

Preparing municipalities for the future

A guide to decarbonisation solutions



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As the world around us changes, municipalities can play a key role in shaping a different future. By transforming waste management, energy systems, heating, and transportation, municipalities can control costs while reducing smog, pollution and carbon emissions.

But this requires proper planning, sufficient capacity, and access to funding to implement the changes we need and want!

The EU aims to become carbon neutral by 2050. To support this transition, huge sums of money have been allocated to accelerate decarbonisation and support investments aimed at increasing energy efficiency, developing the circular economy, and switching to renewable energy sources.

What can you change?

There are many ways to improve the situation in your municipality. For some, the most pressing need might be to transform district heating systems or replace individual household heating sources. For others, retrofitting and insulating buildings may be their main focus, as could improving local public transport. Developing local energy production and reducing consumption are other effective options.

Whatever your specific needs, a wide range of changes are possible. Nine municipalities across central and eastern Europe are already developing decarbonisation strategies to drive meaningful change.



1. For more information, read Bankwatch's report: [RePowering the regions: A comparative analysis of decarbonisation strategies in nine central and eastern European countries.](#)



Tackling poverty in municipalities

Low-income households are typically those that need funding the most, as they frequently reside in low-performing buildings. They're also likely to be hit hardest by the ongoing transition due to rising heating and energy prices.

For example, home renovations can be extremely expensive and remain unaffordable for many households, even when support schemes are offered. That's why it's essential to meet their specific local needs by delivering targeted and accessible support.

We strongly advise municipalities to recognise and prioritise this issue in their investment plans. Additionally, decision makers at all levels must do their utmost to make public funding more accessible to the most vulnerable groups in society, both by including them in decision-making and by simplifying application procedures.



Developing a plan: The district heating example

Moving a district heating system from fossil fuels to renewable energy sources may seem like a daunting task. But it can be achieved with careful planning. Developing a comprehensive plan that covers all possible renewable options requires gathering data and recruiting experts who can assess the situation.

To help guide you in this process, Bankwatch has published a comprehensive guide with useful and practical information on innovative and sustainable solutions for your district heating system.



2. For more information, read Bankwatch's report: [Repower the regions: How to make a heating and cooling plan for municipalities.](#)

Preparing your plan

The first step is to carry out a high-quality analysis of the most important decarbonisation needs for your municipality. Once you've identified these priorities, you need to develop the next steps a few years in advance, based on concrete data and studies (both social and technical).

Many of these documents can be prepared as part of your regular municipal work on local strategies or action plans. However, more technical documentation can be produced using various forms of technical support, some of which are listed below.

European Commission technical assistance

The European Commission provides various forms of technical assistance to municipalities, ranging from exchange programmes and databases to direct support for developing frameworks and projects.

JTP Groundwork is a support service under the European Commission's Just Transition Platform, providing a single access point to expert knowledge and assistance for EU regions financed by the Just Transition Fund.

JTP Groundwork operates in regions where the transition to a sustainable economy is particularly demanding, providing capacity-building support to help regions implement their Territorial Just Transition Plans (TJTPs), which define how funding will be used. This support is tailored to address the specific decarbonisation needs of each region, with a particular focus on identifying suitable projects and developing local resources.



3. For more information, visit [the European Commission's dedicated JTP Groundwork web page](#).

C4T Groundwork is a technical assistance instrument offered within the Cohesion for Transitions (C4T) Community of Practice. It is intended to support EU Member States and regions, particularly local and managing authorities, in addressing specific challenges related to the implementation of cohesion policy investments in line with the European Green Deal. This support is provided through a pool of experts who work closely with beneficiaries to address their specific concerns about implementing investments during the 2021–2027 cohesion policy funding cycle.

The target group includes managing and implementing authorities, who are responsible for programmes under the European Regional Development Fund and Cohesion Fund and for implementing investments related to the cohesion policy's second policy objective: a greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe.



4. For more information, read [the European Commission's C4T Groundwork Guidelines](#).

The **JTPeers Experts** database provides access to a diverse network of professionals with expertise in just transition topics relevant to coal and carbon-intensive regions across the European Union. The database connects regions in transition with experts who offer guidance and support. However, applicants should be aware that they may be responsible for covering any potential fees associated with this expert support.

The **JTP Knowledge Hub** provides practical case studies, toolkits, and catalogues of good practices to support practitioners and stakeholders in advancing Europe's just transition to a climate-neutral economy.



5. For more information, visit [the European Commission's dedicated JTPeers Experts and JTP Knowledge Hub web pages](#).

European Investment Bank advisory programmes

Municipalities can also apply for assistance from the European Investment Bank (EIB) advisory programmes, which offer support and financing to guide you through the process of identifying, scoping and developing decarbonisation projects.

EIB staff can help evaluate which of its programmes best suits the unique needs of your municipality and the maturity of your project options to determine the most suitable way forward.

TARGET (Technical Assistance for Regions Undergoing a Green Energy Transition) is a technical facility developed by the European Commission and the European Investment Bank. The facility aims to help EU just transition regions identify and plan clean energy and energy-efficient projects. Both private and public sector entities are eligible to receive assistance in developing individual projects or groups of similar projects.

They also have the option of securing additional support from other EU technical assistance instruments to guide them through the early stages of project preparation, which can involve feasibility studies, environmental impact assessments and public consultations. The facility also provides public authorities with support for developing project pipelines and capacity-building activities. TARGET is particularly helpful for municipalities navigating the early stages of project development.



6. For more information, visit [the EIB's dedicated TARGET web page](#).

JASPERS (Joint Assistance to Support Projects in European Regions) is another advisory programme funded by the European Commission and the EIB. The initiative provides beneficiaries with advice on strategies and projects, helping them align their projects with EU standards and improve their chances of securing funding.

The programme helps applicants prepare strategies and sustainable projects, strengthening their capabilities in planning, designing, contracting and delivering across a wide range of sectors and topics. These include the circular economy, energy efficiency, carbon neutrality, smart cities, applied research and innovation, healthcare systems, connectivity and sustainable mobility, affordable water and sanitation services, flood and disaster risk management, and biodiversity protection.



7. For more information, visit [the JASPERS website](#).

ELENA (European Local ENergy Assistance) provides technical assistance grants for beneficiaries implementing projects in the areas of energy efficiency, distributed renewable energy, and urban transport. The EIB-run grant can be used to finance costs related to feasibility and market studies, programming, business plans, energy audits and financial structuring.

ELENA can be used to develop tendering procedures, contractual arrangements, and project implementation units. It also supports programmes above EUR 30 million scheduled to run anywhere between two and four years, covering up to 90 per cent of the costs associated with technical assistance and project development.



8. For more information, visit [the EIB's ELENA web page](#).

Other programmes

There are a number of other EU-funded programmes that provide municipalities with similar support.

The **European City Facility (EUCF)** is an EU initiative that supports municipalities, local authorities, associations of local governments, and other public entities across Europe in developing investment concepts to accelerate sustainable energy investments.

Through a EUR 60 000 grant, the facility finances services and activities such as feasibility studies, market and stakeholder analyses, legal, economic and financial reviews, risk evaluations, and other supporting tasks. While the grant does not directly finance investments, it does enable access to expertise useful for developing investment concepts, offering a gateway to further funding opportunities.



9. For more information, visit [the EUCF website](#).

City-to-City Exchanges, a programme run by the European Urban Initiative (EUI), connects urban authorities with the aim of addressing specific implementation challenges related to sustainable urban development.

The programme pairs an urban authority facing a particular policy challenge (the applicant) with another urban authority from a different EU Member State that has demonstrated expertise in addressing the issue. These exchanges typically involve short-term expert visits to support the applicant.

While the exchanges are bilateral in principle, a second peer may also be included if warranted. The exchange must focus on a specific policy challenge related to the design and implementation of sustainable urban development within the cohesion policy.



10. For more information, visit [the EUI's City-to-City Exchanges web page](#).

Securing funding for your plan

Once you've compared decarbonisation scenarios, conducted a detailed evaluation of your preferred project options, and established a realistic implementation plan, you're ready to seek funding. With a wide range of European and national funding opportunities available, the following tips will help you successfully navigate the application process:

1 Leverage technical assistance

If you've received support from any of the technical assistance programmes mentioned above, they should have already provided extensive guidance on financing your project. We recommend following up on their advice to maximise your funding potential.

2 Contact other municipalities

Learning from other municipalities that have implemented similar projects can provide valuable insights. Programmes like City-to-City Exchanges are a great source of practical information on securing funding, while databases like Kohesio (EU-wide) and Poland's EU Grants Map (Mapa dotacji UE) showcase successfully funded projects. These resources can give you a clearer picture of the funding sources available as well as valuable information on how these projects were framed and presented to secure funding.



11. For more information, visit the [Kohesio](#) and [EU Grants Map](#) websites.

3 Reach out to relevant institutions

Regional development agencies and other public bodies typically have dedicated staff who can help you identify suitable funding options. They can provide you with a wealth of information for your application and recommend funds best suited to your needs.



4

Consider bundling projects

If the most suitable funding options are geared towards larger projects, consider bundling. This involves partnering with neighbouring municipalities to submit a joint application for similar projects. In some cases, you may have already bundled projects when applying for technical assistance.

5

Explore partnerships

In some cases, establishing a partnership with different types of actors can be an effective strategy. For instance, a private company investing in your solution may be eligible for funding that targets the private sector, creating additional financing opportunities.

6

Strengthen administrative capacity

Ensure you have dedicated personnel within your administration, supported by specialists with technical expertise, who can work together to prepare a strong project proposal and coordinate the process. Take advantage of workshops and seminars and listen to the experts. They can help you write more persuasive project proposals and improve your administrative capacity.

7

Address co-financing requirements

One of the major challenges facing municipalities is the financial contributions required from their own budget. To ease the burden, consider whether your project can be co-financed through other funding schemes, for example, by combining European and national funds. The best strategy is to contact specialists working with the technical assistance instruments listed above or your government or regional office. They will help you identify viable co-financing solutions.

EU funding opportunities

EU cohesion policy funds – which include the **Cohesion Fund**, the **European Regional Development Fund**, the **European Social Fund**, and the **Just Transition Fund** – along with the **Recovery and Resilience Facility** and the **Modernisation Fund**, are the most important mechanisms for addressing decarbonisation needs.

For example, in the Czech Republic, the Modernisation Fund provides financial support to senior citizens and low-income households, enabling them to apply for grants that can help make their homes more energy-efficient.



12. For more information, read Bankwatch's report: [Financing the Renovation Wave: How to align EU funding with new building legislation](#).

In addition to these funding streams, the **Social Climate Fund (SCF)** is expected to provide funding to support energy transition investments starting in 2026. These are aimed at enhancing building energy efficiency, decarbonising heating and cooling systems in buildings (including the integration of renewable energy sources), and creating energy communities, among other initiatives. Set to operate from 2026 to 2032, the fund will specifically target vulnerable households affected by energy poverty, as well as vulnerable transport users and micro-enterprises.



13. For more information, read Bankwatch's briefing: [Social Climate Fund – unlocking the potential for a socially just transition](#).

Just Transition Mechanism

In addition to the Just Transition Fund itself, municipalities in designated regions should also consider the second and third pillars of the Just Transition Mechanism.

The **InvestEU Just Transition Scheme** – the second pillar – expands support beyond what is available through the Just Transition Fund. It supports a wider range of investments by public and private sector entities in areas such as energy and transport infrastructure, digitalisation, digital connectivity, and the circular economy. InvestEU's implementing partners, which include the European Investment Bank Group and national banks, propose financial products to support these investments.

The **Public Sector Loan Facility (PSLF)** – the third pillar – combines a grant component from the EU budget with a loan component from the EIB. Directly targeting municipalities, the facility is designed to mobilise public investment in energy and transport infrastructure, district heating networks, energy efficiency measures (including building renovations), and social infrastructure. However, projects supported by the facility cannot receive EU funding from other pillars of the Just Transition Mechanism or other EU programmes.



14. For more information, visit [the InvestEU website](#) and the [European Climate, Infrastructure and Environment Executive Agency's Public Sector Loan Facility web page](#).

Examples of funding opportunities in central and eastern Europe

In addition to EU funding opportunities, many countries in central and eastern Europe offer national funding schemes to support the implementation of your project. The following examples highlight the wide range of practical funding options available for decarbonising both individual households and public buildings.

Czech Republic

The New Green Savings programme, targeting family houses and apartment buildings, focuses on reducing the energy consumption of residential buildings (through insulation), supporting the construction or purchase of houses with very low energy consumption, environmentally friendly heating methods, renewable energy sources. The programme is funded by the Recovery and Resilience Facility until 2026, and will then be funded by a share of the revenues from the auctioning allowances under the EU Emissions Trading System. The expected programme allocation is at least EUR 1.5 billion, with the final amount depending on a number of factors, including the price of emissions allowances.



15. For more information, read Bankwatch's report: [Financing the Renovation Wave: How to align EU funding with new building legislation.](#)

Poland

The Clean Air Programme is Poland's main scheme for supporting building renovations and heat source replacements in single-family homes. It aims to reduce energy consumption and sources of air pollution, providing three levels of support based on household income. With a budget of approximately EUR 24 billion until 2029, the programme is currently funded mainly through the Recovery and Resilience Facility and the cohesion policy.



16. For more information, read Bankwatch's report: [Financing the Renovation Wave: How to align EU funding with new building legislation.](#)



Romania

The REPowerEU chapter of Romania's recovery and resilience plan includes voucher schemes to support households invest in energy-efficient renovations and renewable energy solutions. The schemes aim to fund renovations in at least 33,000 homes by providing at least 122,000 vouchers for the installation of photovoltaic panels and storage batteries, enabling households to produce and consume their own renewable energy as prosumers. These investments are complemented by a reform introducing regional one-stop shops, designed to inform households about funding opportunities for energy efficiency renovations as well as the practicalities and benefits of becoming a prosumer.



17. For more information, read [the European Commission's Recovery and Resilience Scoreboard](#).

Slovakia

Thanks to Slovakia's recovery and resilience plan, at least 28,224 single-family homes and 307,122 square metres of public buildings are set to be renovated. These projects aim to decarbonise the building stock by combining energy efficiency measures, renewable energy integration, and climate adaptation solutions. Most of these renovations are expected to achieve a minimum 30 per cent reduction in primary energy consumption. The plan also includes incentives to motivate owners to conduct deep renovations and a dedicated scheme for vulnerable groups. On the reform side, existing support schemes will be harmonised under a single comprehensive support mechanism for renovating family houses and establishing a network of regional offices. Additionally, new legislation has been introduced to increase the currently low recycling rate for construction and demolition waste. There are also plans to promote green public procurement for contracting in national administration construction projects to strengthen the circular economy.



18. For more information, read [the European Commission's Recovery and Resilience Scoreboard](#).



Hungary

The Home Renovation Programme supports energy efficiency improvements for approximately 20,000 family homes built before 2007. The programme consists of half-loan, half-grant funding through a zero-interest loan, with homeowners required to contribute just over 14 per cent of the costs. The first round, launched in summer 2024, was fully funded by the state. Following a number of changes aimed at simplifying administrative procedures, the second round commenced in January 2025, funded through Hungary's environment and energy efficiency operational programme (KEHOP+).

To qualify, households must achieve a minimum 30 per cent reduction in primary energy consumption, which can be achieved through external thermal insulation, replacing windows and doors, modernising heating and hot water systems, or a combination of these measures. Due to EU restrictions, the installation or replacement of gas boilers has been excluded as of 2025.



19. For more information, visit [the Hungarian government's Tender Portal](#).

Estonia

The Homes in Order programme is a key funding scheme supporting energy-efficient renovations for apartment buildings. By improving insulation, upgrading heating systems, and integrating renewables, the programme aims to reduce carbon dioxide emissions, lower heating costs, and increase building longevity.

Grants cover 15 to 50 per cent of the total renovation costs, with additional loans and guarantees available. Funding is distributed through multiple application rounds, each allocating significant resources – for example, EUR 170 million in one round – to various priorities. These include regional budgets, prefabricated reconstructions, heritage and environmentally valuable buildings, neighbourhood-based projects, and large apartment buildings.



20. For more information, visit [the Estonian Business and Innovation Agency website](#).

Bulgaria

Bulgaria's recovery and resilience plan has allocated EUR 1.435 billion to energy efficiency measures, with EUR 1.263 billion specifically dedicated to the buildings sector.

The plan aims to improve energy efficiency in both residential and non-residential buildings through large-scale renovations and targeted reforms. These include simplifying and updating the regulatory framework to smooth the transition to green buildings, establishing a decarbonisation fund to accelerate energy efficiency projects, utilising energy service company models, and introducing a definition of energy poverty.

The plan focuses on the renovation of over 5 million square metres of gross floor area. Additionally, 23 per cent of building renovation investments target interventions aimed at achieving at least 30 per cent primary energy savings. The plan also supports the deployment of energy-efficient street lighting systems.

In 2024 alone, 292 projects were approved under the plan, with a total budget of BGN 409 million, reinforcing the country's commitment to sustainable urban development.

One of the key initiatives within Bulgaria's climate investment programme is the National Trust EcoFund (NDEF). This programme aims to increase energy efficiency in municipal schools and preschools, providing targeted support for upgrading municipal educational institutions. In November 2024, the programme approved 16 new projects, enabling schools and preschools across the country to benefit from modernised, energy-efficient infrastructure.

With a budget of EUR 3.2 billion, the 2021–2027 Regional Development Programme is playing a vital role in transforming public spaces and infrastructure. The programme supports regional growth and urban renewal, dedicating substantial resources to energy-efficient municipal building upgrades. While the exact allocation for public buildings is not explicitly stated, a significant portion is directed toward the just transition priority, supporting regions undergoing economic and environmental transformation.

In January 2025, 129 projects were approved under this priority, securing BGN 192.5 million in grants for energy-efficient renovations in a number of cities, including Stara Zagora, Kyustendil, and Pernik.



21. For more information, read [the European Commission's Recovery and Resilience Scoreboard](#).

Explore the just transition

just-transition.info



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