



EUROPEAN CITY FACILITY

Glossary



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European City Facility Glossary

This glossary provides an overview of the most important and frequently used terms within the context of the European City Facility (EUCF) and corresponding definitions to facilitate the understanding of the EUCF materials and processes.

#	TERM	DEFINITION
1	<i>Application form</i>	The EUCF application form consists of a simple set of questions, grouped into three sections: identification of the applicant, development of the investment concept and implementation of the investment project. Applicants are required to fill the application form in English language. Answers should be kept concise to allow for a very good overview of the envisaged investment project and corresponding development of the investment concept, rather than an in-depth detailed description.
2	<i>Applicant</i>	Municipality/local authority or grouping of municipalities/local authorities who has successfully passed the eligibility check and can submit an application in the respective EUCF calls.
3	<i>Beneficiary</i>	Successful applicant who has signed the Grant Agreement to benefit from the EUCF financial and technical support for the development of the investment concept.
4	<i>Capital expenditures (CAPEX)</i>	Capital expenditures are costs that occur when purchasing, improving or maintaining physical assets of an investment project. ¹ Examples include costs of planning processes, installation or equipment.
5	<i>Carbon dioxide (CO₂) emission reduction</i>	CO ₂ is the main greenhouse gas to contribute to the warming of global temperatures. The reduction in CO ₂ emissions is, therefore, one of the essential goals of climate change mitigation. Within the EUCF application process, the reduction of CO ₂ emissions can be easily calculated through the template for Annex D – Estimation of Energy Savings, with the help of corresponding emission factors.

¹ Investopedia, [Capital Expenditure](#) (CapEx Definition), 2019.

6	<i>Discount rate</i>	The discount rate corresponds to the interest rate used to determine the present value of future cash flows of an investment, taking into consideration the time value of money. ²
7	<i>Energy savings</i>	In the context of the EUCF, energy savings refer to the reduction of the final energy consumption achieved through energy efficiency and energy conservation measures. The estimated energy savings achieved by the proposed investment project can be easily calculated with the template for Annex D – Estimation of Energy Savings . There is no minimum or maximum threshold for energy savings to apply to the EUCF. In the evaluation process, the level of ambition of the expected energy savings generated by the planned investment project is set into relation to the other submitted applications in the regional call as well as to the local context.
8	<i>Environmental Impact Assessment (EIA)</i>	The EIA Directive (85/337/EEC) specifies public and private projects which are likely to have significant environmental impacts and thus, require an EIA. ³ Projects listed in Annex I require a mandatory EIA, while for projects listed in Annex II, the decision whether to conduct an EIA is made by the national authorities.
9	<i>Eligibility check</i>	The eligibility check corresponds to stage one of the EUCF application process and verifies whether an applicant is eligible to apply for financial support from the EUCF. It consists of a simple, automated questionnaire, which can be answered by the applicants directly online . To be eligible, applicants must be able to answer YES to all five requirements.
10	<i>English Summary of investment concept</i>	As the investment concept can be developed in national language, beneficiaries are also asked to draft a corresponding English Summary . The English Summary is kept concise, comprising of the key information that allow for a good overview and understanding of the proposed investment.
11	<i>EUCF country experts</i>	One country expert is assigned for each EU member State and the UK to guide municipalities and local authorities in the development of their investment concepts. The EUCF country experts have extensive technical and financial expertise in the field of energy and climate, as well as experience in working with municipalities and strong connections to national and

² Corporate Finance Institute, [What is a Discount Rate?](#), 2020.

³ European Commission, [Environmental Impact Assessment – EIA](#), 2019.

		regional city networks. Beneficiaries of the EUCF will benefit from the guidance of these experts, who speak their national language and understand the country-specific context in which they operate.
12	<i>EUCF grant</i>	The EUCF grant consists of EUR 60 000, provided to successful applicants to support the activities necessary for the development of their investment concepts. The grant amount can be used for in-house staff, external experts/subcontractors or other positions that are necessary for the investment concept development. Among the activities that can be funded by the EUCF grant are feasibility studies, engineering analyses, legal analyses, social studies, market studies, financial analyses, and further supporting tasks.
13	<i>EUCF helpdesk</i>	The EUCF helpdesk is the main contact point for EUCF applicants, beneficiaries, country experts and anyone who is interested to know about the EUCF to receive information that cannot be found in the Frequently Asked Questions or Guidelines for Applicants . The EUCF helpdesk can be accessed through the EUCF website both by registered participants and the general public.
14	<i>EUCF journey</i>	The EUCF journey comprises of five phases that municipalities and local authorities are able to take within the scope of the EUCF: the pre-application phase, the application phase, the grant agreement phase, the investment concept development and the implementation of the investment concept.
15	<i>EUCF monitoring period</i>	The EUCF beneficiaries must commit to a monitoring period of two years, after the validation of the submitted investment concept, in which its implementation is supervised and documented. During this period, beneficiaries are required to submit two simple monitoring forms which will be used to assess the impacts of the EUCF.
16	<i>EUCF team</i>	The EUCF team is responsible for setting up and managing the operation of the EUCF. Applicants and beneficiaries are able to contact the EUCF team through the EUCF helpdesk to receive administrative, technical and financial support. The EUCF team is composed of the organisations that form the EUCF consortium, i.e. Energy Cities, Climate Alliance, FEDARENE, adelphi and Enviro.

17	<i>EUCF website user zone</i>	The online application form is accessible for applicants who have successfully completed the eligibility check and registered themselves for the EUCF website user zone. In the EUCF website user zone, applicants can complete the application form and submit it together with the supporting documents. Moreover, the EUCF website user zone enables applicants and beneficiaries to communicate with country experts and the EUCF team and receive support from the EUCF helpdesk team.
18	<i>Financing approach</i>	This term refers to the planned funding type(s) and source(s) by the municipality/local authority to finance the envisaged investment project. The financing approach should be presented as part of the investment concept to show the potential investor which funding source(s) are planned to cover the total investment size.
19	<i>Funding sources</i>	This term concerns the envisaged sources to finance the investment project. This can involve own funds as well as grants, soft loans, (bank) loans, guarantees, external investments, etc. from financial institutions, banks, governmental bodies or other funding entities.
20	<i>Full application</i>	The full application corresponds to the second stage of the EUCF application process, after the eligibility check. At this stage, the applicants are able to complete the EUCF application form, prepare the supporting documents, and submit them via the EUCF website user zone.
21	<i>Gantt chart</i>	A Gantt chart depicts the project schedule of an investment project in which the planned activities are displayed against a period of time. It is a useful tool in project management, allowing for an easy understanding and overview of the investment project's tasks and timeline.
22	<i>Grant Agreement</i>	Successful applicants conclude Grant Agreements to benefit from the EUCF support. The Grant Agreement sets out the terms of the relation between the beneficiary and Energy Cities, the coordinator of the EUCF. It defines roles and responsibilities, milestones and the timeline for the development of the investment concept within the EUCF, as well as the conditions for the disbursement of the grant.

23	<i>Groupings of municipalities/local authorities</i>	Formal (e.g. formalised by an assembly act) and informal groupings of municipalities/local authorities are highly encouraged to apply to the EUCF. One responsible partner, i.e. one lead applicant has to be defined. There are no limitations regarding the minimum or maximum number of participants of a grouping.
24	<i>Internal Rate of Return (IRR)</i>	The IRR corresponds to the discount rate that sets the net present value of all cash flows of an investment project equal to zero. ⁴ It is expressed as a percentage that indicates the expected annual rate of return to be earned on a project. In general, investments with higher IRRs are more attractive.
25	<i>Investment component</i>	In the context of the EUCF, the term investment component refers to the actions and measures planned within the investment project that will result in energy savings. Examples of investment components include investments in lamps, smart metering, power generation, different types of buildings, etc.
26	<i>Investment concept</i>	The investment concept is a document, which translates an investment project idea into financial language in order to mobilise financing for its realisation. The purpose of an investment concept is to provide investors and financial institutions with the information necessary to assess an investment project in a simple and fast manner. It transforms climate and energy plans into sound investment packages and thus, facilitates the access to funding for municipalities/local authorities. The investment concept can be developed by the EUCF beneficiary in national language.
27	<i>Investment concept template</i>	The investment concept template is one of the most important supporting tools for the EUCF beneficiaries to develop the investment concept. It should facilitate the development process and give guidance which information is required. The template can be downloaded on the EUCF website and includes five main sections, i.e. a detailed description of the investment project, a description of the project promoter(s) and (local) stakeholders, a legal analysis, an economic and financial analysis and an investment roadmap.
28	<i>Investment concept validation</i>	After finalisation and submission, investment concepts are validated by a dedicated evaluation team of the EUCF. If they meet the quality criteria, beneficiaries receive the remaining

⁴ Investopedia, [Internal Rate of Return - IRR](#), 2019.

		30% of the total grant amount and can proceed with the successful implementation of their investment concepts.
29	Investment size	Within the context of the EUCF, investment size refers only to the investments in sustainable energy of the planned investment project. Any other potential components of the project not related to sustainable energy are not covered. The investment size can be easily calculated with the template for Annex E – Estimation of Investment Size. There is no minimum or maximum threshold for investment size to apply to the EUCF. In the evaluation process, the level of ambition of the expected size of investment of the planned investment project is set into relation to the other submitted applications in the regional call as well as to the local context.
30	Investment sector	<p>The EUCF provides support for investment projects within the field of sustainable energy. Among the investment sectors targeted are public buildings, residential buildings, building integrated renewables, district heating, smart grids, sustainable urban mobility (e.g. charging stations), and innovative energy infrastructure (e.g. citizen energy communities). It is also possible to implement projects in further sectors, as long as they are in the field of sustainable energy.</p> <p>The EUCF has a clear position not to support investments in energy projects reliant on unabated fossil fuels, aligned with the new European Investment Bank (EIB) energy lending policy.⁵</p>
31	Knowledge Hub	The Knowledge Hub section of the EUCF website provides various tools and documents to facilitate the application and development of the investment concept, such as Frequently Asked Questions, Case Studies, etc.
32	Local Administrative Units (LAUs)	LAUs are “ <i>the building blocks of the NUTS and comprise the municipalities and communes of the European Union</i> ”. ⁶ LAUs are thus a subdivision of the NUTS 3 regions, covering the entire economic territory of each EU Member State and the UK and categorise municipalities and local authorities at the local level. Eurostat publishes every year an updated list of the respective NUTS 3 classification and LAU codes.

⁵ European Investment Bank (EIB), [EIB Energy Lending Policy](#), 2019

⁶ Eurostat, [Local administrative Unit \(LAU\)](#), 2020

33	<i>Municipalities/local authorities</i>	Municipalities/local authorities and groupings of municipalities/local authorities located in the EU-27 and the UK are eligible to receive support from the EUCF. They need to have a LAU and NUTS III code. There is no minimum or maximum population size defined for municipalities and local authorities to be able to apply to the EUCF.
34	<i>National Network</i>	National Networks support the EUCF team and the Country Experts in the promotion of the EUCF at national level by organising info sessions and webinars in order to reach potential applicants (and future beneficiaries) for the EUCF calls.
35	<i>Net Present Value (NPV)</i>	The NPV is used to determine today's value of future cash flows, through the application of a discount rate. A positive NPV indicates that the earnings expected from an investment exceed the anticipated costs. ⁷
36	<i>Nomenclature of Territorial Units for Statistics (NUTS)</i>	The NUTS is a territorial classification that subdivides the territory of the European Union and the UK into three different hierarchical level (NUTS 1, NUTS 2 and NUTS 3) for statistical and planning purposes. ⁸ The NUTS 3 classification, required for the EUCF application, corresponds to <i>small regions for specific diagnoses</i> at regional level.
37	<i>Operational expenditures (OPEX)</i>	Operational expenditures are costs that occur in the daily operation of an investment project. Examples include maintenance costs, staff costs, costs for external sub-contracting, etc. ⁹
38	<i>Other impacts</i>	This term refers to further positive effects that are expected from the implementation of the investment project, in addition to energy savings, renewable energy production or CO ₂ emission reductions. Other impacts can be achieved, for example, in the social sphere (e.g. improved living or working conditions of citizens), in the environmental sphere (e.g. reduction of pollution) or in the climatic sphere through adaptation measures.
39	<i>Ownership of assets</i>	This term encompasses the rights and control over the assets concerned by an investment project. Assets are any possessions

⁷ Investopedia, [Net Present Value \(NPV\)](#), 2019.

⁸ Eurostat, [NUTS – Nomenclature of Territorial Units for Statistics – Background](#), 2020.

⁹ Investopedia, [Operating Expense](#), 2019.

		that have value in exchange, such as property, cash and investments, inventory, and equipment, etc. In the investment concept, it is important for potential investors to clearly understand who has the ownership over the assets in proposed investment project.
40	<i>Plan of similar ambition</i>	Municipalities/local authorities without a SEAP/SECAP are able to submit a politically approved energy/climate plan of similar ambition as part of their EUCF application. A plan of similar ambition is considered equivalent to SEAP/SECAP if it includes energy and climate targets at least for the year of 2020. A template for Annex A is provided, where applicants shall state the energy/climate targets established by their plans.
41	<i>Project Promoters</i>	Within the context of the EUCF, project promoters are the organisations which develop, implement and support the investment project. This includes the organisation leading the investment project and the other organisations associated to it.
42	<i>Renewable energy production</i>	Renewable energy production refers to the generation of energy from sources that are naturally restored, such as solar, wind, geothermal or hydroelectric sources. The production of renewable energy achieved by the proposed investment project can be determined within the template for Annex D – Estimation of Energy Savings.
43	<i>Revenue</i>	Revenue refers to the income generated by the daily operations performed within an investment project. Examples of revenue streams include energy savings, operation and maintenance fees, energy supply, etc.
44	<i>Simple Payback Period</i>	Simple payback period refers to the time required to recover the initial outlay of an investment through the cash inflows generated by this investment. ¹⁰ It is usually expressed in years and calculated as the cost of the investment divided by the expected annual energy savings. The shorter the payback period, the more attractive is an investment.
45	<i>Stakeholder analysis</i>	This type of analysis provides an overview of the stakeholder landscape, including the identification of key actors and their role for the successful implementation of the investment project, as well as their needs and expectations arising from it and their current level of support. According to this assessment,

¹⁰ Investopedia, [Payback Period](#), 2019.

		appropriate instruments and channels should be selected to better inform, consult or collaborate with the different stakeholder groups across the different phases of the investment project.
46	<i>Stakeholder group</i>	This term refers to a group of individuals or organisations that potentially affect or are affected by the planned investment project.
47	<i>Success stories</i>	Case studies of EUCF beneficiaries that have successfully developed investment concepts will be collected under “Success Stories” on the EUCF website.
48	<i>Sustainable Energy Action Plan (SEAP)</i>	The SEAP is an official document prepared by cities and municipalities, which defines concrete actions, responsibilities and timing to achieve the local authority’s long-term targets on energy consumption and CO ₂ emissions reduction. Signatories of the Covenant of Mayors working within the 2020 timeframe are committed to the submission of a SEAP, demonstrating how the municipality will reach the goal of at least 20% reduction in CO ₂ emissions by 2020. A template for Annex A is provided, where applicants shall state the energy/climate targets established by their plans.
49	<i>Sustainable Energy and Climate Action Plan (SECAP)</i>	The SECAP is an official document prepared by cities and municipalities, which defines concrete measures to achieve their climate change mitigation and adaptation objectives. The SECAP concentrates on mitigation measures aimed at reducing GHG emissions and energy consumption, as well as on adaptation actions in response to the impacts of climate change. Signatories of the Covenant of Mayors are required to submit a SECAP, demonstrating how the municipality will reach the objective to reduce CO ₂ emissions by at least 40% by 2030. A template for Annex A is provided, where applicants shall state the energy/climate targets established by their plans.