Climate Finance Forum
modalities and first tasks

European Economic and Social Committee
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<td>CDC</td>
<td>Caisse des Dépôts</td>
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<td>CF</td>
<td>Cohesion Fund</td>
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<td>COP</td>
<td>Conference of the Parties</td>
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<td>EAGF</td>
<td>European Agricultural Guarantee Fund</td>
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<td>European Local Energy Assistance</td>
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<td>European Maritime and Fisheries Fund</td>
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<td>Emissions Trading System</td>
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<td>Greenhouse Gas</td>
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<td>Inter-governmental Panel on Climate Change</td>
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<td>JASPERS</td>
<td>Joint Assistance to Support Projects in European Regions</td>
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<td>Just Transition Mechanism</td>
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<td>Loan Guarantee Facility</td>
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<td>Long-Term Strategy</td>
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Abstract

The study provides a review of the issues facing non-state actors in accessing climate finance in the EU. Non-state actors, including local and regional authorities, businesses (including SMEs), trade unions, civil society and NGOs, face specific challenges when accessing climate finance. These can include the absence of enabling regulatory and policy frameworks, information barriers, internal capacity constraints and a group of challenges related to restricted availability of climate finance. While finance is available from EU and international institutions, as well as through private sources, such as institutional investors, gaps remain. A Climate Finance Forum would provide a platform for non-state actors and investors to work together to develop solutions for meeting these gaps and overcoming barriers.
Executive summary

All parts of society, including governments at all levels, industry and communities, will need to contribute to meeting our climate change goals, particularly if we are to keep global temperature rises to under 1.5°C above pre-industrial levels.

The need for rapid mobilisation of climate finance to meet the European Union’s policy goals and international commitments is clear. The investment gap is great: during the 2021-2030 period, it is estimated that an additional EUR 260 billion will be needed each year for the EU to meet its current 2030 targets\(^1\). As EU ambition is scaled-up, in line with the European Green Deal, it is estimated that EUR 1.42 trillion of investments in the energy and transport sectors will be needed in the period 2031-2050\(^2\). The recovery from the COVID-19 crisis will lead to greater demands on potentially scarcer public and private sources, potentially making the climate finance landscape more challenging, especially for smaller actors.

The scale of the investment gap means that finance from both public and private sources will need to be mobilised. The European Green Deal directly addresses this, by outlining actions on sustainable finance to be pursued in the coming years, including a new Sustainable Europe Investment Plan, a support mechanism for the most affected regions by the low-carbon transition (the Just Transition Mechanism), and a renewed Sustainable Finance Strategy.

While international climate policy debates tend to focus on national governments as the main actors, many other ‘non-state’ actors play an important role in the development and implementation of climate strategies and measures. These non-state actors include public authorities at the local and regional levels, businesses and financial sector organisations, including small and medium-sized enterprises (SMEs), cooperatives, trade unions, and civil society and non-governmental organisations (NGOs). These stakeholders are often critical to successful climate action, as they hold the information needed for effective climate mitigation and adaptation actions and they are central to implementation of actions at the ground-level.

However, non-state actors often face specific challenges and barriers in taking climate action, particularly in accessing finance for climate action. The European Economic and Social Committee (EESC) has proposed establishing a Climate Finance Forum to bring together relevant stakeholders to discuss the main barriers to accessing climate finance for non-state actors and identify ways forward. This study seeks to support the EESC in this working by: mapping of the sources of climate finance for EU non-state actors; identifying the main problems with access to climate finance for non-state actors and good practices for addressing these barriers; and providing recommendations on the first actions for establishing a Climate Finance Forum and how it could improve the access of non-state actors to finance for climate action.

Non-state actors can contribute to climate action in three main forms: individual actions by the actors themselves, such as actions by local or regional government authorities, businesses or consumers in their own decisions and actions; collective actions by networks or groups representing non-state actors; or cooperative actions bringing together different types of actives. These actions can often have pioneering or innovative approaches, and, particularly where national political consensus on climate action is missing, the approach of ‘leading by example’ can be important.

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\(^1\) European Commission, COM(2019) 285
Local and regional authorities can play an important role in directly implementing climate measures at the local level and adapting national policy measures to the local context. Their competences in areas such as local transport planning, land-use planning and waste management means that they can play an important role in directly contributing to national climate efforts. Networks of subnational authorities, notably the EU Covenant of Mayors for Climate and Energy, have played an important role in mobilising local action on climate change. Companies (including SMEs), employer groups and trade unions can also play an important climate role, through their business activities, which can help to identify, develop and deploy new products and technologies with climate benefits. Civil society, NGOs and the research community also play a critical role in building the evidence base and public support for climate action and identifying and piloting new approaches to reducing emissions and building climate resilience. Despite these strengths, these actors are often impeded in their work by insufficient financial resources.

Mapping climate finance for non-state actors
The study mapped climate finance available to non-state actors in the EU based on a desk-based review of EU funds and other sources of climate finance, including private finance. The sources identified can be categorised as EU funding programmes, international climate finance, and other sources including private sources.

Non-state actors can be eligible for EU financing for climate action under a number of EU funding programmes. In the current 2014-2020 financial period, the EU has committed to allocating 20% of its budget to achieving climate objectives; in the 2021-2027 financial period the Commission has proposed a climate action target of at least 25%. Grants are available for research and innovation actions under Horizon 2020, for environmental and climate actions through the LIFE programme, and for actions supporting the competitiveness of SMEs under COSME. Finance may also be available, in the form of grants or financial instruments, under the funding programmes that fall under the European Structural and Investment Funds, including the European Regional Development Fund and the Cohesion Fund. The Cohesion Policy programmes form the largest share of EU funding available for climate action; as the management of these funds is shared between the European Commission and the Member States the ability of non-state access to these funds depends on how Member States programme these funds.

Financial instruments are available for climate action through a number of EU funding programmes, including European Fund for Strategic Investments (EFSI), Horizon2020, LIFE and COSME. Financial instruments provide support in the form of concessional loans, loan guarantees or equity. Relevant programmes include the Natural Capital Financing Facility (NCFF) and the Private Finance for Energy Efficiency (PF4EE) facility, both of which are part of the LIFE Programme. Advisory and support services are also provided through EU programmes to aid potential beneficiaries in project development and financing. The Joint Assistance to Support Projects in European Regions (JASPERS) programme and supports authorities and project promoters, but is largely focused large infrastructure projects. The European Local Energy Assistance (ELENA) initiative supports local authorities in preparing energy efficiency and renewable energy projects; however, the emphasis is also on large projects (more than EUR 30 million). The European Investment Advisory Hub (EIAH) can support project promoters seeking EFSI funding during the development of their projects. In addition, the European Commission has published a number of guidance documents for funding applicants.

While a number of changes are foreseen in the next financial period, starting from 2021, most of the funding programmes relevant to climate action will remain in place with some small changes. COSME will be merged with other funding programmes into a Single Market Programme, which will include grant programmes for SMEs. The InvestEU programme will combine EFSI with the other financial instruments in the current framework (including the NCFF and PF4EE), and will have an
overall climate action target of 30%, with a higher climate action target of 55% for spending on sustainable infrastructure. The Just Transition Mechanism will make grant funding and financial instruments available to support regions, industries and workers most likely to be impacted by the transition to a carbon neutral economy. Funding will be available through two new funds for the energy sector supported by revenue from the EU ETS: the Innovation Fund and the Modernisation Fund. In addition, the EIB has committed to becoming Europe’s ‘climate bank’ and has adopted a target of making 50% of investments dedicated to climate action and environmental sustainability by 2025.

Finance for climate action by non-state actors is also available through international institutions, such as the European Bank for Reconstruction and Development, the Council of Europe Development Bank, and EEA Grants and Norway Grants. While some Member States are eligible to apply in general, non-state actors in the EU are not eligible for funding under the Green Climate Fund, which is focused on developing countries.

Other sources of funding for climate action by non-state actors include national promotional banks, such as the Kreditanstalt für Wiederaufbau (KfW) bank in Germany or the Caisse des Dépôts (CDC) in France. These publicly owned banks are often mandated to support policy objectives such as climate action, and frequently partner with other organisations such as the EIB to this end. Private investment sources include commercial banks, institutional investors (such as pension funds) and other investors such philanthropic foundations. Accessing private sources of finance for climate actions can be challenging, due to the requirement to deliver a financial return for investors. This means that private finance in the area of climate action has a history of focusing on areas such as renewable energy. Nonetheless, there is a growing demand from investors for investments that support climate and environmental sustainability.

There is also a growing focus on innovative approaches to financing climate action, including green bonds, crowdfunding, eco-loans, and energy performance contracting.

Challenges and good practices

The study provides an overview of the challenges non-state actors face when accessing climate finance and identify good practices for overcoming these, based on a review of literature. The study identified challenges and good practices for non-state actors in accessing climate finance in the following areas:

- **Regulatory and policy frameworks**: A clear and stable regulatory and policy framework on climate is crucial for enabling all types of non-state actors to take action. Where policy frameworks do not prioritise climate action or a clear regulatory framework is not in place, there may be insufficient incentives for supporting climate action by local or regional authorities, businesses or community organisations. Arrangements for public funds need to be stable to allow for investor certainty. Enabling regulatory frameworks are particularly important in some specific areas, such as renewable energy, cooperatives and local energy communities, and in the governance and financing of NGOs.

- **Information availability**: Two information barriers can impede climate action by non-state actors. First, information may exist but is inaccessible, opaque or difficult to interpret for many non-state actors. For example, information about funding programmes often falls into this category. Second, adequate information may not exist at all. Information in this category may include information about the climate benefits of specific technologies or information about projected climate risks and vulnerability at the local level.
• **Internal capacity:** Smaller non-state actors can find it challenging to access climate finance due to their small size and institutional capacity. Many non-state actors report lack of expertise and lack of staff as significant barriers to their work.

• **Climate finance availability:** Climate finance can be limited due to the perceived low bankability of climate action, where certain climate action projects are seen as poor financial prospects for investors. Projects focused on adaptation, energy efficiency or less mature technologies are often less attractive to investors. Eligibility conditions can also constrain climate finance; requirements such minimum investment size or fund-matching requirements frequently apply. Administrative procedures associated with applying for and reporting on climate finance can also be a barrier to non-state actors, particularly when they already face capacity constraints. Specific barriers prevent the scaling up of activities, beyond the research and innovation phase; beyond this point activities may not yet generate revenue but will often also be ineligible for public funds. Smaller actors, such as SMEs, lack the resources to steer new activities through this challenging phase.

**Gap analysis and recommendations for establishing a Climate Finance Forum**

A Climate Finance Forum, as proposed by the EESC in its Opinion on Access to Climate Finance for Non-State Actions (NAT/736) could support non-state actors in addressing these barriers by bringing together stakeholders to design solutions and share knowledge.

The EESC Opinion identifies key areas, or gaps, where non-state actors require particular support to access climate finance which could be a focus of the work of the Climate Finance Forum. The study evaluated these gaps and the extent to which they have been addressed in the current EU climate finance landscape. Based on this gap analysis, it identified the following areas where the work of a Climate Finance Forum could focus:

• Availability of climate finance for non-state actors: The Forum could provide information what financial resources are available and how they can be invested.

• Enabling non-state actors and investors dialogue: The Forum could serve as a platform to connect stakeholders seeking finance with different types of investors.

• Access to climate finance for non-state actors: The Forum could provide support to non-state actors:
  - to identify the most appropriate financing options and/or potential investors.
  - to prepare successful applications, including finding potential partners and meeting the eligibility requirements.
  - to develop their internal capacity for preparing future investment proposals.

• Evidence base on climate finance: The Forum could serve as a platform for sharing knowledge between different types of stakeholders on climate investments, risks and returns of such investments, climate investment needs, climate finance pledges and other similar topics.

• Enabling peer learning and stakeholder dialogue: The Forum could serve as a platform for different types of stakeholders to share experiences and discuss options for improving the access to climate finance together.

The Forum could further support non-state actors through services related to: information provision; support and matching services; knowledge sharing; a communication and dialogue platform; and tools and resources for non-state actors. Many of these services could be provided or supported through an online platform.

The diverse range of stakeholders involving climate action by non-state actors, including both non-state actors and investors, should be involved in the design and implementation of the Climate
Finance Forum. It should involve a core group of 20 to 30 participants, who would drive the work of the Forum. Larger events could be organised to engage a wider audience of non-state actors, investors and potentially policy-makers. Based on the needs identified by the core group, thematic groups may also need to be established to focus on specific topics (e.g. sectors such as energy, housing, transport, or specific funding sources).

The study identified specific actions that need to be taken to establish a Climate Finance Forum. These include establishing terms of reference for the Forum and its core group, establishing a process for selecting the core group, and developing technical specifications for specific elements of the Forum (including its visual identity and branding, a communication and dissemination plan, and a Forum website).

The study concluded by recommending that a Climate Finance Forum should provide non-state actors with opportunities for learning, sharing and networking with other similar organisations, while also bring together non-state actors with different types of investors to develop solutions to overcome barriers to climate finance.
Introduction

There is now overwhelming consensus among scientists and researchers that effective and ambitious action on climate change will be needed over the coming decade. The recent alarms sounded by the Inter-governmental Panel on Climate Change (IPCC) in its Special Report on Global Warming of 1.5°C point to the urgent need for action across all parts of society, including governments at all levels, industry and communities. The historic Paris Agreement requires its Parties, including the EU, to strengthen the global response to climate change, keeping global temperature rise ‘well below 2°C’ and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Successfully achieving these goals will require targeted climate action, including new investments, across all sectors and stakeholders.

At the same time, governments in Europe and globally are confronted with the crisis caused by the COVID-19 pandemic. In addition to its devastating human cost, the pandemic is resulting in a sharp contraction in economic activity and escalating unemployment. There is a need to boost public and private investment to avoid long-term economic consequences. While public spending in the short-term is necessarily focused on health and social support, government spending is increasingly focusing on kick-starting economic growth, as seen in recently announced economic recovery packages, including the European Commission’s proposed economic recovery plan. There is a growing body of commentary and research that argues that recovery spending that is aligned with ambitious climate action can help to ensure long-term, sustained economic recovery.

EU climate policies and the need for climate finance

The EU has developed comprehensive climate policies across different sectors, many of which have been updated to reflect the Paris Agreement goals and facilitate the implementation of the 2030 climate and energy framework. In 2018, the European Commission published a 2050 Long Term Strategy (LTS) that outlines long-term decarbonisation objectives for the EU that can help achieve the Paris Agreement goals and deliver climate neutrality by 2050. However, the LTS notes that without further action current policies would result in a fall of EU’s greenhouse gas (GHG) emissions by around 45% by 2030 and only 60% by 2050.

Therefore, to raise the EU contributions to global climate efforts enhanced action across sectors, policies and governance levels is needed. In 2019, the new European Commission introduced an ambitious policy framework for sustainable development under the European Green Deal. The Deal outlines environmental and climate objectives, including:

- Enshrining the 2050 climate neutrality target into EU legislation, ensuring all policies contribute to this goal, and raising the 2030 emission reduction target to at least 50%;
- Introducing a carbon border tax to avoid carbon leakage and possibly extending the coverage of the ETS to new sectors;
- Adopting a new EU Adaptation Strategy;

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1 IPCC, 2018, Global Warming of 1.5°C: An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty.

2 European Commission, 2020, The EU budget powering the recovery plan for Europe, COM(2020) 442 final

3 See, for example, Hepburn, C. et al., ‘Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?’, Smith School Working Paper 20-02, 4 May 2020


5 The LTS and the initiatives under the European Green Deal focus specifically on ‘climate neutrality’, which can be understood as a state in which human activities cause no net effect on the climate system and all anthropogenic GHGs emissions are balanced by removals of such emissions.

Further decarbonising the energy system through renewable energy and smart infrastructure;
Promoting the renovation of public and private buildings to improve their energy efficiency;
Accelerating the shift to sustainable transport and mobility;
Introducing a new Sustainable Europe Investment Plan, including a support mechanism for the most affected regions by the low-carbon transition (the Just Transition Mechanism), and a renewed Sustainable Finance Strategy;
Launching a European Climate Pact for engaging with different stakeholders on climate action by encouraging information and ideas sharing and facilitating grassroots climate initiatives.

However, achieving EU and international climate goals will require significant financial resources. The in-depth analysis accompanying the LTS estimated that the implementation of the two most ambitious scenarios, aiming to limit the temperature rise to 1.5°C and achieve net-zero emissions in 2050, would require on average EUR 1.42 trillion of annual investments in the energy and transport sectors in the period 2031-2050. Much of this investment is related to scaling up the deployment of low-carbon technologies in emission-intensive sectors, and the amount of necessary financial resources would be even higher if resilience and adaptation efforts are also considered. Although private investments in climate-relevant sectors is growing, these resources remain insufficient and public spending will remain critical. The recovery from the COVID-19 crisis will lead to greater demands on potentially scarcer public and private sources, potentially making the climate finance landscape more challenging, especially for smaller actors.

EU funds represent an important source of public financing for climate action, and efforts are being made to mainstream climate in different EU financing streams. The Commission proposal for the next Multiannual Financial Framework (MFF), for the period 2021-2027, proposes to raise the target for climate expenditure across the entire EU budget to 25%. In order to improve the understanding and tracking of financial resources to climate and broader sustainable development objectives, and to provide a framework supporting increased private sector investment in climate action, the European Commission is also working on providing definitions of climate action that can shed more clarity.

In 2018, the Commission published an Action Plan for ensuring financing is available for sustainable investments and a proposal for a sustainable investment framework. This framework proposes a ‘taxonomy’ of sustainable investments by defining criteria for determining whether an economic activity is environmentally sustainable. The proposal also envisions the establishment of a Platform on Sustainable Finance, comprised of relevant stakeholders, which can advise the Commission on the development of the technical screening criteria under the Taxonomy. The recently launched Sustainable Europe Investment Plan outlines the different ways the EU budget can contribute to climate and environmental objectives. It confirms the commitments proposed so far and emphasises the importance of the EU funds to both directly invest in sustainability measures and to leverage other public and private resources.

**The role of non-state actors**

International climate governance tends to focus on national governments as the main actors, as nation

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states are the Parties to the United Nations Framework Convention on Climate Change (UNFCCC). Nevertheless, many other ‘non-state’ stakeholders can also play a role in the development, implementation and achievement of climate action strategies and measures. These include public authorities at the local and regional levels, businesses and financial sector organisations, including small and medium-sized enterprises (SMEs), civil society, cooperatives, trade unions, and non-governmental organisations (NGOs)\(^\text{14}\).

However, the climate efforts of non-state actors can be constrained by different challenges, including a lack of in-house expertise, staff or partners to take climate action, lack of recognition for the efforts, and a shortage of financial resources\(^\text{15}\). As highlighted in the European Economic and Social Committee’s (EESC) opinion on access to finance for non-state actors (NAT/736), non-state actors might face various challenges in accessing finance for their climate initiatives, including: prohibitive project size requirements, reluctance of private investors to finance projects, complicated processes and requirements for applying for and accessing funds. Other barriers to accessing climate finance include a lack of awareness about climate financing options, insufficient administrative capacity and technical knowledge in securing financing, budgetary and regulatory constraints, ensuring the bankability of potential investments, political constraints, and difficulties in meeting overly prescriptive eligibility criteria for EU and international funds\(^\text{16}\).

These challenges, combined with a lack of understanding of what constitutes sustainable investments\(^\text{17}\), can impede the access to climate finance for non-state actors, with negative impacts on the advancement of global climate efforts. Some recent measures at the EU-level, such as the ongoing work on a taxonomy of sustainable activities, will partially address these challenges. However, ensuring that non-state actors can fully contribute to EU climate efforts requires an understanding of the stakeholders’ needs for climate finance in order to identify adequate support actions and avenues for addressing the different barriers they face.

### 1.1 Objectives and scope of the study

To address the issue of limited access to climate finance for non-state actors, the EESC has proposed the establishment of a Climate Finance Forum, which would bring together key stakeholders to address the main issues, identify barriers, design solutions, and identify the most efficient mechanisms for improved distribution of finance. The objective of this study is to support the EESC by:

- Mapping the sources of climate finance for which EU non-state actors could, in principle, be eligible;
- Identifying the main problems with access to climate finance for non-state actors and good practices for addressing these barriers, illustrated by examples;
- Providing recommendations on the first actions for establishing a Climate Finance Forum and how it could improve the access of non-state actors to finance for climate action.

The scope of the study covers:

- **Non-state actors**: following the UNFCCC definition, non-state actors are understood to be all non-Party actors to the Convention (for details see Section 2).
- **Climate finance**: any form of financial resources (e.g. grants, loans, project development assistance, guarantees) that can support actions for climate change mitigation and adaptation.

\(^{14}\) EESC Opinion NAT/736, Facilitating access to climate finance for non-state actors.


\(^{17}\) EESC Opinion NAT/735, European Finance-Climate Pact.
Typical examples of mitigation actions include renewable energy, energy efficiency and building retrofits, clean and sustainable transport, waste management and circular economy activities. Examples of adaptation actions include disaster risk management and preparedness, development of adaptation strategies, climate vulnerability and risk assessments, nature-based solutions and green infrastructure.

**EU scope:** the focus of the study is on non-state actors within the EU. Therefore, for the mapping only climate finance opportunities that can be available within the EU are considered, excluding sources that can target non-state actors but are not provided in any of the EU Member States. For illustrating the challenges and good practices only examples from the EU are considered.

### 1.2 Approach and methodology

The overall approach for the study is based on desk research and analysis of existing sources that shed light on the different issues in focus. Given the evolving policy framework (e.g. negotiations for the 2021-2027 MFF, including the European Commission’s proposed COVID-19 recovery plan, and launch of new policy initiatives such as the European Green Deal) the research considers ongoing policy developments and new sources of information as they become available. The specific methodology undertaken for each part of the study, together with any limitations of the approach, is described below.

#### 1.2.1 Mapping climate finance for non-state actors

The primary objective of this part of the study is to map the sources of climate finance for which EU non-state actors could in principle be eligible. This is a key step in understanding what is at stake if these stakeholders cannot adequately access the available financing opportunities and what needs the Climate Finance Forum should address (e.g. relevant stakeholders to invite, climate finance sources to consider or issues to tackle).

The mapping is based on desk research and review of fund-specific sources (including relevant EU legislation, databases, websites and guidance documents) as well as analytical reports on the topic of climate finance. The mapping covers the different types of climate finance sources, including public and private sources. However, it is particularly focused on providing a more detailed overview of the EU financing instruments as a key source of public finance for climate across the Union. For each relevant EU fund, the climate objectives it can finance, the type and amount of funding available and the type of stakeholders eligible for support were identified. Only EU instruments for which different types of non-state actors are eligible were covered, specific support programmes for national administrations or governments were excluded. Other types of climate finance, including international or national public sources and private sources, were mapped more generally together with some illustrative examples. Negotiations for the new EU budget and recent policy developments can affect the types or amounts of climate finance, particularly from EU instruments, available to non-state actors in the future. Therefore, the mapping includes a brief analysis of recent EU policy proposals and how they might influence the availability of climate finance.

While this approach provides a good overview of the types of climate finance available, it has some limitations. Notably, it cannot provide a detailed mapping of the climate finance available at national or subnational level in all EU Member States or from the private sector, as these sources are very

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18 As the focus of the study is on the financing available to EU non-state actors, international funds such as the Green Climate Fund or the Global Environment Facility will not be covered as their efforts are mainly focused outside Europe or target national governments rather than non-state actors. Nevertheless, sources that are available to non-state actors in certain Member States (e.g. those with transition economies) are covered (for details see section 3.2).
diverse or simply not tracked. The majority of the Member States do not explicitly track the flows of climate finance and research on the landscape of this financing is available only for few countries. In addition, a common definition of what constitutes ‘climate finance’ or ‘climate investments’ is not available, making the tracking of the available funds challenging as each country or institution applies a different approach.

1.2.2 Analysis of challenges and good practices

The purpose of the study’s second part is to provide an overview of the challenges non-state actors face when accessing climate finance and identify good practices for overcoming these barriers. This analysis of obstacles and good practices for accessing climate finance, complemented by illustrative examples, is another important step in identifying what issues the Climate Finance Forum should cover, particularly concerning the support needs of non-state stakeholders.

The analysis is based on an extensive literature review of available sources, including academic literature, grey literature (e.g. policy reports, conference reports), websites and position papers of relevant stakeholders (see the References for a complete list). After a preliminary review, a long list of barriers, good practices and possible examples was identified and discussed among the team. The barriers and good practices identified were then grouped under common categories in order to provide a ‘simple’ typology. The long list of potential examples was then reviewed against a set of selection criteria in order to identify the most suitable examples that can ensure:

- Geographical scope – the final examples come from different Member States;
- Thematic scope – the final examples present different types of obstacles faced by non-state actors as well as good practices for addressing the barriers;
- Stakeholder type – the final examples cover different types of non-state actors.

Targeted research was carried out to gather more details for each of the selected examples to provide a short description and an analysis of the main lessons relevant for the access of non-state actors to climate finance.

1.2.3 Gap analysis and development of recommendations on the role of the Climate Finance Forum

The objective of this analysis is to build upon the findings of the previous parts of the study and provide recommendations how the Climate Finance Forum could improve accessibility to climate finance for non-state actors. More specifically, based on the emerging findings about the available climate finance and the barriers for non-state actors to access it a brief gap analysis was carried out to identify the needs and areas for action. The results of this analysis were then used to develop an action plan for implementation of the Climate Finance Forum and recommendations on how it can best be used to create more finance accessibility for small scale climate actors for addressing each gap.

The rest of the study offers an overview of what is understood by ‘non-state actors’ in climate action (Section 2) and provides the findings from the mapping of financial sources (Section 3), the analysis of challenges, good practices and examples (Section 4), the gap analysis and action plan for the Climate Finance Forum (Section 5) concluding with a summary of the findings (Section 6).
2. **Non-state actors and climate action**

Bottom-up climate action take various forms and involve a wide range of stakeholders, operating across different sectors. As highlighted above, the UNFCCC’s definition of non-state actors relates to all non-Party actors under the Convention; in practice this includes the following main groups of stakeholders:

- subnational authorities such as regional or local administrations;
- businesses including medium, small and micro-enterprises as well as innovative entrepreneurs;
- investors and members of the financial sector;
- cooperatives (including energy cooperatives) and social enterprises;
- trade unions;
- academia, education and research institutions
- representatives of the civil society through community initiatives, citizen groups, NGOs;
- individuals, citizens, farmers, households and local communities.

Non-state actors can contribute to climate action in three main forms:

- Individual actions, for example by municipalities, regional governments or businesses, with their decisions on local transport networks, electricity purchases, use of renewable energy etc. or by companies and households investing in energy efficiency, renewable energy etc.;
- Collective actions by networks representing such actors, for example initiatives such as C40, ICLEI or We Mean Business;
- Cooperative initiatives bringing together different types of actors.

Through individual actions, networks or cooperative initiatives, non-state actors provide more opportunities to address climate change and may even adopt pioneering approaches. Actions by non-state actors can contribute directly to national climate policies and targets, for example, by achieving GHG emission reductions, developing or deploying new and innovative low-carbon technologies/processes. They can also ‘lead by example’, thereby helping to raise overall climate ambitions and increase public acceptance of climate measures; these impacts could be especially important in places where national consensus on climate action is missing.

Specifically, each of these different types of non-state actors may undertake climate initiatives in various, complementary ways, which can ultimately support the actions of nation states. Local and Regional Authorities (LRAs), for instance, have the opportunity to act at the local level and adapt national measures to the local context. They have particular competences relevant to climate change mitigation and adaptation. For example, their role in planning local transport and managing land use, can provide unique opportunities for developing sustainable urban and peri-urban mobility and sustainable infrastructure. Many subnational authorities join international networks to gain support and strengthen their climate efforts. In Europe, the EU Covenant of Mayors for Climate and Energy gathers over 10,070 signatories (representing around 319 million inhabitants), which have committed to developing and implementing plans for reducing GHG emissions and adapting to climate change.

Companies, employer groups or trade unions, can play a key role in the transition towards a just low-carbon economy. There are numerous business opportunities linked to green growth through the provision of new green products and services such as biodegradable, recycled and toxic-free products,

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19 EESC Opinion ECO/492, Towards a more resilient and sustainable European economy.
20 EESC Opinion NAT/736.
22 Hale, T., 2018.
23 Covenant of Mayors for Climate and Energy, Covenant in figures: [https://www.covenantofmayors.eu/about/covenant-initiative/covenant-in-figures.html](https://www.covenantofmayors.eu/about/covenant-initiative/covenant-in-figures.html)
or the development of environmental improvements, which can be related to energy-efficient buildings in the construction sector, the dissemination of low-carbon technologies, better water management, etc.  

Companies can take advantage of these opportunities and become pioneers in their sectors. For example, the Swedish automotive industry led the way to a low-carbon transition thanks to a proactive strategy in favour of biofuels. As the Swedish State favoured a pro-active policy regarding the development of a fossil-free economy, the biofuel industry managed to get established in the country thanks to investments from economic actors, supported by the Swedish Association of Bioenergy (Svebio). Their expansion was such that in 2020, they reached a volume of nearly 2 million tons (80% of which accounted for biodiesel only). This enabling context was further reinforced by the 2011-2018 Super-Green Car Premium Ordinance of the Swedish Government favouring the sale of energy-efficient, low-carbon cars. Companies in the car industry started to promote the sale of 'green cars' to the extent that in 2016 they represented 5.1% of the newly registered cars in the country (an increase of 1.6% compared to the previous year). Entrepreneurs and start-up companies can also boost innovations and the deployment of new climate change technologies or solutions. Some non-state actors are also important stakeholders in the quest for ensuring a just transition to a low-carbon economy as representatives of employers or workers that might be negatively affected. At the same time, the financial sector can provide the basis for actions to thrive, with public and private investors providing resources for climate action projects.

The mobilisation of civil society is also essential for climate action to succeed as behavioural changes are key elements to successfully tackling climate change and wider public acceptance is needed for many climate initiatives. In the field of renewable energy especially, the development of cooperatives has permitted citizens to take part in the production and provision of energy, increasing local support for such initiatives. Energy cooperatives have expanded across Europe over the recent years, as illustrated by the German ‘Buergerenergie’ (citizen energy) movement and an expanding network of renewable energy cooperatives. NGOs and research organisations have also become strategic climate stakeholders. In France, for example, in the land-use sector research institutions helped develop a better understanding of the Land Use, Land Use Change and Forestry (LULUCF) sector’s carbon footprint, thus reducing uncertainties and fostering further action.

Nevertheless, the climate efforts of non-state actors are often impeded by insufficient financial resources or misconceptions and lack of information about climate opportunities (in the case of some investors). Therefore, the rest of this study examines in more detail the financing opportunities available, key challenges and needs of non-state actors in order to identify the key actions for the Climate Finance Forum.

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26 Global Climate Action (NAZCA), Investors: https://climateaction.unfccc.int/views/stakeholders.html?type=investors
28 REScoop: https://www.rescoop.eu/
29 Dantec, R., 2018, p.300.
3. **Climate finance for non-state actors**

The financing sources for climate action can generally be grouped as public and private. Public sources include public budgets at EU, national, regional or local level as well as public development or promotional banks at the international, EU or national level. Private finance sources are more diverse and can include commercial banks, institutional investors (e.g. pension funds and insurance companies), other financial market investors (e.g. angel investors, high net worth individuals, venture capital and equity providers), private companies and individuals\(^{30}\). Climate finance can come in different forms such as grants or subsidies (usually from public sources such as EU funds or national budgets), concessional debt (i.e. lending at terms more advantageous than the market’s, usually from public development banks), commercial debt (incl. commercial loans and bonds), equity and self-finance\(^{31}\). Not all actors will be able to access all types of finance for their climate activities – often private investors will seek to maximise their returns and thus favour projects that generate profits, which might not be the case for some climate investments or projects developed by non-state actors such as NGOs. Therefore, the availability of public sources for financing climate action by non-state actors is critical.

The following sections provide an overview of the main types of climate finance sources available to non-state actors in the EU, with a focus on public sources.

3.1 **EU sources**

To contribute to the significant investments needed to tackling the various climate change impacts and associated socio-economic consequences, the EU has committed to spending a minimum share of its budget on climate action (20% in the current 2014-2020 MFF; 25% in the 2021-2027 MFF). Efforts have been made to not only directly invest in mitigation and adaptation actions but also to mainstream climate objectives across different EU financing sources. Consequently, various EU sources can be used to finance climate projects by different beneficiaries in the form of non-repayable grants and financial instruments (e.g. concessional debt, guarantees) and to support the preparation of project ideas through Project Development Assistance (PDA) and Technical Assistance (TA). Advisory services aimed at helping potential beneficiaries use different EU financing sources are also available. Figure 1 provides a summary of the main EU sources for climate finance that are available to non-state actors in the current MFF.

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Figure 1 Overview of the main EU climate financing sources for non-state actors in the 2014-2020 MFF
(Instruments under EU Recovery Package 2020 noted in italics)

Source: Own analysis

3.1.1 EU funds and financial instruments in the current MFF

One of the main sources of EU financing in the current financing period and a key instrument of the EU budget are the European Structural and Investment Funds (ESIF)\(^ {32} \), often referred to as the Structural Funds, comprising five funds: the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). These funds are co-managed by the European Commission and Member States and are available to all types of beneficiaries, including different non-state actors, in the form of non-repayable grants or through financial instruments. Together the ESIF support 11 objectives that cover different thematic areas, which are elaborated further in each country’s spending programmes into more detailed investment priorities and specific goals. The objectives and the EU budget available\(^ {33} \) that are directly relevant for climate action include:

- supporting the shift towards a low-carbon economy — around EUR 44.5 billion;
- promoting climate change adaptation, risk prevention and management – nearly EUR 29 billion;
- preserving and protecting the environment and promoting resource efficiency – around EUR 63.5 billion;
- promoting sustainable transport – around EUR 57.5 billion.


\(^{33}\) These estimates are based on the ESIF Open Data Portal (https://cohesiondata.ec.europa.eu/) and refer only to the EU funding available. Additional resources can be made available in each Member States through co-financing.
As a cross-cutting objective climate action can also be financed under other objectives, for example, those related to research and innovation, enhancing the competitiveness of SMEs, promoting social inclusion or investing in education and lifelong learning. However, it is not yet clear if climate action has been supported under these indirectly linked objectives. Therefore, the focus in this study is on the four ESIF objectives directly relevant for climate mitigation and adaptation. Together, they can be supported by four funds: ERDF, CF, EAFRD and EMFF\textsuperscript{34}. Support from the ERDF can be broad and directed to a variety of actions and specific objectives defined by each Member State (e.g. renewable energy, energy efficiency, building retrofits, sustainable transport, disaster risk management, circular economy, etc.). Cohesion Fund support is available only in cohesion regions. The ERDF supports also the European Territorial Cooperation objective (ETC or INTERREG). With an overall budget of around EUR 10 billion, ETC supports joint actions across border regions or larger EU regions under three strands. ETC supports the same objectives as the ERDF and can finance various climate actions that have a cross-border aspect. The EMFF can support fishermen and coastal communities to invest in sustainable fishing and aquaculture. Together with the European Agricultural Guarantee Fund (EAGF)\textsuperscript{35}, the EAFRD offers funding to farmers\textsuperscript{36} for implementing ‘greening’ and ‘agri-environment-climate’ measures that contribute to climate action such as crop diversification, maintenance of permanent grasslands, afforestation or establishment of agroforestry systems.

In the wake of the COVID-C19 crisis, the European Union adopted temporary exceptional flexibility arrangements to assist Member States in using the Structural Funds to address the immediate needs of the crisis\textsuperscript{37}. Under these arrangements, Member States can transfer funding between the ERDF, ESF and CF. Member States are also not required to concentrate investments in the thematic objectives outlined in their operational programmes for the remainder of 2020. Under the flexibility arrangements, the EU will fund up to 100% of investments, rather than requiring Member State co-financing.

Several centrally-managed EU funds can be other sources of climate finance for non-state actors. Horizon 2020\textsuperscript{38}, which is the EU’s research and innovation (R&I) programme, has an ambitious target of spending at least 35% of its funding on climate action and can be a source of financing for the academia and business sectors. Under its programmable actions pillar, Horizon 2020 can support mitigation and adaption under all its ‘societal challenges’. Nevertheless, the most directly relevant are the societal challenges on: secure, clean and efficient energy; smart, green and integrated transport; and climate action, environment, resource efficiency and raw materials. The joint budget for these research areas is around EUR 15 billion in the current MFF\textsuperscript{39}. In addition to the programmable actions, Horizon 2020 supports also bottom-up projects on any topic under two other pillars. Under ‘excellent science’ (EUR 24 billion) Horizon 2020 supports researchers and research infrastructure. Under ‘industrial leadership’ (EUR 16 billion) the fund provides financing for the research and innovation, development and demonstration activities of businesses, including SMEs.

\textsuperscript{34} As the ESF is targeted to thematic objectives only indirectly relevant to climate action, it has been excluded from the analysis. Similarly, the direct payments to farmers pillar of the Common Agricultural Policy has been excluded from the analysis as the requirements for integrating climate and environment measures for receiving the direct payments are largely linked to EU environmental legislation and bring climate benefits indirectly.


\textsuperscript{36} The two funds form the two pillars of the Common Agricultural Policy with the EAGF providing direct payments to farmers and the EAFRD implementing rural development policies.

\textsuperscript{37} Regulation (EU) No 2020/558 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investment Funds in response to the COVID-19 outbreak.


\textsuperscript{39} Regulation (EU) 2015/1017 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments, Annex II.
COSME\(^{40}\) — the EU’s Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises — specifically aims to improve SMEs’ competitiveness and makes available nearly EUR 2.3 billion to SMEs. One of its objectives is to promote the need of enterprises to adapt to a low-emission, climate-resilient, resource- and energy-efficient economy. Within this broad framework COSME can provide support for various actions, including research and innovation related to mitigation and adaptation, circular industries, development of corporate social responsibility, knowledge sharing and capacity building\(^{41}\). In addition to a small budget share for grants, COSME backs two financial instruments managed by the European Investment Fund (EIF), which constitute the largest share of its support for SMEs. This includes the Equity Facility for Growth (EFG)\(^{42}\) providing venture capital for R&I and enterprise growth and the Loan Guarantee Facility (LGF)\(^{43}\) providing guarantees and risk sharing to financial intermediaries that can then provide loans to SMEs.

Support specifically targeted to climate action is available under the LIFE programme\(^{44}\) - the EU’s Programme for the Environment and Climate Action. Aimed to support the implementation of the EU’s 7th Environment Action Programme, LIFE financing is available under two strands: climate (EUR 0.9 billion) and environment (EUR 2.6 billion). Financing is available to all types of beneficiaries in the form of grants or through two financial instruments managed by the European Investment Bank (EIB). Grants are available for mitigation, adaptation or resource efficiency actions such as pilot and demonstration projects, knowledge sharing and capacity building projects, technical assistance and awareness raising initiatives. The Natural Capital Financing Facility (NCFF)\(^{45}\) instrument is tailored to biodiversity and climate adaptation projects such as green and blue infrastructure. It offers loans and investments backed by an EU guarantee but projects must generate revenue or demonstrate savings. The Private Finance for Energy Efficiency (PF4EE)\(^{46}\) instrument supports energy efficiency programmes in Member States by providing loans, risk sharing and expertise to national financial intermediaries (e.g. selected commercial banks in each participating country), which can then lend energy efficiency financing to final beneficiaries.

Another potential source of climate financing is the European Fund for Strategic Investments (EFSI)\(^{47}\), which aims to use limited EU resources (EUR 26 billion from the EU budget and EUR 7.5 billion of EIB resources that serve as guarantees) to mobilise additional financial resources for higher risk investments in key sectors and businesses. All investments funded by EFSI must be consistent with EU policies and priorities including its objectives on developing the energy sectors, supporting SMEs, promoting environment protection and resource efficiency and developing the bioeconomy. This implies that a variety of climate projects, especially projects on mitigation measures that can generate some revenues, could be eligible for ESFI financing. The support is organised in two areas: financing for infrastructure (under the management of the EIB) and financing for SMEs through


\(^{42}\) EIF, EFG: https://www.eif.org/what_we_do/equity/single_eu_equity_instrument/cosme_efg/index.htm

\(^{43}\) EIF, LGF: https://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm


\(^{45}\) EIF, NCF: http://www.eib.org/products/blending/ncff/index.htm

\(^{46}\) EIF, PF4EE: http://www.eib.org/products/blending/pf4ee/index.htm

financial intermediaries (under the management of the EIF).

3.1.2 Advisory and support services

Navigating the landscape of diverse EU funds and financial instruments can be challenging (for details see Section Error! Reference source not found.). Therefore, some advisory and support services, often managed by the EIB, are available to potential beneficiaries seeking to access these financing sources. For example, accessing the ESIF can be aided by the tool Joint Assistance to Support Projects in European Regions (JASPERS)48. JASPERS supports authorities and promoters in the preparation and implementation of ESIF projects, helping them ensure compliance with relevant requirements. The focus is on large projects (over EUR 50 million for environmental projects and EUR 75 million for other sectors) but there could be flexibility for small countries or pilot projects. The development of viable projects can be supported through the European Local Energy Assistance (ELENA)49 tool as well. ELENA is specifically aimed at local authorities which need to improve the quality and viability of their energy efficiency and renewable energy projects. By helping local authorities prepare more ‘bankable’ projects, ELENA can serve as a first step to obtaining financing from EU funds, EIB or other sources. However, the tool targets projects above EUR 30 million and smaller projects can be supported only when integrated into larger investment programmes. In addition, navigating the support available under EFSI and other financial instruments can be facilitated by the European Investment Advisory Hub (EIAH)50. EIAH aims to support project promoters during the development of their projects through technical assistance and help make their projects more visible to investors thus facilitating their access to diverse investment sources.

Nonetheless, preparing successful applications and projects is not enough as non-state actors might also lack awareness and knowledge about the different climate financing opportunities in the first place. Therefore, guidance and information sources about the EU funds are also important and some of the available sources that can help non-state actors learn about the different EU funds are presented in Box 1.

Box 1 Examples of information sources and guidance documents about the EU funds

The European Commission’s ‘A Guide to EU Funding’ provides basic information about how the EU budget works and introduces stakeholders to key terminology.

The European Parliament’s ‘Guide to EU Funding 2014-2020’ is available in several languages and outlines the different EU funding available per policy theme.

Although aimed at signatories, the Covenant of Mayors’ Interactive Funding Guide can provide all interested stakeholders with information about different EU funds and the types of climate investments they can support.

The www.keep.eu portal provides information specifically on ETC, including available programmes, supported projects and possible partner organisations.

The Horizon 2020 Online Manual provides detailed information about all aspects of the research funding available, application process as well as tips on different topics such as making proposal more sustainable or finding potential partner organisations.

48 EIB, JASPERS: http://jaspers.eib.org/
50 EIB, EIAH: https://eiah.eib.org/
3.1.3 Climate financing after 2020

With the current MFF drawing to a close in 2020, in 2018 the European Commission proposed a 2021-2027 MFF\(^{31}\) where the budget is organised around seven policy priorities and the targeted minimum share of climate financing is raised to 25%. The proposal also aims to streamline some of the budget instruments and simplify their implementation to the extent possible. In May 2020, the Commission revised its 2021-2027 MFF proposal as a part of its COVID-19 recovery package. In addition to the revised MFF proposal, the package includes the EUR 750 billion ‘Next Generation’ instrument, financed through borrowing on financial markets.

Overall, the opportunities available to non-state actors for financing climate action are expected to remain similar to those in the current period. Nevertheless, certain changes have been proposed to some of the funds together with a general increase of allocations to priorities such as research, investment, migration and defence, and a decrease of allocations for Cohesion Policy and the Common Agricultural Policy\(^{32}\). Climate financing will also be available from some sources outside the EU budget. Figure 2 summarises the main sources of climate finance for non-state actors that are expected in the post-2020 period.

Figure 2 Overview of the main EU climate financing sources for non-state actors after 2020

*(Instruments under EU COVID-19 Recovery Package 2020 noted in italics)*

![Diagram showing climate financing sources](source)

Source: Own analysis

In the next MFF, the Cohesion Policy funds (ERDF, CF and ESF+) will support five overarching policy objectives instead of 11 thematic objectives:


• A smarter Europe - innovative and smart economic transformation;
• A greener, low-carbon Europe;
• A more connected Europe - mobility and regional ICT connectivity;
• A more social Europe - implementing the European Pillar of Social Rights;
• Europe closer to citizens – sustainable and integrated development of urban, rural and coastal areas through local initiatives.

The **ERDF** and the **CF** can finance actions under all five objectives. Even though climate action will be directly funded through the ‘greener Europe’ objective (defined as ‘a greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management’\(^{53}\)), opportunities for supporting climate action might be available under the other priorities too. More specifically, the two funds are expected to continue investing in energy efficiency, renewable energy, sustainable urban transport, adaptation and risk prevention as well as socio-economic local development of urban, rural and coastal areas. This can provide local authorities and other non-state actors the opportunity achieve synergies between climate objectives and local development, including through community-led local development initiatives.

The spending rules for the two Cohesion Policy funds will generally remain similar to those in the current MFF with the exception of some new aspects that have been proposed. While relative prosperity will determine about 80% of the allocations, EU regions will be able to benefit from additional premiums based on socio-economic and environmental factors such as unemployment, educational attainment, migration and greenhouse gas emissions. In addition, the Commission proposes a new generation of INTERREG organised in five strands that also integrate cooperation with non-EU countries\(^{54}\). This can provide non-state actors with more opportunities for cross-border and international cooperation helping to address, for example, transboundary climate impacts and challenges through common strategies.

As part of the EU’s COVID-19 Recovery Package, an additional EUR 50 billion\(^{55}\) will be made available during 2021 and 2022 through the two Cohesion Policy programmes as part of the REACT-EU instrument. This portion of Cohesion Policy funding will be subject to the exceptional flexibility arrangements adopted in 2020 (see section 3.1.1 above), meaning that Member States will have flexibility in transferring funds between regions and spending objectives.

The **EAFRD** and the **EMFF** will continue to support rural and coastal communities but with an increased emphasis on the need to develop ‘smart villages’, strengthen environmental care and climate action in agriculture and foster sustainable and resilient ‘blue economy’. In addition to a stronger focus on sustainability, Member States will have more flexibility in the implementation of these two funds\(^{56}\). This might offer new opportunities for non-state actors in rural and coastal communities to invest in mitigation and, especially, adaptation measures tailored to their specific needs.

Climate and environment will continue to be supported by the **LIFE programme**. With a 50% higher proposed budget, compared to the current period, the new LIFE programme will finance mitigation and adaptation activities directly through its traditional climate strand. One of the new elements is the

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\(^{55}\) Plus an additional EUR 5 billion in the 2020 under the existing 2014-2020 MFF.

addition of a third sub-programme under the climate strand specifically dedicated to the clean energy transition. It is proposed that this new sub-programme targets capacity-building measures to offer support for energy efficiency and renewable energy, especially in regions lagging behind or in regions that experience difficulties in absorbing other EU funding. In addition, the focus of the new LIFE programme is expected to be more on the replication of results and deployment of solutions from past research projects\textsuperscript{57}. The addition of a new climate sub-programme on the energy transition can be particularly interesting for local and regional authorities that may need support in developing or rolling out their local energy transition strategies.

The new EU research programme – Horizon Europe – will continue to support R&I. Research activities related to climate mitigation and adaptation will particularly be covered under the ‘global challenges and industrial competitiveness’ pillar and its cluster on ‘climate, energy and mobility’. However, support for projects with climate benefits might also be eligible for funding under other thematic clusters such as food and natural resource management. A new feature in the next MFF will be the funding for EU-wide missions and new European partnerships, which will be open to various types of stakeholders and will aim to promote specific issues\textsuperscript{58}. Although the topics and scope of these missions and partnerships are not known yet, they could provide opportunities for partnerships between academia and business or other non-state actors on climate research.

In the next MFF, COSME will be merged together with other existing instruments to form a Single Market Programme. The main purpose of bundling 17 existing programmes and actions related to the single market is to streamline activities and improve efficiency. Within this new programme SMEs will be aided at different stages of development with support for improving their competitiveness, access to financing, expansion to across borders and to new markets\textsuperscript{59}. At this stage it is not clear if climate-related activities could be eligible for support but the scope of the programme is broad and innovation or growth needs of SMEs concerning the low-carbon economy are likely to be covered.

The next MFF will also promote an increased use of financial instruments and synergies across the funds. Various existing financing instruments will be brought under a common umbrella in the form of the InvestEU Programme, which combines the EFSI and other financial instruments from the current financing period (e.g. EFG, LGF, NCF, PF4EE). InvestEU will provide guarantees of EUR 38 billion with the purpose of mobilising public and private financing in the form of loans, equity and other market-based instruments. However, the new programme will have a stronger sustainability focus by targeting investments in sustainable infrastructure and will include special requirements for sustainability proofing investments\textsuperscript{60}. Although this stronger focus on sustainability projects could offer more possibilities to finance climate measures, the programme remains based on financial instruments and thus requires eligible projects to demonstrate ‘bankability’ and generate revenues, which may be challenging for some climate projects pursued by non-state actors. InvestEU will continue to support SMEs through financial intermediaries under different existing financial instruments. A new investment window, the Strategic Investment Facility, was added to InvestEU as part of the EU’s COVID-19 recovery package. This window will make an additional EUR 15 billion available to with the goal of leveraging private investments in strategic supply chains and sectors, such as pharmaceuticals and healthcare sectors and critical infrastructure.

\textsuperscript{57} Yougova, D. 2018, LIFE programme for 2021-2027, Financing environmental and climate objectives, European Parliamentary Research Service Briefing.

\textsuperscript{58} Karakas, C. 2018, Horizon Europe – Specific programme Implementing the framework programme, European Parliamentary Research Service Briefing.

\textsuperscript{59} Szczepański, M. 2018, Supporting the single market beyond 2020, European Parliamentary Research Service Briefing.

In addition to the funds proposed in the next MFF that are direct extensions of current EU financing options for climate, several other sources might become available to non-state actors as a result of recent policy proposals and legislative changes. The revision of the EU ETS, which will be implemented in the period 2021-2030, has introduced two new funds – the **Innovation Fund** and the **Modernisation Fund**. The purpose of these funding mechanisms will be to support energy-intensive sectors and the power sector in meeting the R&I and investment needs associated with a low-carbon transition by using revenues from the auctioning of ETS allowances. In particular, the Innovation Fund will target research and demonstration projects in energy-intensive industries and new technologies. The Modernisation Fund will back the modernisation of the power sector and the energy systems in 10 lower-income Member States through investments in renewable electricity generation, energy efficiency improvements, energy storage, modernization of existing pipelines and energy infrastructure, re-skilling and training of workers for a just transition. Consequently, non-state actors will have access to additional financing for low-carbon R&I and the energy transition. Industry and business in energy-intensive sectors could also complement Horizon Europe funding with support from the Innovation Fund, as the Modernisation Fund offers an additional opportunity for local and regional authorities to fund their local energy transition strategies.

The Sustainable Europe Investment Plan, which is expected to finance the ambitious European Green Deal, has introduced a **Just Transition Mechanism (JTM)**. By combining existing EU funds and financial instruments and a dedicated new fund, it aims to support regions, industries and workers that are likely to face the largest transition challenges. The mechanism will have three pillars: a Just Transition Fund with new allocation from the EU budget whose grants will be matched with transfers from the ERDF, ESF+ and national co-financing; a dedicated transition scheme under the InvestEU proposal that will aim to mobilise additional private investments; and a new just transition public sector loan facility from the EIB that will aim to leverage public financing. Support from the JTM will be conditional upon the preparation of territorial just transition plans for the period 2020-2030 and a special Just Transition Platform will provide technical and advisory support for the preparation of these plans.

A key part of the EU’s COVID-19 Recovery Package is the **Recovery and Resilience Facility**, which will provide up to EUR 560 billion in grants (EUR 310 billion) and loans (EUR 250 billion) to Member States to support their economic and social resilience, as well as finance the green and digital transitions. Funding will be made available on the basis of Member State’s Recovery and Resilience Plans, which will be assessed according to seven criteria, including a criterion on how the plan contributes to the green and digital transitions. Thus, it can be expected that at least some of this funding may contribute to climate action, including action by non-state actors.

In addition the EIB is committed to becoming the EU ‘climate bank’ by increasing its climate and environmental sustainability investments to 50% of all its operations by 2025. Even though some of these investments will be associated with EU budget instruments, the EIB is likely to invest additional amounts of its own resources in order to reach the new target increasing the availability of climate finance in the future.

Even though a variety of EU climate finance sources are available and in theory different types of

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61 The eligible Member States are Bulgaria, Czechia, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia.
non-state actors are eligible for funding, in practice the functionalities of the funds may hinder access by smaller entities. Although most instruments do not set requirements for minimum project sizes, larger projects tend to be more successful in practice (e.g. under Horizon 2020). Furthermore, the spending of the ESIF is decentralised and different in each Member States, which means that certain types of beneficiaries might be better targeted or supported in some countries than in others. Requirements for securing co-financing from additional sources could also be a barrier for non-state actors. Challenges stemming from the eligibility requirements of EU financing sources are explored further in section 4.4.

Table 1 summarises the main EU climate financing options available to non-state actors in the current MFF and how they will evolve in the 2021-2027 period.
Table 1 Summary of the main EU climate financing sources for non-state actors in the 2014-2020 MFF and their evolution post 2020

<table>
<thead>
<tr>
<th>Fund</th>
<th>Managing Authority</th>
<th>Climate objectives and available EU financing</th>
<th>Examples of actions supported</th>
<th>Types of financing</th>
<th>Key eligibility requirements</th>
<th>Outlook for next MFF, commitments in 2018 prices</th>
</tr>
</thead>
</table>
| ERDF/ CF *(for cohesion regions)* | European Commission services (DG REGIO) and Member States | Mainly under the themes:  
- Low-carbon economy - €32/€8 billion;  
- Climate change adaptation & risk prevention - €4/€4 billion;  
- Sustainable transport - €25/€33 billion;  
- Environment protection & resource efficiency - €19/€17 billion | Renewable energy, energy efficiency and building retrofits, sustainable transport, flood prevention, risk monitoring systems, adaptation strategies, waste management, circular economy | Grants and financial instruments | **Beneficiaries:** all types;  
*Other requirements* might depend per Member State or spending programme | Mainly under the ‘greener, low-carbon Europe’ policy objective.  
The proposed budget for ERDF 2021-27 is €197 billion. The proposed budget for CF 2021-27 is €41 billion. A further €50 billion is available to both programmes as part of the REACT-EU initiative. |
| ETC/ INTERREG (ERDF) | European Commission services (DG REGIO) and Member States | Mainly under the themes:  
- Low-carbon economy - €0.6 billion;  
- Climate change adaptation & risk prevention - €0.5 billion;  
- Sustainable transport - €0.8 billion;  
- Environment protection & resource efficiency - €2.6 billion | International cooperation projects in the same areas as the ERDF | Grants and financial instruments | **Beneficiaries:** all types;  
*Partnership requirements:* the beneficiaries should come from the regions/areas and different countries covered by the specific ETC programme;  
*Other requirements* might depend on the specific ETC programme | Mainly under the ‘greener, low-carbon Europe’ policy objective. |
| EAFRD (and EAGF) | European Commission services (DG AGRI) and Member States | **EAFRD** - mainly under the themes:  
- Low-carbon economy - €4 billion;  
- Climate change adaptation & risk prevention - €21 billion;  
- Environment protection & resource efficiency - €25 billion  
**EAGF** - through requirements for greening measures (budget varies per Member State) | Renewable energy, water and resource efficiency, crop diversification, maintenance of permanent grasslands, afforestation | Grants and financial instruments | **Beneficiaries:** all types (farmers for EAGF)  
*Other requirements* might depend per Member State or spending programme | Stronger emphasis on environmental care and climate action in agriculture.  
The proposed budget of EAFRD 2021-27 is €90 billion.  
The proposed budget of the EAGF is around €258 billion. |
<table>
<thead>
<tr>
<th>Fund</th>
<th>Managing Authority</th>
<th>Climate objectives and available EU financing</th>
<th>Examples of actions supported</th>
<th>Types of financing</th>
<th>Key eligibility requirements</th>
<th>Outlook for next MFF, commitments in 2018 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMFF</td>
<td>European Commission services (DG MARE) and Member States</td>
<td>Mainly under the themes:</td>
<td></td>
<td></td>
<td></td>
<td>Stronger emphasis on environmental and climate action and the development of the ‘blue economy’. The proposed budget of EMFF 2021-27 is €6 billion.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Low-carbon economy - €0.08 billion;</td>
<td>Renewable energy, energy efficiency and adaptation measures, reduction of GHG emissions in fisheries</td>
<td>Grants and financial instruments</td>
<td>Beneficiaries: all types Other requirements might depend per Member State or spending programme</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Environment protection &amp; resource efficiency - €2 billion</td>
<td></td>
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<tr>
<td>Horizon 2020</td>
<td>DG RTD and EU executive agencies (REA, EASME, INEA)</td>
<td>Mainly under societal challenges:</td>
<td>Research and innovation in low-carbon energy, energy efficiency, sustainable transport, adaptation and ecosystems, health</td>
<td>Grants and financial instruments</td>
<td>Beneficiaries: all types; Partnership requirements: collaborative projects require at least three organisations from different countries to form a consortium; several actions can be available to only one researcher or research team and the SME instrument can support individual companies as well as groups; Average EU co-financing rate: 70% (up to 100% for some actions); Average project size: no minimum requirements but the majority have budgets over €5 million</td>
<td>Mainly under the cluster ‘climate, energy and mobility’. The proposed budget for Horizon Europe 2021-27 is €94.4 billion.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Secure, clean and efficient energy - €6 billion;</td>
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<td></td>
<td></td>
<td>• Smart, green and integrated transport - €6 billion;</td>
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<tr>
<td></td>
<td></td>
<td>• Climate action, environment, resource efficiency and raw materials - €3 billion</td>
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<tr>
<td>COSME</td>
<td>EASME</td>
<td>Promote the need of enterprises to adapt to a low-emission, climate-resilient, resource- and energy-efficient economy; total programme budget is €2.3 billion</td>
<td>R&amp;I for sustainable and circular industries, capacity building</td>
<td>Grants and financial instruments (60% of budget)</td>
<td>Beneficiaries: SMEs (mainly through the financial instruments EFG &amp; LGF); Enterprise Europe Network</td>
<td>SMEs will be supported within the new Single Market Programme, whose proposed total budget for the whole period is just under €4 billion.</td>
</tr>
<tr>
<td>LIFE</td>
<td>DG ENV, DG CLIMA and EASME</td>
<td>Mainly under its climate strand (migration and adaptation) - €0.9 billion</td>
<td>Capacity building, knowledge sharing, pilot projects</td>
<td>Grants and financial instruments</td>
<td>Beneficiaries: all types Co-financing requirements: the beneficiaries must co-finance the LIFE funding with other sources; the maximum EU co-financing rate is 55%-75% of the total eligible project costs, depending on the type of project; Average size of traditional projects: no minimum requirements but the majority have budgets of around €1.5 million</td>
<td>Mainly under the climate strand (mitigation, adaptation and clean energy transition). Total proposed budget for LIFE 2021-27 is just under €5 billion.</td>
</tr>
<tr>
<td>EFG</td>
<td>EIF</td>
<td>Financial instrument under</td>
<td>SME research and</td>
<td>Venture capital</td>
<td>Beneficiaries: financial intermediaries</td>
<td>Financial instruments will</td>
</tr>
<tr>
<td>Fund</td>
<td>Managing Authority</td>
<td>Climate objectives and available EU financing</td>
<td>Examples of actions supported</td>
<td>Types of financing</td>
<td>Key eligibility requirements</td>
<td>Outlook for commitments in 2018</td>
</tr>
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<tr>
<td>(COSME)</td>
<td>COSME</td>
<td>innovation, growth and expansion</td>
<td>and mezzanine finance</td>
<td>(directly) and SMEs (indirectly as final beneficiaries)</td>
<td>be grouped under the InvestEU Programme that will provide an EU budget guarantee of EUR 75 billion for private lending, based on an EU provisioning of €31.6 billion. Support will be available for sustainable infrastructure and SMEs.</td>
<td></td>
</tr>
<tr>
<td>LGF (COSME)</td>
<td>EIF</td>
<td>Financial instrument under COSME</td>
<td>SME research and innovation, growth and expansion</td>
<td>Risk sharing to financial intermediaries (guarantees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCFF (LIFE)</td>
<td>EIB</td>
<td>Financial instrument under LIFE</td>
<td>Biodiversity and adaption actions</td>
<td>Loans and equity</td>
<td>Beneficiaries: all types Project requirements: must generate revenues or provide cost savings Minimum project size: €2 million (and up to €15 million) Debt financing: up to 75% of total project costs Equity: maximum participation of 33%</td>
<td></td>
</tr>
<tr>
<td>PF4EE (LIFE)</td>
<td>EIB and local financial intermediaries</td>
<td>Financial instrument under LIFE</td>
<td>Energy efficiency</td>
<td>Loans and risk sharing to financial intermediaries</td>
<td>Beneficiaries: financial intermediaries (directly) and all types (indirectly) Requirements for final beneficiaries are defined per Member State in line with National Energy Efficiency Action Plans</td>
<td></td>
</tr>
<tr>
<td>EFSI</td>
<td>EIB and EIF</td>
<td>Support higher risk projects that contribute to e.g. energy objectives, environmental protection and resource efficiency, bioeconomy</td>
<td>Renewable energy, sustainable transport and vehicles</td>
<td>Risk sharing guarantees</td>
<td>Beneficiaries: all types (SMEs can access finance through financial intermediaries)</td>
<td></td>
</tr>
</tbody>
</table>

**New sources after 2020**

**Innovation Fund**, managed by the European Commission, to support R&I and demonstration projects in energy-intensive industries through grants and InvestEU

**Modernisation Fund**, managed by the EIB, to support the modernisation of power sector and energy infrastructure in lower income Member States

**Just Transition Mechanism**, managed by the European Commission and EIB, to support regions, industries and workers that will be most negatively affected by the low-carbon transition through 3 pillars combining grants, funding from Cohesion Funds, InvestEU and a new EIB loan facility

*Sources: Data, sources and analysis from section 3.1. Indicative estimates for the budget 2021-2027 from COM(2020) 442 final*
3.2 International sources

In addition to the EU funds and climate finance sources, European non-state actors might obtain climate financing from some other international institutions. The European Bank for Reconstruction and Development (EBRD)\(^66\) provides similar products as the EIB (e.g. loans, equity, guarantees and advisory services). EBRD support is concentrated on middle-income countries in transition and only non-state actors in certain EU Member States\(^67\) are eligible for its financing. Climate finance is available through the EBRD’s Green Economy Transition approach which aims to support countries’ transitions to low-carbon and resilient economies through different mitigation and adaptation projects. EBRD financing generally targets larger projects (USD 5-250 million) and smaller projects can only be supported through financial intermediaries.

The Council of Europe Development Bank\(^68\) provides loans to different types of borrowers from its Member States\(^69\) and focuses primarily on projects that target social cohesion. Nonetheless, it also supports projects in environment and natural disaster management. Therefore, climate projects with co-benefits across sectors (e.g. social services, environmental protection or health) can be eligible activities. Financing for environmental and climate projects is also available through the European Economic Area and Norway grants\(^70\). These grants are available only in certain EU countries\(^71\) and are linked to the prioritisation of policy needs in each beneficiary country. Nonetheless, often these programmes include grant programmes that can be accessed directly by eligible entities, including SMEs and NGOs.

In additional to the international development banks and funds, initiatives such as the European Energy Efficiency Fund (EEEF)\(^72\) can be another source of climate finance. The EEEF targets energy efficiency and renewable energy projects in the range of EUR 5-25 million. Therefore, its loan products could be a suitable sources for non-state actors that can implement such large projects, including local and regional authorities, project developers, energy service companies (ESCOs) or renewable energy and energy efficiency service providers. It is managed by the EIB in collaboration with some national development and commercial banks as well as the European Commission.

Nevertheless, sources established in the context of international climate negotiations usually target developing countries and non-state actors from EU Member States are not eligible to receive funding. EU Member States are not eligible for funding from the Green Climate Fund\(^73\). Only some EU countries with transition economies\(^74\) can access support from the Global Environment Facility (GEF); non-state actors can apply for funds for actions under the GEF.

3.3 Other sources and financing approaches

Apart from public sources at the EU and international level, non-state actors could seek support for climate investments from other public and private sources. Public budgets at the national, regional or

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\(66\) EBRD: [https://www.ebrd.com/home](https://www.ebrd.com/home)

\(67\) Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia.

\(68\) Council of Europe Development Bank: [https://coebank.org/en/](https://coebank.org/en/)

\(69\) Although support is available to borrowers from all 41 Member States of the Council of Europe, it is targeted at certain countries in transition. The eligible EU Member States are: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia and Malta.

\(70\) European Economic Area and Norway grants: [https://eeagrants.org/](https://eeagrants.org/)

\(71\) Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia, Malta and Portugal.

\(72\) EEEF: [https://www.eeeef.eu/home.html](https://www.eeeef.eu/home.html)

\(73\) Global Environment Facility: [https://www.thegef.org/](https://www.thegef.org/)

\(74\) Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic and Slovenia.
local level could provide resources for direct investments (e.g. local or regional authorities can decide to invest part of their budgets directly in climate measures) or support via policy initiatives that offer grants, subsidies, tax incentives, certificates or other forms of the support that can reduce project costs. In some Member States, national promotional banks constitute another key source of public climate finance. For example, the Kreditanstalt für Wiederaufbau (KfW) bank in Germany or the Caisse des Dépôts (CDC) bank in France are important sources of concessional loans for public and private investors in those countries\(^{75}\). However, in other Member States without public promotional banks other public or semi-public entities such as specialised agencies, regional governments and institutions can provide climate financing or policy incentives\(^{76}\).

Non-state actors can use various private sources or their own resources to support investments in climate measures. Investing own funds in climate projects is another important source of climate finance. Households often use savings to invest in energy efficiency improvements for their homes while companies raise equity or invest revenues in corporate climate projects. Even though the composition of climate finance varies in each Member States due to local rules, attitudes and traditions, the shares of relevant investments financed with own resources (e.g. homeowners’ savings or companies’ revenues) and public funds are the most significant according to existing research. Box 2 provides a summary of the main findings from three climate finance mapping studies.

**Box 2 The landscape of climate finance in Germany, France and Belgium**

<table>
<thead>
<tr>
<th>Germany in 2010</th>
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<tbody>
<tr>
<td>More than 95% of the climate finance came from the private sector (primarily by corporations in the energy sectors and households), but almost half of these investments were supported by concessionary loans from public banks (44%) as well as feed-in-tariffs for energy. Commercial banks also provided initial loans needed to finance most investments. The main type of climate investments was renewable energy (mainly by households, energy investors and farmers). Households invested substantially in energy efficiency measures in their homes as well. In Germany, state guarantees to the public banks are important for ensuring the banks can raise money on the capital markets at a lower costs compared to other banks allowing them to offer more advantageous terms on their loans to beneficiaries. The two federal development banks KfW and Rentenbank supported households and farmers, respectively. Nonetheless, commercial banks (e.g. Deutsche Bank, Commerzbank, Unicreditbank) are also important as they provide debt for large-scale projects, usually in energy and infrastructure, and offer standardised loans for households or SMEs for renewable and energy efficiency measures, including as intermediaries of KfW programmes. Large commercial banks sometimes also invest directly through their wealth and asset management services.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Belgium in 2013</th>
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</thead>
<tbody>
<tr>
<td>The main sources of climate finance were corporations (47%), public budgets (34%) and households and SMEs (19%). However, the share of concessionary loans was only 3% as only the EIB provides such services and the role of semi-public financial institutions in Belgium is limited. The main forms of climate finance were commercial debt and equity. Some indirect instruments for supporting climate measures were also used, including energy audits, standardisation and certification schemes, regulatory frameworks for long-term investments in energy efficiency and renewable energy, risk reduction, access to finance and green loans.</td>
</tr>
</tbody>
</table>

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\(^{75}\) Hainaut, H. et al. 2018; and Juergens, I. et al. 2012, Landscape of Climate Finance in Germany, Climate Policy Initiative.

France in 2016

The main sources of climate finance were households (33%) and companies and project developers (31%). While households invested mainly in the building sector, other investors concentrated on centralised power generation and networks. To make their investments households used primarily their own funds (e.g. savings) as well as commercial bank loans, grants and subsidies. Companies mainly mobilised bank and bond financing or used their own equity to support climate measures. Public project developers such as local governments, social housing authorities and public infrastructure managers received mainly public sources and loans from CDC for their climate investments. In France, the public sources of climate finance were important. 25% of the climate projects benefitted from subsidies and grants, while the government-owned banks (CDC, BPI France as well as the EIB) provided 30-50% of the project finance for social housing and renewable energy projects through concessional loans.


Private investment sources include commercial banks, institutional investors (i.e. investors managing and investing assets on behalf of beneficiaries and clients, such as pension funds) and other investors such as wealth funds, philanthropic foundations, high-net-worth individuals or angel investors. Securing financing for climate projects (especially adaptation or innovative and risky mitigation projects) from private sources can be challenging as most of these investors seek to maximise their returns and minimise risks, and climate actions may not meet the needs of these investors. Hence, they usually tend to prefer projects with well-established technologies (e.g. in the case of renewable energy) or with clear returns and potential profit. Nonetheless, there is a growing number of investors, particularly institutional investors such as pension funds and insurance companies, pledging to divest from carbon-intensive projects and orient their capital towards more sustainable investments. This has the potential to mobilise additional funds for climate action and open up new funding sources for non-state actors.

Non-state actors can also explore creative financing strategies for raising climate funds from private sources or mixing different sources. One example is the use of green bonds, which represent commitments that the issuer will use the proceeds to finance exclusively environmentally sustainable activities. This could be particularly suitable for regional and local authorities which can issue such bonds to raise funds for local environmentally-friendly projects as exemplified by cities such as Paris. Crowdfunding could be another alternative for financing projects with civic benefits, however this is a fairly new and untested approach that can raise questions about the ownership of the assets or the equal coverage of controversial projects. For investments in buildings’ energy efficiency, energy performance contracting (EPC) is increasingly encouraged and employed as a financing strategy. Under EPC an ESCO undertakes energy efficiency improvements on behalf of a beneficiary and uses the cost savings to repay the investment.

79 Davies, R. 2014, Civic Crowdfunding: Participatory Communities, Entrepreneurs and the Political Economy of Place.
4. Challenges and good practices

Despite the availability of various financing sources, non-state actors face a number of challenges when accessing climate finance impeding their efforts to invest in mitigation and adaptation. Even though certain barriers could be specific for different types of actors such as SMEs, NGOs, subnational governments or community organisations, a number of challenges are common for the majority of non-state actors. The main barriers to taking effective climate action, as reported by non-state actors, include: lack of access to finance, lack of expertise, lack of staff, lack of recognition and difficulty to find suitable partners. Other relevant barriers, cited less often, are: administrative requirements, public regulations, lack of support within the organisation and lack of examples to follow. In addition, investments in certain types of climate action can face their own barriers to financing, usually due to a perceived lack of profitability. Such ‘sub-optimal’ investments could be renewable energy technologies that are not mature and market-ready, energy efficiency projects where the return is relatively modest over a long period of time, or resilience and adaptation projects where the returns are uncertain.

In order to provide an overview of the main types of challenges and possible strategies for overcoming them, the rest of this section is organised around key themes with challenges and good practices presented for each theme.

4.1 Regulatory and policy frameworks

A clear and stable regulatory and policy framework on climate is crucial for enabling all types of non-state actors to take action. The policies can cover a variety of aspects relevant for successful mitigation and adaptation – from a strategic framework that defines clear objectives, through clear rules and regulations about public support and financing for climate action to legislation governing the establishment and operations of different types of organisations. The lack of recognition by public authorities of climate action as a priority, which non-state actors consider as one of the main challenges, could be exacerbated by the absence of a strategic framework that valorises and prioritises mitigation and adaptation objectives.

The lack of a strategic vision at the national level might represent a barrier for lower levels of governance and non-state actors to take climate measures, which often concern long-term horizons, as they would face uncertainty and doubts whether future policies would be compatible with their decisions. This is particularly important for businesses that need to be able to predict the regulatory landscape, standards and requirements when making investment decisions. A lack of general direction at the central level can also result in conflicting policies at the regional or local level. Therefore, well-defined climate targets and low-carbon transition policies can drive businesses, individuals, local authorities and other non-state actors to take climate measures, particularly in the energy sector, as they signal predictability and certainty over the near and longer-term future.

Another important aspect of the regulatory framework concerns governmental support and rules for financing for climate. The lack of support or similar policies can dissuade non-state actors to invest in mitigation and adaptation as many of the relevant measures could be costly or not generating profits resulting in suboptimal financing from private sources (further details about the specific issues with

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81 Chan, S. et al. 2018a, Toolbox for multi-stakeholder climate partnerships, A policy framework to stimulate bottom-up climate actions, German Development Institute study for the EESC.
82 Fossil Free Sweden, Roadmap for fossil free competitiveness, A summary of roadmaps from Swedish business sectors.
accessing financing is provided in section 4.4). This makes the availability of subsidies, feed-in-tariffs, tax incentives, dedicated public funds and other similar measures crucial for enabling non-state actors to make climate investments. Public funds can be critical for investments in innovative or less mature climate technologies, whose development is not commercially viable without public support\(^{85}\), and can unlock the availability of different types of private sources for climate financing\(^{86}\). However, the availability of such support needs to be stable and predictable over time, if it is to act as an enabler of climate investments rather than a barrier as many non-state actors cannot afford or find co-financing for their projects otherwise\(^{87}\). Moreover, policy frameworks that regulate the accountability requirements for certain types of investors or companies’ environment, social and governance (ESG) criteria could act as additional stimuli for non-state actors, especially private sources of climate finance, to invest in climate measures\(^{88}\).

Other legislation governing aspects of climate projects (e.g. access to the grid for renewable energy producers, conditions for participating in the energy market, policies on research and innovation) or the operations of different types of non-state actors (e.g. establishment and financing of NGOs, cooperatives, SMEs or partnerships) can also be critical for the success of non-state climate action. The regulatory framework on such issues could be either a barrier or an enabler facilitating innovative new technologies (from their conception, through demonstration to deployment\(^{89}\)) or new structures for delivery of climate services (such as energy cooperatives\(^{90}\)). Box 3 provides an example of how the regulatory framework on various aspects of climate policies and non-state actors can stimulate the emergence of energy cooperatives and other similar forms of community energy ownership as novel ways for renewable energy development.

**Box 3 The regulatory environment as an enabling condition for community energy ownership**

Experience from several European countries shows that a clear policy framework can promote the emergence and development of different types of community energy ownership, good practices include:

- **Germany** – the national policy on the energy transition has driven the development of renewable energy installations in the country thanks to the definition of clear objectives and provision of feed-in-tariffs creating a stable regulatory environment for investors. In addition, rules about the responsibilities of local and regional authorities and the management of different energy services have resulted in the ‘re-municipalisation’ of these services (i.e. a growing number of local authorities have gained control of local power plants, energy grids or supply networks). Last but not least, a strong culture of cooperative action across sectors as a way of citizen involvement have led to the creation of many energy cooperatives. All these factors contribute to the development of various forms of community ownership of energy services in Germany, from renewable energy production and heat generation to grid and network management.

- **Denmark** – a national-level commitment to promoting community energy and provisions accessing the grid for local energy communities, with clear financial responsibilities for the community and the network operator, have facilitated the development of energy communities in Denmark. Moreover, legal requirements about the minimum shares of ownership and co-ownership of wind projects within local communities act as an additional driver for growing community ownership of renewable energy. As a result, communities

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\(^{85}\) Fossil Free Sweden, Roadmap for fossil free competitiveness, A summary of roadmaps from Swedish business sectors.


\(^{89}\) Polzin, F. 2017.

\(^{90}\) Roberts, J. 2018.
have been investing in wind energy since the 1970s, predominantly in partnership with energy utilities and now own about 70-80% of the existing wind turbines in the country.

- **Greece** – recent changes to the national energy legislation encourage consumers to become energy producers, or ‘prosumers’. The law enables citizens, local authorities and private and public agencies as well as building co-ownerships or energy communities to produce, sell or self-consume electricity and thermal energy produced by renewable sources or combined heat and power generation. The provisions forbid the charging of extra fees that do not align with real costs in order to ensure the competitive participation of renewable energy communities in the energy market. Additional requirements about the minimum participation of ‘local’ actors aim to ensure such community ownership projects remain close to the community.


### 4.2 Information availability

There are broadly two different types of information-related barriers: cases where the information available is inaccessible, opaque or difficult to interpret; and cases where adequate information and data does not exist in the first place. Both instances have consequences for non-state actors and their ability to adapt environmentally, although in different ways. The lack of readily available information on funding schemes presents a challenge for many non-state actors: this may lead to them either being unaware of available funding programmes, or not able to determine whether they are eligible for a particular programme due to legalistic and inaccessible language. This is exacerbated in smaller organisations without the necessary expertise in-house, where skills required to interpret funding calls and notices may be lacking (for further details see section 4.3).

Additionally, there are instances where gaps in key knowledge and data lead to difficulties not just on what finance may be available, but on how funding should best be used. In the absence of clear data on current and future climate financing, as well as the estimated costs of mitigation and adaptation, institutions will find it difficult to adequately and effectively direct funds where they are most needed.

Transparent information about climate finance flows is also an issue. There are gaps in the data on climate financing at all levels from local to international, with differing approaches to tracking investments. This leads to difficulties in assessing whether sufficient funds are available to reach climate targets and complicates analyses of the availability and impact of climate finance. Additionally, this obscures the consequences of large-scale announcements on climate funding and EU-level initiatives, as actors in civil society and on local level are not able to adequately access information on whether these new funds are available to them, or whether high-profile climate finance commitments are being met. Moreover, existing approaches to measuring climate finance focus predominantly on ex-ante tracking of finance volumes or budget allocations and systematic assessment and reporting on the impacts of investments in terms of meeting climate policy objectives is missing.

Good practice to overcome these issues relate primarily to knowledge-sharing and the leveraging of collaborative networks on the one hand, and improved reporting and transparency on the other. Enabling knowledge-sharing and collaboration among non-state actors to overcome information gaps

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91 Climate Chance Association and the Finance Coalition, 2017, Priority actions to increase access to climate finance for non-state actors, Document adopted Sunday, December 10, 2017 as part of an international workshop labeled One Planet Summit.


93 Eichler, L. et al. 2017, Assessing the state-of-play of climate finance tracking in Europe, Trinomics report for the EEA.
of their own is a comparatively smaller venture, and a number of initiatives have sought to further this practice. By introducing regulations that seek to improve the collection and availability of data on current climate financing in European states, the impact and direction of funds could be better tracked and assessed.

**Box 4 Platforms for information-sharing and organisation of projects**

The LocalLife project in Swedish Stockholm received funding from the Swedish Environmental Protection Agency to provide a platform on which users exchange information on the circular economy, as well as help plan and coordinate more efficient energy and resource usage, more broadly promoting a circular economy. The platform is available to neighbourhoods, municipalities, regions, higher education institutions and housing associations.

*Sources: Swedish Environmental Protection Agency, Projects that have received support for urban innovations; and LocalLife website: https://about.locallife.se/

### 4.3 Internal capacity

Not all non-state actors operate on a level playing field in the area of climate financing, notably in the sense that smaller actors may find themselves formally or indirectly excluded from certain initiatives based on their small size and institutional capacity. Many smaller actors, be they NGOs or SMEs or civil society organisations, may be working with a limited amount of capital, in-house expertise and staff. This is a common issue for non-state actors: in a recent survey on their ability to engage in climate action, 49% of participants felt they lack required expertise and 31% cite a lack of staff as significant barriers. Additional capability issues are faced where there is a lack of appropriate technical expertise and consultancy services, which could assist businesses in the transformation. This can result in, for example, a lack of the necessary technical expertise to fill-in a successful funding applications. This has proven to be particularly challenging for small LRAs which struggle competing against bigger institutions.

In order to address this, initiatives have been taken to encourage capacity-building among non-state actors. This can occur through organisations lending technical or legal assistance where expertise is lacking, enabling others to engage in climate adaptation activities. Such assistance can entail, for example, help to navigate funding structures and put together applications, technical expertise in adapting a business or organisation to be more sustainable, or developing pathways towards decarbonisation of their activities.

**Box 5 Lending civil society actors capacity through exchanges of expertise**

Capacity-building initiatives have been directed all levels of society, including households. One way in which various organisations and actors have been assisted in pursuing climate adaptation and sustainability projects has been through projects which give them access to experts and technical professionals. In Spain, two projects have provided home owners, housing associations and municipalities with the technical expertise needed to improve their housing:

- The **HolaDomus** initiative in Spanish Catalonia, co-run by the city of Olot and GNE Finance, assists with home renovations to improve energy efficiency and green energy generations, connecting homeowners with verified contractors and offering technical assistance and expertise.

  *Source: [https://www.holadomus.com/](https://www.holadomus.com/)*

- A similar GNE Finance project in the Basque Country, **OPENGELA – HIROSS4all**, also

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provides technical expertise through ‘one-stop shops’, targeting in particular poor residents in multi-family buildings.

Source: http://opengela.eus/

4.4 Climate finance availability

There are various factors that create challenges for non-state actors in successfully accessing climate finance. The following sub-sections discuss in more detail the main barriers stakeholders might face and good practices that can help address them.

4.4.1 Bankability and eligibility

Limited access to finance is perceived as the main barrier to non-state actors’ climate action - 63% of the respondents to a recent survey cited this as a key obstacle\(^{97}\). Particularly, demonstrating bankability and the applicant’s eligibility for funding are two critical aspects when financing climate investments. 'Bankability’ or ‘fundability’ can be understood as ‘a precondition for successfully obtaining resources from financing institutions’\(^{98}\). Eligibility refers to the requirements for funding that determine if a project meets the criteria for financing. These requirements could concern a minimum rate of return, pre-existing financing from other sources (i.e. proof of bankability) or a minimum size for projects to be eligible. Often, a minimum investment size is expected to be successfully financed before other funding can be unlocked, which could be prohibitively high for some small-scale projects or certain non-state actors. At the same time, certain funds might not be accessible because they target only projects above a certain budget, making small projects eligible only when clustered together\(^{99}\).

As a result, a possibility to overcome eligibility deadlocks would be to foster investments by allowing lower capital adequacy requirements in some sectors as a way to facilitate access to funding\(^{100}\). In addition, most good practices identified to overcome eligibility barriers focus on grouping several projects together to enhance their chances during the application process. By grouping their resources and putting forward larger projects, non-state actors can become more likely to meet the required selection criteria. Likewise, incorporating climate action into broader, wide-ranging projects may also help access alternative sources of funding which are not directly linked to climate finance\(^{101}\).

Box 6 Private Finance for Energy Efficiency (PF4EE)

This financing instrument developed by the EIB and the European Commission aims at tackling the issue of limited access to energy efficiency financing and raise awareness on climate finance. This joint initiative targets private sector partners which offer sources of energy efficiency finance in their domestic markets. To facilitate the application process and help financial intermediaries promote potential opportunities energy efficiency financing, the EIB developed two online, free of charge tools in relation to PF4EE, specifically a Web-Check tool to verify eligibility criteria and the EEQuest Tool which provides information on estimates of energy, cost and CO\(_2\) savings depending on the measures established.

Source: https://pf4ee.eib.org/tools

\(^{97}\) Chan, S. et al. 2018a.


\(^{100}\) Fossil Free Sweden, Roadmap for fossil free competitiveness, A summary of roadmaps from Swedish business sectors, p20.

\(^{101}\) Georgi, B. et al. 2017.
4.4.2 Risk–return perception

When seeking private finance for climate actions, a key barrier is investors’ perceptions of the risks of investments and their likely returns. Adaptation measures, projects on energy efficiency, or innovative technologies (and particularly less mature technologies) are perceived as being riskier. This can partly be explained by inertia in finance markets favouring fossil energy over low-carbon solutions. Fossil-fuel based industries are already well-known by investors and usually perceived as less risky investments, while innovative low-carbon technologies face more difficulties proving viability and attracting funds. This often translates into underinvestment in clean technologies. The uncertainty surrounding the financial outcome of environmental innovations makes it even more challenging for non-state actors to prove the viability of their projects, hampering their capacity to attract external sources of finance\textsuperscript{102}. Despite the climate crisis looming, the finance sector is still very much characterised by an approach based on the short-term profits provided by high-carbon projects.

In addition, besides the uncertainty of environmental innovations, it is often difficult to clearly attribute the positive results of projects focusing on climate action to a specific actor and translate these impacts into financial returns. The limited ability to attribute returns to investments thus constitutes a dilemma that some non-state actors need to overcome to convince investors of their bankability. For example, private loans are seldom used to finance urban adaptation measures because of the lack of evidence regarding direct financial returns\textsuperscript{103}. Investors will focus on the project’s perceived risk (e.g. its cost, its degree of uncertainty etc.) and weigh it against expected financial gains. In view of this, the early phases of certain types of projects on climate change can be important in building the bankability of an investment. The R&I and demonstration phases can highlight the feasibility and viability of the project while also identifying potential risks and measures to limit their negative impact\textsuperscript{104}.

Good practices in this area relate to changing the current market conditions and changing return expectations to favour innovation and spur investments in innovative climate actions\textsuperscript{105}. The EU High-Level Expert Group on Sustainable Finance recommends that decision-making frameworks should allow for sustainability concerns to be given more focus in investment decisions\textsuperscript{106}. Some emerging climate-specific financial options discussed in the following sub-sections may also contribute to reducing the perceived risks of climate finance. For example, crowdfunding can favour the distribution of risk across stakeholders, thus enhancing the chances of better gains\textsuperscript{107}.

**Box 7 An EU taxonomy of sustainable investments**

The EU High-Level Expert Group on Sustainable Finance recently issued a set of recommendations in the development of an EU taxonomy to help investors and project promoters to identify economic activities that contribute to a low-carbon and resilient economy. This taxonomy will be a key enabling pillar in the EU framework for green finance. Technical screening criteria have been defined to determine whether an activity can be considered sustainable, based on whether it: makes a substantive contribution to at least one of the six environmental objectives set in the proposed Taxonomy Regulation (COM(2018) 353 final); does no harm to any of the other objectives; and complies with minimum safeguards\textsuperscript{108}.

\textsuperscript{102} Ghisetti, C. et al. 2016, p10.
\textsuperscript{103} Georgi, B. et al. 2017.
\textsuperscript{104} Polzin, F. 2017.
\textsuperscript{105} Ghisetti, C. et al. 2016.
\textsuperscript{106} High-Level Expert Group on Sustainable Finance, 2018, Financing a Sustainable European Economy, Final Report, p5.
\textsuperscript{107} Polzin, F. 2017.
\textsuperscript{108} For example, national legal safeguards, the OECD Guidelines on Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.
To be considered a sustainable investment, the activity must significantly contribute to at least one of the six following objectives, without harming the others:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution and prevention control
6. Protection and restoration of biodiversity and ecosystems.

This taxonomy is expected to help investors identify activities which could be considered eligible for green finance, providing more clarity concerning the actions that have a positive effect on the transition and potentially incentivising greater private sector investment in climate action. The taxonomy will also facilitate private sector reporting and disclosure of climate investments, addressing the information availability challenge identified above.


4.4.3 Bureaucracy and administrative burden

Administrative procedures and bureaucracy may constitute a heavy burden for non-state actors in terms of climate finance. Civil society, LRAs as well as community initiatives are especially confronted with this issue\(^\text{109}\). Application processes are often found to be too complicated and resource-intensive, especially for local governments which lack the staff capacity to handle long, difficult procedures, particularly for EU funds\(^\text{110}\). Even after funding has been successfully allocated, monitoring and reporting requirements may become too onerous for some small-scale initiatives with little resources. While evaluation procedures are necessary to ensure funds are adequately used to finance climate actions, requirements regarding indicators, feedback and data monitoring can create significant administrative burden for potential beneficiaries\(^\text{111}\). The specific vocabulary used in administrative procedures can also be confusing or unclear. Non-state actors with limited technical expertise may encounter difficulties when confronted with specific terms used in, for example, the innovation sectors\(^\text{112}\).

To respond to this challenge, simplified procedures and enhanced guidance at the EU-level could be used to reduce the challenges caused by excessive paperwork and bureaucracy\(^\text{113}\). As highlighted in section 3.1.3 of this report, the European Commission has already taken steps in this direction. For example, in the next MFF the ESIF will target five policy objectives rather than 11 thematic objectives as various existing financial instruments will be grouped under the InvestEU Programme.

4.4.4 Scaling barriers

Technological innovation will be critical to achieving EU and international climate goals. However, early-stage innovators and entrepreneurs are particularly prone to scaling constraints. The readiness of the technology promoted and its maturity to enter the market are the main factors to ensuring a project will scale-up and expand beyond the R&I and early commercialisation phases\(^\text{114}\). Stemming from the risk perception barrier explained earlier, climate actions involving more mature technologies will

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\(^{109}\) EESC Opinion NAT/736.
\(^{110}\) Chan, S. et al. 2018a.
\(^{112}\) Long, T.B. Blok, V. & Coninx, I. 2015, Barriers to the adoption and diffusion of technological innovations for climate-smart agriculture in Europe: evidence from the Netherlands, France, Switzerland and Italy, Journal of Cleaner Production.
\(^{113}\) EESC Opinion NAT/736.
\(^{114}\) Rademackers, K. et al. 2016.
generate a growing number of funding opportunities as more and more investors are attracted.

Established, large-scale actors can resort to internal resources if necessary to ‘ride out’ the development phase, when revenue is limited or non-existent, but expenditure needs are high. New, emerging initiatives struggle to kick-start their project and are heavily dependent on external funding very early on, even though their technological innovation is not fully operational, and its value remains difficult to sell. The roll-out phase can therefore be long and complex, and some actors can get stuck in what can be referred to as the ‘valley of death’, i.e. a period during which environmental innovations may either progress and become concrete projects, or fail to overcome the conceptual phase and move towards the deployment and commercialisation of their technology.\textsuperscript{115}

Another constraining factor regarding scaling barriers relates not only to the development of a project itself but also to its influence on other non-state actors as a model to be followed. The evidence suggests that some sectors are more likely to be targeted by climate action than others. For example, despite the technological and economic lock-ins that favour investment in fossil fuel technologies, the sector of renewable energy is better able to replicate successful experiences than other fields, which may be more localised or have a less responsive market structure such as land use.\textsuperscript{116}

In this area, good practices include cooperation across stakeholders and the grouping of small projects into larger initiatives to help accelerate the roll-out phase. State authorities can also play a facilitating role by setting up platforms and creating incentives that favour research and innovation. In addition, pioneering financial solutions should also be recognised as an essential element to overcome the start-up phase and accelerate technological maturity. In this regard, European Institute of Innovation and Technology Climate-Knowledge and Innovation Community (EIT Climate-KIC)\textsuperscript{117} fosters public-private partnership to support innovative solutions for climate action.

### Box 8 Crowdfunding as a way to foster investment for small projects

Crowdfunding platforms are emerging as a new source of funding, facilitating the involvement of citizens in climate action and enabling access to projects of all sizes. **Crowdfunding.gent** is a Belgian platform that encourages residents in the city of Ghent to propose and finance ideas for their city, promoting sustainability and innovation. Donations start from EUR 5 and funding is available to all types of projects regardless of their size or scope. The website also gathers information (available through their Crowdfunding Academy) to help individuals kick-start projects and launch crowdfunding campaigns.  
*Source:* [https://crowdfunding.gent/nl/pages/hoehetwerkt](https://crowdfunding.gent/nl/pages/hoehetwerkt)

**Voor je Buurt** is a Dutch civic crowdfunding platform which empowers citizens to fund as well as launch campaigns that contribute to making a positive change in a community, neighbourhood or city in the Netherlands. Campaigners are supported by Voor je Buurt through their crowdfunding academy which provides coaching and guidance. The platform also includes donations from local public funds. It collects not only money but also materials and provides technical assistance for the campaigns.  

### 4.4.5 Climate-specific financial products

Many climate-specific financial instruments may benefit non-state actors in search of funding.

\textsuperscript{115} Polzin, F. 2017, p526.
\textsuperscript{116} Hale, T. 2018, p9.
\textsuperscript{117} EIT Climate-KIC: [https://www.climate-kic.org/](https://www.climate-kic.org/)
opportunities. In its opinion on 'The sustainable economy we need', the EESC highlights that the financial sector and investors need to play a more proactive role to support the implementation of the Sustainable Development Goals (SDGs) and achieve a climate resilient economy.\(^{118}\)

New forms of financing are emerging to address the various needs for non-state actors. Citizens have started to play a more important role in climate finance, getting involved in governance or contributing directly to the provision of funding through crowdfunding platforms. Facilitating the involvement of the civil society in climate finance facilitates the reduction of costs, risks and responsibilities across participants, thus aiding the funding of environmental innovations.\(^{119}\) Crowdfunding platforms also have the advantage of having brokers working on matching the available funds to relevant projects.

Some actors are able to access funding through new innovative financial products dedicated to specific sectors. In this regard, green bonds have become a useful instrument for non-states actors to fund green projects and the Climate Bonds Initiative\(^ {120}\) aims at streamlining the bond market to help finance projects and promote new policy models. Since their emergence around 2007, these labelled bonds, which target green projects, have favoured the involvement of private investors in climate action, leading to a rapid growth of the green bond market in the past decade. In addition, energy performance contracting, or EPCs, can also be seen as an innovative form of financing where energy services companies, or ESCOs, partner with households, businesses and other organisations to support energy efficiency improvements. ESCOs provide upfront financing, technical skills and cost reductions, take on the potential risks, and demonstrate the energy saving value of energy efficiency actions.\(^ {121}\) Such frameworks offer home owners and promoters the opportunity to access upfront funding for energy performance investments without bearing the initial costs. At the same time, the ESCOs can help interested households and businesses with the design and management of their project.

**Box 9 The emergence of climate-specific financial products as new opportunities for non-state actors**

**The use of EPCs in Germany**

Developed by the Berlin Energy Agency together with the Berlin’s Senate Department for Urban, the Berlin Energy Saving Partnership has helped improve energy efficiency in public buildings since 1996. These partnerships aim at linking property managers and ESCOs to facilitate the retrofitting of public buildings towards energy efficiency. Once the partnership is established, the Berlin Energy Agency acts as a project manager to facilitate the contracting process. While the ESCO plans and implements energy saving measures such as insulation, heating control systems or efficient lighting, public buildings have the possibility to be pooled together (ranging from 4 to 150 buildings) to distribute and balance transaction costs between less profitable buildings and profitable ones. These costs are progressively paid back to the ESCO through the energy savings realised in the buildings over an agreed period (between 8 and 12 years). Since its creation, the Berlin Energy Saving Partnership has helped more than 500 properties, including around 1,300 buildings, transition towards energy efficiency through 26 partnerships. As illustrated by this successful example, this financial instrument has the advantage of relieving property owners from the burden of upfront investment costs. They can also rely on professionals to deal directly with the technical work and administrative burden related to permits and support schemes.

**Sources:** Rademaekers, K. et al. 2016, pp. 69-71; and Cityinvest, Model 2, Berlin Energy Saving

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\(^{118}\) EESC Opinion NAT/765.


\(^{120}\) Climate Bonds Initiative: [https://www.climatebonds.net/about](https://www.climatebonds.net/about)

Partnerships.

Eco-loans in French social housing
Operating since 2009, the eco-loan scheme was set up by the French Federation of Social Housing to promote energy retrofitting in the social housing sector with the goal of addressing two objectives: emission reductions and energy affordability. These eco-loans are funded by the French Social Housing Bank (a branch of the CDC), which provides preferential low interest finance, and the French Environment and Energy Management Agency. The Federation provides advisory services to housing associations, which also benefit from simplified allocation process, with only one application required per project (instead of up to five) and access to complementary funding. 

Emerging green bonds in Italy
The green bond market has benefitted from a renewed effort from public authorities to promote the use of this financial instrument in the country. In 2012, the government created Extra-MOT Pro, a mini bond market, where SMEs issue debt instruments, usually sponsored by local banks. In 2010, Italy pioneered the use of public bonds for a solar project with SunPower’s Montalto di Castro solar park. This project was supported by the Ministry of Economy and Finance, which helped the bond reach a better rating and a lower interest rate.
5. Potential role of the Climate Finance Forum

In its Opinion on access to climate finance for non-state actors (NAT/736) the EESC proposed the establishment of a Climate Finance Forum that should ‘address the key issues, bringing together key stakeholders to identify barriers, design solutions, and identify most efficient mechanisms for improved distribution of finance, including a type of match making service that links projects and appropriate climate finance sources to each other’. The Forum is also expected to facilitate ‘knowledge sharing, communication and dialogue’.

Considering the vast array of climate finance opportunities and challenges non-state actors face in accessing them successfully, presented in the previous sections, a Climate Finance Forum would be an appropriate medium to address these barriers and support non-state actors. The rest of this section provides specific suggestions about the issues it could cover and services it could provide, the stakeholders it could link and the specific actions it could encompass.

5.1 Gap analysis and possible role of the Climate Finance Forum

There is a variety of issues and barriers the Climate Finance Forum could address and the following sub-sections provide concrete suggestions of topics and services the Forum should address based on a gap analysis of the findings presented so far.

5.1.1 Gap analysis

In its proposal for the Climate Finance Forum\(^{122}\), the EESC highlighted certain areas where non-state actors require particular support in order to access climate finance:

- A need for a system that would identify, analyse, synthesise and disseminate information on the variety of funding sources available for climate action by non-state actors;
- A need to empower non-state actors at all levels to understand and be able to access climate finance, including by providing clarity on existing financing mechanisms and supporting the preparation of applications;
- A need to specifically support local grassroots initiatives and their capacities to obtain funding as well as provision of additional funding in the form of small-scale grants, with simplified application and reporting procedures, specifically targeting local grassroots actions;
- A need for a type of match making service that links projects and appropriate climate finance sources;
- A need to create partnerships between state and non-state actors;
- A need to understand what constitutes a ‘green investment’, including among investors;
- A need to facilitate peer learning, training and advice sharing.

This study is a first step towards providing a mapping of the available climate finance options for non-state actors and the analysis carried so far indicates that there are some actions have already been taken at the EU and national levels to help potential beneficiaries access all these options. Nevertheless, these initiatives remain scattered and non-state actors might not necessarily be aware of all the existing information sources, support platforms and mechanisms. Moreover, barriers stemming from the lack of internal capacity, administrative burden or eligibility requirements associated with specific climate finance instruments, investors’ risk perceptions of climate projects and the modalities of specific climate finance products remain. The following table summarises the main types of challenges identified in this study together with an assessment of the actions taken to meet these needs and the remaining gaps for addressing them.

\(^{122}\) EESC Opinion NAT/736, Facilitating access to climate finance for non-state actors.
<table>
<thead>
<tr>
<th>Challenge</th>
<th>Relevance for accessing climate finance</th>
<th>Extent to which it is addressed</th>
<th>Remaining gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory and policy frameworks</td>
<td>A stable regulatory framework can facilitate the investments in long-term climate projects. It can also ensure the provision of financial incentives (e.g. subsidies, feed-in-tariffs, tax deductions) that can be a source of climate finance.</td>
<td>At the EU and national level there are various policy frameworks that facilitate support for climate investments (e.g. renewable energy, energy efficiency, research in new technologies). An array of EU funds and national development banks funding lines provide climate finance.</td>
<td>This challenge is relatively well addressed and non-state actors in the EU can invest in climate projects in a relatively stable policy framework and use a variety of public funds. However, awareness about the available options could be enhanced.</td>
</tr>
<tr>
<td>Information availability about financial sources</td>
<td>Being unaware of the available options for climate finance and/or not understanding the requirements for accessing the financial sources can result in a shortage of resources for climate investments.</td>
<td>There are some information sources and platforms at EU as well as national level that aim to provide information about available finance and how to access it.</td>
<td>Non-state actors are not necessarily aware of the existing information sources and platforms.</td>
</tr>
<tr>
<td>Information availability on climate change more broadly</td>
<td>Without a clear understanding of the climate change risks and needs for action possible investments cannot be identified. Moreover, without an understanding and transparency on climate finance, it is unclear what the remaining investment needs are.</td>
<td>There is continuous research into the science of climate change, mitigation and adaptation options as well as attempts to map the existing and needed climate finance flows.</td>
<td>Non-state actors are not necessarily aware of the available evidence base.</td>
</tr>
<tr>
<td>Internal capacity</td>
<td>Lack of expertise or internal resources can impede non-state actors’ ability to find relevant financial sources and/or to prepare successful applications.</td>
<td>There are some capacity building and knowledge exchange platforms and initiatives at the EU or national level.</td>
<td>Non-state actors are not necessarily aware of the existing platforms and initiatives. Some types of non-state actors might also need specific support.</td>
</tr>
<tr>
<td>Administrative burden</td>
<td>The application requirements for certain financial sources could be burdensome and in combination with limited internal capacity may impede non-state actors’ ability to access them.</td>
<td>At the EU level attempts are made to simplify procedures and requirements for some funds and financial instruments. There are also various information and capacity building platforms that aim to help potential beneficiaries.</td>
<td>Non-state actors are not necessarily aware of the existing capacity building platforms. Some types of non-state actors might also need specific support.</td>
</tr>
<tr>
<td>Bankability/eligibility</td>
<td>The eligibility requirements concerning e.g. project size, geographical coverage, partnerships or co-financing can be prohibitive for some non-state actors.</td>
<td>There some initiatives, e.g. from the EIB, that provide TA and PDA to projects in order to improve their bankability and eligibility. Another strategy for</td>
<td>Non-state actors are not necessarily aware of existing TA and PDA services. Finding potential partners or similar projects might</td>
</tr>
<tr>
<td>Challenge</td>
<td>Relevance for accessing climate finance</td>
<td>Extent to which it is addressed</td>
<td>Remaining gaps</td>
</tr>
<tr>
<td>-----------</td>
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</tr>
<tr>
<td>Scaling barriers</td>
<td>This is particularly relevant for innovative climate projects at early stages of development, which might not be able to secure financing for rolling out and would not be invested in.</td>
<td>There are a number of EU funds that aim to help different types of actors in their R&amp;I efforts at different stages, including Horizon 2020, LIFE, COSME and the ESIF. Another strategy for overcoming this challenge is grouping of similar projects.</td>
<td>Finding potential partners or similar projects might be difficult. Meeting the requirements for some funds could be difficult due to specific eligibility requirements.</td>
</tr>
<tr>
<td>Risk/ return perceptions</td>
<td>Some investors, particularly, from the private sector perceive climate or innovative projects are too risky and do not provide finance for such investments.</td>
<td>Thanks to the proposed EU taxonomy of sustainable finance understanding of what constitutes ‘green investments’ is improving and this could incite more investors to consider such projects attractive.</td>
<td>More work is needed to improve the understanding of risks and benefits of climate investments as well as to match benefits to specific activities or non-state actors.</td>
</tr>
<tr>
<td>Specific financial products</td>
<td>There are a variety of financial products that emerge to invest in climate projects providing additional sources for non-state actors.</td>
<td>There are successful examples of using EPCs, climate bonds or even crowdfunding to support non-state climate actions.</td>
<td>Non-state actors are not necessarily aware of the available products or do not have a good understanding of how and when to use those.</td>
</tr>
</tbody>
</table>

### 5.1.2 Topics for the Climate Finance Forum

Considering the needs identified by the EESC and the analysis carried out in this study, several key topics emerge as the most important issues the Climate Finance Forum could address, namely:

- Availability of climate finance for non-state actors: The Forum could provide information what financial resources are available and how they can be invested.
- Enabling non-state actors and investors dialogue: The Forum could serve as a platform to connect stakeholders seeking finance with different types of investors.
- Access to climate finance for non-state actors: The Forum could provide support to non-state actors:
  - to identify the most appropriate financing options and/or potential investors.
  - to prepare successful applications, including finding potential partners and meeting the eligibility requirements.
  - to develop their internal capacity for preparing future investment proposals.
- Evidence base on climate finance: The Forum could serve as a platform for sharing knowledge between different types of stakeholders on climate investments, risks and returns of such investments, climate investment needs, climate finance pledges and other similar topics.
- Enabling peer learning and stakeholder dialogue: The Forum could serve as a platform for different types of stakeholders to share experiences and discuss options for improving the access to climate finance together.

### 5.1.3 Services of the Climate Finance Forum

In order to address the above-mentioned topics, the Climate Finance Forum could provide several key
services:

- **Information provision:** The Forum could provide information about existing climate finance instruments, investors, capacity building tools or other information platforms (e.g. by providing links to existing sources, websites or other stakeholders).

- **Support and matching services:** The Forum could provide guidance to non-state actors about addressing the most common challenges with accessing climate finance, it could also provide links to existing TA or PDA services of other stakeholders. In addition, it could establish a database of interested non-state actors, potential projects and investors and provide matching services for linking projects and investors or project partners. As further step, the Forum could also establish a help line and directly support specific non-state actors in the preparation of financing applications.

- **Data repository and knowledge sharing:** The Forum could provide a database or repository where users can share good practices, experiences, evidence from projects, information sources, publications and other similar resources.

- **Communication and dialogue platform:** Participating stakeholders could directly exchange information and discuss (e.g. discussions could be organised around different topics). Moreover, wider events, both in-person and online, could be organised to facilitate discussions with wider audiences.

- **Tools and resources for non-state actors:** For example, the Forum could also provide a simple self-assessment tool for non-state actors to assess their climate finance needs and identify the support they need. This could be a first step before directing users to other services of the Forum that best match their level of pre-existing awareness and needs.

The Climate Finance Forum could include an online platform that provides this range of services and covers the topics identified. Suggestions how the topics might be covered by the different services is presented in the following table.
<table>
<thead>
<tr>
<th>Topic/ Service</th>
<th>Information provision</th>
<th>Support and matching services</th>
<th>Data repository and knowledge sharing</th>
<th>Communication and dialogue platform</th>
<th>Self-assessment tool</th>
</tr>
</thead>
</table>
| Availability of climate finance              | ✓ Overview of the main types of climate finance and investors  
✓ Overview of the main EU sources  
✓ Suggestions how to find national or local sources | ✓ Links to overview or guidance documents, websites and platforms by other stakeholders  
✓ Links to existing information and support services of EU funds | ✓ Publications on climate finance mapping and climate investment needs  
✓ Publications/ information by non-state actors on their climate investment experiences  
✓ Information on good practices | - | Key questions to determine which types of climate finance sources non-state actors are aware of and direct them to information about additional options |
| Enabling non-state actors and investors dialogue | - | - | - | Possibilities for non-state actors and investors to exchange information, discuss and meet (virtually or in-person) | - |
| Access to finance – identification of options and investors | ✓ Tips about the advantages and disadvantages of different types of sources  
✓ Tips about the options available for different types of climate projects | ✓ Links to funds’ or investors’ websites  
✓ Database of potential interested investors | ✓ Information by non-state actors on their climate investment experiences (e.g. past or ongoing projects matched to a certain investor)  
✓ Information on good practices | Possibility for non-state actors to discuss the options with the fund manager or investors providing resources | Key questions to help non-state actors determine which climate finance options are most relevant for their potential projects |
| Access to finance – preparing applications & meeting requirements | ✓ Information about existing TA and PDA services  
✓ General tips about overcoming the key barriers for accessing finance | ✓ Links to existing support services of EU funds or other financing sources  
✓ Database of potential projects and non-state actors looking for partners | ✓ Information by non-state actors on their experiences  
✓ Information on good practices | Possibility for non-state actors to discuss the application process or get in touch with existing supporting services for the different funds | Key questions to help non-state actors determine which application requirement they might need support with |
<p>| Access to finance –                           | Information about Provision of capacity | Information on good | Possibility for non-state | Key questions to help |</p>
<table>
<thead>
<tr>
<th>Topic/ Service</th>
<th>Information provision</th>
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<th>Data repository and knowledge sharing</th>
<th>Communication and dialogue platform</th>
<th>Self-assessment tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>developing internal capacity</td>
<td>existing capacity building tools and platforms</td>
<td>building services specifically for different types of non-state actors</td>
<td>practices</td>
<td>actors to discuss with fund managers or experts how to develop their internal expertise</td>
<td>non-state actors determine what type of expertise they need to develop</td>
</tr>
<tr>
<td>Evidence base</td>
<td>-</td>
<td>-</td>
<td>✓ Publications on climate finance mapping and climate investment needs</td>
<td>Possibility for different types of stakeholders to discuss topics that require further research such as: ✓ Risk/ return perceptions ✓ Development of specific climate finance products for specific non-state actors</td>
<td>-</td>
</tr>
<tr>
<td>Peer learning and stakeholder dialogue</td>
<td>-</td>
<td>-</td>
<td>Information on good practices and experiences of non-state actors</td>
<td>✓ Possibilities for different types of stakeholders to exchange information, discuss and meet (virtually or in-person) to discuss specific topics ✓ Possibilities to involve additional stakeholders through broader events</td>
<td>-</td>
</tr>
</tbody>
</table>
5.2 Relevant stakeholders for the Climate Finance Forum

The mapping of the climate finance sources and the assessment of the challenges and opportunities for non-state actors outlined above provide an overview of the financial landscape of non-state climate action in the EU. The EESC’s Climate Finance Forum should therefore link actors providing funding and those looking to finance their initiatives, to help them identify obstacles and good practices, as well as favour information-sharing.

As highlighted previously, non-state actors can cover a wide range of stakeholders, from LRAs, to businesses or NGOs. Furthermore, the financial instruments at their disposal may take various forms such as loans, green bonds, grants or guarantees. It is thus necessary to ensure that the Forum is constituted in a way that ensures a broad range of actors is represented. The Climate Finance Forum should focus on practical issues, to support the most recent developments of non-state climate actions and finance needs. Therefore, it should mainly revolve around a core group of 20 to 30 participants, gathering the most relevant stakeholders and providing a platform for both investors and those seeking funding to interact. Then, wider events could be organised to include other interested parties, including as policy-makers at the European or national level. Like the Circular Economic Stakeholder Platform\(^{123}\), the core group of participants could be further structured into various thematic subgroups based on the topics concerned (see section 5.1), sectors concerned (e.g. energy, housing, transport, urban planning) or the sources of funding discussed (e.g. EU funds, commercial funding, crowdfunding, green bonds).

Overall, the members of the core group representing investors and fund managers should include representatives of both public and private sources of funding available to non-state actors. European agencies and Commission services responsible for the management of the EU funds presented earlier (e.g. DG REGIO, DG RTD, DG CLIMA, EASME, etc.) should be invited together with the EIB and EIF as managers of certain EU financial instruments but also advisory services such as EIAH. In addition, international (e.g. ERBD, CEB) and national development banks (e.g. KfW, CDC) as well as funding programmes or philanthropic funds (some are represented through the European Foundation Center) could also be included. Representatives of commercial, cooperative or savings banks and other banking sector actors specialised in climate action at the national level, like, but not limited to, the signatory banks of the Katowice Agreement (BBVA, BNP Paribas, ING, Standard Chartered, Société Générale)\(^{124}\) Industry associations for the financial sector could also be involved, particularly those focused on climate action, such as the Institutional Investors Group on Climate Change. Representatives of advisory services for potential beneficiaries (e.g. ELENA, JASPERS, Horizon 2020 focal points, etc.) or organisations having previous experience supporting stakeholders in their climate investments (such as the Covenant of Mayors or the Climate Alliance Working Group on Finance) could also be invited. In some Member States climate finance might be provided by national investors such as ministries or climate/ energy agencies, which could also be considered for the core group of the Forum. Last but not least, the core group should involve representatives of funding platforms, new and innovative forms of climate finance, ESCOs, start-ups and other types of climate investors (e.g. representatives from some of the initiatives presented in section 4 could be considered - EuroPACE, the Berlin Energy Saving Partnership, CityEnergy Project or the Climate Bond Initiative).

The core group should also involve diverse range of non-state actors previously presented in Section 2, including as subnational authorities, businesses, cooperatives, trade unions, academia, or representatives of civil society responsible for individual, collective or cooperative initiatives. Some

\(^{123}\) The Circular Economic Stakeholder Platform: https://circulareconomy.europa.eu/platform

\(^{124}\) Katowice Commitment, 2018, Open letter from global banks to world leaders, heads of government and the international community at COP24: https://group.bnpparibas/uploads/file/katowice_commitment_letter.pdf
categories of actors are already well-represented on the international stage through networks and organisations such as the Covenant of Mayors, European Trade Union Confederation, Cooperatives Europe, Business Europe and SMEunited, European Network for Community-Led initiatives on Climate Change and Sustainability (Ecolise) or the Climate Action Network. In some other cases, representatives of initiatives, which have been identified as good practices (like the Berlin Energy Saving Partnership), or institutions working on relevant research (e.g. CPI, I4CE, Climate Chance Association), could be invited to participate. In addition, to many EU-level organisations representing the interests of different non-state stakeholders, there are also national level associations, NGOs and institutions that could also be considered. The following box provides an overview of how the Forum could be composed, with a list of the main types of stakeholders that could participate in the core group.

**Box 10 Types of stakeholders to invite to the Climate Finance Forum as part of the core group (and wider events)**

**Investors/Fund managing authorities and institutions:**

- European Commission services;
- European executive agencies;
- Development banks;
- Representatives of wealth funds, financing initiatives, commercial and cooperative banks or philanthropic funds;
- Advisory services;
- National-level investors;
- Funding platforms, start-ups, ESCOs and other types of investors.

**Representatives of all types of non-state actors seeking climate finance:**

- Trade unions;
- Cooperatives;
- Representatives of business and industry;
- NGOs;
- Representatives of civil society and community-led initiatives;
- Research institutions, think tanks;
- LRAs and their networks.

Finally, the Forum could involve additional stakeholders as observers or serve as a fora for organising wider events that bring together also stakeholders who are not necessarily part of the core group and activities of the Forum. Given the likelihood that a large number of stakeholders may want to participate, this would provide the opportunity to involve more participants in larger events while keeping a core group to a manageable size. It also provides the opportunity to engage EU or national policy-makers in the Forums (see an overview in Box 11). Examples of policy-makers to consider as observers or additional stakeholders are other European Commission services that may not be fund managers but are involved with the development of climate finance sources in the EU (e.g. DG FISMA, DG ENER, DG GROW, the JRC, etc.). Representatives of the European Parliament, the European Committee of the Regions or national ESIF Managing Authorities might also be relevant stakeholders to consider for wider events. Stakeholders involved in research on related topics such as the European Environment Agency or the High-Level Expert Group on Sustainable Finance could also contribute to the Forum.
Box 11 Types of stakeholders to invite as observers or participants to wider events of the Climate Finance Forum

**European and national policy-makers and stakeholders:**

- European Commission and its services;
- European Parliament;
- European Committee of the Regions;
- National policy-makers.

**Other stakeholders:**

- Institutions carrying out relevant research which are not part of the core group.

5.3 **Recommended actions for establishing the Climate Finance Forum**

The key actions that need to be taken to establish a Climate Finance Forum are outlined below.

**Establishing terms of reference for the Forum, and its core group**

The terms of reference should:

- Set out the objectives of the Forum, based on the gap analysis outlined in section Error! Reference source not found. above;
- Identify the secretariat for the Forum;
- Define the structure of the Forum, including the roles of the core group and of other participants (observers, other interested stakeholders);
- Outline the main activities for the Forum, including the number and frequency of meetings and other events (conferences, webinars) and the Forum website;
- The timing and duration of the Forum;
- A monitoring and evaluation process to support the future evaluation of the effectiveness of the Forum.

**Establishing a process for identifying and selecting members of the core group coordinating the work of the Forum**

The core group, discussed in section Error! Reference source not found. above, will likely play an important role in driving the agenda of the Forum. Therefore, ensuring the right stakeholders are identified and engaged is a critical first step in establishing the Forum. This should be done through an application process that is disseminated by the EESC (and potentially the European Commission) to relevant stakeholders.

**Developing technical specifications for specific elements of the Forum**

Technical specifications should be developed for certain specific elements of the forum, including:

- The visual identity and branding of the Forum.
- A communication and dissemination plan. This should link to the process for identifying and selecting members of the core group.

The Forum website. The technical specifications for the website will require decisions to be made on whether specific elements should be included, such as a discussion forum, an interactive knowledge exchange platform, a database of resources, and specific features to be developed specifically for the platform (for example, a tool-kit, self-assessment questionnaires, templates for non-state actors).
6. Conclusions

Despite the availability of a wide variety of climate finance sources, investments in mitigation and adaptation actions remain under-financed and insufficient to meet the needs identified for the transition to climate neutrality in the EU. This issue is particularly acute when it comes to climate actions by non-state actors. Many representatives of SMEs, LRAs, NGOs, cooperatives, grassroots movements or small community initiatives do not have adequate access to climate finance due to a range of barriers. The main challenges non-state actors face when accessing climate finance and potential good practices for overcoming them include:

- Regulatory and policy frameworks: Stable regulatory frameworks create stability and reassure investors that their long-term investments in climate projects will pay-off, especially if those are linked to support policies such as subsidies, feed-in-tariffs or tax incentives. In Member States with stable and favourable regulatory frameworks climate initiatives by non-state actors such as cooperatives or individual prosumers of renewable energy have prospered.
- Information availability: Access to accurate and sufficient information about the available finance but also about climate investment opportunities in general is critical for non-state actors to make investment decisions. Platforms, initiatives and website providing such information, tailored to the specific needs of non-state actors, can be very important for supporting climate action.
- Internal capacity: Some non-state actors might not have sufficient internal human or financial resources to access information, prepare financial applications or meet all the administrative requirements of some funds and capacity building initiatives are critical for enabling them to do so.
- Bankability and eligibility for finance: Some financial sources have stringent requirements about minimum project sizes, partnerships or other aspects of the projects that non-state actors can find difficult to fulfill (in some cases despite an absence of prohibitive eligibility requirements, larger projects with more experienced stakeholders tend to be more successful). To overcome these barriers non-state actors need support such as TA or PDA services for helping with their applications but also possibilities to link with other projects that might face similar barriers.
- Risk/return perceptions: Climate projects are still viewed by some investors as more risky than conventional projects and work is needed to change these perceptions and highlight the importance of sustainability investments.
- Bureaucracy and administrative burden associated with financial sources: This is particularly relevant for non-state actors with limited internal capacity to respond to all administrative requirements and capacity building initiatives are critical for supporting them.
- Scaling barriers: These are especially important for new technologies or innovative projects as they face additional shortages of finance due to the perceived risks.
- Climate-specific financial products: To address the insufficiency of climate finance, there are various new instruments for providing investments such as climate bonds, EPCs or crowdfunding. Nevertheless, non-state actors need to better understand all these options if they are to make informed choices.

While actions have been taken at the EU and national levels to address these challenges, not all the needs of non-state actors regarding climate finance have been met and gaps remain. The gap analysis undertaken shows that these gaps generally relate to a lack of information and awareness about potential assistance measures and the need to build opportunities for network-building among relevant actors. This suggests that a Climate Finance Forum could help to address these specific needs.

In the policy context of the actions announced under the European Green Deal and the Climate Pact, a Climate Finance Forum could be a valuable addition to the efforts to involve all types of stakeholders
in the discussions on climate neutrality. Ensuring the investments needs for the transition are well understood and met with sufficient resources requires special attention to be paid to the availability and access to climate finance of all possible project promoters, including non-state actors. Exploring opportunities to link the Climate Finance Forum to European Commission policy initiatives or involving services as DG CLIMA more directly in the development of the Forum could explore synergies, provide momentum and raise the profile of the Forum’s objectives.

In more practical terms, a Climate Finance Forum should:

**Provide stakeholders with opportunities for learning, sharing and networking**

A Climate Finance Forum for non-state actors could provide the setting for discussion of the key issues identified in this study, and could act as:

- A forum for the dissemination of information on climate finance sources for non-state actors;
- A platform to connect stakeholders seeking finance with different types of investors;
- A platform for sharing knowledge between different types of stakeholders on climate investments, application processes, risks and returns of such investments, climate investment needs, climate finance pledges; and
- An enabler for peer learning and stakeholder dialogue, by allowing different types of stakeholders to share experiences and lessons learned, and discuss options for improving the access to climate finance together.

**Bring together non-state actors and different types of investors**

Stakeholder groups representing non-state actors, as well as current and potential investors in climate action by non-state actors, should play the key role in setting the agenda for the forum. These include representatives of trade unions, business associations, NGOs, cooperatives, LRAs and research institutes. Stakeholders representing investors should include authorities managing EU and national funds, EU and national development banks as well as representatives of private sector finance (e.g. commercial and cooperatives banks, philanthropic funds, platforms for new climate finance products). Other stakeholders may also be involved in the forum in an observer capacity.

In terms of the actions needed to establish a Climate Finance Forum, attention should now turn to certain first steps, specifically: establishing terms of reference for the Forum, and its core group; establishing a process for identifying and selecting members of the core group coordinating the work of the Forum; and developing technical specifications for specific elements of the Forum.
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