ICLEI Europe's Position Paper on the EU's 2040 Climate Target

EXECUTIVE SUMMARY

In February 2024, the European Commission proposed an EU-wide 90% net emission reduction target by 2040, following the recommendation from the European Scientific Advisory Body on Climate Change (ESABCC) to set a 2040 climate target of 90- 95% emission reductions. While presenting the 2040 target in the European Parliament, Commissioner Hoekstra highlighted the need for a dialogue and an extensive outreach to discuss how to reach this crucial intermediary target of 2040.

We welcome the Commission's proposal and highlight that the EU's 2040 target should represent at least 90% emission reduction by 2040. In response to the Commissioner's call for an extensive dialogue on how to reach the target, we highlight that a timely agreement on the target level would leave more time for the development of necessary legislative frameworks and for creating enabling conditions for all levels of governments, including local and regional governments, to implement the target in a coherent, inclusive, and holistic way.

Currently 75% of the EU population lives in the cities, towns and peri-urban areas[1] and at least 70% of the European Green Deal legislation must be implemented at the city and regional level. If the accompanying legislation and enabling frameworks are developed through a multilevel governance approach and therefore create positive feedback loops between all levels of governments to address place-based implementation issues, the EU can reach even bigger emission reductions as recommended by the ESABCC.

However, the target is missing some key elements to be able to respond to the realities in European cities and regions. The following sub-targets and commitments should be included in the 2040 climate target:

- **The 2040 climate target proposal should include sectoral targets for sustainable food systems and agriculture.** Not addressing food systems, especially urban food systems, would be a missed opportunity as 70% of food is produced for consumption in cities and 70% of food is wasted in cities[2]. Addressing a socially and culturally adapted protein shift, combined with a substantial food waste reduction and minimum standards in public food procurement, bears the potential for considerable emission reductions at local level.
- A clear messaging **regarding the need for a swift phase out of fossil fuels and related existing subsidies should be included** in order to give clear direction of travel to cities and regions in their renewable and sustainable energy transition which has proven its necessity during the energy crisis. Coupled with circular practices and supported by further incentives for local and regional governments such as shifting fossil fuel subsidies to local energy transition practices, this can both increase the competitiveness of European industry and facilitate the

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[1] https://www.urban-initiative.eu/online-guidance-innovative-actions/introduction-background/context
[2] https://www.unep.org/topics/cities/urban-food-systems

acceleration of the energy transition at the local level, bringing benefits for local economy, and a more just socio-economic redistribution of benefits and costs.

- **A separate carbon removal target with sub-targets for nature-based carbon removals and industrial carbon removals should be included**, as a nature-based removal target has the potential to create synergies with other existing legislation and create important co-benefits in European cities and towns such as less air pollution, more green spaces, better nature-based adaptation policies, and ultimately healthier livelihoods.

Additionally, the building blocks of the 2040 climate target which are presented in the Commission's proposal should include the following elements to ensure a coherent 2040 climate target that can be implemented on the ground by European cities and regions in a holistic, inclusive, and well-funded manner:

- **Implementing the 2030 policy framework:** The Commission's 2040 climate target communication rightfully puts the implementation of the 2030 target as a precondition to achieving 90% emission reductions by 2040. Both the implementation of the EU's 2030 climate legislation, as well as achieving an ambitious 2040 target, will require another level of partnership and coordination between all levels of government. A structured and permanent dialogues with cities and regions to implement the 2030 policy framework, as well as to set, implement and finance the 2040 target will be of utmost importance. Therefore, **a future proof multilevel governance and a shift to a 'whole-in-government approach' must become a norm** across all relevant 2040 climate and energy legislation. Only through such multilevel governance structures, we can create constructive feedback loops between all levels of governments to address place-based issues and ensure a coherent and inclusive transition. This would also be key for the EU to achieve the priorities mentioned by the Commission president von der Leyen in her Political Guidelines 2024- 2029[3] in order to create local jobs and bolster European industries but also enhance the quality of life for citizens, ensuring that Europeans have the "right to stay" in their cities and regions as Europe stays on the course to become the first climate-neutral continent through fair, inclusive, and competitive policies and actions.
- **The EU's energy system:** The EU's 2040 climate target and accompanying energy legislation needs to better reflect today's sustainable energy system transformation and the role of local and regional governments in transforming Europe's energy systems. Local and regional governments will be setting the conditions through fast and fair permitting, planning, education and skilling initiatives which enables people's 'freedom to stay'[4]. They also play a key role in terms of supporting energy communities and increasing acceptance of renewables. Local and regional governments are also increasingly considering sufficiency, which has also been referred to in the EU's 2040 climate target impact assessment. The EU should also consider a holistic Sufficiency Strategy to support the transition in cities and regions and create necessary policy and behavioural change.
- **Decarbonising transport and improving mobility:** To reach decarbonisation in the transport sector, the EU needs a modal shift towards sustainable modes of transport led by the holistic

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[3] https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf

[4] https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf

approach of local and regional levels. The EU and Member States should work with their local and regional governments and agencies and provide dedicated financial support to move towards the most sustainable modes of transport, such as local public transport, cycling, and walking.

- **Land, food and bioeconomy:** To reach its 2040 climate target, the EU needs a holistic mitigation, adaptation and carbon removal strategy for all sectors. Cities and regions are at the frontline of climate induced disasters and biodiversity loss, but they also act as frontrunners in establishing mechanisms, structures and policies to address interconnected risks and crises. In this regard, the 2040 target proposal should be further strengthened to include necessary references to the European Environment Agency's Climate Risk Assessment[5] and the Commission's Communication on Managing Climate Risks[6], particularly regarding the consideration of non-climatic risk drivers into climate adaptation considerations, hence a more holistic approach to regional resilience. The EU's European Climate Adaptation Plan and Water Resilience Strategy that are mentioned in the Political Guidelines 2024- 2029 should also be aligned with the 2040 climate target proposal and take into consideration local realities and conditions, through consultation with local and regional governments.

- **An economy that delivers for people:** European cities and regions work towards climate and social objectives through holistic approaches that aims to advance all local communities together. The EU should also be inspired by the local implementation of social and climate policies and embrace a broader concept of Just Transition by considering how the whole of European society can adjust to the speed, scale, depth, and breadth of the climate neutrality transformation. In addition, the local level's capacity and skill needs in order to develop coherent, inclusive, and holistic, policies while issuing permits and investing in infrastructure to accelerate the transition should be addressed.

- **Industrial decarbonisation deal:** The EU's « new industrial strategy » to implement the 2040 climate target as presented in the Commission's target proposal communication, as well as the "Clean Industrial Deal" as presented in the Commission president von der Leyen's Political Guidelines 2024 – 2029 need to recognise and put the local transformation agenda at its centre.
  Only under the Climate Neutral and Smart Cities' Mission, it is estimated that 112 cities would need a combined 650 billion euros of investments[7] to become climate neutral by 2030. Adding many more cities who have taken climate pledges under the EU initiatives like the EU Covenant of Mayors and the Intelligent Cities Challenge to this picture; enormous needs in regard to clean technology material, innovative solutions and investments become clear. Therefore, any industrial policy that would be developed to accompany the implementation of the 2040 climate target should take into account the potential as well as the needs of cities and regions in order to ensure large scale city decarbonisation and resilience. Additionally, the role that local and regional governments can play in mainstreaming the circular economy and practices should be recognised.

- **Investing in our future:** European cities and regions need to go through massive social, economic and infrastructure transformations to implement the 2040 climate target in a way

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[5] https://www.eea.europa.eu/publications/european-climate-risk-assessment
[6] https://ec.europa.eu/commission/presscorner/detail/en/qanda_24_1386
[7] https://www.reuters.com/sustainability/sustainable-finance-reporting/eu-backs-650-billion-euro-plan-help-cities-reach-net-zero-by-2030-2024-06-25/

that is sustainable, resilient, fair and resource efficient. This local transformation would require the mobilisation of public and private funds in a way that is more responsive to locally developed integrated and holistic action and investment plans. There is a clear need for better and targeted public and private financing to be channelled to implement projects and infrastructure that deliver multiple impacts and co- benefits for society at the local level, while achieving the EU's climate and energy objectives. From the next EU budget to public procurement, from national to private financing, all monetary, budgetary and investment policies need to become accessible to the local and regional level to play their role in implementing the 2040 climate target. To ensure that the EU's 2040 climate target is implemented in every town, city and region in Europe, local and regional governments' holistic and place-based climate investments should become a priority for the EU's next Multiannual Financial Framework.

Finally, it is important to highlight the need to recognise and consider local and regional governments' cultural actions in order to create behavioural change and increase the acceptance of climate policies, in the context of the EU's upcoming 2040 climate target. This aspect is completely overlooked in the climate target discussions and considerations. However, during the implementation of the EU's climate and energy targets, the local and regional governments will play a crucial role through pointing the way to environment-conscious lifestyles while creating a feeling of belonging to a society based on common cultural legacies, historical experiences and shared values.

ICLEI Europe and our members, stand ready to work with the European Council, the Commission and the Parliament to set and pave the way for the implementation of an ambitious and science-based 2040 climate target that would also bring co-benefits for every inhabitant across Europe.

ASSESSMENT OF THE EU'S 2040 CLIMATE TARGET FROM THE LOCAL AND REGIONAL GOVERNMENTS' PERSPECTIVE

Following the requirements of the EU Climate Law and following the European Scientific Advisory Board on Climate Change (ESABCC)'s recommendations, in February 2024, the European Commission proposed an EU-wide 90% net emission reduction target by 2040. ICLEI Europe, aligned with the ESABCC's recommendations, supports **an EU – wide 2040 climate target of at least 90% emission reductions.**

However, some important sub-elements of the EU's 2040 target should be clarified to accelerate the climate action at the local and regional level. These are the inclusion of:

- **The 2040 climate target proposal should include sectoral targets for sustainable food systems and agriculture.** Not addressing food systems, especially urban food systems, would be a missed opportunity as 70% of food is produced for consumption in cities and 70% of food is wasted in cities[8]. Addressing a socially and culturally adapted protein shift, combined with a substantial food waste reduction and minimum standards in public food procurement, bears the potential for considerable emission reductions at local level.
- A clear messaging **regarding the need for a swift phase out of fossil fuels and related existing subsidies should be included** in order to give clear direction of travel to cities and regions in their renewable and sustainable energy transition which has proven its necessity during the energy crisis. Coupled with circular practices and supported by further incentives for local and regional governments such as shifting fossil fuel subsidies to local energy transition practices, this can both increase the competitiveness of European industry and facilitate the acceleration of the energy transition at the local level, bringing benefits for local economy, and a more just socio-economic redistribution of benefits and costs.
- **A separate carbon removal target with sub-targets for nature-based carbon removals and industrial carbon removals should be included**, as a nature-based removal target has the potential to create synergies with other existing legislation and create important co-benefits in European cities and towns such as less air pollution, more green spaces, better nature-based adaptation policies, and ultimately healthier livelihoods.

Additionally, to enable all levels of governments, especially local and regional governments, to play their role in achieving the 2040 climate target through a coherent, holistic and inclusive way, **we recommend the EU co-legislators to strengthen the building blocks presented in the European Commission's 2040 climate target communication as follows**:

Implementing the 2030 policy framework and developing the legislation regarding the 2040 climate target through a multilevel governance approach

The Commission's 2040 climate target communication rightfully puts the implementation of the 2030 target as a precondition to achieving 90% emission reductions by 2040. Both the **implementation of the EU's 2030 climate legislation, as well as achieving an ambitious 2040**

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[8] https://www.unep.org/topics/cities/urban-food-systems

target, will require another level of partnership and coordination between all levels of government.

Current legislation to implement the EU's 2030 climate and energy targets include a number of requirements for a better collaboration of national, regional and local governments. For instance, Article 11 of the Governance Regulation provides an important starting point to establish such consultation and collaboration space at the national level as it requires the establishment of a multilevel climate and energy dialogue. In addition, a number of processes under the Fit for 55 legislations, such as National Renovation Plans and National Social Climate Fund Plans, could facilitate the multilevel governance and action. However, as seen from the Commission's assessment[9], not in all Member States multilevel governance and dialogue is happening in a structured or systemic way.

This **lack of coordinated action between the national, regional and local levels also risk jeopardising the implementation of the EU's targets**, as well as the governance of climate risks which might reverse back climate action[10]. Reaching at least 90% emission reduction by 2040 would certainly require another level of multilevel action and coordination between all levels of government. To avoid similar challenges that are currently faced at the national, regional and local level, **a future proof multilevel governance approach must become a norm.** Therefore, the multilevel governance approach must be advanced to a '**shared governance' approach**, mainstreamed and **become binding across all relevant 2040 climate and energy legislation.**

Through a systemic multilevel governance approach, Member States can work more closely with their local and regional governments to plan, implement and finance the 2030 EU climate and energy targets, create positive feedback loops to address concrete, place- based implementation challenges. This would also be key for the EU to achieve the priorities mentioned by the Commission president von der Leyen in her Political Guidelines 2024- 2029[11] in order to create local jobs and bolster European industries but also enhance the quality of life for citizens, ensuring that Europeans have the "right to stay" in their cities and regions as Europe stays on the course to become the first climate-neutral continent through fair, inclusive, and competitive policies and actions. Therefore, **structured and permanent dialogues with cities and regions to set the 2040 target, as well as a systemic multilevel governance approach for financing and implementation will be of utmost importance for its success.**

An economy that delivers for people

The framework legislation to implement the 2040 climate target should put people at the heart of the transition to climate neutrality and resilience. In the current EU legislation, the concept of Just Transition is tended to be seen as a part of the energy transition debate. To implement a robust science-based 2040 climate target, the EU should increasingly embrace a broader concept

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[9] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A796%3AFIN

[10] https://ec.europa.eu/commission/presscorner/detail/en/qanda_24_1386

[11] https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf

of Just Transition by considering how the whole of European society can adjust to the speed, scale, depth, and breadth of the climate neutrality transformation.

As presented in ICLEI Europe's policy briefing "Towards a just transition", the local level is a crossroads where broad policy agendas intersect with peoples' lives. The experience from ICLEI member cities and regions shows that it is key to identify and work towards climate neutrality and social equity objectives at the same time. Indeed, it is highly unlikely that ambitious climate targets will be reached without a robust social approach. In this regard, we support the proposal from the EESC opinion "Advancing the EU's just transition policy framework" in its demand to *"enshrine just transition in all EU institutions and enhance policy coherence across different policy areas, setting clear and measurable objectives and ensuring that all EU policies are consistent with the cross-cutting objective of a just transition."*

Local skills is another important aspect of the 2040 discussion that would put the people at the heart of the transition. According to the Local Staff for Climate campaign[12], to decarbonise cities across the EU, local governments would need 214,000 new local staff by 2030. This would bring a cost around €16 billion per year at the EU level, which would mean around a 53% increase in employee expenditures. Considering actions that need to be taken to reduce emissions by at least 90% by 2040, these numbers would be even higher.

Whilst it represents a challenge in terms of finding necessary staff and creating budgets, a skilling programme also represents an opportunity enabling local inhabitants' 'freedom to stay' in their cities and avoid brain drain, which is an increasing concern of sending cities and regions as mentioned by Commission President von der Leyen in her Political Guidelines 2024-2029. Therefore, the EU's 2040 climate target should be accompanied by a strong action plan to address the issue of local skills and increase cities and regions' in-house skills and workforce. This will - not at least - importantly contribute to increasing communities' support for the climate neutrality transformation.

The EU's energy system

The EU's 2040 climate target needs to better reflect today's sustainable energy system transformation and the role of local and regional governments in transforming Europe's energy systems. Today, cities and regions across Europe are leading ambitious action to transition away from fossil fuels and towards sustainable and renewable energy systems. With local and regional governments being not only the level closest to Europeans and playing a key role in terms of supporting collective energy actions such as energy communities and collective self-consumption schemes which help in increasing enthusiasm for renewables, they are also responsible for permitting large scale deployment of renewables, hydrogen, and modernisation of local grid.

The recent revision of the Renewable Energy Directive (RED III)[13] sets ambitious targets for permit granting of renewable energy installations as well as deadlines for permitting authority

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[12] https://www.localstaff4climate.eu/
[13] Renewable Energy Directive (RED III)

responses. The recent communication on the deployment of Hydrogen Valleys[14] also reminds the important role that local and regional governments will play in their permitting and infrastructure planning for green hydrogen. Local governments are key in promoting in renewable energy valleys as shown in the Crete Valley project[15]. Local government will be setting the conditions through permitting, planning, education and skilling initiatives, as well as working with local communities to increase the public acceptance of these projects. In this regard, the energy legislation that would be accompanying the 2040 climate target must take into account the role of local and regional governments in ensuring fast and fair transition. Operationally, to address the urgency and the needs of a Just Energy Transition, local governments need to be enabled to accelerate the deployment of renewables and grids based on more effective and streamlined permitting procedures.

Additionally, the 2040 climate target proposal should be strengthened through including a fossil-fuel phase-out date and a commitment to end fossil-fuel subsidies which, according to the ESABCC, have remained stable at €50 billion per year[16]. These fossil fuel subsidies could be redirected to support the transition at the local level. Together with the power sector's modelled decarbonisation in the years 2031-2040, these provisions would give clear signals to markets and create incentives to direct public investments towards the renewable energy transition.

Finally, as sufficiency, which has been also referred to in the EU's 2040 climate target impact assessment, is becoming a new and essential pillar of the energy transition. It would be crucial that the EU's 2040 climate target is accompanied by a coherent, cross- sectoral and holistic EU Sufficiency Strategy that proposes binding targets for energy and material consumption.

These changes require a new way of thinking about energy systems that can support the local energy transition, provide security, and centre the needs of people. With the increasing citizen led energy transition at the local level, it is clear that both centralised and decentralised energy infrastructures would need to be built and supported simultaneously in order to reach a fossil-free, climate neutral Europe.

Industrial decarbonisation deal

The EU's « new industrial strategy » to implement the 2040 climate target and « Clean Industrial Deal» that President von der Leyen proposed needs to recognise and put the local transformation agenda at its centre.

The EU's subnational governments mobilise around 58%[17] of climate-significant public expenditures, surpassing their central governments. The local and regional level also holds the highest potential to ensure democratic stability as business, local actors and people get directly involved with decision-making, allowing people to experience the impacts and benefits of political

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[14] https://research-and-innovation.ec.europa.eu/document/download/e5e75789-d4d8-42aa-8c99-3f33b2f5b935_en?filename=ec_rtd_swd-2024-159-f1.pdf
[15] https://cretevalley.eu/
[16] https://climate-advisory-board.europa.eu/news/eu-climate-advisory-board-focus-on-immediate-implementation-and-continued-action-to-achieve-eu-climate-goals
[17] https://www.oecd.org/regional/subnationalexpendituretracking.htm

decisions first hand. In this regard, cities and regions will play a fundamental role in investing in clean technologies, creating local jobs and ensuring that Europe becomes the first climate-neutral continent, through inclusive policies.

For illustration, it is estimated that the 112 cities driving their climate-neutrality by 2030 under the Climate Neutral and Smart Cities' Mission would need a combined 650 billion euros of investments[18]. The enormous needs – and investment potential –for clean transition solutions to ensure large scale city decarbonisation and resilience become obvious when adding the many more cities with climate and nature pledges to this picture inside or outside EU initiatives like the Covenant of Mayors, the Green City Accord, or the Intelligent Cities Challenge.

It is unfortunate that the EU's 2040 climate target proposal overlooks this potential and limits the role of local and regional governments to public procurement. The design, planning and implementation of a new clean industrial plan needs to be built through structured dialogues and involvement of all levels of governments. A coordinated, collaborative planning and implementation process would greatly contribute to accelerating the transformation to climate neutrality and the implementation of the European Green Deal by and across all levels of governments. **Therefore, any industrial strategy and policy that would be developed to accompany the implementation of the 2040 climate target should take into account the needs of cities and regions, as well as the market potential they offer.**

Additionally, the EU needs to harness the yet untapped potential of circularity, accelerate its transition to a circular economy and recognise the role that local and regional governments can play in mainstreaming the circular economy and practices. It is a step in the right direction that the Commission's 2040 climate target impact assessment recognises the circular economy as a crucial factor for the 2040 target, through both material efficiency on the supply side and sufficiency on the demand side[19], in line with previous recommendations from the ESABCC[20].

As shown in the recent Circular Cities Declaration report[21], cities and regions can play a key role in addressing multiple overlapping planetary risks and crises require by putting in place sustainable resource management practices. Nevertheless, the circular economy at the local level is mostly focusing on waste management and on downstream solutions. Only a handful of cities have been able to set sustainable resource management targets. It remains difficult to assess material footprints, first at product level and even more at city level, which is why an enabling framework that would effectively discourage the use of virgin materials is also required. As put forward by the EEA, **binding targets on material consumption, alongside the provision of guidance and best practices to support cities, are needed to successfully implement the 2040 target.** In support, investment in infrastructure needs to shift towards upstream solutions, which focus on upper stages of the waste hierarchy, such as refuse or re-use, and which have the biggest emission reduction potential. By fully acknowledging the role of sufficiency, the reduction

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[18] https://www.euractiv.com/section/energy-environment/news/eu-backs-650-billion-euro-plan-to-help-cities-reach-net-zero-by-2030/

[19] Impact Assessment, Section 4, p85, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52024SC0063

[20] p82, https://climate-advisory-board.europa.eu/reports-and-publications/towards-eu-climate-neutrality-progress-policy-gaps-and-opportunities

[21] https://circularcitiesdeclaration.eu/about/ccd-report

of material consumption would ultimately improve EU competitiveness and resource independence. The Circular Economy Act, promised by Commission President von der Leyen in the Political Guidelines 2024- 2029, should ensure delivering these elements.

Decarbonising transport and improving mobility

To reach decarbonisation in the transport sector, the EU needs a modal shift towards sustainable modes of transport led by the holistic approach of local and regional levels: It is a welcome step that the impact assessment accompanied the EU's 2040 climate target proposal projects that 60% of cars will be electrified by 2040. However, while electric cars are part of the equation, it is essential to also aim for a significant modal shift from private cars to public transport, cycling, walking, and shared mobility services. Such a modal shift remains the single most important driver of reduced emissions and congestion. Alternatives to the car and sustainable mobility modes should be part of the same system, so that their use is as seamless as possible. This should also happen in combination with disincentivising private car use. The EU and Member States should work with their local and regional governments and agencies and provide dedicated financial incentives to move towards the most sustainable modes of transport, such as local public transport, cycling, and walking.

Land, food and bioeconomy

To reach its 2040 climate target, the EU needs a holistic mitigation, adaptation and carbon removal strategy for all sectors including but not limited to sustainable food systems and agriculture sectors. Cities and regions are at the frontline of climate induced disasters and biodiversity loss, but they also act as frontrunners in establishing mechanisms, structures and policies to address interconnected risks and crises. In this regard, the 2040 target proposal should be further strengthened to include necessary references to the European Environment Agency's Climate Risk Assessment[22] and the Commission's Communication on Managing Climate Risks[23], particularly regarding the consideration of non-climatic risk drivers into climate adaptation considerations, hence a more holistic approach to regional resilience. The EU's European Climate Adaptation Plan and Water Resilience Strategy that are mentioned in the Political Guidelines 2024-2029 should also be aligned with the 2040 climate target proposal and take into consideration local realities and conditions, through consultation with local and regional governments.

A separate carbon removal target with sub-targets for nature-based carbon removals and industrial carbon removals need to be included. To reach climate neutrality by 2050, European cities and regions need to be empowered to implement both mitigation, adaptation and carbon removal policies. The proposed net 90% emission reduction target fails to include separate targets for nature-based and industrial carbon removals. While setting these targets, the priority should be given to nature- based carbon removals.

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[22] https://www.eea.europa.eu/publications/european-climate-risk-assessment
[23] https://ec.europa.eu/commission/presscorner/detail/en/qanda_24_1386

While the EU's natural carbon sinks are decreasing, several new pieces of legislation such as the EU Nature Restoration Law have the potential to restore and rehabilitate Europe's carbon sinks, not only in nature protected areas but also in cities and towns. Therefore, a nature-based removal target has the potential to create synergies with other existing legislation and create important co-benefits in European cities and towns such as less air pollution, more green spaces, better nature-based adaptation policies, and ultimately healthier livelihoods. Without setting separate nature-based carbon removal targets and supporting this target through an EU wide holistic, systemic land-use policy and approach, the EU risks some important trade-offs and losing its key ecosystems and livelihoods and leaving all those who depend on these ecosystems behind.

Additionally, through supporting the [COP28 UAE Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action](#), the EU committed to integrate agriculture and food systems into its climate pledges. However, **despite this commitment at COP28, the EU's 2040 climate target proposal does not include sectoral targets for sustainable food systems and agriculture. Not addressing food systems, especially urban food systems, would be a missed opportunity as 70% of food is produced for consumption in cities and 70% of food is wasted in cities. Addressing a socially and culturally adapted protein shift, combined with a substantial food waste reduction and minimum standards in public food procurement, bears the potential for considerable emission reductions at local level.** In this regard, the EU's 2040 climate target proposal must be accompanied with an ambitious Sustainable Food Systems legislation.

Investing in our future

The European Commission's 2040 target proposal rightfully presents the EU's climate policy as an investment policy as more than 1.5 trillion EUR per year will be needed only for the energy and transport sectors to achieve the target[24].

European cities and regions need to go through massive social, economic and infrastructure transformations to reach climate neutrality in a way that is sustainable, resilient, fair and resource efficient. This local transformation would require the mobilisation of public and private funds in a way that is more responsive to locally developed integrated and holistic action and investment plans. The scale of transformation that would need to happen at the local and regional level requires a new ways of financing climate action. **There is a clear need for better and targeted public and private financing to be channelled to implement infrastructure and other projects that deliver multiple impacts and co-benefits for society at the local level, while achieving the EU's climate and energy objectives: From the next EU budget to public procurement, from national to private financing, all monetary, budgetary and investment policies need to be climate -proofed and become accessible to the local and regional level to play their role in implementing the 2040 climate target.**

EU Budget: As mentioned previously, the EU's subnational governments mobilise around 58% of climate-significant public expenditures. Compared to the 30% climate earmarking of the EU budget, subnationals invest almost double the amount in climate action[25]. Since this high level of

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[24] https://ec.europa.eu/commission/presscorner/detail/en/qanda_24_589

[25] https://www.oecd.org/regional/subnationalexpendituretracking.htm

local-level climate investment is mostly related to key infrastructures from transport to the energy sector that require a place-based approach, it is also clear that cities and regions' investment capacity will not be sufficient to address these needs.

There have been a number of special instruments in recent years (such as the EU Recovery and Resilience Facility, Social Climate Fund), in addition to the well-known structural funds such as the European Regional Development Fund (ERDF), which could be used proportionally or in total for investments in the transformation of infrastructure and services. However, their distribution and use at the local level depends on processes, objectives and priorities set up at the national and regional levels.

To ensure that the EU's 2040 climate target is implemented in every town, city and region in Europe, local and regional governments' holistic and place-based climate investments should become a priority for the EU's next Multiannual Financial Framework. This would mean prioritising bottom-up planning and financing approaches such as Integrated Territorial Investments (ITI) under the European Structural and Investment Funds (ESIF).

Additionally, financing of local and regional governments' climate action should change from focusing on small-scale fragmented individual projects to supporting their action and investment programmes. Currently, fragmented and narrow support of many programs aimed at cities and municipalities across ministries/institutions and levels lead to considerable transaction costs, which further reduce the already limited funds, increase administrative burden and at the same time make their use more difficult. A strategic pooling of programs and funds at the respective government level and coordination across levels would improve access and availability of funding - and significantly reduce transaction costs. Such an approach would also enable multilevel investment planning and reporting to be much easily integrated in the National Energy and Climate Plans, improve access to funding for cities and regions, enhance outcomes, and save costs.

Public Procurement: The EU public procurement expenditure accounts for around 14% of the total EU GDP, around €2 trillion per year. **To unlock the potential of public procurement, all public authorities, from the European Commission to local governments, should adopt a strategic and sustainable procurement approach.** While an increasing number of public authorities across Europe are using their procurement capacity to implement the European Green Deal objectives, there are still a number of legislative bottlenecks that remain.

The use of qualitative award criteria under the current Public Procurement legislation is an important tool regarding sustainable and innovative procurement. This approach has been further strengthened thanks to the Net Zero Industry Act which incentivises the purchase of net-zero technology products and requires that environmental sustainability contribution to be a mandatory minimum requirement, while the resilience contribution will be applied if there is a third-country dependence of more than 50% for a specific strategic net-zero technology (or for its components).

However, to reach at least 90% emission reduction by 2040, the role of public procurement needs to go beyond the net zero technologies and consider realities "on the ground". Therefore, **a**

comprehensive review of the procurement legislation, as promised by President von der Leyen in the Political Guidelines 2024- 2029, to align all its elements with the Green Deal objectives and the EU's 2040 emission reduction target should be envisaged based on engagement with contracting authorities and their networks. With this in mind, and to ensure a widespread uptake, any new sustainable public procurement measure should follow principles of clear drafting and remove unnecessary jargon or obscure references. Concrete requirements regarding climate impact monitoring and reporting should also be incorporated into any review of procurement legislation to ensure that impacts are accurately monitored.

National financing: At the national level, taxation and fiscal rules must enable local governments to invest in the local transition. Additionally, there is a need to change debt rules to enable local governments to invest in operations to increase local capacities (immaterial investment) and to enable an EU-wide legal mandate to raise new local taxes to finance the energy and climate transition.

This should go hand in hand with phasing out environmentally harmful and fossil fuel subsidies and redirecting these amounts to the local and regional governments to support their transition to climate neutrality. It would also reduce the dependence of national and local budgets to fossil fuels and accelerate transition to clean energy.

Private financing and alignment of taxonomy for cities: Thanks to the EU's recent sustainable finance framework, there is an increasing interest and financial flows towards climate neutrality. However, it is still not straightforward for cities and regions to mobilise private finance. Especially, from high transactional costs to the lack of local staff with private finance experience, a number of obstacles remain for the mobilisation of private finance. To align the purposes of public and private finance and increase their transformative potential at the local level, a number of enabling factors should be considered:

- The taxonomy framework should align with urban contexts: Currently, the EU taxonomy is not fully aligned with local needs. For instance, it doesn't recognize urban runoff waters or urban parks, focusing solely on wastewater and forestation. Alignment of the EU taxonomy with local needs and local actions and programmes would facilitate its use with local and regional investments and therefore, facilitate their access to private financing. In support, capacity building programmes are needed to build-up local capacities to apply taxonomy and to increase its use at the local level.
- A model of a local or regional finance facility (e.g a public-private special purpose vehicle) serving as a programme focused investment entity could be one way of overcoming some of the obstacles. The European Commission should consider supporting the option by considering rules, regulations and requirements in funding programmes to help mobilise funds for cities and regions.

Besides these building blocks mentioned in the Commission communication, the EU co-legislators, especially Member States should recognise and support local and regional governments' culture actions in order to create behavioural change to achieve the 2040 climate

target and support the implementation of the UNFCCC COP 28 call to put culture at the heart of climate action[26].

Culture and heritage provide powerful vectors for supporting pathways that strengthen behavioural change in the context of sustainable development and eradicate poverty and reduce inequalities. Artists, creative activists, designers, culture and heritage institutions, enlightened policy-makers and communities have the power to challenge inherited mindsets and imagine alternative visions and examples of sustainable futures, pointing the way to environment-conscious lifestyles while creating a feeling of belonging to a society based on common cultural legacies, historical experiences and shared values.

The role of regional and local governments in strengthening socio-cultural enabling conditions for responding to climate change, and for strengthening resilience and avoiding maladaptation through using their museums, archives, libraries, monuments and other cultural institutions should be recognised.

Local and regional governments can foster a sense of community and belonging which can both boost social cohesion and overall well being, and accelerate collective climate action. They can also support policies and measures that are both environmentally sustainable and culturally sensitive, promoting traditional methods that align with modern sustainability goals.

In summary, local and regional governments can maximise climate, social, and environmental co-benefits by embedding cultural heritage considerations into their adaptation and mitigation activities, thereby enhancing the resilience and vibrancy of their communities.

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[26] https://www.climateheritage.org/jwd