

A “Project Bundling” approach for implementing climate/energy related interventions

Bundling projects from different local authorities with similar contexts and within specific thematic areas

Introduction

Energy efficiency and adaptation projects are often scattered, technically complicated and unsustainable in terms of cost, providing little tangible benefit for local authorities, household incomes or energy bills. Moreover, heavily subsidised energy tariffs, the cost of which do not reflect their real value, pose additional challenges when it comes to making an economic case for the feasibility of energy efficiency initiatives. Furthermore, the fact that investment volumes frequently associated with energy efficiency and adaptation projects are not sufficiently large creates difficulties in attracting the attention of financial institutions, which would be required to bear the high transaction costs.

Additionally, small municipalities often lack the technical capacity and human resources to independently manage energy efficiency and adaptation projects. Instead, **coordination with other municipalities** is necessary for all to benefit from the combined economic, administrative, and technical resources required to implement such projects.

To date, several strategies have been tested to overcome these barriers of limited economic volume and technical capacity. This guidebook focuses on how the Covenant of Mayors initiative promotes the development of joint Sustainable Energy and Climate Action Plans (joint SECAPs¹), and as a part of that, the bundling of projects.

A joint SECAP provides a solid framework for bundling projects. Project Bundling can be defined as a structure that, through standardisation, brings together several relatively small-scale energy efficiency or adaptation projects to form a joint thematic portfolio above a certain investment threshold. This approach opens the possibility of bulk procurements, which are significantly more attractive and sustainable for financing institutions, regional investment banks and other financiers due to their higher value.

¹ A joint SECAP refers to a plan that is carried out collectively by a group of neighbouring local authorities. Further info available on the *joint SECAP Quick Reference Guide*, available here: https://eu-mayors.ec.europa.eu/sites/default/files/2023-06/J-SECAP-ref_guide_final.pdf

Moreover, local authorities can gain benefit by joining the **Smart City Marketplace²**, a useful and inspiring initiative provided with an online platform where municipalities can search for smart city solutions and collaboration with other municipalities. It offers services and events for both cities and investors on creating and finding bankable smart city proposals by using a dedicated investor network and publishing calls for projects.

This guide will present the following aspects of the Project Bundling approach:

- **Main benefits** for municipalities;
- **Main barriers** to overcome during the application and implementation phase;
- **Most applicable sectors for this approach**;
- **Success factors and inspiring projects**.

² More info available here: <https://smart-cities-marketplace.ec.europa.eu/>

Benefits

The benefits of Project Bundling include:

It enables access to high-level technical, administrative and management expertise. Bundled projects are more attractive to high level, local or international experts as it allows them to apply their knowledge in the implementation of new and larger projects. The use of standardised analysis tools for project technical pre-feasibility and sizing also helps establish a common baseline and streamlines economic and technical impact assessment of the projects.

It accelerates the process of design, implementation, upscaling, and replication. Similar interventions can be standardised in terms of activities and procedures, both before and during the intervention cycle (e.g., expressions of interest, idea evaluation, design, financing and procurement). Bundling projects mitigates risks through detailed evaluation and selection of technically feasible projects. It also speeds up the process of attracting funding sources and facilitates the dissemination of lessons learnt and further replication.

It increases the attractiveness of projects for potential financiers. Energy efficiency and adaptation projects are often fragmented across different sectors, technological solutions, and locations. This results in a highly complex implementation compared to a relatively small investment value. By bundling interventions, aggregate transaction costs are reduced, increasing the attractiveness of investment, as financiers invest in larger value grouped projects rather than in small individual initiatives.

It can have a greater impact on achieving energy and climate friendly communities. Individual energy efficiency and adaptation projects may have limited visible results in terms of reducing energy costs, GHG emissions, or delivering resilience benefits. However, a bundle of implementable, monitorable, and jointly managed projects is more likely to create a more significant impact on the ground.

It brings together a group of municipalities to create a transversal technical and administrative office. The bundling approach supports the development of coordination capacities among multiple municipalities, which can be applied to address other supra-municipal challenges and opportunities (e.g., development of joint air quality strategies and plans, smart mobility projects, tourism strategies and plans, etc.).

It facilitates the delineation of a geographic scope that enables more municipalities to team up and to take part in a common investment programme. Since investment programmes with a multi-level dimension requires a specific governance approach, coordination involving all relevant departments within the authorities and actors involved is necessary.

Barriers

However, Project Bundling approaches can still face several barriers that can hinder implementation and desired impact. While some of these barriers are country and context specific, there are commonly applicable barriers, including:

- **Lack of project management and legal skills** of municipal employees.
- **Lack of skills in using standardised tools** for operations and maintenance.
- **Limited capacity to attract funding / incentives.**
- **Conflicts over budget allocation among participating municipalities.**
- **Lack of motivation or insufficient incentives** for joint development and implementation of the investments.
- Unpreparedness **or unwillingness of local authorities to adopt additional governance arrangements, such as an umbrella structure (e.g., inter-municipal office composed by representatives from all municipalities involved) required for municipal collaboration involving multiple municipalities.**
- **Lack of technological development among participating municipalities.**

There are also several barriers related to **external factors** beyond the control of local authorities, including:

- **Energy prices** that can influence the payback periods of the investments.
- Lack of interest of private investors because of the **market trends.**
- **Political unrest** at national and regional levels.
- **Uncertainty of legal and regulatory frameworks at supra-municipal levels.**

Application

Project Bundling is an applicable approach for a range of sectors including:

- **Buildings** (e.g., energy efficiency interventions, rooftop PVs), **public street lighting** and **mobility solutions** (municipal fleets, car and other vehicle sharing).
- **Renewables.**
- **ICT systems** for data collection, monitoring, and mapping.
- **Water supply systems, coastal zone management.**
- **Ecosystem-based adaptation** and **rural development.**

Moreover, Project Bundling can **combine different interventions**, such as:

- Energy efficiency interventions and rooftop PVs for buildings of different municipalities.
- Street lighting for different municipalities.
- Across investment types, e.g., buildings and / or street lighting - this level of bundling is desired for large-scale projects with low development and implementation costs.

Steps for Project Bundling's implementation are:

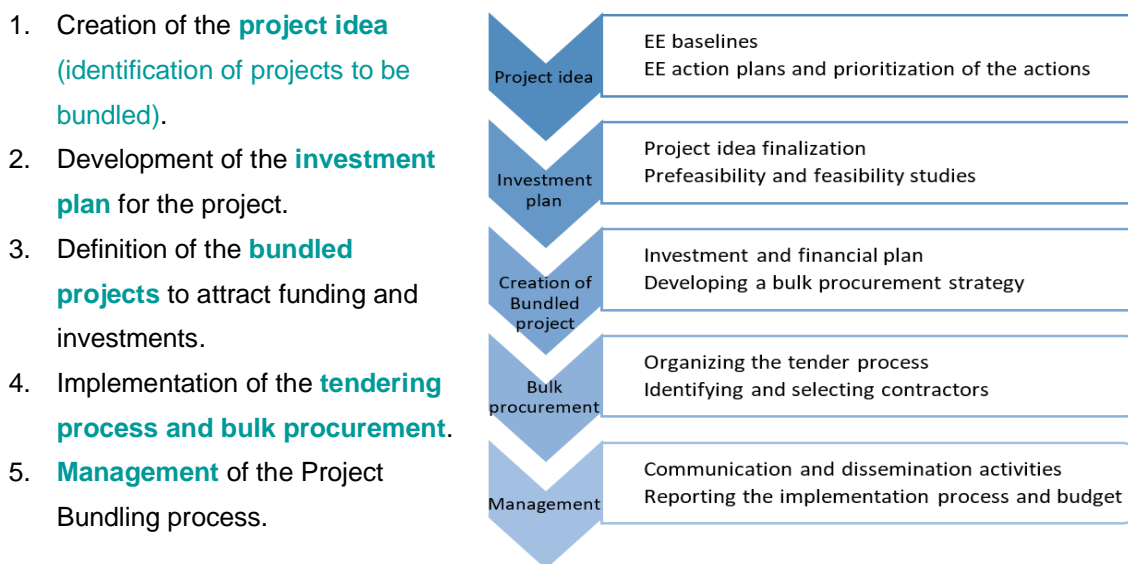


Figure 1: Project Bundling's steps

Success factors and inspiring projects

Below are relevant **success factors** that can facilitate the initiation and implementation of Project Bundling:

- **Technical and administrative preparation of all the actors involved** (public authorities, financial intermediaries, and recipients).
- Appointment of a **municipal leader** to assume responsibility for the project.
- High levels of **coordination and cooperation across different municipalities and sectoral departments** within each municipality to avoid conflicting priorities.
- **Establishment of a dedicated transversal office**, with the role of coordinating and managing all activities to be implemented by the group of municipalities.
- **Incorporation of national incentives and other funding sources** to reduce the payback period of the investment.
- Establishment of a **multi-municipal governance structure** to guide the dedicated transversal office, capable of making timely decisions. This structure can be coordinated either by the supra-municipal government (e.g., regional government) or by a dedicated task force composed of employees of the municipalities with the authority to make decisions.

Below are some **inspiring projects** on Project Bundling across the EU:

- [PRODESA – Energy Efficiency Project Development for South Attica](#)
- [PROSPECT+ - Capacity building for cities and regions](#)
- [BEenerGI - Bundling sustainable energy investments for Girona´s municipalities](#)
- [Bundling of street lighting renovation projects across 14 municipalities in Alentejo centra region in Portugal \(CIMAC\)](#)
- [GROWS – Green Revolution Of Wealth in Salento](#)
- [Municipalities bundling energy efficiency investments in Athens Metropolitan area](#)

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