

Deliverable Proof – Reports resulting from the finalisation of a project task, work package, project stage, project as a whole - EIT-BP2020

Name of KIC project the report results from that contributed to/ resulted in the deliverable	Transformation of Regional Energy Agencies for Climate (T4C) Project
Name of report	Deliverable 03: EU Master strategy for transformation of EAs to energy and climate agencies
Summary/brief description of report	EU level master transformation strategy will be developed as a roadmap for governance change and capacity building of the EAs.
Date of report	15 th of December 2020

Supporting Documents: EU Master strategy for transformation of EAs to energy and climate agencies



D3 EU Master strategy for the transformation of Energy Agencies into Energy and Climate Agencies

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1. Summary

With the release of the European Green Deal and launching the first climate action initiatives begun a challenging time for cities as they will have to adapt to new strategies and implement new, more ambitious measures. Thus, the aim of Transform4Climate is to develop a capacity-building program to empower cities through the work of their Energy Agencies, to achieve the necessary steps in their path towards decarbonisation. The EU wide Master strategy will serve as a base for the transformation of Energy Agencies into Energy and Climate Agencies. It presents a set of information that is needed for the overall process. The first part of the strategy is the analysis of the positioning of the EU's Energy Agencies in the current and future framework which also includes their key characteristics and key stakeholders in the transformation process. Further, the mission statement and vision of Europe's Energy and Climate agencies is given which clearly defines the what, who, how and why of the overall transformation process. Chapter 5 presents the general overview of the 5 steps that need to be followed for the successful transformation process. These steps will have to be addressed and in the end the level of implementation will have to be individual, which is why chapter 6 gives an overview of the adaptation and local adoption of the transformation process. The goal is to later adopt the EU wide Master strategy to fit the local needs and supports the transformation of individual Energy Agencies.

2. Introduction and purpose

With the release of the European Green Deal in September 2020 the EU proposed highly ambitious actions across all sectors that will enable the EU to move towards a climate-neutral economy. Under the Green deal, climate initiatives such as the European Climate Law, European Climate Pack and 2030 Climate Target Plan, were launched. Moreover, the Commission wants to adopt a new, more ambitious EU strategy on adaptation to climate change to strengthen efforts on climate proofing, resilience building, prevention and preparedness. This will be a challenging time for cities as they will have to adapt to new strategies and implement new, more ambitious measures, since they already lack the capacity to tackle climate-related issue. A great number of authorities that were in the need for service that Energy Agencies provide at the local level was exactly the reason why IEE released the first call for proposals for Energy Agencies. By now, Energy Agencies are a proven and successful mechanisms for supporting regions and cities in the low-carbon transformation making them an ideal candidate to tackle climate issues. In order to empower cities to take action, the capacity, scope of work and governance models of the existing Energy Agencies must be upgraded and adequately redesigned. Thus, the aim of Transform4Climate is to develop a capacity-building program to empower cities through the work of their Energy Agencies, to achieve the necessary steps in their path towards decarbonisation.

The EU wide Master strategy will serve as a base for the transformation of Energy Agencies into Energy and Climate Agencies. It is important to mention that the EU wide Master strategy is not a blueprint for one Agency but the complete set of information that is needed to be transferred to Energy Agencies in order for them to become Energy and Climate Agencies. This is because the Energy Agencies differ in their governance models, which was analysed in detail in scope of the project. Even though it is not possible to develop a single blueprint for the transformation of all Energy Agencies, the core process of implementing the European Climate Strategies and Targets is the same for all. The EU wide Master strategy can and will later be adopted to fit the local needs and supports the transformation of the individual Energy Agencies.

3. Positioning of EU's Energy Agencies in the current and future framework

Energy Agencies have multiple roles in the energy market - as project developers, aggregators, and facilitators for public authorities and therefore are in a unique position to support energy investments in their regions and cities. When the IEE released the first call for proposals for Energy Agencies it was because there was a great number of authorities in the need for services that Energy Agencies provide at the local level. The primary reason for setting up Energy Agencies relates to their local added value, that can be divided into 3 categories:

- 1) Provision of information/advice to energy users;
- 2) Assistance/policy advice to public authorities;
- 3) Market facilitation.

Energy Agencies established with EU support or which participate in EU projects are contractually obliged to spread information about EU energy policies to decision-makers and stakeholders at local and regional levels who are affected by European policy. This includes public authorities, businesses and households. By disseminating such information, Energy Agencies support the implementation of EU policies related to sustainable energy, help local communities to benefit from those policies, and influence both the development and implementation of related local energy policies.

As the EU has already begun the inclusive fight against climate change. To follow the lead of the European Commission and support local authorities, Energy Agencies will have to evolve and incorporate a broader understanding of climate change mitigation and adaptation measures.

3.1. Summary of the legislative framework

To guide the EU towards a climate-neutral future two energy Directives, The Energy Efficiency Directive and Renewable Energy Directive were established. The goal of directives is reducing the energy demand and producing energy by using renewable energy sources. Among else, Energy Efficiency Directive sets the energy efficiency target for 2030 was put at, at least 32.5%. EU countries will have to achieve 0.8% energy savings of final energy consumption each year until 2030, except Cyprus and Malta which will have to achieve 0.24% each year. The Renewable Energy Directive sets a binding renewable energy target for the EU for 2030 of at least 32%, with a clause for a possible upwards revision by 2023, and incorporates measures for the different sectors to make it happen. This includes new provisions for enabling self-consumption of renewable energy, an increased 14 % target for the share of renewable fuels in transport and stricter criteria for ensuring bioenergy sustainability.

To help achieve the targets set by the Directives, the European Commission has developed the Energy strategy, with the purpose to build an energy union in the EU and help to provide secure, affordable and clean energy for EU citizens and business, to decarbonise the EU's energy system in line with the European Green Deal objectives and to set a long-term vision for a prosperous, modern, competitive and climate neutral economy by 2050. The Energy Strategy consists of 3 strategies:

- **The Energy Union Strategy**, which aims to build an energy union which would give EU consumers, households and businesses, secure, sustainable, competitive and affordable energy;
- **Clean Energy for all Europeans** package which is an energy rulebook, and;
- **2050 Long-term strategy** for achieving the needed economic transformation and broader goals of sustainable development which will move the EU towards the long-term goal set by the Paris Agreement, stable long-term strategies are crucial .

With releasing the European Green Deal in September 2020 the EU proposed highly ambitious actions across all sectors that will enable the EU to move towards a climate-neutral economy. First climate action initiatives under the Green Deal were European Climate Law, European Climate Pack and 2030 Climate Target Plan. Moreover, the Commission wants to adopt a new, more ambitious EU strategy on adaptation to climate change to strengthen efforts on climate-proofing, resilience building, prevention and preparedness.

3.2. Future trends in climate and energy

The global climate is changing, and this change is apparent across a wide range of observations and is related to many different sectors (with a focus on energy, transport, buildings, and infrastructure). When looking at all the directives and action plans issued by the European Commission, it is clear that the path of the EU policies is increasingly focusing on not only climate change mitigation but also adaptation. Evidence for that is the plan for Governance regulation and establishment of NECPs, and the Risk Preparedness plan, the initiative that aims to put in place appropriate tools to prevent, prepare and manage electricity crises.

An even stronger indicator that only actions on renewable energy implementation and energy savings will not be enough in the future is the 2050 Long-term strategy. The first point covered by the Strategy is the total greenhouse gas emission reduction and enhancements of removal by sinks, followed by emission reductions and enhancements of removals in individual sectors. While studying the Directives, it can be seen that measures for climate change mitigation and adaptation are recently found in all the directives focusing on human impact on the earth in all possible ways, starting from biodiversity, buildings, ecosystem, transport, water management etc. Finally, the most important initiative, the European Green Deal, which all the Energy agencies will surely follow, provides an action plan to boost the efficient use of resources by moving to a clean, circular economy, restore biodiversity and cut pollution.

The EU has already begun the inclusive fight against the climate change which can, among others, be seen in the switch in the names and rules of writing plans, such as switching the Sustainable Energy Action Plans (SEAPs) into Sustainable Energy and Climate Action Plan (SECAP) and introducing the National energy and climate plans (NECPs), etc. To support the fight financially, in September 2020 EU opened a Horizon 2020 European Green Deal Call, that will give out 1 Billion EUR for research and innovation to boost the EU's green recovery, i.e. respond to the climate crisis, provide more protection to Europe's biodiversity and habitats under threat, and accelerate a sustainable recovery.

3.3. Key characteristics of EU’s Energy Agencies – structure and capacity

In the scope of Transform4Climate a deep analysis of current governance models and capacities of EAs was made. The analysis showed that most of the agencies (about 70%) reported that they were a public organization. The remaining 30% is divided into the other categories according to the following chart:

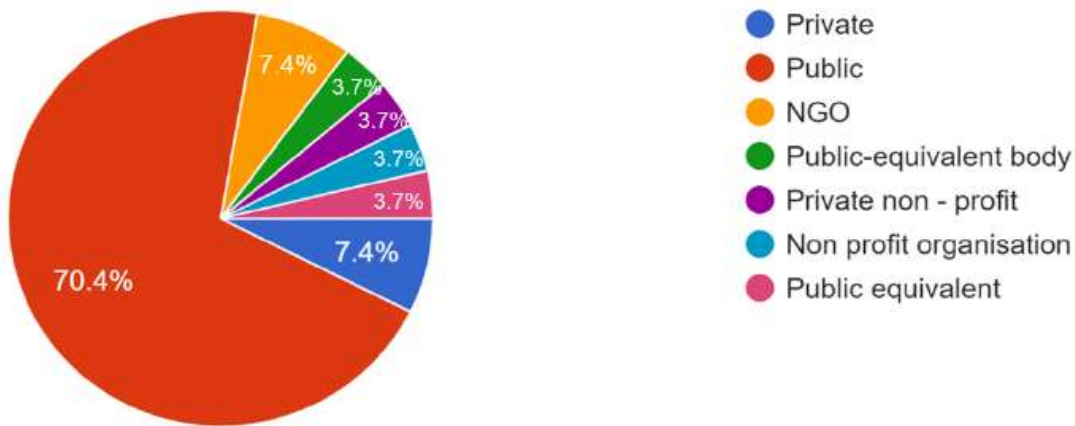


Figure 1 Type of EAs organization

Most of the EAs work through dedicated departments (63% against 27%) but only 26% of the agencies have a “Climate Change Adaptation” Department. Among the agencies who do not have this type of Department already in operation, only about 12% are planning to introduce it, 41% are not sure and 47% have no current intention of including a Climate Change (CC) Adaptation Department in their structure. However, a significant share of agencies (around 75%) are active in CC adaptation activities.

In most of the agencies (about 67%) no member of staff has specific education on CC adaptation. The remaining 33% of EAs education on CC adaptation is mainly a result of training experiences like Master degrees in Environmental Sciences, PhD on climatology or shorter specific courses on climate change data and related databases. It can also be noted that the percentage of staff with specific education on climate change adaptation is less than 25% of the EAs' total number of staff in almost 93% of the agencies and in no agency is more than 75%; for the other agencies the percentage are shown in the following chart:

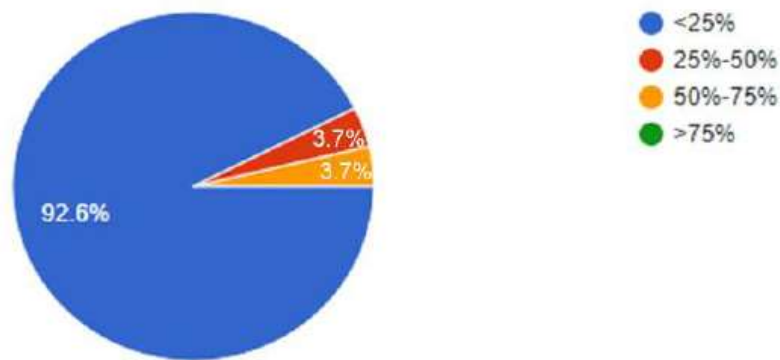


Figure 2 Percentage of the EAs staff with specific education on CC adaptation

One of the main identified barriers for tackling climate change issues is the lack of staff /lack of available trainings on climate change adaptation; speaking about this, most of the responding agencies (around 74%) stated that a specific training for their staff might enable their agency to foster project on CC adaptation issues.

3.4. Key stakeholders in the process

Key stakeholders that may influence the Energy Agencies can be divided according to their level of participation in the upgrade of Energy Agencies, interest and influence. Following is the short overview of each group of the stakeholders.

- **Energy and Environment ministries** - have the highest impact and are the most relevant in the means of decision making. Ministries could be the key stakeholders to help the development of Climate Energy agencies (CEA) that will implement EU Climate Directives.
- **Regulators/ utilities** - regulators/utilities have medium to high impact on the work of Climate Energy agencies, and the cooperation with them would be needed since currently Energy agencies, and in future Climate Energy agencies would consult regulators/utilities do develop the market and promote RES.
- **Public authorities (regional and local level)** - one of the most relevant stakeholders for the establishment of Climate Energy agencies. Public authorities were the ones who needed to express their need for Energy Agencies, now they need to be informed why there is a strong need to upgrade Energy Agencies to Climate Energy Agencies.
- **Energy agencies** - the ones who need to be empowered and collaborated with. Although their impact on the upgrade to CEA is medium since they will have to adjust to the climate needs, it is extremely important to be a support to them in the journey to evolve to Climate Agencies.
- **Private companies** - Some private companies are important for the implementation of climate adaptation measures and for climate change projects to be successful. As it is important to establish good cooperation with them, their impact on the upgrade to CEA is medium.

- **Associations** - are also important for the implementation of the climate adaptation measures and for climate change projects to be successful, ensuring a good cooperation with them is also important, although their impact varies with their market power and can go from low to high.
- **Academia** - is striving to be the first to bring change. As such, Academia can be a partner on certain projects, but also a competition. Depending on their influence on the market, Academia could have little to high influence on the establishment of CEA.
- **Other** - media, commercial institutions, general public and NGOs. Their key interests would be sharing the news about the newly established CEA and their work, but also developing projects and funding mechanisms for certain projects.

All stakeholders have a degree of influence on the establishment on the Climate Energy Agencies, some to greater and other to a lesser extent. This means that ensuring a good cooperation with all of the stakeholders is extremely important.

4. Mission statement and vision

The mission statement and vision of Europe's Energy and Climate agencies clearly defines the what, who, how and why of the overall transformation process.

Mission – what, who and how?

The mission of the newly transformed Energy and Climate Agencies is to drive the energy transition and climate change resilience build up and adaptation of Europe's cities and regions. This will be done through the immediate support in terms of:

- Local and regional capacity to plan and implement energy and climate related measures;
- Identifying, adapting and utilizing national and EU funding and financing opportunities;
- Developing and enforcing energy and climate plans, strategies and regulation;
- Engaging key stakeholders on all levels.

Vision – why?

The above stated mission and it's success are the key peace needed to ensure the continuous and sustainable development of our cities and regions on a clean, smart and healthy pathway. Our local communities need to be equipped with the means to both combat and adapt to the various impacts of climate change. This process must be environmentally, economically and socially sustainable.

5. Transformative process

The overall transformation process of Europe's Energy into Energy and Climate Agencies needs to follow the following 5 steps:

1. Capacity gap assessment;
2. Capacity building;
3. Development and adoption of a new governance model;
4. Rebranding;
5. Identification and exploitation of new business opportunities.

A general overview of each of these steps is given below.

5.1. Capacity gap assessment

Why? – In order to determine the trajectory of change, it is vital to understand the starting point. It is therefore vital for any Energy Agency initiating this process to assess both its own internal capacity as well as the needs of the market and/or region they are operating in.

How? – The capacity gap assessment consists of two steps:

1. Assessment of the climate change related needs in the market and/or the region the Energy Agency is operating in;
2. Assessment of the Agency's internal capacity to fulfil the identified needs.

The operational implementation of this assessment will vary depending on the size and governance model of the Agency as well as the scope of operations the Agency engages in but it should, in any case, provide the necessary information to formulate a capacity building plan. It is important to take both the education, training and experiences of the Agencies staff into account to realistically assess the overall operational capacity to meet the identified needs.

5.2. Capacity building

Why? – Once the capacity gaps have been identified it is important to close them. For this purpose, a detailed capacity building plan needs to be developed and implemented.

How? – The capacity building plan needs to be adjusted based on the following consideration:

1. The Agency's education budget;
2. Overall funding sources and expense justification;
3. Number of employees;
4. Availability of the employees and the capacity building opportunities;
5. Overall timing of the transformation process.

It is vital to adapt the capacity building plan to both the needs, via the developed capacity gap assessment, as well as the realistic possibility to implement it from a timing and budgetary perspectives. It is recommended to set up an internal capacity building budget as well as a set of transparent selection criteria and responsibilities for the participating staff in order to

maximise the efficiency of the overall process and provide equal treatment. The implementation of the plan should also be aligned with the identified opportunities discussed under point 5 in order to balance the potential costs and incomes incurred due to the expanded scope of activities.

5.3. Governance model

Why? – Depending on the existing structure of the Energy Agencies it is important to develop enough operational capacity to implement the transformation project as well as the actions needed in the regions. Operational capacity is the reflection of the EA governance set up and it should be adjusted to be able to cover the climate change agenda and activities on a satisfactory level. It is essential not to disturb the already operational structure, but to add new pillar and make connections between.

How? – A restrictive governance model will stifle the Agency’s ability to effectively implement the transformation process and its new role. To circumvent this, the structure needs to proactively support the newly developed focus on climate. This can mean the establishment of a climate department, climate team or, in the case of very small agencies, a person responsible for climate issues. As the scope of activities and the number of projects related to climate increases, the roles, size and resources of this new segment should increase and be modified. This overall process can be especially challenging to agencies with a project-based structure, meaning ones that do not have defined departments or teams. In this case, synergies between the various projects need to be identified and exploited to ensure consistent and efficient implementation of these new activities.

5.4. Rebranding

Why? – Existing Energy Agencies have a long tradition and are an established support mechanism for cities and regions in the field of energy. As their role is expanded, it is important to inform their partners and clients of this change and raise their awareness with regards to climate and climate change issues.

How? – The rebranding process will be a very different experience depending on the size, area of expertise and ownership and governance structures of the Agency. In general, a stronger emphasis needs to be placed on climate to reflect the new role. This change can be applied in a variety of aspects such as the Agency’s:

- Name;
- Logo;
- Website;
- Statute;
- Key messages...

The extent and the approach will also be governed by the availability of resources and the existing status of the Agency within its sphere of operation. A smaller and newly established agency might avoid changing its visual identity in order to continue building up on its brand

while an older, more developed one will have the awareness and capacity to initiate it sooner and quicker. The process needs to be a gradual one in order to ensure the maximum outreach possible. In parallel to the Agency's rebranding, an information and awareness raising campaign should be developed and implemented in order to maximise the potential opportunities and areas of cooperation with their current and future clients.

5.5. Opportunities

Why? – The transformation and restructuring process needs to be meaningful and has to result in a stronger agency which can, more effectively, support the new needs and challenges of its cities or regions. This will also mean new opportunities which should be seized in order to ensure the continuous and sustainable local and regional development as well additional resources for the Agencies themselves.

How? – The increased capacities and updated governance structure will enable the transformed Agencies to exploit new opportunities in the area of climate. This can include a variety of tasks such as:

- Assessment of climate risks and hazards;
- Climate adaptation and resilience plans and strategies;
- Development and implementation of green and blue infrastructure projects;
- Climate finance;
- Monitoring and verification of climate impacts...

The implementation of the overall transformation strategy should follow the identified opportunities to ensure it is being implemented effectively and that critical aspects are covered in a timely manner. This means following the national and European climate legislations, local and regional plans and strategies as well as the various financing and funding programmes. This is a continuous process which needs to start in parallel with the capacity gap assessment and continue long after the transformation process has finished. As the ecosystem related to climate change is constantly changing and developing it will be probably be needed to adjust the operations continuously to be able to support the cities and regions and market as well.

6. Adaptation and local adoption of the transformation process

Transformation is all about answering new challenges but also leveraging new possibilities that conjunction of energy and climate related issues are bringing, to completely rethink organization, its governance set up and business model. Adoption of the transformational methodology is all about streamlining the implementation, improving efficiency, and adopting to new conditions. The process requires openness to change and will offer an advantage to “first-movers”, mainly in relation to market.

Chapter 5 describes general steps foreseen to be implemented in order to enable Energy Agencies to transform their operations. Transformation of the operations is crucial as climate change related issues are becoming at least as equally important for the cities and region and market in general as the so far overwhelming focus on energy transition. There is no generally applicable recipe that would ensure quick and smooth transition of the Energy Agencies to encompass the climate change related issues into their operations, but merely a broadly described necessary steps as seen by the core team of the T4C project.

Every Energy Agency operates under specific conditions that relates to how it is set up, governed, founded by, its capacities (human resources, financial, tools...) and how they are connected to their main “customers”. Local adaptation and adoption of the steps given by this document will therefore differ in specific circumstances. All the steps described in the Chapter 5 will have to be addressed, probably specifically some others as well, but the level of implementation will be individual.

Members of the T4C consortium will be piloting the transformation and testing the approach. We see this strategy as a living document that will be continuously updated with our findings throughout the process. Besides this document that serves as a guide we also see our roles as facilitators of the transformation and will try to enrol the process through the associations that Energy Agencies are members of, as well as through EIT Climate-KIC.

7. Conclusion and final remarks

With the release of the European Green Deal in September 2020 the EU proposed highly ambitious actions across all sectors that will enable the EU to move towards a climate-neutral economy. This will be a challenging time for cities as they will have to adapt to new strategies and implement new, more ambitious measures. Transform4Climate wants to develop a capacity-building program to empower cities through the work of their Energy Agencies, to achieve the necessary steps in their path towards decarbonisation.

The purpose of the EU wide Master strategy is to serve as a base for the transformation of Energy Agencies into Energy and Climate Agencies. The first part of the strategy is the analysis of the positioning of EU's Energy Agencies in the current and future framework. The analysis begins with the first call for proposals for Energy Agencies and went through legislative framework that the Energy Agencies work under and future trends in climate and energy. It also includes their key characteristics and key stakeholders in the process for becoming Energy and Climate Agencies. It is crucial to understand current position and future trends in order to develop a successful strategy.

Further, the mission statement and vision of Europe's Energy and Climate agencies which clearly defines the what, who, how and why of the overall transformation process is given. The mission of the newly transformed Energy and Climate Agencies is to drive the energy transition and climate change resilience build up and adaptation of Europe's cities and regions.

Chapter 5 gives the general overview of the 5 steps that need to be followed for the successful transformation process of Europe's Energy into Energy and Climate Agencies. Those steps are capacity gap assessment, capacity building, development and adoption of a new governance model, rebranding and identification and exploitation of new business opportunities. These 5 steps will have to be adapted to Energy Agencies as the level of implementation will have to be individual, which is why chapter 6 gives an overview of adaptation and local adoption of the transformation process. The EU wide Master strategy needs to fit the local needs and supports the transformation of specific Energy Agencies.

In conclusion, the EU wide Master strategy is designed to help Energy Agencies transform into Energy and Climate Agencies. With that, it will equip our local communities with means to both combat and adapt to the various impacts of climate change. Finally, this will ensure the continuous and sustainable development of our cities and regions on a clean, smart and healthy pathway.