not accessible to some actors due to varying interests and power dynamics²¹. However, as discussed in the other recommendations in this White Paper, the right information accessible at the right time can enable and accelerate action at the EU, national and local level to make progress towards climate neutrality. It is therefore particularly important to ensure that all stakeholders have timely and reliable access to quality data, as well as adequate capacity to contribute to it and thus enable them to fulfil their roles in the climate transition. There are many sources of data, free and paid, available across Europe and globally. The EU can play a critical role in ensuring specific, as well as aggregated, quality data is available to the cities in the future which would be a significant impetus to the smaller cities that do not have climate transition teams or adequate capacity for climate work. The EU plays a role in outlining targets, as well as supporting with setting in place EU-wide, standardised data collection and monitoring mechanisms that can be used to gather the necessary evidence base to support city level action. Indicators and monitoring requirements are often developed at national level to support the implementation of regulations and directives, which need to be aggregated across cities and national contexts to strengthen EU level policymaking, as can be illustrated in the case of the EU's circular economy monitoring²². Integrating city-level indicators into EU data and monitoring efforts would help to empower city administrations (and by extension other stakeholders) to accelerate the transition, also by providing evidence on which actions are bearing the most fruit, thereby allowing other cities to consider taking similar actions. In addition, the EU could play a useful role in collating this citylevel data, ensuring it is correct, complete and comparable and making it accessible to local and regional policymakers, for example, through online databases, statistics or reports.

City experiences - data, monitoring, verification and learning

Copenhagen offers an example of how to utilize the power of data to achieve sustainability, innovation, linking this to an improved quality of life. The City Data Exchange, launched at City Hall as a joint initiative by the City of Copenhagen and the Capital Region of Denmark, is a pioneering platform designed to give access to both public and private data through a shared marketplace, enabling researchers, businesses, and public agencies to develop smart, data-informed solutions for the city. Early applications of the platform have already demonstrated how shared data can support more efficient resource use and urban innovation. A good example of this is Copenhagen's Intelligent Traffic Solutions platform, which integrates data from a network of Wifi-enabled road sensors to inform and optimise citywide transport systems. The city uses this data to prioritise buses and cyclists, reduce congestion, and improve safety. Smart lighting at intersections, which adjusts brightness when

²² More information can be found here: https://ec.europa.eu/eurostat/web/circular-economy/monitoring-framework.



²¹ NetZeroCities, D14.2 Report on consultation input to CCC Concept and Multi-level governance process.

cyclists are detected, has proved to not only enhance traffic security but has also delivered energy savings of over 70% in public lighting thereby contributing significantly to Copenhagen's climate neutrality ambitions.

Kranj set up a public data platform to be used as a tool for communicating with citizens and facilitating the city's green transition. To illustrate an example, this platform presents traffic data and uses surveys and suggestion boxes to interact with citizens. Through this process the city also developed a Smart CityCard (CeKR) which combines different services for citizens, e.g. ID functions, payment options and loyalty programmes. It is the product of efficient collaboration between the public and private sector while at the same time being inclusive and focusing on fair pricing. Different factors enabled this development, including the pilot nature of the project which meant it attracted a lot of attention and interest, including technical and financial support from business actors. Collaboration with a local research institute, a strong business background of involved city actors and the proactive engagement of the city mayor contributed to the success of setting this up. Along the way, several challenges were identified relating to data access and management. Firstly, bureaucratic hurdles and restricted data provision by companies led to a need for including specific clauses in agreements, with lengthy negotiations causing delays in the implementation of the project. Secondly, there was inadequate knowledge of how to use this data for informing action and implementation planning to create maximum impact. Thirdly, access to financial support was limited, with EU funds supporting and being limited to the ministerial level. Finally, GDPR requirements, perceived overall as an enabling opportunity, offered challenges, with differing interpretations of the rules slowing down processes.

2.4.1 Recommended areas of focus - data, monitoring and learning

The Commission could support access to verified data for monitoring of climate neutral journeys. In the short and medium term this will reinforce ongoing efforts to encourage more cities to report data and ensure improved quality of data feeding into the decision-making for climate efforts. In the medium and long-term, this will positively impact the quantity and quality of data for EU-wide monitoring systems over a longer time horizon removing country-specific dependability or varying capacity related to data.

Another aspect requiring attention is the standardisation and integration of city level mitigation and co-benefit indicators into the overall EU data and monitoring efforts. This exercise in consultation with city-level policymakers can significantly reduce administrative burdens. This can be achieved through various means in discussion with the Mission Cities on their preference and use of specific indicators and data to monitor their progress towards climate neutrality reflected in their Climate City Contracts. This could further inform the development of a dashboard of indicators (which NZC has been working on) enabling both Mission Cities and others to visualise, analyse and compare their climate neutral journeys. This would enrich the data available at EU level, improving the overview of the EU's progress towards its climate neutrality objectives. The gaps identified would strategically serve to focus actions on the EU climate neutrality goals, as well as provide a useful evidence base for new or revised policy and legislation landscapes (e.g. consideration of new policy or legislative targets). This would further support EU-wide efforts on strategic, focussed funding in support of climate neutrality (see also next recommendation).

2.5 Enhance and embed funding for cities in climate-relevant EU programmes

To facilitate a transition to climate neutrality, cities need to take numerous different actions, many of which may have financial and budgetary implications. Municipal budgets, however, are often very tight and have to be divided between multiple competing priorities, including the provision of essential

services that are not directly linked to the climate agenda. On top of this, municipal budgets are also subject to strict national fiscal rules which occasionally prevent cities from borrowing money from investors. Whilst the EU budget is also finite, with the ambition of the Climate Law at the heart of the EU's policy agenda, it is essential that as much EU funding as possible is directed towards actions that contribute to that ambition.

EU-level funding should therefore be well-targeted, directly accessible to cities and other actors to take the actions necessary to contribute to achieving climate neutrality. **EU funding should also be used in a way that also leverages private sector investment, to complement public funding**, for example, by encouraging the preparation of 'bankable' projects that can attract co-financing from the private sector. More collaborative private sector partnerships may help to bridge funding gaps and support climate finance and climate investment planning²³. Funding could also be used to support knowledge-sharing and capacity-building activities²⁴, to help to leverage synergies and replicate successes²⁵ more widely across EU cities. Within EU funding programmes of relevance to the climate neutrality agenda, access to EU funding by cities should be simplified, for example, with more streamlined and less bureaucratically burdensome application processes.

Public procurement rules can also sometimes hinder the awarding of contracts that could contribute to climate neutrality objectives. For example, relatively new entities such as citizen communities, cooperatives or energy communities may not be adequately considered within the rules.

Learning from sectoral experiences - EU funding

Nature-based Solutions

In the field of nature-based solutions, securing long-term investment requires institutional enablers, such as interdepartmental collaboration, political support, capacity building and strong leadership. Equally important are financial enablers, such as grants and dedicated revenue streams, plus stakeholder enablers, such as partnerships, incentives to attract private/public support and community involvement. While local government and EU regional funds remain vital, there is a clear need to diversify funding sources and simplify administrative processes. The underutilization of innovative financing tools, such as green bonds and PPPs, indicates missed opportunities that could be addressed through capacity building and tailored policy support. Administrative complexity, financial constraints, and institutional gaps hinder cities' ability to scale up NbS projects and ensure long-term sustainability. To accelerate the greening of urban spaces, strategic changes at the EU level—including simplified application processes, dedicated funding allocations, and long-term maintenance support—are essential. Enhancing stakeholder collaboration, fostering community engagement, and integrating NbS into broader urban planning frameworks will also be critical for building resilient, sustainable cities. The Nature Restoration Law provides a new opportunity to integrate nature and climate at the urban scale where it is most needed.

One of the major challenges facing Budapest's green infrastructure initiatives is the lack of centralized public funding. The <u>Green Budapest Fund</u> addresses this gap by mobilizing private sector contributions and creating a sustainable financing model for ongoing urban greening projects. The fund raises money through: Corporate Sponsorships – Small local businesses and large multinational companies contribute to greening projects; Crowdfunding and Co-financing Campaigns – Initiatives such as community-funded groundwater wells for parks are in development; and Municipal Contributions – The Budapest City Council provided for set-up and running costs e.g. administrative costs, including website development, legal services. The municipality also provides office space. Initial impacts have been documented regarding tree planting, increased civic engagement and institutional innovation.

Energy communities

²⁵ NetZeroCities, D14.2 Report on consultation input to CCC Concept and Multi-level governance process.



²³ NetZeroCities, D13.1 Report on City Needs, Drivers and Barriers Towards Climate Neutrality.

²⁴ NetZeroCities, D6.5 Exemplar case studies for capacity and capability building among cities involved in Pilots or aligned with the Mission.

In a NetZeroCities Policy Lab on Energy Communities, the City of **Guimarães** expressed that they recognized the difficulties faced by community-based entities to access public procurement opportunities, due to competitive requirements that tend to favour larger and already established private sector parties. This limits local initiatives.

In **Antwerp**, taxes imposed on energy-sharing between buildings negatively impact the financial viability of energy communities, further discouraging citizen participation. Navigating finances for developing renewable energy projects is challenging, particularly for NGOs and vulnerable households who often lack the resources to invest in solar installations. Such financial barriers limit the potential for community-driven energy solutions.

Social Climate Fund

A NZC Stakeholder Consultation Panel highlighted the challenges encountered during the consultation processes around Social Climate Plans – in particular, related to the lack of sufficient involvement of local government and civil society actors in many Member States. It was discussed that the European Commission and Member States could make more effective use of existing initiatives, such as the Cities Mission (with existing infrastructure, such as National Platforms), to provide relevant information and ideas, for example, regarding the Social Climate Plans which must address vulnerable households affected most by energy and mobility poverty.

2.5.1 Recommended areas of focus - EU funding

The Commission's Political Priorities include a goal to better align the EU budget (via the Multiannual Financial Framework (MFF) for 2028-2034) with EU policy priorities and objectives, both for greater impact and to better leverage national, private and institutional financing. Since the European Climate Law will remain a cornerstone of EU legislation through to 2050, **climate neutrality should remain central in the next MFF through strong climate earmarking**. In addition, EU funding should be focused (where relevant) on actions that support achievement of the climate neutrality goal, at least maintaining the principle that investments should do no significant harm to climate and environmental objectives, but where possible going beyond this to actively support progressive climate action (as well as being in line with the EU taxonomy for sustainable activities). In that regard, the application of the do no significant harm principle to the next EU budget is a welcome step.

Nevertheless, the European Commission's proposal for the next EU budget marks a critical juncture for the future role of cities and regions in delivering the Union's strategic priorities. While the proposal emphasises flexibility and performance, the shift towards more centralised governance and national-level programming risks weakening the role of local and regional authorities. To ensure a balanced, inclusive and effective budget, it is essential that the principles of multilevel governance and partnership are fully upheld, with a clear and enforceable role for cities and regions in the design, implementation and monitoring of EU investments.

The Political Priorities also state that the EU should foster research and innovation, including through investment in sustainable competitiveness and increased research spending. However, the next EU budget must ensure that such investment directly contributes to a climate-neutral and smart future through place-based, inclusive innovation. This means embedding support for local and regional innovation ecosystems - particularly in cities - into programmes like Horizon Europe and the proposed Competitiveness Fund. EU R&I funding should act as a multiplier, empowering cities to pilot and scale up net zero solutions tailored to their specific territorial needs.

The planned ex-post and mid-term **evaluations of the various EU funds** (Innovation Fund, ERDF, Cohesion Fund, European Social Fund, Horizon Europe and Just Transition Fund) should systematically assess the contribution of those funds to the EU's climate neutrality ambition, and conclusion should be drawn on how the funds might need to be adapted to better support that ambition, including in relation to city-level actions.

The EU could look into providing better targeted financial incentives in support of climate neutrality, e.g. for building owners to improve energy efficiency, for businesses to research and move towards using circular business models, for cities to improve their waste and recycling infrastructure, for the demonstration and wider use of nature-based solutions, and so on. Funds, such as the European Urban Initiative²⁶, which has an ERDF budget of EUR 450 million for 2021-2027 to support innovative A The J25) will white colors their climates and their colors their colors and their colors actions, policy development, capacity and knowledge-building and communication on sustainable urban development, should be leveraged to support cities in pursuing their climate neutrality goals. The Commission's planned sustainable transport investment plan (due to be issued in autumn 2025) will

²⁶ More information can be found here: https://www.urban-initiative.eu/what-european-urban-initiative.

3 Outlook: What next for NetZeroCities and EU policy?

Experience from Mission Cities clearly shows that progress towards their climate neutrality goals is determined to a large extent by the enabling environment, specifically the regulatory, financial and technical framework conditions. Cities are increasingly calling for true involvement in co-designing the policies that they ultimately have to implement. They want to work together with the national and EU levels towards effective governance rooted in shared responsibility to meet the needs of European citizens and businesses.

NetZeroCities will continue to support Mission Cities' voice in policy-making processes and communicate evidence-based and impact-focused outputs to EU and national policymakers to **demonstrate the Cities Mission approach to deliver** on new challenges (with a view to the Clean Industrial Deal, Simplification Agenda, EU Agenda for Cities).

NetZeroCities will generate and tailor policy learnings and recommendations (including on standardisation to consolidate prior work with Mission Cities and the CEN Liaison) and share learnings in alignment with the Mayors' Advisory Group. Collaboration will continue with Cluster Projects, EU ANATHE RAPPROVAL BY THE ELLIPS

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NetZeroCities resources:

- D1.11 Climate City Contract Progress Report
- D6.5 Exemplar case studies for capacity and capability building among cities involved in Pilots or aligned with the Mission
- D13.1 Report on City Needs, Drivers and Barriers Towards Climate Neutrality
- D14.2 Report on consultation input to CCC Concept and Multi-level governance process
- D14.3 Annual Report: Stakeholder Consultation Panel #1
- D14.3#2 public report Stakeholder Perspectives on EU Urban Data Governance 2025
- D14.5 City finance and Investment Policy Mobilising external finance for NetZeroCities
- Policy lab briefs:
 - o Circular economy
 - o Finance & investment
 - Nature based solutions
 - Supporting energy communities
 - Built environment
 - Mobility
 - Industry
 - Agriculture and food
- CCC Highlights:
 - o BARRIERS TO CLIMATE NEUTRALITY
 - BOLD COMMITMENTS TO 2030
 - A DIVERSE ECOSYSTEM OF SUPPORTERS
 - STRIVING TOWARDS SUSTAINABLE ENERGY SYSTEMS
 - DIVERSE PERSPECTIVES ON CLIMATE JUSTICE
- Relevant deliverables from WP9 Social Innovation:
 - D9.1 SI Observatory for Climate Neutrality (overview + case study collection)
 - o D9.3 SI methodologies for SI Scaling
 - D2.7 Report on Indicators & assessment methods for social innovation action plans

