Financial Policy

The first step is identifying key policy areas for each sector, including at EU, national and regional level. This may include meetings with multi-level funding agencies, banks, investors, foundations and other actors in climate and municipal finance to understand what key policy measures could help unlock additional investment capacity and facilitate the transition to climate neutrality.

The identification of relevant policy areas therefore aims to illustrate where existing policy structures support and/or hinder the city's ability to mobilize capital to meet the net zero target - including the city's public procurement and general budgeting, use of innovative public sector financial instruments, incentive schemes for households and the private sector, and others.

Once key policy areas have been identified, an analysis will be undertaken of how the policy environment needs to change to enable cities to better access climate finance, as well as the ability to invest these funds to support their transition to climate neutrality by 2030. This will include the development of current policies to further support financing as well as recommendations for new policies. It is important to highlight that new policies will need to be structured and implemented in a way that prioritises more effective collaboration with private actors, which in turn will help cities leverage investments to meet their climate goals. Understanding and analysing how such policies will affect capital allocation over time will also be completed in this step.

Examples of such policies include:

- ✓ green public procurement,
- ✓ diesel tax increases,
- ✓ congestion pricing,
- ✓ extended producer responsibility (EPR)
- ✓ re-aligning city budgets with climate targets,
- ✓ public sector financial instruments.

While such policies will be the responsibility of the city government, they must be coordinated with other relevant city stakeholders. The effectiveness of the recommended policies will be continuously monitored and adapted to support cities in mobilising capital.

Detailed examples and strategies for financing and funding Climate City Contracts (CCCs):

1. Cities Climate Finance Leadership Alliance (CCFLA):

- **Innovative Financial Instruments:** CCFLA's toolkit includes examples such as green bonds, climate funds, and public-private partnerships. For example, green bonds have been successfully issued by cities such as Paris and New York to finance sustainable projects.
- Example: The city of Copenhagen used a combination of public funds and private investment to develop its district heating system, significantly reducing carbon emissions.

2. City Climate Gap Fund:

- **Technical assistance:** the Gap Fund provides support to cities in the early stages of project development. This includes feasibility studies, financial structuring and stakeholder engagement.
- Example: The city of Bogotá received assistance from the Gap Fund to develop a Sustainable Urban Mobility Plan, which includes the expansion of a bus rapid transit system and the promotion of non-motorised transport.

3. NetZeroCities Investment Policy:

- **Bridging the funding gap:** This policy emphasises the use of a variety of external funding sources such as EU funds, national grants and private sector investment.
- Example: The city of Milan has used EU funding through Horizon 2020 to implement its Smart City initiative, which includes projects in energy efficiency, sustainable mobility and digital innovation.

These examples illustrate how cities can effectively mobilise resources and implement innovative financing strategies to achieve their climate goals.

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https://netzerocities.app/knowledge-ccc: NetZeroCities Investment Policy

ec_rtd_mission-board-report-climate-neutral-and-smart-cities.pdf