



European  
Commission

# EU Missions assessment report

Mission Climate-Neutral  
and Smart Cities

Independent  
Expert  
Report



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***EU Missions assessment report: Climate-Neutral and Smart Cities***

## ***EXECUTIVE SUMMARY***

### **THE MISSION CLIMATE-NEUTRAL AND SMART CITIES: A FIRST ASSESSMENT OF PROGRESS**

*The assessment of the EU Mission 100 Climate-Neutral and Smart Cities by 2030 (hereafter Cities Mission) was carried out between November 2022 and May 2023. The assessment examined four dimensions: the selection process; governance structures and management arrangements; budget and funding for implementation and progress towards meeting the mission's goals. It provides options for the future development of the mission. The assessment is based on quantitative and qualitative evidence collected through primary (interviews, a survey and an online policy workshop) and secondary (mission-relevant studies, policy reports and grey literature; a literature review of academic articles, data on Horizon Europe mission calls and projects, etc.) research.*

#### **1. The Cities Mission: from launch to first deployment stage**

The mission aims to identify the key levers in the governance and implementation of urban transitions towards climate neutrality, focusing on cross-sectoral, systemic, and place-based solutions. This intervention is significant and timely because many cities have already defined ambitious climate targets and long-term visions but are confronted with an 'implementation gap' and funding or capacity challenges that they are not able to address on their own. The mission has two overall objectives:

- To deliver at least 100 European climate-neutral and smart cities by 2030.
- To ensure that these cities also act as experimentation and innovation hubs for others to follow, to enable all European cities to become climate-neutral by 2050.

## 2. Assessment of the mission

### 2.1. ASSESSMENT OF SELECTION PROCESS AND SCOPE

The focus on scope 1 and 2 emissions (those generated within a territory) is justified given the timeframe for the first mission goal. Following the creation of a mission board, its proposal to tackle the remaining indirect (scope 3) greenhouse gas emissions beyond 2030 is reasonable as it is much more difficult for city authorities to influence these emissions. Tackling direct and indirect emission at the same time would overburden city administrations and render the 2030 objective unrealistic.

Nevertheless, there is a need for greater consistency in communicating the mission's objectives regarding the relevance of scope 3 (indirect) emissions. Moreover, there may be a need to address potential inconsistencies between climate-neutrality policies in cities and national and international efforts on emission-reductions in industrial value chains.

A second issue is that the stakeholders' experience on the ground suggests that the mission formulation is somewhat too abstract and technical for many citizens. The most successful cities 'translate' the mission goals into clearer language that is relevant for local communities.

### 2.2. ASSESSMENT OF GOVERNANCE STRUCTURES AND MANAGEMENT ARRANGEMENTS

The mission rightly places strong emphasis on citizen engagement. The mission board consulted citizens ahead of the mission's implementation, but wider and more consistent engagement using innovative approaches will be needed going forward. Indeed, different levels of commitment are observed across the Member States. There is consensus among stakeholders that Member States will need to become more active for the mission to succeed. In this context, city representatives stressed that the European Commission could do more to communicate the mission's importance and demonstrate high-level political leadership to further legitimise the ambitious climate actions in the selected cities.

City level administrations often lack the skills and time to contribute meaningfully to the mission platform, consulting and interacting with other cities as they endeavour to develop and implement the necessary systemic changes. National networks of stakeholders can be an important mechanism as 'neutral intermediaries' between the European and local governance levels, but their role should not be overestimated – the capacity to deliver is still needed if the cities are to develop workable projects. The Commission's role will also be important once the Climate City Contracts (CCC) have been adopted. There is a need to provide support to cities, ensure political deeper commitment and a clear division of roles and responsibilities, as continuity of action and investment is key to achieving climate neutrality.

Interdepartmental coordination is needed not only at the local and national levels, but also at EU level. The Cities Mission has successfully engaged multiple Commission directorates-general (DGs) during the formulation and design stages. New governance arrangements have been developed, centred on a mission owners group with representatives of 12 European Commission Directorate Generals. The mission platform also represents a wide range of expertise, with 33 organisations participating and drawing on support of the European Investment Bank (EIB).

The governance structures include a balanced mix of interests and expertise. However, it could be useful to involve potential financiers beyond the EIB (pension funds, etc.) to learn under what circumstances they would be willing to invest in urban projects. Given that the implementation of the mission requires a mix of research and innovation (R&I) funding and financing for scalable investment projects, with the emphasis on investment (as around 80% of the solutions are already in place and ready to be scaled up), it may be advantageous for the mission to be co-managed by several DGs (R&I, regional policy, mobility, environment, energy) to ensure mainstreaming of the mission in funding instruments.

### 2.3. ASSESSMENT OF THE INTERVENTION LOGIC

The mission goals are aligned with the objectives of the European Green Deal, Horizon Europe and the UN's sustainable development goals (SDGs). The challenges identified are suitably strategic and the

implementation plan defines a list of specific objectives coherent with the challenges. One issue, highlighted by stakeholders, is the relatively strong emphasis on the role of R&I in the mission framing, given that many solutions are ready for implementation but need to be massively scaled up (housing, mobility, energy, etc.). Indeed, too much emphasis on R&D, in a first instance, could divert scarce local capacity away from new governance models and partnerships for large-scale investment.

The first phase of the implementation plan runs until the end of 2023, by when most CCC are expected to be ready. These will provide a clearer picture of the measures needed to achieve the mission's objectives, laying the foundation for a revised or updated implementation plan for the remaining period until 2030.

The intervention logic (theory of change) of the mission suggests that the Commission's role in mission implementation will remain important for much of the remaining time until its completion. However, the nature of its activities will likely change from providing infrastructure to ensuring that there are sufficient capacities in the cities to implement the mission. It will be critical to enable access to funding by leveraging and maintaining political support at national and local levels in response to changing circumstances.

## 2.4. ASSESSMENT OF THE PORTFOLIO OF INSTRUMENTS AND FUNDING

The process of developing the CCC is seen as innovative by city representatives. There is a greater focus on outcomes rather than processes, as in standard policies. It also pushes cities to develop investment plans that consider other sources of (private) funding, rather than just public sources. An important added value of the CCC process may be the definition of projects as part of an overall implementation plan, making them the focus of attention and discussion for policymakers and potential investors. For this to happen, they need to meet the finance sector's quality standards, which will probably be difficult at the beginning, but can be improved over time. An option would be to introduce regular resubmissions and re-evaluation of contracts during the course of the mission.

Horizon Europe is only part of the mission's portfolio. However, it has reserved EUR 360 million in seed funding over the period 2021-23 to support implementation. Overall, the implementation of the mission is much less reliant on the traditional Horizon 'portfolio of projects' than previous EU support for R&I in cities. The mission will need to rely mainly on other policy instruments at EU level, as well as instruments at national, regional and local levels in Member States, and significant private-sector investment. The challenge is to design and coordinate financial support from different sources, and to make the mission label effective as a 'brand' for attracting further investment.

While the label can probably be arranged for Horizon Europe calls, where DG RTD has a direct influence, it is more difficult for the large funding programmes managed by other DGs. Even if some first successes can be observed in this direction, it is still hard to foresee how a mission label could provide more than a pointer to funders, e.g. the European Structural and Investment Funds (ESIF) with its various objectives, or the Recovery and Resilience Facility (RRF), and especially to private investors. The latter rely on credit ratings issued by agencies and their own risk assessments. However, experts consulted consider that the mission label will contribute to cities' ability to raise their profile on green issues with both their citizens and domestic and international financiers.

## 2.5. ASSESSMENT OF PROGRESS TOWARDS MEETING THE MISSION'S GOAL

Although partly delayed, all the governance building blocks envisaged in the implementation plan are now in place and working. The first CCC were submitted in April 2023. Currently the challenge is to make sure that the instruments put in place deliver what is expected from them. The launch of the mission generated significant interest among European city administrations, leading to 377 (362 eligible) expressions of interest from cities. The high number of applications made it possible to select at least one city from each Member State and consider cities of various backgrounds, including those from eight associated countries.

Even though it is still early stages for the mission it has been able to deliver tangible outcomes and foster multiple responses across different stakeholder groups. Several Member States responded by launching national platforms, networks and funding schemes in support of the mission and its wider objective to inspire actions across European cities.

As the mission requires a systemic response, an added value at the local level has so far been that it forces departments in cities to work together horizontally and reach out to stakeholders and citizens because it is not possible to deliver the results otherwise. Whether the mission will succeed depends largely on what is offered to the cities as support and whether the multi-level governance model and support actions are sufficiently flexible, empowering cities to deliver the necessary scale-up.

### **3. Options for the mission's future development**

#### **3.1. DEMONSTRATING COMMITMENT**

To ensure the success of the mission implementation, two key aspects need attention. Firstly, ongoing political support is essential throughout the entire process. The European Commission (EC) should provide active support beyond the signing of the CCC. This support involves aligning funding and financing instruments and facilitating the contributions of all stakeholders at various levels. While direct funding from the EC is important, strong political commitment is even more crucial, especially considering the scale of investments required. This support should come from the highest European and national levels to ensure a visible and sustained commitment to the Cities Mission. Additionally, sectoral policies and investments in areas like mobility and energy infrastructure, along with their regulatory frameworks, should facilitate cities' efforts to become climate neutral and attract private capital.

Additionally, building stronger links between the mission and other EU funds is vital. The EC can showcase good governance and a willingness to experiment by establishing a common ownership and responsibility for the Cities Mission across multiple Directorates-General (DGs). Potential candidates for this collaboration include REGIO, MOVE, ENER, ENV, and R&I. By better integrating policies and funding programmes across different DGs, the EC can further demonstrate its commitment to innovative governance and foster synergies between various EU funds. This coordinated approach will enhance the effectiveness and impact of the mission.

#### **3.2. LOCAL CAPACITY BUILDING**

Investing in city capacity building is crucial. Cities often lack the skills and resources to engage effectively with stakeholders and the mission platform to develop high-quality zero emission plans and projects. Resources should be allocated not only for the implementation phase but also for investment portfolio development and stakeholder engagement. Strengthening this support, along with innovative approaches to launch local governance innovation, will lead to systems innovation. Transferring knowledge and developing governance models can benefit many cities, particularly those following the lead of pilot cities. Also, deep learning between cities with similar challenges can be achieved through twinning strategies. Additionally, stronger connections with initiatives like the Covenant of Mayors and other city networks would provide synergies and resource sharing opportunities. This alignment would ensure accessibility to the Cities Mission for like-minded cities and avoid confusion in narratives, allowing cities to focus their limited resources and capabilities more effectively.

#### **3.3. CITIZENS ENGAGEMENT**

To engage citizens effectively in the Cities Mission, it is crucial to spread awareness of the initiative with support from the European level. This aim is to create a sense of common purpose and encourage citizen involvement. Additionally, translating the mission into relatable narratives and adapting them to local contexts is vital for conveying its benefits and fostering understanding. Furthermore, citizen engagement should be an integral part of the implementation plan, going beyond R&I projects and involving stakeholders such as national governments, and regional authorities. By prioritising citizen participation and effective communication, the mission can succeed in its goals.

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