

LOCAL GOVERNMENT FUNDING FOR THE ENERGY TRANSITION AND EUROPEAN SUPPORT MEASURES



SUMMARY

In addition to the issue of qualified workers, the financing of the energy transition is a key concern for local authorities. Both are absolutely essential and closely inter-linked. Many of the roles within the administrations tasked with driving the energy transition forward work on funding projects or are financed by project funds. Qualified workers are needed to secure funding, and these qualified staff members are regularly funded by precisely these funds. Accordingly, it is logical that the question of funding opportunities for local authorities arose in the Energiewende Partnerstadt 3.0 (EWPS 3.0) project, funded by the German Federal Foreign Office. This RENEWS Paper is largely based on the experiences gained from the project over the last years, as well as on a digital workshop held as part of the project on EU funding sources such as Horizon Europe, The New European Bauhaus Facility, LIFE, Interreg and the Experts Fund for Municipal Partnerships Worldwide.

AUTHOR:

Dominik Enkelmann



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BACKGROUND

The tight budgets of local authorities are a recurring theme in projects such as EWPS 3.0 or Huckepack¹. They are reliant on funding measures to drive the energy transition forward. This is also the case for the EWPS 3.0 town twinnings Stuttgart and Bălți, Greifswald and Goražde, Düsseldorf and Czernowitz, and Hoyerswerda and Novovolynsk.

The Saxon town of Hoyerswerda, for example, is receiving significant support for the transformation of the Lusatia region through funding from the Federal Office for Economic Affairs and Export Control (BAFA) as part of the STARK programme (Strengthening the Dynamics of Transformation and a New Beginning in Mining Regions and at Coal-Fired Power Plant Sites). The Free State of Saxony is currently receiving 458.64 million euros in support, whilst the Lusatian mining region is receiving 313.04 million euros and the Central German mining region a further 145.6 million euros. Hoyerswerda is also benefiting from this. In addition to further STARK funding, the municipality is currently applying for two calls from the Just Transition Fund. However, long processing times and short application periods for high requirements are making the application process difficult for the city. Furthermore, according to the city, the funding rate will not be as high as originally announced. Whilst the administration had assumed a funding rate of 70 per cent, it now stands at only 45 per cent. In general, all municipal utility companies and local authorities require support in decarbonising their energy supply. Without subsidies, the projects are barely financially viable. The return on investment often only materialises in the distant future, or the costs must be passed on to citizens.

For this reason, the city of Hoyerswerda, like many other local authorities, is also dependent on alternative financing concepts, such as funding schemes. Municipal utility companies generally make a significant contribution to public services within the municipality and are therefore unable to build up their own funds or reserves. These are lacking for projects that are currently urgent. It is also important for the city to secure funds for planning, for example to prepare for grid expansion and other initiatives. Lucas Milbert, case officer for municipal development cooperation in the North Rhine-Westphalian state capital Düsseldorf and a partner at EWPS 3.0, adds:

“Projects in the field of renewable energy and energy efficiency require high initial investments. As these investments only pay for themselves after many years (or even decades, depending on the type of investment), the high initial costs combined with a long payback period can hinder economically viable energy transition processes.”

For the Ukrainian partners in the EWPS 3.0 project, Russia’s war of aggression presents an additional challenge. The city of Chernivtsi puts it as follows:

“Russia’s military aggression has caused considerable damage to Ukraine’s energy infrastructure. Constant attacks on power stations and electricity grids pose a major challenge to a stable energy supply. Under such conditions, the development of decentralised energy generation and the installation of private solar power plants (SPPs) become not only an economic solution, but also a matter of energy security and independence.”



¹ www.unendlich-viel-energie.de/projekte/projektarchiv/huckepack-prinzip

At European level, there are various programmes that provide financial support to local authorities to help them achieve the Sustainable Development Goals and collaborate through international partnerships. In this paper, we focus primarily on the funding programmes Horizon Europe, The New European Bauhaus Facility, LIFE and Interreg. The document is rounded off by the Experts Fund for Municipal Partnerships Worldwide, which supports municipalities not financially but through personnel, thereby bridging the gap to the need for skilled workers for the energy transition.



HORIZON EUROPE

Horizon Europe (HE) is the EU's flagship funding programme for research and innovation. A budget of €95.5 billion has been and will be made available for the period from 2021 to 2027. The aim is to find solutions to global challenges and to strengthen and secure Europe's technological independence. To this end, clear and measurable objectives are to be achieved by 2030 in various missions through trans- and interdisciplinary projects, with the support of national governments. Five missions are currently underway in the thematic areas of climate adaptation, cities, beating cancer, oceans and water, and soil. Climate change and the energy transition are therefore also among the topics that the European Commission is prioritising through individual targeted calls. The programme promotes cooperation between research, industry and society in Europe and, in some cases, beyond. It is important that partners from at least three EU countries always participate in each project. An exception applies to associated countries of the Horizon Europe programme, which also include EU candidate countries. This means that the EWPS 3.0 partner cities in Ukraine, Bosnia and Herzegovina, the Republic of Moldova and Germany can also participate in the programme and benefit from it. National contact points connect interested institutions, national ministries and the European Commission, and provide free support in developing a project idea, submitting an application and implementing the project. This is done through information events, webinars, newsletters and other informational material. To participate in the HE programmes, registration with the NetZeroCities Mission Platform is required. This, in turn, provides access to resources and tools, connects cities with one another and promotes peer-to-peer learning. Access to the platform is also possible without participating in programmes.

With regard to the existing objectives of EWPS, the Climate Adaptation and Cities missions – which are grouped under the national contact point for Climate, Energy and Mobility – represent the most relevant reference points for future funding. Particular attention is paid here to the EU mission 'Climate-Neutral & Smart Cities'. The objective is to have at least 100 climate-neutral and smart cities by 2030, which will also serve as showcase cities and innovation hubs, so that all other European cities can become climate-neutral by 2050. In practice, for example, two cities could participate in the project as pioneer municipalities, whilst three others could build on this at a later stage. This has already been implemented in three to four calls in recent years, and there will again be several calls in 2026 and 2027 with dedicated focus areas and objectives. The focus in the coming years will be on energy-efficient transport, sustainable housing and urban energy systems. The deadline for the 2026 call is 8 October 2026, with funding to be provided for ten projects totalling

85.5 million euros. It is recommended to start preparing a potential application at an early stage since the call opened on 4 February 2026.



THE NEW EUROPEAN BAUHAUS FACILITY

Another funding programme is The New European Bauhaus Facility (NEB), which aims to drive the local transformation of neighbourhoods by combining sustainability, social inclusion and aesthetics. The programme will be implemented through grassroots initiatives, research and innovation projects, award ceremonies and community actions. It is intended to be more than just a funding programme and to incorporate the spirit of community. Three principles are at the forefront: together, sustainable and beautiful. In this way, through citizen participation from the outset, sustainable, renewable, aesthetically appealing and meaningful places are to be created. The NEB Facility supports the initiative as a funding instrument, through which funds will be distributed annually from 2025 to 2027. This provides financial support for the transformation of neighbourhoods. It covers the entire implementation process, from research through to roll-out and broad-scale scaling. The NEB initiative also connects partners, provides information materials and organises annual events such as the NEB Festival. Generally speaking, the New European Bauhaus Facility can be divided into two components: Research & Innovation (R&I) and Roll-out. The R&I component is funded with €120 million per year through the Horizon Europe programme and aims to combine green transformation, social inclusion and local democracy, integrate the circular economy and regenerative practices in practice, and develop innovative models for the transformation of neighbourhoods. The Roll-Out component is funded by a mix of EU funds and national and private sources, and supports local authorities, finances innovations and renovations, and builds capacity. To successfully apply for NEB Facility projects, certain conditions must be met. The project must be consistent with the values of inclusion, sustainability and aesthetics; it should be structured in an inter- and transdisciplinary manner; it should focus on a specific local context or neighbourhood (urban, peri-urban, rural); active collaborations should be established around the NEB Hub; and the local population should be involved. The calls for 2026 have a budget of €101.9 million and cover nine themes across three strands. The call opens on 5 May 2026 and closes on 1 December 2026.

LIFE CLEAN ENERGY TRANSITION (CET)

The LIFE (L'Instrument Financier pour l'Environnement) funding programme is an EU financing tool for the environment, climate action and innovation in the field of renewable energy. It was first established between 2014 and 2020 and is being implemented again for the period from 2021 to 2027. According to Article 3 of EU Regulation 2021/793, the LIFE programme “should contribute to a just transition towards a sustainable, circular, energy-efficient, renewable energy-based, climate-neutral and climate-resilient economy, to the protection, restoration and improvement of the quality of the environment, including the air, water and soil, and of health, and to halting and reversing biodiversity loss [...]”.²

² [www.eur-lex.europa.eu/legal-content/DE/TXT/?uri=CELEX:32021R0783](https://eur-lex.europa.eu/legal-content/DE/TXT/?uri=CELEX:32021R0783)



A total budget of €5.43 billion is available for the entire duration from 2021 to 2027. The programme is divided into two strands, Environment and Climate Action, each comprising two sub-programmes: Nature and Biodiversity (NAT) and Circular Economy and Quality of Life (ENV) in the Environment strand, and Climate Change Mitigation and Adaptation (CLIMA) and Clean Energy Transition (CET) in the Climate Action strand. The National Contact Point for CET is the project management agency Projektträger Jülich, whilst all other programmes are managed by the nationwide LIFE advisory centre ZUG (Zukunft, Umwelt, Gesellschaft – Future, Environment, Society).

All other national contact points can also be found on the European Commission's website³. The funded projects are intended to develop innovative techniques and approaches to address the challenges of climate change, assist in implementing plans and strategies, highlight best-practice examples and behavioural changes, and promote the widespread adoption of successful approaches. This is intended to support the development, monitoring and implementation of the EU's environmental and climate projects. Unlike the significantly larger Horizon Europe funding programme, however, LIFE does not fund research projects. All legal entities from EU Member States and countries associated with the LIFE programme are eligible to apply for funding. Although the associated countries do not correspond to those in the Horizon Europe programme, they do include EWPS partner countries such as Ukraine and the Republic of Moldova. The calls for the remaining years, 2026 and 2027, will be published around April and close around September. The selected projects are then scheduled to start approximately nine months after the deadline.

For the EWPS partner municipalities, the CET sub-programme, with a total budget of around one billion euros between 2021 and 2027, proved to be particularly relevant. Projects have been funded within the framework Clean Energy Transition since 2003, initially from 2003 to 2013 under the Intelligent Energy Europe programme and from 2014 to 2020 under the Horizon 2020 programme. Since 2021, projects on topics relating to the Clean Energy Transition have been co-financed by the EU up to 95 per cent under the LIFE programme. The projects should be designed to be collaborative and consist of a consortium with at least three partners from different project countries. To this end, the programme is divided into several action areas, within which several projects are funded annually. As a guide for applications, a detailed Call for Proposals is also made available annually as a PDF to provide interested parties with an overview of all the conditions.

INTERREG – EUROPEAN TERRITORIAL COOPERATION (ETC)

Within Interreg – also known as European Territorial Cooperation (ETC) – the European Union has been supporting cross-border cooperation between cities and regions for more than 30 years. The focus is on energy and climate change, environmental and resource protection, the labour market and social issues, as well as transport. For the period from 2021 to 2027, over eight billion euros are available through Interreg across 86 programmes. Interreg covers up to 80 per cent of project costs, whilst the remainder must be funded independently. Interreg is divided into four strands, A to D. Strand A supports cross-border cooperation and the promotion of

³ www.cinea.ec.europa.eu/programmes/life/history-life/life-contacts/european-national-contact-points_en

regional development between neighbouring regions sharing land or sea borders. Strand B is responsible for transnational cooperation between national, regional and local partners in transnational cooperation areas or sea basins. Action Area C promotes interregional cooperation. The focus here is on cooperation networks and the exchange of experience. Action Area D covers cooperation between regions on the geographical periphery of the EU. The application procedures vary depending on the area. However, the focus is always on cooperation with other local authorities, which must be established between the lead partner and the partners already at the application stage. Open calls for the individual Interreg programmes can be found on the website⁴. At the outset, it is particularly important to check the programme area and funding priorities, structure the project idea and identify partners. The application should then be drawn up jointly and include objectives, work packages and financing. The lead partner takes the lead in this process and submits the project application. National contact points are available for advice.



EWPS 3.0 partner Chernivtsi is currently involved in two projects across two strands of Interreg funding. Under the Interreg Europe 2021–2027 programme, the project IN MOBILITY: Reducing Mobility Poverty in Urban Areas was funded under Strand B. The project brings together partners from four regions and five cities across all five zones of the Interreg Europe 2021–2027 programme. These partners come from Italy, Greece, Poland, Romania, Belgium, the Netherlands, Latvia, Serbia and Ukraine, represented by Chernivtsi. It runs from 1 May 2025 to 31 July 2029. The aim of the city of Chernivtsi is to create a more efficient, inclusive and environmentally friendly transport system that improves quality of life, reduces environmental impact and promotes the sustainable development of the community. The project aims to develop a roadmap for the sustainable development of mobility by 2030. The PARKS – Participatory Actions for Resilient and Knowledgeable Stewardship project is also part of Interreg’s URBACT interregional programme, Action Area C. Here, the city of Chernivtsi is collaborating with partners from Italy, Hungary, Portugal, Bulgaria, Spain and Ireland. The project runs from 1 November 2025 to 30 April 2028 and aims to develop urban green spaces to contribute to sustainable urban development, improve environmental quality, promote biodiversity and enhance the well-being of the community’s residents.

EXPERTS FUND FOR MUNICIPAL PARTNERSHIPS WORLDWIDE

To facilitate professional exchange, the Experts Fund for Municipal Partnerships Worldwide was established by the German Society for International Cooperation (GIZ) and Engagement Global, specifically its service agency Communities in One World (SKEW), on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). Rather than providing financial support, the fund is intended to supply skilled personnel and experts. Under the programme, municipal experts or development specialists are sent to partner towns, thereby promoting the development of projects and municipal partnerships. The partnerships may be institutionalised town twinning arrangements or may be based on past collaboration on projects. These partnerships always link a German municipality with a local authority abroad. This may be in Europe or elsewhere. However, the majority of the experts sent out

⁴ www.interreg.eu/calls-for-projects/

and planned deployments are on the African continent and in Ukraine. The experts' main task is to advise the partner municipality on technical and strategic issues and to develop networks. The specific objectives are to strengthen local services and enable self-governance, to develop concrete solutions to challenges, to provide advice on funding opportunities as well as on project management and implementation, to establish joint partnership initiatives and expand networks, and thereby to build bridges and create a sustainable basis and structures for further cooperation. The aim is thus to strengthen both the partner municipality and the partnership in the long term. To this end, the experts receive a contract and a salary from the host municipality, which is paid in full by the Skilled Workers Fund. Exchange between the deployed experts is also specifically promoted through organised events. The programme's intention is to offer and pay a competitive salary whilst supporting the UN Sustainable Development Goals. Specifically, for example, there is a partnership between Karlsruhe and Vinnytsia in Ukraine to strengthen urban resilience, as both cities are seeking to update their urban development plans, given that the old documents date back to before the Covid-19 pandemic and the Russian invasion. However, other German municipalities have also entered into partnerships with Ukrainian cities to strengthen economic development and local infrastructure or to enhance further training opportunities.

To participate in the programme, both partner municipalities must submit a letter of interest of around three pages, in which initial questions regarding objectives and experience must be answered. This is not yet legally binding. Subsequently, the interested partners are advised by the Skilled Workers Fund team on how to specify the objectives, indicators, work packages and an expert profile. The recruitment process for the skilled workers can then begin, with the experts undergoing an onboarding process in both municipalities before being hired. During their assignment, the experts receive support through networking events, visits, telephone exchanges and general advice.

CONCLUSION

There are a number of funding programmes and projects that can help drive the energy transition forward. The central problem here is not necessarily the number of funding opportunities, but rather the bureaucratic burden that municipalities face in identifying, assessing and applying for such projects. Due to financial pressure in times of tight budgets, an increasing number of municipalities are applying for funding programmes. The overload on the programmes and the low chances of success were a recurring theme during the EWPS 3.0 project period. Skilled workers are required for every application, which in turn must be funded. A lack of English language skills in partner municipalities in Ukraine and, for example, the Republic of Moldova presents an additional hurdle. Consequently, such applications pose a major hurdle, particularly for small municipalities. Furthermore, some local authorities are simply too small to qualify for certain funding programmes. The lengthy and complicated application processes tie up a lot of staff time without any certainty of receiving approval, as the chances of success are often below ten per cent. Lucas Milbert from the city of Düsseldorf therefore advocates for unbureaucratic funding



4 www.qlee.eu/en

5 www.bpb.de/shop/zeitschriften/apuz/312263/der-osten-als-problemzone

programmes at state, federal and EU level, as well as a reliable legal framework that promotes low-risk, long-term investment in renewable energy and energy efficiency measures. In particular, low financing costs should help to reduce the risk for local authorities. Streamlined and simplified application procedures, as well as consistent funding, could make it easier for towns and local authorities to finance the energy transition. The German Climate and Transformation Fund represents a step in the right direction in this regard.

