



Climate Neutral and Smart Cities Mission – Questions and Answers (spring 2021)

Approved by : Philippe Froissard

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*Research and
Innovation*

DISCLAIMER

- This note aims to reply to questions that frequently received in relation to the proposed Mission on Climate Neutral and Smart Cities (hereafter: the Mission). The following should not be taken to represent the definitive view of the European Commission (EC) because internal preparatory work continues. Rather, it is intended to give a snapshot of the work in progress, and some initial, tentative responses to recurring questions.

QUESTIONS & ANSWERS

1. Climate neutrality

a. How to calculate climate-neutrality?

The concept is that cities would aim to achieve net zero emission of greenhouse gases by reducing such emissions as much as possible and developing mechanisms to offset the remaining unavoidable emissions. A net-zero emissions balance would be achieved when the amount of greenhouse gas released into the atmosphere is neutralised.

For the purposes of the mission, calculations could therefore focus on well-established norms around Scope 1 and 2 emissions:

- **Scope 1 GHG emissions** for the city within the geographic boundary. This indicator would be calculated based on the emissions from *buildings, industry, transport, waste treatment* (solid waste and wastewater), *agriculture and forestry* and from *other activities*.
- **Scope 2 GHG emissions** for the city. This indicator would be calculated based on the emissions *from indirect emissions due to production/consumption of grid-supplied electricity within the geographic boundary and indirect emissions due to production/consumption of grid-supplied heat or cold within the geographic boundary*.

b. But what about scope 3 in the calculations?

Reflections are ongoing on this. One possibility would be to adopt indicators for *monitoring* scope 3 GHG emissions by 2030 but primarily with the goal of including them within a broader definition of climate neutrality, ultimately by 2050. This indicator would be calculated based on the emissions from out-of-boundary emissions from treatment of waste produced within the geographic boundary, out-of-boundary emissions from transmission and distribution of energy consumed within the geographic boundary, out-of-boundary emissions from transportation of citizens living within the geographic boundary, out-of-boundary emissions from consumption made within the geographic boundary (food, clothes, furniture, materials, etc.) and other indirect emissions.

It is also worth remembering that policy measures to ensure climate neutrality deliver major co-benefits of considerable importance to cities and their citizens, such as better air quality, reduced road deaths and congestion, and so on. While these co-benefits are not strictly part of the “scope” of climate neutrality, work within the Commission with different Directorates General is ongoing, to develop synergies with other relevant programmes.

2. Climate City Contract (CCC)

a. What is the timeline to prepare the CCC?

The starting premise is the wish to help cities move as quickly as possible once the Mission is launched. So for example, the co-creation of the CCC could start after a city has submitted its expression of interest in participating in the Mission, and fulfilled eligibility conditions that would be checked against basic evaluation criteria. By Q1 2022 the European Commission would then be able to inform the applicants on the outcomes of this assessment, giving them a green light for the start of the co-creation process of the CCC. As cities will start from different levels of preparedness, the duration of the co-creation of the Climate City Contract will vary. It could last for the most advanced cities only around 6 months, but for others, the process may take longer.

b. Is there funding available to create the CCC?

There would be specific support given to cities co-creating their CCC via a one stop shop Mission platform that would provide the necessary technical, regulatory, financial and socio-economic expertise as well as assistance to cities to develop their climate plans. A more precise definition of what support will be available to cities will be set out in the Implementation Plan (which shall be published once a formal decision is taken on the implementation of the Mission) and will also depend on the requirements of the city.

3. Definition of a city

a. How is a “city” defined?

In the context of the Mission, entities would be eligible to express their interest to become a Climate Neutral City (CNC) if they are local authorities or their mandated representatives that represent one city defined as a Local Administrative Unit (LAU), or a “greater city” or metropolitan region, taking account of Functional Urban Areas (FUA) where relevant. Reflections are ongoing about having a default indicative threshold that entities would need to have more than 50 000 inhabitants to apply. However, in order to maximise the impact in terms of reducing GHG overall, applications should be encouraged in particular from cities where the majority of the population lives in an urban centre of at least 100 000 inhabitants. In addition, for entities coming from Member States with five or less cities above 100 000 population, a lower threshold of 10 000 residents would apply – this would be to ensure that all Member States have cities involved in the Mission.

b. Will there be a balance between different size and spread of cities across Europe?

The Mission will ensure a fair geographical balance and diversity of types of participating city, and different levels of preparedness. In particular, the participation of cities from all Member States would be encouraged (see above). At least one city per Member State should be among the first wave of cities moving to the phase of co-creation of the CCC. In the event that there is clearly not a reasonable geographical balance at the end of the expression of interest phase, additional and targeted calls for expression of interest may need to be launched.

4. Horizon 2020 Green Deal call

a. When will the selected consortium find out?

The outcome of the evaluation process will be communicated to the applicants before summer, indicatively in June 2021.

b. When will the project start?

Once the Grant Agreement Preparation stage is successfully concluded, the project could start in Q4 2021, hopefully as early as October 1st.

c. How can cities get involved?

The terms of tender set out in the call indicate that the project should provide cities with a wide range of targeted services, technical assistance, support to prepare CCCs and opportunities to participate in large-scale pilot projects launched through an open call for proposals. Cities will be able to access the project services via a dedicated one-stop shop Mission platform and benefit from specific support tailored to their own needs for achieving climate neutrality in a systemic/holistic way.

How this is done more precisely depends on how the winning consortium sets out to approach this task.

5. Horizon Europe (HE)

a. For cities who wish to take part in the Mission, is participation/experience in Horizon calls a prerequisite?

No, experience in H2020/Horizon Europe calls is not a prerequisite for participating in the Mission. A diverse response to the call for expression of interest remains the goal. Information about past or ongoing projects/initiatives/actions the cities have been involved in as well as participation in relevant EU initiatives and activities would be one of the elements that cities would need to provide in their expression of interest. But this would be in order to help the EC understand the level of preparedness of the city concerned, thus allowing a better response to its needs – it would not be a qualifying condition.

b. Will the Horizon Europe dedicate funds specifically to the work of climate neutral cities?

The calls that will be launched under Horizon Europe Cities Mission's Work Programme will be dedicated to support the transition towards climate neutrality for cities through various means (e.g. technical assistance; R&I actions to develop, test and demonstrate new and innovative solutions for climate neutrality with a particular view to ensuring their deployment; up-scaling and replicability of existing solutions, facilitate access to finance etc.). Other parts of the Work Programme can also be relevant - in particular, the various clusters and partnerships may also provide opportunities for cities in the context of transitioning to climate neutrality. These opportunities will be regularly flagged and cross-referenced in the different work programmes.

6. Collaboration with national level

a. How to involve the national level?

It is envisaged that national governments and regional authorities will be involved in the co-creation of the Climate City Contracts in particular. In addition, a dedicated national network of contacts shall be established in Q2 2022 to prepare for the transition towards climate neutrality within cities in their respective countries.

b. What will be the role of the national networks?

It is foreseen that the national network of contacts would be involved in:

- mobilizing and supporting cities in their transition towards climate neutrality, promoting collaboration, cross-learning and training, exchange and replication of best practices between the European, national, regional and local level.
- Identifying country-specific challenges, best practices and opportunities concerning issues such as:
 - The regulatory framework in which cities operate: including interaction between national, regional and local legislations/regulations relevant for the transition to climate neutrality at city level.
 - funding and financing: through direct/indirect application of National Energy and Climate Plans (NECPs), Cohesion Policy Funds and Recovery and Resilience Facility provisions.
 - governance structures: through analyses of citizens' and stakeholders' roles in decision-making processes, existing living labs and hubs for innovative participative governance.

c. Are Member States involved in the development of the implementation plan for the Mission ?

The preparation of the implementation plans is essentially an internal Commission process ahead of the launch of the Missions this summer. However, the Commission regularly updates Member States via the Shadow Strategic Programme configuration of Horizon Europe on developments in the preparation of the Missions. An online workshop with Member States' representatives is planned for 28 April 2021 to develop ideas, and concrete proposals for structures and multi-level governance, that will connect, and promote synergies between, actions and programmes at EU, national and regional levels for the purpose of the different Missions.

7. Funding & financing

a. How much money will be dedicated to the Mission?

It is important to recall that the HE "budget" for the Mission is not the limit to the funding and financing that will go to participating cities. But this has in any case not yet been definitively decided. According to the legal basis of Horizon Europe, up to 10% of Pillar II budget for the first three years of the programme could be reserved for Missions. A lower/higher contribution to the Missions under HE may be decided after three years, depending on their implementation. For the preparatory phase of the missions, a budget of

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EUR 50 Mio has already been identified in the WP 2021 to support the rapid scaling-up of all the five Missions, with EUR 5 Mio allocated to each Mission, and an additional budget set aside to support the missions once the decision is taken to move ahead with their implementation.

b. Will there be a link with the taxonomy?

Yes, the Taxonomy Regulation is providing a Union framework on classifying technologies and economic activities in support of the Green Deal as being environmentally sustainable economic activities. The Regulation covers the following environmental objectives, which all have relevance for the Cities Mission:

- (a) climate change mitigation;
- (b) climate change adaptation;
- (c) the sustainable use and protection of water and marine resources;
- (d) the transition to a circular economy;
- (e) pollution prevention and control;
- (f) the protection and restoration of biodiversity and ecosystems.

To obtain 'green' investments for developing and deploying climate action plans, the activities and technologies should be environmentally sustainable and adhere to the principle of "do no significant harm".

c. There is a huge need for financing the Mission in cities: what is the Commission planning outside of Horizon Europe money?

Although the Mission is clearly rooted in Horizon Europe, its goals and activities go well beyond what an R&I framework programme can deliver. In terms of facilitating access to funding and finance, cities participating in the mission will be guided through the different opportunities that exist at EU level as they will need to develop an investment plan as part of the Climate City Contract.

d. Which role for the EIB?

Discussions with the EIB are ongoing. The EIB has pledged to become the climate bank, and to increase its share of climate related lending to 50% by 2025. The EIB is also increasing the amount it lends to cities and is already working directly and successfully with a number of cities in areas related to climate neutrality. Therefore, they can play a crucial role in the Climate Neutral Cities Mission.

e. How to attract private financing?

There is no single answer to this question. The Mission will support cities to develop 'bankable' activities' which should also lead to more attractive investment opportunities for the private sector so we will urge cities where possible and necessary to include the private sector in the co-creation phase. It is generally recognised that replicability and scaling up of innovative technologies and solutions will be essential for the private sector to invest. The goal of having 100 cities become climate neutral by 2030 should certainly help in creating a critical mass for deploying affordable innovative technologies and solutions and the creation

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of new business models under which the private sector could be incentivised to invest more. Part of the Mission's work is also going to be to facilitate the de-risking of some of the deployment activities that will be undertaken by cities under the climate city contracts.