



Energy Transition Without Subsidies:

Why Local Authorities Struggle with Innovative Financing.

Results of PROSPECT+ Consultations on Barriers and Opportunities for Accessing Innovative Financing Instruments.

March 2025

Executive Summary

The consultations, conducted under PROSPECT+¹, gathered feedback from respondents across 20 European countries, including public authorities at city, municipal, and national levels, as well as municipal energy agencies. The goal was to understand the attitudes of public authorities toward innovative financing instruments, including energy performance contracting, green bonds, guarantee funds, blended finance, third-party financing, and citizen finance, as well as project development assistance.

Public authorities highlight systemic challenges that hinder the transition from traditional subsidies to innovative financing. These include restrictive national regulations, insufficient local capacity, and uncertainty about engaging investors.

While many cities and regions are open to exploring innovative financing, their ability to do so varies significantly, and the situation across EU countries remains highly uneven.

In some cases, national legislation has been adapted to facilitate and enhance the use of innovative financing instruments; however, in many others, this has not yet occurred. As a result, local authorities lack equal access to optimal financing and decision-making tools, creating discrepancies and slowing down the pace of climate action across Europe.

Public authorities often feel unsupported when trying to achieve a timely reduction of legal and regulatory bottlenecks. There is an urgent need to reduce the local level's dependence on subsidies and to challenge the unrealistic expectation that

they can shift to innovative financing on their own. In reality, many are still blocked by a lack of adequate legislation, policy incentives, and long-term support.

Public authorities have been accustomed to receiving subsidies for most of their investments and are reluctant to change this. The most significant barriers include limited capacity, legal and regulatory constraints, particularly at the national level, and insufficient advisory support. Only a minority of respondents have experience using these instruments. Most are unfamiliar and unsure how to use them.

Legal ambiguity combined with a lack of expertise and resources to negotiate favourable contracts with private actors hinders even motivated public authorities from taking action. Cultural resistance from inhabitants and fear of political backlash further slowed progress.

The consultations have also revealed early-stage momentum, particularly in energy performance contracting and energy cooperatives. Cities are preparing pilot projects, but they need stable frameworks and expert support.

This report also presents recommendations from public authorities for EU institutions, national governments, and other relevant stakeholders. To unblock local action, national and EU institutions must accelerate legal adaptation and offer clearer frameworks for key financing instruments. Public authorities require clearer rules, practical templates, and dedicated technical assistance.

The report amplifies the message from the ground: cities don't need more theory. They need practical and localised support to act.

¹ www.h2020prospect.eu

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Purpose and Methodology

The consultations gathered insights from local and regional stakeholders across Europe as part of the PROSPECT+ project funded under the Horizon 2020 programme. It aimed to identify the barriers and opportunities that cities face in accessing innovative financing instruments, including **Energy Performance Contracting, green bonds, guarantee funds, blended finance, third-party financing, citizen finance** (such as **energy cooperatives and crowdfunding**), as well as project development assistance and project bundling.

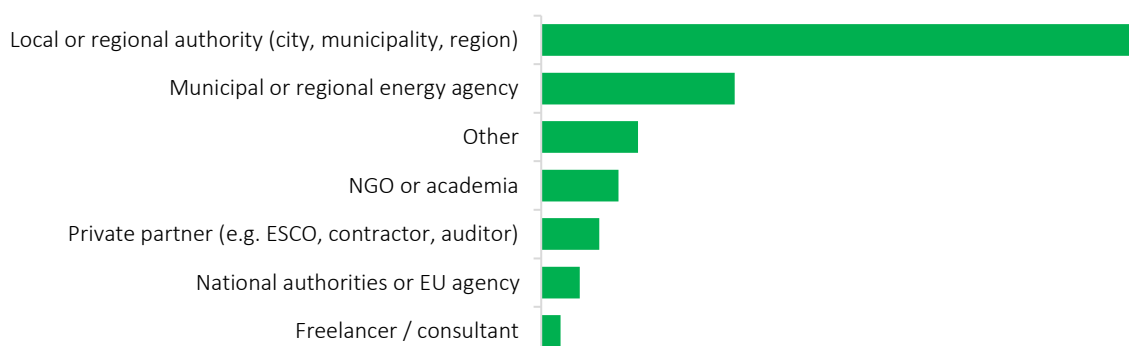
The goal was also to explore how national and EU-level institutions, as well as other key actors, could better support local governments in mainstreaming these instruments during their transition to climate neutrality.

This report draws on responses related to 9 innovative financing instruments as well as project bundling for scale and technical assistance. The results are supported by structured data breakdowns, **extensive quantitative and qualitative input, and additional feedback collected during dedicated policy dialogues and a co-creation workshop**. This analysis provides a robust, evidence-based synthesis of barriers and enabling factors, directly reflecting the local level's practical experiences.

What makes these findings particularly relevant for EU and national-level actors is the authenticity of the input: respondents were not commenting on theoretical models but sharing what they have encountered in practice. These insights are a direct channel of frontline experience, making them a reliable guide for those shaping future regulation, funding programmes, and technical assistance for cities.

Respondents represented **20 countries**, including Albania, Belgium, Croatia, the Czech Republic, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Italy, Moldova, Poland, Portugal, Romania, Serbia, Slovenia, Spain, and Turkey.

Figure 1: Organisations represented by respondents



Key Findings: What Cities Say about Innovative Financing

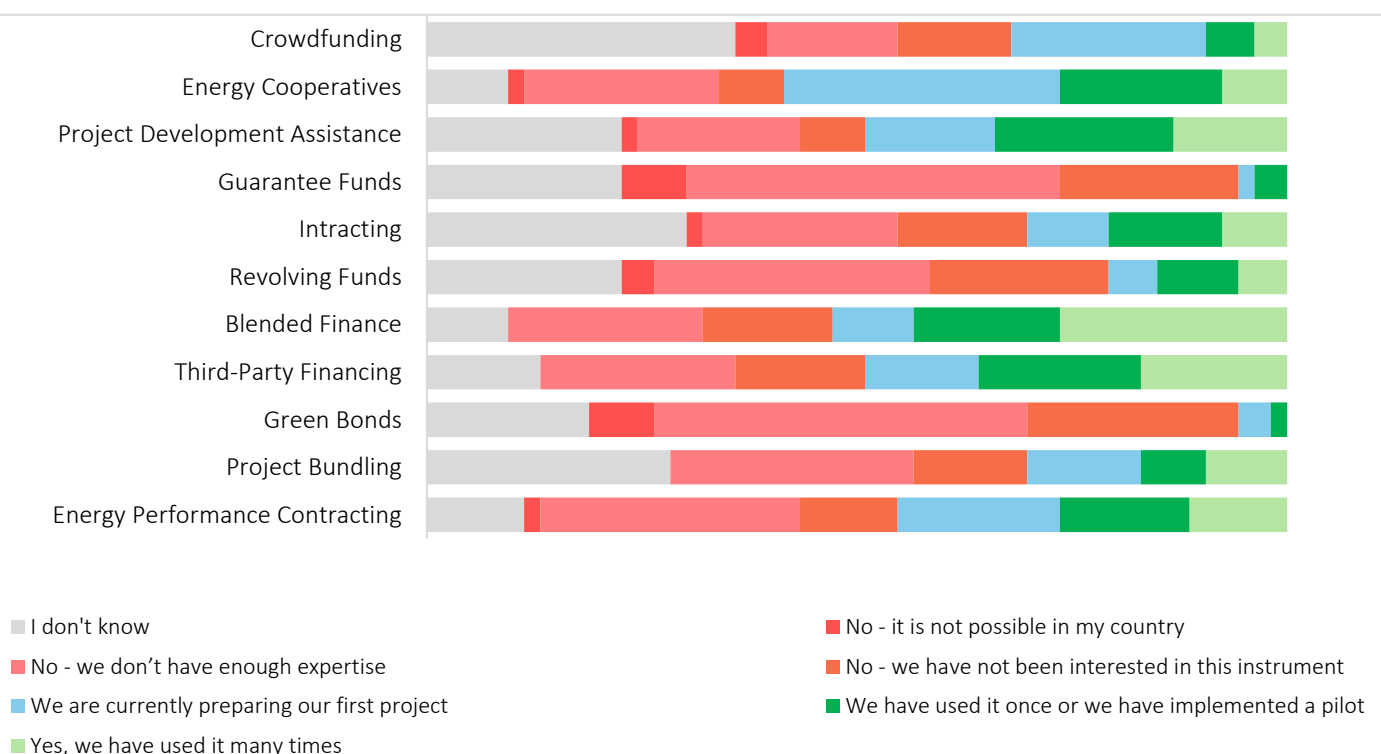
Cities highlight systemic challenges that are slowing the shift away from traditional subsidies. Key issues include **restrictive national regulations, limited local capacity, and uncertainty about engaging with private investors**. Many public authorities remain hesitant due to perceived risks, bureaucratic complexity, and a lack of transparency when selecting financing partners. Despite growing interest in alternatives to subsidies, these barriers hinder their broader adoption.

Overall, the data reveal substantial variation in readiness and experience across instruments. Many instruments, such as Green Bonds, Guarantee Funds, and Revolving Funds, are less familiar to respondents, with a significant number reporting a lack of expertise or interest. Instruments such as energy performance contracting, Project Development Assistance (PDA), and especially energy cooperatives demonstrate higher current activity, with numerous respondents preparing their first projects or having already piloted these models.

This highlights both the willingness of public authorities to experiment with new financial models and their strong need for additional capacity building, clearer guidelines, and practical support to move from preparation to consistent implementation.

The chart below summarises respondents' experience with innovative financing instruments based on responses collected during the consultation. Respondents indicated their familiarity and usage of eleven innovative financing instruments.

Figure 2: The chart summarises how respondents assessed their experience or readiness with each of the 11 instruments surveyed, highlighting those with the highest and lowest familiarity



- Public authorities need more capacity (knowledge and time): 93%
- National legislation or procurement law needs to be adapted: 71%
- Need for more advisory support: 71%
- Public authorities need more incentives to shift from traditional funding: 66%
- Underdeveloped markets and lack of private partners: 51%

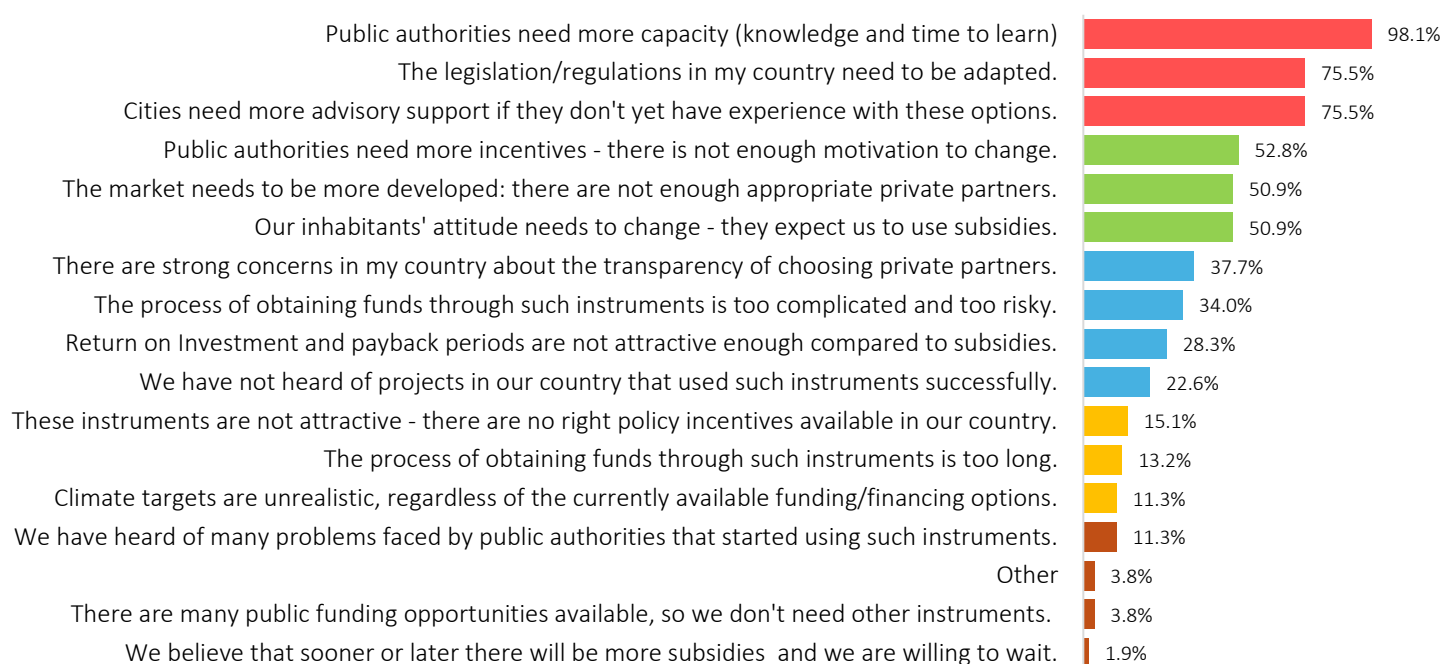
Public authorities express frustration over municipal debt caps and regulations that limit their ability to issue bonds or secure loans. Others highlight the need for more targeted capacity-building and technical assistance, especially in navigating complex legal and financial frameworks.

Political support and success stories have proven beneficial; however, inconsistencies persist in national and EU policies. persist, hindering progress.

“What's also very important is shifting the mindset from spending to investing. We need more training on entrepreneurial thinking for public officials, so they see financial planning as a means of generating long-term returns rather than just managing yearly budgets.”

Respondents also emphasised the challenges of quantifying and integrating social benefits, such as enhanced social cohesion and improved community engagement, into the financial evaluations of projects. Developing clear methodologies to measure these benefits would encourage greater buy-in from stakeholders. and private investors, thereby enhancing project feasibility and attractiveness.

Figure 3: Respondents' opinion about innovative financing instruments



These quantitative results reinforce qualitative insights: cities feel willing but unsupported, and the system remains biased toward traditional, grant-based funding logic.

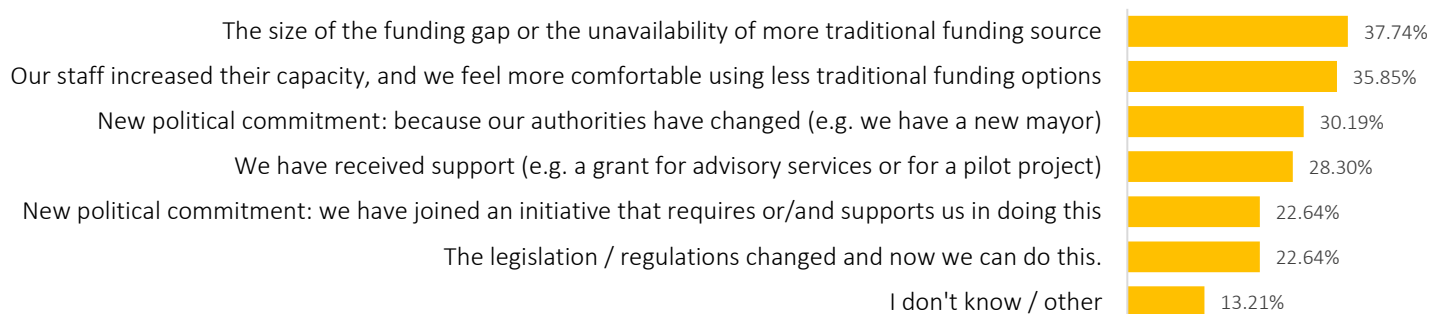
Cities are Open to Innovation but Blocked by Systemic Barriers

The consultations have highlighted the need for structured technical assistance and national support mechanisms to facilitate the transition of public authorities from interest to implementation. The majority of respondents expressed their opinions. interest or intention to use innovative financing instruments, but actual use remains limited.

While 34% of respondents report already using innovative instruments, an additional 47% are open but constrained by internal readiness, knowledge gaps or lack of political support. Only a minority reports full readiness or repeated use.

When asked what motivates them to consider innovative financing options, respondents most frequently pointed to the growing gap between local ambitions and available public funding, followed by political commitments and local leadership. This highlights a **willingness to act, provided the enabling conditions are in place.**

Figure 5. Respondents' motivations for exploring innovative financing instruments.



"If public funds are unavailable, investments rarely happen. This short-sighted approach is especially evident in the absence of a long-term development strategy"

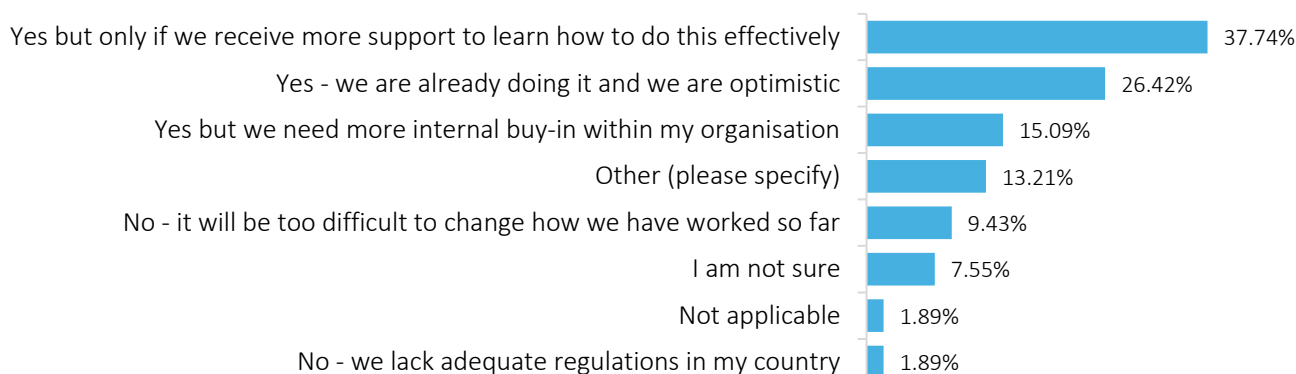
While staff in sector-specific departments, such as energy or climate, are often familiar with at least some innovative financing approaches through sectoral experience or peer learning, significant **knowledge gaps exist among staff in central funding coordination units.**

During an in-person co-creation workshop held in April 2024 with representatives from over 40 European cities, mostly personnel responsible for monitoring and coordinating funding opportunities across city departments, participants were asked about their familiarity with innovative financing instruments for energy-related projects.

The vast majority reported minimal awareness of these alternative options and were unsure whether their colleagues in energy departments had this knowledge. This finding is particularly concerning, as funding coordination units play a crucial role in assisting city departments in identifying appropriate financing sources.

This disconnect highlights institutional silos within city administrations that may result in missed opportunities. Thus, prioritising **cross-departmental knowledge sharing** and systematically integrating innovative financing into cities' overall funding strategies is essential.

Figure 4. Is your organisation already using or is planning to start using innovative financing instruments?



The challenges vary greatly by organisational type.

Large cities frequently have strategic goals aligned with EU ambitions but struggle with complex procurement processes and staff shortages. Medium-sized cities often lack cross-departmental integration and expertise in combining various funding sources.

“We hear about the need to [shift to innovative financing instruments], and we know the public sources are limited, but at the same time, the change also consumes a lot of resources”

Small municipalities, on the other hand, tend to be limited by minimal staffing, lack access to legal or financial advisors, and have limited exposure to successful examples. Additionally, NGOs and regional organisations, such as one-stop shops, participating in the consultation noted that they often act as enablers but frequently feel disconnected from national support structures.

“We are trying to help municipalities enter EPC projects, but current legal conditions and staff limitations pose a significant barrier.”

“We are planning to start a new service by providing ESCO services to public authorities in our region. However, we are still seeking knowledge transfer, legal clarity, and a proven business model.”

“Although there is an EPC project in our municipality, its implementation is very slow. The change of mayor delayed everything. Staff feel insecure, and there is no internal expertise to drive it forward.”

There are people within the administration who are motivated, but they lack political support. Without this, they won’t take the risk.”

EU-Level Barriers

Many respondents expressed concern that although EU strategies promote the use of innovative financing, the associated regulatory frameworks are not yet fully enabling in practice. Several instruments remain constrained by unresolved issues at the EU level, which either complicate national implementation or directly limit municipalities’ ability to act.

“There is scepticism among residents. They still expect cities to provide grants, not co-finance.”

“There are gaps between the EU’s expectations and the tools cities actually have access to. We need national follow-up, faster responses, and clearer frameworks.”

Respondents also emphasized that many existing **EU tools remain underutilised** because of their complexity, fragmentation, or lack of localisation. They noted that guidelines or model templates available at the EU level often do not translate into usable support unless they are tailored to national laws and administrative processes.

Public authorities also underlined the need for greater coherence between EU fiscal policy frameworks and climate objectives. Even when EU funding or policy allows for innovative approaches, outdated or conflicting public finance rules (e.g., debt caps, procurement thresholds) in Member States hinder their implementation.

“We want to move forward, but we’re stuck between ambition and outdated financial rules.”

"We need model contracts that we can adapt. Every city is reinventing the wheel."

Simplifying processes and reducing administrative burdens are critical. For instance, in the case of crowd-investing, public authorities must work through intermediaries, which increases complexity and costs. Respondents called for simpler rules and the ability for cities to manage such campaigns directly, which would necessitate a change to the EU directive.

"The biggest obstacle is that there are still few good examples, and the rules differ from country to country, making replication difficult".

Addressing the Gap at the National Level

Alongside legal ambiguity, respondents described the frustration of operating within systems where EU opportunities exist, but national rules hinder their implementation. At the national level, respondents reported a range of issues, including regulatory delays, rigid budgeting rules, and insufficient practical guidance from ministries. Even when EU directives have been formally transposed, essential regulatory and technical enablers are frequently absent. Several participants highlighted that, despite the availability of EU-level tools, national administrations often struggle to implement them effectively at the local level.

"We want to move forward, but we're stuck between ambition and outdated financial rules."

"ESCO model is not recognised or supported in our country. Companies don't offer these services because there is no enabling framework."

Respondents indicate that **national legal frameworks are not evolving quickly enough** to support local action. Some have called for enhanced collaboration between national energy and finance ministries to adapt regulations and clarify tax and procurement conditions.

For instance, while many countries have adopted legislation to enable **energy communities**, public authorities report that their practical implementation is still hindered by the lack of technical and regulatory frameworks. Additionally, some respondents emphasised that in their countries, the national public finance rules do not yet recognise citizen finance models (e.g., crowdlending) as valid co-financing for EU projects, discouraging their use even where there is strong local demand.

"Although there is an Energy Performance Contract project in our municipality, its implementation is proceeding very slowly. The change of mayor delayed everything. Staff feel insecure, and there is no internal expertise to drive it forward."

"ESCO contracts remain a legal grey area in our country. This makes both public authorities and private providers hesitant."

Some respondents also described the **absence of national follow-up** after international discussions or workshops. Even when cities acquire relevant knowledge abroad, they are unable to act on it at home because national ministries have not provided corresponding legal tools or interpretation.

"We participated in both international meetings and national workshops, but the lack of national follow-up or guidance makes it difficult to translate knowledge into action."

National fiscal rules remain a major bottleneck. Cities and municipalities are often prevented from borrowing, signing long-term performance-based contracts, or combining subsidies with loans, even when innovative financing models are theoretically allowed.

"Public procurement procedures are too long and complicated, especially for smaller cities. By the time we finalise a tender, the market has moved on."

Respondents emphasized that simply transposing EU directives is inadequate. National-level frameworks must provide enabling interpretations, standardised tools, and streamlined coordination between ministries, especially finance, energy, and environment, to empower cities to act. The emerging consensus is that **legal changes alone will not unlock financing**. Cities require coordinated, localised, and consistent support.

"Continue training technical and political personnel at the national and regional levels, not just local authorities."

Improving Cities' Trust in the Private Sector

Building trust in new instruments necessitates **tailored market development**, more dependable intermediaries, and enhanced collaboration with national actors. Municipal teams often lack the

crucial negotiation skills and standardized documentation necessary for effective partnerships with the private sector.

"We see the frustration of municipal workers and political figures who are hesitant to engage with these processes due to concerns about the long-term implications and a lack of sufficient training for their staff."

Additionally, historical mistrust of private sector involvement, particularly in Eastern European contexts, fosters resistance among local decision-makers, necessitating greater efforts to build trust gradually through smaller-scale projects. Providing public authorities with real-time negotiation support, standardized documents, and structured frameworks could empower them to secure better outcomes and balanced risk-sharing with private investors.

Public authorities demonstrated a strong **demand for EU guidance** to help national governments interpret and adapt rules that currently hinder local innovation. Overall, trust in private actors and market maturity remains low. This is particularly true for citizen finance, energy performance contracting, and guarantee funds. Banks and ESCOs are often viewed as unreliable or even absent.

Respondents often noted the lack of mature markets. **Energy Performance Contracting** was frequently cited as blocked by legal ambiguity and the absence of support structures.

"ESCO model is not recognised or supported in our country. Companies don't offer these services because there is no enabling framework."

"We tried to work with a bank, but they didn't understand the model. We ended up dropping the project."

However, Energy Performance Contracting and Project Development Assistance are among the most widely used, while green bonds and guarantee funds face significant confusion or disinterest.

Green bonds were perceived as technically demanding and restricted to only the largest cities, with some respondents uncertain whether they were even allowed to issue them.

Citizen finance models, such as energy cooperatives or crowdfunding, faced cultural barriers, regulatory uncertainty, and a general lack of political support. Moreover, many respondents stated that crowdfunding is not addressed in many national regulations, which blocks or discourages public authorities from using it.

For example, 43% of respondents stated that they lacked sufficient expertise to use green bonds, while 32% identified revolving funds as confusing or legally unclear.

Participants in the consultations also highlighted the **challenge of quantifying and integrating social co-benefits**, such as improved social cohesion, community engagement, or local quality of life, into the financial valuation of energy projects. Demonstrating these broader benefits could enhance the attractiveness of innovative financing instruments, potentially encouraging stronger support from private partners.

Disproportionate Challenges for Smaller Municipalities

Smaller municipalities require long-term, shared access to technical, legal, and financial expertise, as well as regional support structures. Respondents from small and medium-sized municipalities reported encountering more combined barriers, with over half citing a lack of capacity, limited staffing, or difficulties in accessing legal or financial advice. Many of these municipalities remain stuck at the starting line—unable to explore or even prepare projects using innovative financing models.

Smaller municipalities often struggle with complex regulatory requirements and a **lack of specialised staff**. Unlike larger cities, which may have in-house resources or external relationships to support experimentation, small municipalities often lack full-time personnel dedicated to addressing climate or finance issues. All tasks must be completed in addition to existing responsibilities. Some respondents reported having neither internal financial nor legal advisors and no budget to hire external experts.

"We are a small community, and we don't have enough financial resources. We're interested, but we're overwhelmed."

"Our city has no one working full-time on climate or finance. Everything has to happen on top of other responsibilities."

"These gaps also reinforce inequalities between municipalities—those with capacity and access to advisors can pilot or adapt to new financing models, while others continue to rely solely on subsidies and wait for clearer guidance or support."

"Our technical staff also aren't trained to handle complex contracts that mix energy performance and financial objectives".

Very small municipalities are open to innovative financing but have no technical or legal teams. We can't afford external advisors."

This capacity gap leads to missed opportunities for engaging with private partners and investors. Representatives called for increased support to help these municipalities participate in EU platforms, access technical assistance programmes, and benefit from improved access to shared expertise. Allowing smaller cities to test innovative models in a low-risk environment helps build initial trust and paves the way for broader adoption.

Some respondents indicate that financial roles in the public sector are unappealing to highly qualified professionals, leading to a shortage of internal expertise. Although external experts are occasionally

brought in, their support is not always as effective as having in-house capacity, and concerns may arise about their independence from private companies.

Respondents emphasized that support should extend beyond training to encompass hands-on assistance with project preparation, legal matters, and procurement. They advocated for establishing regional help desks, promoting intermunicipal cooperation, or co-financing technical advisors who work across multiple small towns.

Cultural Attitudes and Risk Aversion

Cities often hesitate to innovate due to **fears of legal, regulatory, and political repercussions**, which are amplified by local political dynamics and election cycles. Furthermore, there is a prevailing assumption that subsidy-based funding will eventually return. Cultural preferences for subsidies, along with public distrust of private involvement, remain widespread. A lack of awareness and resistance to change, both internally and among citizens, were particularly evident in small and medium-sized municipalities.

"There is scepticism among residents. They still expect cities to provide grants, not co-finance."

In many cases, local success depended not only on technical readiness but also on the trust and visibility of municipal leadership. Respondents noted that **mayors and senior officials play a critical role** in reducing perceived risks, both internally among staff and externally with citizens, especially when exploring financing approaches that involve private capital or citizen investment.

Several respondents mentioned that **local leaders fear public backlash** if financing instruments involve perceived risk or private sector involvement. Others noted that even well-meaning staff hesitate to move forward without clear political endorsement.

"We do not feel comfortable with using less traditional funding sources"

"Municipalities rely too much on non-refundable funds. It's the only thing we know."

"In a small municipality, trying a new financing model is risky. If it fails, it could cost you your job."

"Our mayor is not opposed to it, but he fears political backlash if something goes wrong."

It was also mentioned that municipalities require targeted support to effectively communicate with citizens and improve public awareness. Dialogue participants noted that **financial education and public engagement** are crucial to shifting mindsets away from dependence on subsidies.

Addressing **public and political scepticism** will require more support for local engagement strategies, storytelling, and leadership training.

"We need to educate not only city staff but also the local population and elected officials."

"Citizens expect grants. They are suspicious of crowdfunding or ESCOs. There is a lack of trust."

Cities Need Localised and Actionable Tools

Public authorities urgently need editable **tools and templates** that reflect their national legal realities, supported by coordinated EU-national cooperation.

Respondents consistently requested clear templates, legal blueprints, and adaptable materials, such as editable contracts, FAQs, visual explanations, and calculators, tailored to their national legal frameworks and available in their native languages, customised to their specific national contexts.

Several respondents called for **national-level capacity-building** to accompany EU tools. While many resources exist at the EU level, local authorities stressed the need for these to be operationalised through guidance tailored to national legal frameworks and procurement systems.

Several municipalities reported that even when they succeed in piloting new approaches, they struggle to replicate them due to a lack of adaptable legal templates, model procurement contracts, or pre-approved procedures.

Public authorities advocate for **standardising financing frameworks**, such as green bond issuance guidelines and blended financing structures. They recommended **developing 'white-label' solutions**—editable, standard templates that streamline complex financing procedures, helping cities quickly replicate successful models.

"We need practical knowledge, templates, and visual examples. We have no time to interpret academic reports."

"Too many webinars talk theory. We need toolkits we can use tomorrow."

"It would be great to have a library of translated materials that reflect our country's legal specifics."

Role of Local Energy Agencies, One-Stop Shops and Peer Learning

Many contributors emphasized the essential **role of energy agencies and one-stop shops** as trusted intermediaries in helping municipalities navigate the complexities of innovative financing mechanisms. They help cities bridge capacity gaps, provide technical assistance, and build trust between municipalities and private sector partners.

Respondents suggested that local energy agencies can lead small-scale pilot projects aimed at learning, demonstrating success to municipalities, and thereby reducing fear and resistance. They can act as neutral intermediaries who protect municipalities' interests when negotiating with ESCOs or other private partners, helping overcome cultural mistrust.

"Energy agencies are crucial intermediaries that protect the interests of municipalities while facilitating collaboration with private investors."

"Having partners like energy agencies, city staff see a more trustworthy process, and they can rely on a longer-term process than the political term."

"One-stop shops are the missing link, but we expect them to survive on their own. We need to support them as part of the public infrastructure."

Municipal energy agencies and one-stop shops have emerged as important actors, but their roles vary inconsistently across countries. Some local authorities benefit from strong agencies, while others see the need for more integration or support.

One-stop shops often face significant challenges to their long-term sustainability once EU project funding ends, and they frequently lack the resources to scale or compete effectively with private firms. Without stable public financing and recognition of their role as a public good, **one-stop shops risk disappearing**, despite many respondents considering them essential to meeting cities' climate targets.

"We act as an informative one-stop shop for energy issues, but our impact is limited by lack of strategic funding and staff."

"Different experts discuss instruments, but it's mostly theoretical. We need space to pilot and adapt models to our reality."

"OSS come to the ground level financially in 3-8 years. In the meantime, they will most likely not survive on the market."

Respondents emphasized that informal contact and shared legal contexts within the EU facilitate public authorities' ability to build trust, share templates, and ultimately launch joint actions. These exchanges are often more valuable than abstract toolkits alone.

Cities, municipalities and energy agencies emphasized the need for replicable rather than tailor-made solutions, utilizing pilot projects to streamline processes, thereby making it easier and quicker for municipalities to replicate these successful examples.

"The showcases of the implementation and real projects are the most inspiring. We don't need another strategy paper."

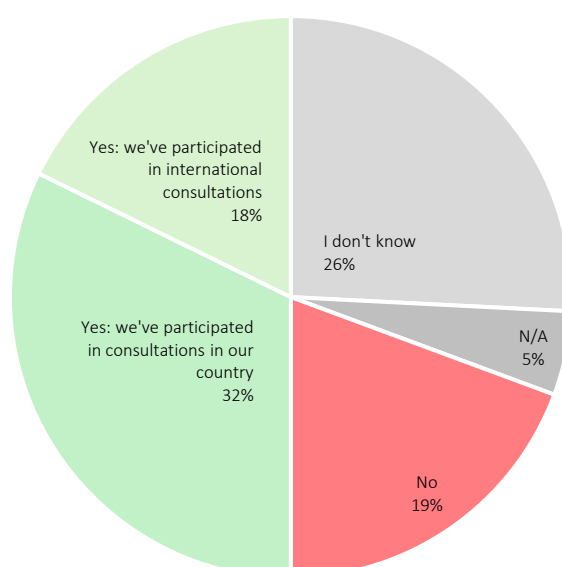
Peer exchange, mentoring, and thematic communities are essential enablers for accelerating learning and scaling practical financing solutions. Several respondents, especially those already using innovative financing, expressed a **willingness to mentor others**, replicate what works, and build a collective movement.

"Peer learning and mentoring elevated our level to a new one".

Conclusions

The majority of respondents actively participate in national or international consultations and discussions on innovative financing instruments for energy and climate action, reflecting their commitment to voicing local needs and influencing policy. However, a critical challenge remains: **ensuring the inclusion and representation of smaller, less-connected municipalities**, whose struggles and barriers to innovative financing often go unnoticed in these broader dialogues.

Figure 6: Has your city participated in consultations about less traditional funding options?



The insights presented in this report, drawn from both quantitative results and qualitative feedback, form the foundation for the specific recommendations outlined in the next section. They represent the priorities most commonly mentioned among all groups of respondents, particularly local authorities and energy agencies actively engaged in the transition.

The local level is ready to act, yet it continues to encounter significant legal, institutional, and capacity-related barriers. National and EU-level frameworks often lag behind local ambitions, resulting in disparities in cities' ability to access financing instruments and effectively implement climate action.

The continued reliance on subsidies, coupled with the unrealistic expectation that cities can transition to innovative finance alone, is no longer tenable. What they need now is clear legal frameworks, tailored technical assistance, and a fairer enabling environment.

Recommendations: Strategic Actions to Support Cities

The recommendations collected from public authorities as part of these consultations provide practical actions to reduce barriers, build capacity, and accelerate the adoption of innovative financing by local authorities. While some postulates have been reflected in the various initiatives that have already been launched, many organisations are not aware of all the opportunities. The overarching message is clear: cities are ready and willing to act, but they need coherent frameworks, localised support, and coordinated actions from the EU, national governments, and local stakeholders.

Recommendations for the European Level:

Legal Clarity and Practical Tools

1. Develop and disseminate clear, adaptable model clauses for Energy Performance Contracting (EPC), energy communities, and citizen finance, including crowdfunding and crowd-investing. These should be easily adaptable by national governments and specifically tailored to smaller municipalities.
2. Launch a multilingual, practical EU toolbox with ready-to-use templates, standardised tenders, ROI calculators, FAQs, legal explainers, and guides—fully adaptable to national regulatory contexts.

Capacity Building and Technical Assistance

3. Develop streamlined, simplified, and fast-track technical assistance schemes tailored to small and medium-sized cities, eliminating unnecessary administrative burdens in application and compliance processes.
4. Embed structured mentoring and matchmaking programmes within major EU climate strategies, connecting experienced frontrunner cities and regions directly with those less familiar with innovative financing instruments.

Supporting Local Implementation

5. Strengthen local intermediaries, such as municipal energy agencies and one-stop shops, to provide practical, hands-on assistance on the legal, financial, and technical aspects of innovative finance projects.
6. Prepare a registry connecting municipalities directly with vetted private sector actors, such as ESCOs, impact investors, and financial institutions, to facilitate trusted partnerships.

Monitoring and Encouraging National-Level Uptake

7. Implement an EU-wide indicator system publicly monitoring progress and gaps in adopting innovative financing instruments at national and local levels, enabling benchmarking, visibility, and targeted support.
8. Facilitate regular, structured, multi-level governance dialogues among EU institutions, national ministries (including finance, energy, and environment), and city networks, ensuring timely and coordinated national adaptation of EU-level innovations and legislation.

Communication and Cultural Change

9. Support city-level communication campaigns and specialised training for mayors and elected officials to tackle cultural resistance, reduce political risk aversion, and clearly communicate the value and mechanisms of innovative financing to citizens and local stakeholders.
10. Explicitly support municipal energy agencies as trusted intermediaries that help cities overcome barriers related to capacity, trust, and negotiation with private sector partners. Provide long-term, stable funding mechanisms enabling them to maintain their critical support roles, community-oriented missions, and independence.
11. Address fragmentation in EU funding and technical assistance programmes by simplifying eligibility criteria, standardising requirements across various funding sources, and reducing administrative burdens on cities, allowing them to focus on implementation rather than paperwork.
12. Support long-term viability of one-stop shops, which offer crucial community-oriented advisory services for energy transitions but struggle with sustainable business models. Ensure dedicated funding mechanisms or hybrid financing models that enable them to survive beyond initial funding cycles without compromising their public-service mission.

Recommendations for National Authorities:

Regulatory Reform and Legal Clarity

1. Conduct detailed regulatory audits and adjust national procurement rules, municipal debt caps, borrowing restrictions, and accounting regulations to fully enable the safe and practical use of innovative financing instruments, such as energy performance contracting, crowdfunding, cooperatives, green bonds, and blended finance, at the municipal level.
2. Address fragmentation at the national level by harmonising funding eligibility and reporting requirements across ministries and programmes, significantly reducing administrative burdens and improving local government capacity to deliver climate investments.

3. Publish nationally approved standard templates (contracts, prospectuses) following broad consultations and clearly aligning them with the national legal system for energy performance contracting, green bonds, blended finance, energy communities, and co-investment models.

Capacity and Advisory Support

4. Establish national-level helpdesks, mobile advisory teams, or shared-service hubs that provide municipalities, especially smaller ones, easy access to trusted legal, financial, and technical expertise.
5. Offer structured training programmes, peer-to-peer secondments, and practical negotiation support specifically designed to strengthen municipalities' capabilities in engaging confidently with private-sector investors.
6. Allow municipalities to experiment safely and innovatively by creating dedicated regulatory "sandboxes" or pilot zones with temporarily relaxed rules, clearly signalling permission to test new financing models without punitive repercussions in the event of failure.
7. Proactively support municipal-level communication and public engagement initiatives to increase local political buy-in, reduce the fear of failure, and demonstrate the tangible social co-benefits (such as social cohesion) of innovative financing projects.

Integrating Social Co-Benefits

8. Develop and publish practical guidelines and standardised methodologies for municipalities to quantify and incorporate social co-benefits (e.g., improved social cohesion, community engagement) directly into project financial evaluations, making projects more attractive to stakeholders and private investors.
9. Facilitate and fund local energy agencies and one-stop shops with clear national mandates and stable, predictable funding. This includes structural support and dedicated national programmes that ensure agencies can function effectively over the long term without resorting to commercialisation that compromises their social objectives.

Recommendations for Cities and Regions:

Clear Governance and Cross-Departmental Coordination

1. Designate clearly responsible staff or cross-departmental units to champion innovative financing options, empowered to consistently advocate for new funding strategies across all political cycles and departments.
2. Form integrated internal teams (including finance, legal, technical, and policy experts) to ensure a holistic project design and robust risk assessment before engaging with private-sector or innovative financing models.
3. Leverage municipal energy agencies and one-stop shops to lead capacity building and pilot innovative financing models, particularly in municipalities that lack internal resources. Clearly define their role as trusted intermediaries between local authorities, the private sector, and communities to improve project outcomes and reduce stakeholder mistrust.

Capacity Building and Local Expertise

4. Actively invest in local capacity through structured secondments, peer learning exchanges, and mentoring relationships with more experienced cities, intermediaries, and EU-supported platforms.
5. Initiate small-scale, lower-risk pilot projects to build internal expertise, stakeholder trust, and demonstrate the practical benefits and feasibility of new financial approaches before scaling.

Stakeholder Engagement and Political Leadership

6. Create local investment or advisory boards involving trusted local civic, legal, financial experts, and private-sector representatives to ensure legitimacy, transparency, and broader acceptance of innovative financing initiatives.
7. Engage elected officials early and provide tailored communication materials to clearly explain innovative finance methods and their benefits, ensuring political support throughout the project lifecycle.

Strategic Partnerships and Market Development

8. Proactively build local market capacity by establishing ongoing, structured partnerships with trusted local financial institutions, cooperatives, ESCOs, energy agencies, and regional intermediaries.
9. Actively participate in EU and national dialogues to advocate for simplified funding rules and reduced fragmentation; clearly communicate local implementation barriers, practical needs, and suggestions to influence ongoing national and EU-level regulatory developments and support programmes. Provide specific examples of local-level challenges and propose solutions based on practical municipal experience.

About PROSPECT+

Between 2021 and 2025, [PROSPECT+](https://www.h2020prospect.eu) (“From Learning to Action!”) brought together over 200 local and regional authorities to share their experiences with innovative financing instruments for implementing sustainable energy and climate action plans. The project focused on innovative financing, with a strong emphasis on the crucial aspects of capacity building, decision-making, and replication processes. We engaged public entities through a mentoring programme, which included international study visits and peer-learning exchanges, the Community of Practice and the Policy Dialogue.

The project is implemented by a consortium of international city networks, research institutes, public authorities and energy agencies: IEECP (coordinator), Adelphi, ENERGAP, Energy Cities, ESV, Eurocities, Fedarene, SEMMO, Tipperary Energy Agency, UPRC and Valladolid City Council.

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