LOCAL Policies for GREEN Energy – LOCAL4GREEN

Priority Axis 2: Fostering low-carbon strategies and energy efficiency in specific MED territories: cities, islands and remote areas

Specific Objective 2.2: To increase the share of renewable local energy sources in energy mix strategies and plans in specific MED territories

HANDBOOK FOR GREEN LOCAL FISCAL POLICY FORMULATION

Project Partner in charge: PP6 MUSOL Foundation

Project partners involved: ALL

Project co-financed by the European Regional Development Fund

Work Package 3 – Testing
Activity 3.1 Elaboration of a participatory methodology to prepare the green local fiscal policy to promote renewable energy sources
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PARTICIPATORY METHOD-BASED PREPARATION OF LOCAL FISCAL POLICIES TO PROMOTE RENEWABLE ENERGY SOURCES AT A MUNICIPAL LEVEL.

Project co-financed by the European Regional Development Fund

Table of Contents.

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Stage 8 General citizen participation regarding local fiscal policies aimed at promoting prioritised renewable energy sources.

Step 9 Establishment of the fiscal measures to introduce in accordance with citizen input and the political criteria of the decision-maker.

Doing Stage.

Step 10 Drawing up of the appropriate instrument for adopting the fiscal policy.

Step 11 Approval of the appropriate instrument for adopting the fiscal policy.

Step 12 Undertaking of the appropriate administrative and management adaptations.

Step 13 Drawing up of a resolution of political impact to improve the legal framework that regulates a set of local fiscal policies in order to facilitate municipal action in the area of renewable energy.

Step 14 Launching of a publicity and aw areness-raising campaign on the approved local fiscal policy promoting renewable energy.

Checking Stage.

Step 15 Drawing up of a series of indicators to evaluate the adopted local fiscal policies in order to promote renewable energy sources.

Step 16 Establishing the collection and communication protocol of the indicator monitoring data.

Step 17 Evaluating the local fiscal policy.

Acting Stage.

Step 18 Review of the appropriate instrument for adopting the fiscal policy.

Step 19 Approval of the appropriate and amended instrument for adopting the fiscal policy.

Examples of local fiscal policies to promote renewable energy sources.

Conclusions.

Glossary.

Bibliography.

Table of Figures.

Introduction.

The LOCAL Policies for GREEN Energy project (LOCAL4GREEN).

The LOCAL Policies for GREEN Energy initiative (LOCAL4GREEN, 2016-2019 execution period) is a project financed by the European Regional Development Fund (ERDF) and the Instrument for Pre-Accession Assistance (IPA) within the framework of the Interreg MED Programme. The project is led by the Valencian Federation of Municipalities and Provinces (FVMP) in Spain and is jointly undertaken by the following consortium partners from 9 Mediterranean countries: the MUSOL Foundation in Spain, Malta Intelligent Energy Management Agency (MIEMA), North-West Croatia Regional Energy Agency (REGEA), Development Agency of Eastern Thessaloniki's Local Authorities – center for the development of human resources and the support of local economy (ANATOLIKI) in Greece, Lazio Region Association of Cities and Municipalities (ANCI LAZIO) in Italy, Building and Civil Engineering Institute (ZRMK) in Slovenia, Cyprus Energy Agency (CEA), University of Algarve in Portugal and the Albanian Association of Municipalities.

The aim of the project is to help local authorities to establish and implement innovative local fiscal policies, which are geared towards promoting renewable energy sources in the public-private sector and in homes, especially within the framework of the Sustainable Energy Action Plans and the Sustainable Energy and Climate Action Plans that have been adopted by the municipalities that form part of the Covenant of Mayors for Climate & Energy. The project is to be undertaken in rural areas and islands of the regions included in the Interreg MED Programme, where local fiscal policies have a key role in increasing the use of renewable energy sources.

As such, the LOCAL4GREEN project has drawn up its own drafting, implementation, monitoring and evaluation methodology regarding local policies that promote renewable energy sources through fiscal measures, particularly in rural areas and islands. Said methodology, set out in this guidebook and created by the MUSOL Foundation, is a guide for the project partners, which are in charge supporting local authorities in implementing innovative local fiscal policies that aim to promote renewable energy sources. Furthermore,

the methodology is intended to be a useful tool for all municipalities that seek to foster renewable energy, beyond the specific territorial scope of the LOCAL4GREEN project, in their area of competence.

In this sense, the legislative differences in the countries under the LOCAL4GREEN project have been taken into consideration in the designing of this methodology and explanations of concepts, such as the concept of municipality, which has different meanings and nuances in different countries, have been included. These methodology guidelines aim to ensure that the tool can be transferred to and applied in very different regulatory contexts.

In conclusion, the aim is for this methodology to be an international benchmark for local public politicians and executives who seek to draft innovative and impacting policies to promote renewable energy on a local level.

Why focus on local fiscal policies aimed at promoting renewable energy sources?

A trend that has been emerging in recent years -the key role of local authorities in the fight against climate change and particularly in climate change mitigation- has been confirmed in the recent Conferences of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC).

In fact, even before the COPs had acknowledged their role, local authorities had already actively committed to reducing greenhouse gas emissions by implementing effective local climate policies in several sectors. They also coordinated their efforts on an international level through networks such as the ICLEI (Local Governments for Sustainability), an alliance comprising 1220 local governments around the world, and the C40, a group of large cities. It is worth mentioning the Covenant of Mayors for Climate & Energy, which started as a European-level initiative but subsequently expanded internationally. The aim is for it to become the biggest urban initiative in the world in the field of climate and energy.

As previously mentioned, the commitment of local authorities has increasingly become more significant in the COPs. At the COP20 held in Lima in 2014, local authorities were the protagonists in the High-Level Event on the Climate Change Action Agenda. Their role in actions was also given significant recognition, such as the creation of NAZCA (Non-State Actor Zone for Climate Action), which is a tool for increasing the visibility of climate action carried out by cities, regions, companies and investors (Filippi, 2016). Furthermore, the role of local authorities is duly reflected in the Paris Agreement (COP21, 2015), as recognised by the ICLEI:

> Through this Agreement, local and governments are recognised as essential actors in fast tracking transformative action in the urban world. The Paris Agreement reflects the success of local government advocacy, enshrining local and subnational actors within an international climate agreement for the first time (ICLEI, 2015).

Thus, the relevance of addressing climate change mitigation at a local level has been corroborated by international climate policies and by the consolidated trends arising from local authority initiatives.

In accordance with the priorities set out in the Interreg MED Programme (2014-2020), the LOCAL4GREEN programme focuses on rural municipalities and islands. An analysis of greenhouse gas emissions (GHG) in rural and island municipalities provides general and interesting data on common trends regarding the sources of emissions and the sectors that consume most energy.

To identify those trends, an analysis has been conducted on a sample section of emissions inventories that were drawn up by the rural municipalities, those municipalities that have a degree of urbanisation of 1 according to the EUROSTAT classification (EUROSTAT, 2012), which have signed the Covenant of Mayors for Climate & Energy. A sample section of emissions inventories from island municipalities has also been analysed. There is a certain degree of variability in the structure of emissions in rural and island municipalities. This is due to the fact that certain sectors have greater influence in some areas as a result of specific factors; for example, the amount of production and distribution of drinking water in some coastal and island municipalities, or the influence of industry in rural municipalities with significant production hubs.

Nevertheless, it is possible to detect general trends that are present in the majority of said municipalities, as has been confirmed. The analysis of emissions inventories, drawn up within the framework of the Covenant of Mayors for Climate & Energy, helps trends regarding the main GHG-producing and energy-consuming sectors to be detected. According to the selected sample section, the three sectors that consume most energy and produce most GHG are buildings and equipment of the tertiary sector, the residential sector, and the commercial and private transport sector. Those sectors feature as the top three in terms of emissions and energy consumption in practically all of the municipalities analysed. On average, the first sector accounts for 24% of GHG emissions and for 20% of energy consumption; the residential sector for 33% of GHG emissions and for 31% of energy consumption; and the commercial and private transport sector for 30% and 17%, respectively. The analysis of emissions inventories also helps us to take into consideration the percentage of energy produced with renewable sources in the municipalities, which is generally very low. That data suggest that there is a lot of work to do to foster renewable energy sources in rural and island municipalities. Furthermore, as we know which sectors consume most energy and produce most GHGs, efforts promoting renewable energy

sources should focus on those very sectors.

In this context, analysing the tools with which local authorities can change the situation described is of particular interest. The characteristics of the sectors that have most influence on emissions and energy consumption in the municipalities considered, make direct local authority investment somewhat irrelevant as, in general, they are sectors that mainly depend on private sector actors (homes, companies, etc.). Local policies focused on subsidising private actors to promote renewable energy could be problematic in terms of the budgetary constraints with which municipalities in many Mediterranean countries operate. The regulatory action of local authorities, a reflection of the power they have to create and express their own legal will under the autonomy framework granted by their national legislation, provides extensive opportunities to participate in promoting renewable energy sources in the sectors in question. In particular, it provides a wide range of possibilities to establish financial incentives or disincentives and to design or reformulate fees, taxes and other tax revenue by means of appropriate fiscal policies that affect the aforementioned sectors. Such fiscal policies can be drafted with consideration given to their financial sustainability. In other words, calibrating the impact on local authority budgets. At the same time, they can have wide-reaching and systematic coverage that is not dependent on the budget available for direct support programmes. Local fiscal policies affect taxes and fees, as well as tariffs and charges, as explained in detail in the following chapter and throughout the guidebook. By intervening in tariffs and concessions, numerous municipal services may be directed to towards using renewable energy sources, further increasing the potential impact of local fiscal policies.

The purpose of this guidebook is to be a guide for drafting and continuously improving those types of policies. Municipalities that implement said policies regarding the promotion of renewable energy sources, should do so taking into account their own legal and material reality. By implementing such policies, they will contribute to meeting the European Union's priorities regarding climate change mitigation, particularly the commitments it put forward during the 2015 Paris Agreement negotiation process. The commitments aim to reduce greenhouse gas emissions by at least 40% compared to 1990 and to achieve that at least 27% of all the energy consumed originates from renewable energy before 2030 (European Commission, 2013). To meet said objectives, the involvement of local authorities is indispensable. As such, the European Commission fosters, among other programmes, the Covenant of Mayors for Climate & Energy, the main initiative aimed at promoting local climate policies.

General methodology guidelines.

Key concepts regarding the scope of application of the methodology.

MUNICIPALITIES OR LOCAL AUTHORITIES.

The methodology has been designed for local authorities, considered as Local Administrative Units (LAUs) under the EUROSTAT classification in its correspondence table (EUROSTAT, 2016), which was created to facilitate the comparison of administrative structures in each member country. The methodology has particularly been designed for local administrative units classified as LAU1, whose administrative boundaries correspond to a single Local Administrative Unit. Furthermore, the methodology covers Local Administrative Units classified as LAU2, whose administrative boundaries include various compulsory local administrative units. Therefore, voluntary associations are not included in this category. In the case of Greece and Portugal, for example, this clarification is important as their administrative systems provide for local authorities classified as LAU1 and LAU2 by EUROSTAT. We will use local authorities, public bodies and municipalities interchangeably in this guidebook to refer to all local authorities/bodies classified as LAU1 and LAU2 by EUROSTAT.

FEES, TAXES, TARIFFS AND CHARGES.

One of the challenges in promoting renewable energy through fiscal policies at local level is the differences that exist among local legal systems, as well as the differences between concepts and terms relating to local fiscal systems. In this regard, the guidebook takes into account that local fiscal policies include different concepts, such as taxes, fees, charges and tariffs. All these concepts share the common characteristic of being revenue that municipalities receive by virtue of being public powers. Even though these types of tax-related revenue may have different names in each country and may include different aspects, even if they do share the same name, the essential features that we refer to in this guidebook are set out below.

The sole aim of this conceptualisation, beyond the legal-administrative, is that the different types of tax-related revenue in each country may relate to one concept or another.

TAXES AND FEES.

Both concepts are forms of revenue deriving from State taxation power. Both are revenues that a taxable entity has to pay when a situation arises for which there is an obligation to pay, taking coercive measures in the event of non-payment. In general, the ability of taxpayers to pay is taken into consideration when establishing and managing both cases. They are both at the top in terms of strictness regarding their imposition formalities and management requirements.

Taxes: have to be paid on receiving an income, being the owner of property and undertaking a particular activity. For example: income tax, immovable property tax and VAT. In general, the wealth that one declares is taxed.

Fees: have to be paid for using a public service or for occupying public-owned property. For example: fees for occupying a stall in a municipal market, entering a municipal swimming pool, studying a training course taught by the municipality, receiving a healthcare service provided by the municipality, receiving a waste collection service and a water supply service, etc. In some cases, the obligation to pay for waste collection and water supply services, for example, arises from the mere fact of being the owner or tenant of a property who could potentially, although in actual fact may not, use the service.

TARIFFS:

The difference between tariffs and fees is not very clear. For the purpose of this guidebook, a tariff is the amount to pay for using a property or facility, or for the provision of a public service when it is managed through a public-owned company or when it is paid to a concessionaire of a public service.

CHARGES:

Charges are both the amount a public authority pays a concessionaire to provide a service and the amount paid by a concessionaire to the public authority in order to provide such service.

It must be borne in mind that in some cases the public authority pays the provider for the service and in others it charges the provider of the service.

The difference emerges when the municipality pays, then later charges the users of the service, and when it charges the concessionaire, which then charges the users of such service.

WHAT IS A CONCESSIONAIRE?

For the purpose of this guidebook, a concession is a right granted by a public authority or public company to another actor, usually private, to operate public property or services for a fixed period of time.

The management and, occasionally, the tariff collection is transferred to the concessionaire through what is known as a Public–Private Partnership (PPP). The public authority holds the ownership and policing power of the service, while the concessionaire physically provides it, receiving a payment called tariff.

The concessionaire is, therefore, the title holder of the concession.

NON-ETS SECTORS:

The methodology centres on municipal fiscal policies that affect the so-called non-ETS sectors. Said sectors undertake activities that are not subject to the Emissions Trading System (ETS). They represent, therefore, the sectors that use energy less intensively. The following sectors are included in this category:

- Residential, commercial and institutional
- Transport
- Agriculture and farming
- Waste management
- Fluorinated gases
- Industrial not subject to trade emissions.

(MAPAMA, 2016).

Applied methodology tools.

THE DEMING OR PDCA (PLAN, DO, CHECK, ACT) CYCLE.

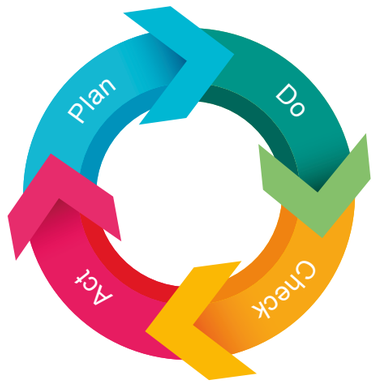
The methodology is based on a circular model of continuous improvement, which is coherent with recommendations of the Organisation for Economic Co-operation and Development (OECD, 2014, 4):

> The (...) reform should not be conceived as a one-off exercise, but as a way to develop incentives, processes and organisational arrangements that generate continuous improvement in public management, and therefore better social outcomes.

Furthermore, said continuous improvement approach is coherent with the LOCAL4GREEN project, which intends to support local authorities in not only the drafting and implementation, but also the evaluation of local fiscal policies to enable good practices to be systemised and to allow it to advise local authorities on improving the fiscal policies implemented.

The Deming or PDCA (Plan, Do, Check, Act) Cycle was chosen when selecting the continuous improvement tool, the basis on which this methodology has been drawn up, because it is a tool that is easy to understand, easily adaptable and widely disseminated, although it is a tool that has been borrowed from the area of quality management (Camison et al., 2006).

FIGURE 1: THE DEMING CYCLE.



The general tool has been adapted to the specific purpose of the guidebook, developing each stage with the contents required for the participatory drafting, implementation, evaluation and improvement of local fiscal policies aimed at fostering renewable energy sources.

This tool sets out the four essential steps that must be systematically undertaken to achieve continuous improvement, understood as continuous quality improvement (Bernal, 2013, 1); in our case, public policies. The Deming Cycle comprises 4 cycle stages. Therefore, when the last stage is finished, one must return to the first stage and repeat the cycle (...) to incorporate new improvements (Bernal, 2013, 1). As this tool has been adapted to local public policies, each of the four stages assumes a different meaning, albeit the circular logic and continuous improvement elements remain the same. In the chapter, 'Methodology description', the meaning of each of the four steps adapted to the continuous improvement of local public policies is set out.

CITIZEN PARTICIPATION.

The methodology has a clear citizen-participation approach. It is a tool for implementing local public policies that affect the fees, taxes and tariffs of public services. Therefore, it has an impact on significant issues in the daily lives of citizens and on the income of local authorities. Furthermore, the type of local public policies that are to be drawn up with this methodology aim to promote sources of renewable energy. This is a goal that requires the involvement and motivation of the private sector and homes so that its scope can be extended to substantially cover the energy matrix, as well as greenhouse gas emissions on a local and global level.

There are several reasons why the methodology proposes a participatory approach. Firstly, it tries to facilitate the creation of local policies that are based on maximum consensus and that are supported by a broad majority in not only a competent local government body, but also society. That will facilitate their subsequent implementation.

Secondly, participation in the drafting of local fiscal policies will be a transparent exercise as regards the revenue of local authorities and its use, contributing to greater social acceptance of the measures to foster.

Finally, the purpose of drafting policies in favour of renewable energy sources with the participation of citizens is to generate citizen awareness. This gives greater visibility to the matter, promoting renewable energy sources as a climate change mitigation strategy and favouring the engagement of citizens in such drive.

METHODOLOGY TARGET AUDIENCE.

As previously mentioned, the methodology will be used to draft and implement local public policies regarding tax to promote renewable energy sources with an approach of continuous improvement and citizen participation.

Thus, the methodology is a useful tool for decision-makers, particularly those elected to local governments, who have the power to foster said policies. As such, it is useful for local public executives who are involved in the drafting and implementing of the aforementioned local policies. In terms of both local politicians and local public executives, we particularly refer to people who carry out their functions in environmental, legal and financial-budgetary areas.

Finally, the methodology is useful for advisors and consultants who assist local authorities in setting out their climate change mitigation strategies and the promotion of renewable energy sources.

Taking into account the target audience of this methodology, a practical and easy-to-apply tool has been chosen. Furthermore, in view of the international scope of this guidebook, the methodology also takes into consideration the requirement to be easily transferable and adaptable to very different contexts.

Methodology description.

As explained in the previous chapter, the methodology is structured in four stages: Plan, Do, Control and Improve. A description of all of the steps in the four stages is provided below. There are 20 steps in total, numbered from 0 to 19. The importance of carrying out each recommended step is explained and guidance on how to carry out each one is provided.

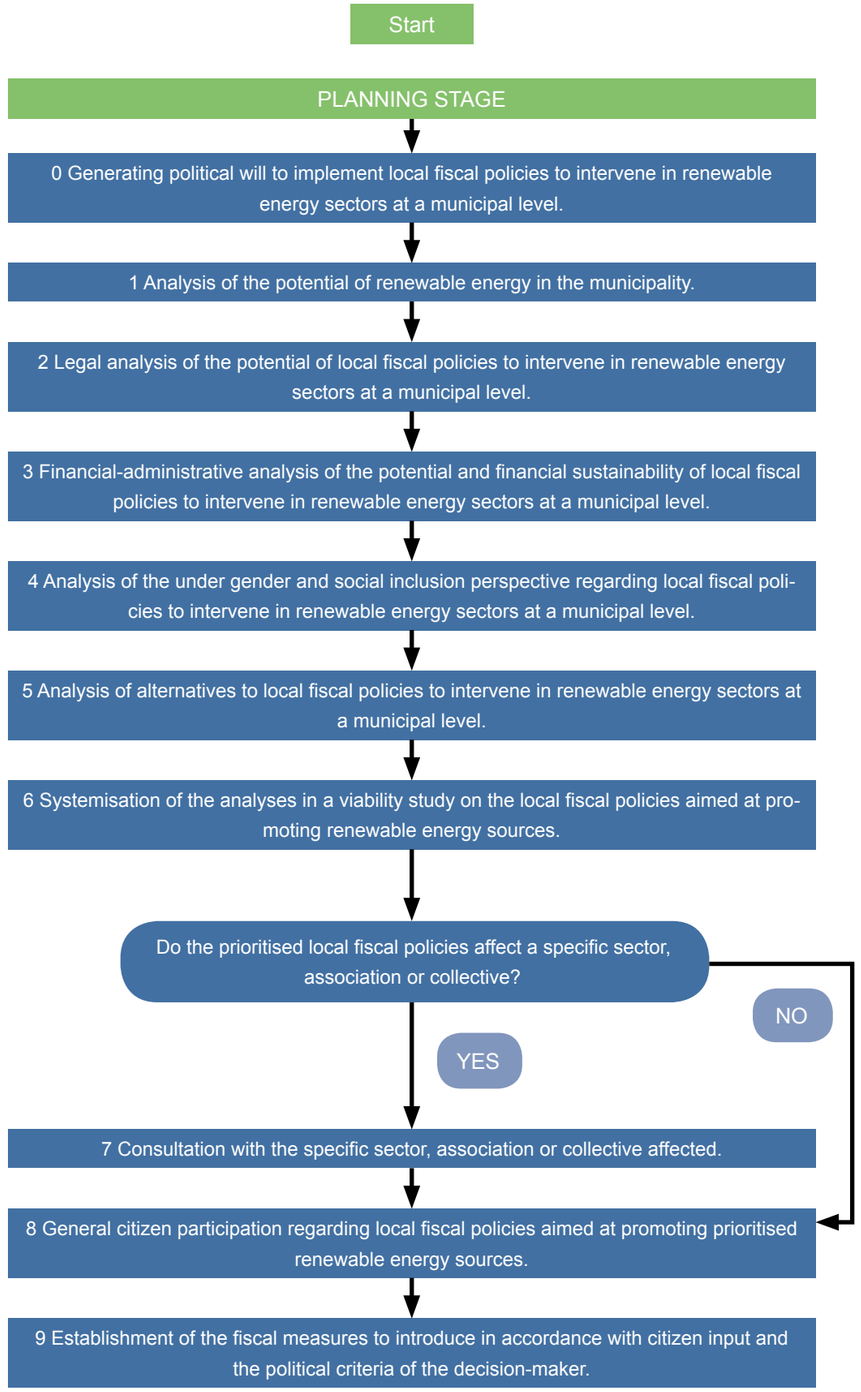
Planning stage.

In this stage, a preliminary study or assessment will be conducted that helps to compile the basic information required to draft local fiscal policies and to confirm their viability. In fact, a viability study on the local fiscal policies aimed at promoting renewable energy sources, which identifies the best fiscal alternatives and corroborates their technical and financial viability, is the fruit of this stage.

The following flow chart is a graphic summary of the steps that comprise this stage and details are provided about each one in the sections that follow.

Deliverable 3.1.1 – Handbook for green local fiscal policy formulation

FIGURE 2: FLOW CHART OF THE PLANNING STAGE.



STEP 0 GENERATING POLITICAL WILL TO IMPLEMENT LOCAL FISCAL POLICIES TO INTERVENE IN RENEWABLE ENERGY SECTORS AT A MUNICIPAL LEVEL.

This is the first action that the municipality has to undertake. The aim is that a decision on a matter of such importance is adopted by the highest municipal body and, if possible, with the consensus of all political representatives, ensuring not only the commencement, but also the continuity of policies.

The rationale

Municipalities act through political and administrative bodies. They complement each other despite the fact that their functions are evidently different.

The drafting of public policies and the most important decision-making for municipality governance correspond to political bodies. Technical and legal advice, as well as the material implementation of decisions, corresponds to the administrative apparatus.

The implementation in a municipality of a fiscal policy aimed at fostering the use of renewable energy requires the utmost consensus not only for its adoption, but also to ensure its continuity over time. Therefore, the adoption of the agreement by the highest municipal body and a subsequent negotiation with all the political groups represented in it are required.

The means:

To generate political will, the actions set out below must be followed.

01. Calling the representatives of the political organisations of the municipality with representation in the municipal bodies to a meeting or committee.

The call and the holding of the meeting must be undertaken in the manner established by the legislation of each country as regards time, periods and formalities, etc. If the legislation of a country does not provide for such measures, a call notice in writing and issued by the municipal executive body will suffice.

A proposal with a short explanation of why the implementation of such policies is important may be attached to the call notice. The chapter, ‘Why focus on local fiscal policies aimed at promoting renewable energy sources?’, may provide some useful arguments.

If the legislation of each country does not forbid it, the session should be public and the general public and representatives of those collectives that may presumably be key actors in implementing the policies, whether they support or hinder such policies, should be invited to attend.

To hold the session and to obtain maximum agreement in it, the team of the municipal government will extensively set out the reasons why focusing on those policies is important, ensuring that the interventions undertaken in the committee are appropriately founded.

After the session, the minutes must be recorded of the draft agreement that the highest municipal body, whose characteristics are described in the following paragraph, will be asked to adopt. The draft agreement must be signed, if the legislation of the country does not forbid it, by all political groups that supported said agreement in the meeting or committee. The procedural method, up until the agreement is adopted, must adapt to the legal requirements of the country.

02. Agreement of the highest municipal body.

In general, the agreement must be justified and the justification must be as extensive as deemed appropriate. If the municipality forms part of the Covenant of Mayors for Climate & Energy and its Sustainable Energy Action Plan or its Sustainable Energy and Climate Action Plan provides for fiscal measures, the agreement should make reference to it. Furthermore, in general, the draft agreement should make reference to the role that local authorities have in the fight against climate change, as well as to the political commitment in participating in such flight through the fiscal policies to be implemented. As previously mentioned, the chapter, ‘Why focus on local fiscal policies aimed at promoting renewable energy sources?’, may provide some useful arguments for the justification section of the draft agreement.

The agreement should contain at least one pronouncement regarding its purpose and, particularly, the participatory, inclusive and gender equality characteristics of the policies to implement. For example: “The purpose is to commence a drive towards renewable energy in the municipality by implementing innovative local fiscal policies, using participatory processes that take into account gender and the reduction of inequalities. The aim of said policies is to promote renewable energy sources in the public-private sector and in homes. The policies are also geared towards implementing other similar measures that lead to a reduction in the use of fossil fuels and their replacement, where appropriate, by renewable resources in the public and private sector.”

The agreement must set a time limit by which to start the process and establish an initial general schedule.

Furthermore, a person must be appointed who will be responsible for carrying out the process. Pursuant to the legislation of each country, the person responsible may be a politician or a senior municipal official. It is considered more appropriate at this stage that the person responsible be a politician. In any case, the person in charge will be accountable to the body that made such appointment. If the appointed is a politician, he or she must appoint at least one person to put the process into practice (the technical

manager). The technical manager will answer to said politician.

In summary, the agreement should include, at least:

- An agreement justification.
- A pronouncement on the purpose of the agreement.
- A process commencement deadline and general schedule.
- The appointment of a politician and/or technical manager in charge of the process.
- The approval of the highest municipal body.

Once the agreement has been adopted by the highest municipal body, it will constitute a 'mandate' for all the political bodies and the administrative apparatus to start the process in the timeframe established and to achieve that set out in it.

03. Publicity of the adopted agreement.

Once the agreement has been adopted, the municipality must publicise it as much as possible in the traditional media (announcements in the media provided for by national regulations) and through social networks and other means, and notify social organisations of the agreement, etc. The purpose of the agreement should be extensively highlighted.

STEP 1 ANALYSIS OF THE POTENTIAL OF ENERGY OBTAINED FROM RENEWABLE SOURCES IN THE MUNICIPALITY.

The aim of this step is to identify the public, private and domestic activities that are undertaken in the municipality that use energy from non-renewable sources, but that may be replaced with renewable sources. Therefore, this step aims to analyse said activities and to classify them in accordance with the following criteria:

a) Energy consumption.

b) Greenhouse gas emissions.

c) The technical difficulty in replacing current energy sources with renewable ones.

d) The financial cost of the change for those engaged in the activities.

The rationale

The fiscal policies intended to be implemented have a clear objective: to increase the use of energy obtained from renewable sources in the activities (or sectors) that take place in the municipality. To take effective action, it is essential to have real knowledge

of the activities that use more energy from non-renewable sources and that produce more GHGs, the technical capability available to change to energy from renewable sources, and of the possible cost of such change. This analysis is required because it helps us to:

a) Find out what activities consume more non-renewable energy. This helps us to identify what activities the municipality can act on in terms of having the competence to do so. It is possible that certain activities exist where the municipality has no fiscal tools with which to intervene.

b) Apply the fiscal policies effectively, gearing actions of this nature towards the activities in which there is greater chance of making an impact. In other words, the activities in which there is greater margin to foster renewable energy, as they consume high levels of energy and produce high levels of GHG.

c) Obtain sufficient data to be able to subsequently establish the impact indicators of fiscal policies, compiling data on the initial situation regarding GHG emissions and the use of energy from non-renewable sources.

The activity analysis does not mean producing a sole inventory of every single activity, but rather identifying the homogeneous activity groups. It should indicate for each group the number corresponding to each activity and its joint energy consumption. For example, it does not have to stipulate every house and owner that has central heating, but rather establish the number of houses with it, their energy consumption and GHG emission, etc.

Besides private activities (including domestic ones), public activities, vehicles and buildings, etc., that correspond to the municipality, in terms of their undertaking or ownership, whether directly or through a public-private partnership through contracts, concessions and agreements, etc., will also have to be included in the analysis.

The means:

To analyse and classify the municipality activities in accordance with the aforementioned criteria, the following steps are recommended.

01. General analysis of the greenhouse gas emissions and the energy consumption of sectors in the municipality.

If the municipality already has an emissions inventory because it is a signatory of the Covenant of Mayors for Climate & Energy (CoM) and has drawn up a Sustainable Energy Action Plan (SEAP) or a Sustainable Energy and Climate Action Plan (SECAP), it will already have the necessary information on the energy consumption and GHG emissions of sectors, such as: private and commercial transport, residential sector, municipal buildings

and equipment, tertiary sector buildings and equipment, street lighting, municipal fleets, public transport and industry, etc.

If the municipality does not have an emissions inventory, it will have to conduct a simplified study on said areas, based on the CoM's Baseline Emission Inventory (BEI). The municipality can use CoM guidebooks and read some SEAPs by way of emissions inventory examples. It is vital that said study identifies, at least:

- the energy consumption of sectors in the municipality
- their greenhouse gas emissions
- sources (renewable/non-renewable) of the energy consumed

The compiling of said data will help to organise the sectors in accordance with the consumption of energy from non-renewable sources and GHG emissions.

02. Identification of subsectors in the municipality with high levels of energy consumption and emissions.

In line with the general analysis, the sectors with high levels of energy consumption and GHG emissions will be studied in greater depth to identify which specific subsectors are mainly responsible for energy consumption and GHG emissions. For example, if the industry sector was prioritised in the previous step, in this step the industry subsectors will be analysed to see which have high levels of energy consumption and GHG emissions; for example, the pottery, vehicle and furniture sectors, etc.

It may be that the data contained in the SEAP or SECAP help to undertake this detailed analysis. However, in many cases, when such data are not contained in them or the municipality does not have said plans, procedures that help to identify that data will be used. For example, records and statistics can be accessed, such as those relating to the number of vehicles that drive around the municipality, the vehicles registered in the municipality and the average house floor area, as well as vehicle registration records, censuses or tax records. The municipality, in countries where it is allowed, may also consult the data of electricity supply companies.

The basic description of each subsector should also include, at least:

- the energy consumption of subsectors in the municipality
- their GHG emissions
- sources (renewable/non-renewable) of the energy consumed

The compiling of said data will help to organise the subsectors in accordance with the consumption of energy from non-renewable sources and GHG emissions.

03. Description of subsectors in the municipality with high levels of energy consumption and emissions.

The subsectors that record high levels of energy consumption and GHG emissions are to be described in greater detail. The following is an outline of the information that should be gathered, in accordance with the type of subsector, relating to the most common subsectors.

Subsectors related to production activities (industry, agriculture and tertiary subsectors):

- Identification of the number of activities of each subsector that take place in the municipality. Therefore, current records in the municipality or other public records are to be used. The first records to use will be vehicle registration records, censuses or tax records of activities. As they are activities undertaken in the municipality and, in some cases, already incur municipal taxes, the municipality will already have the main activity information, especially the energy capacity or consumption of such activities. For example, if the pottery subsector has been prioritised in the industry sector, we will need to know how many companies there are in the subsector.

Subsectors related to the municipal sector:

- Identification of the number of municipal activities, buildings and equipment relating to each prioritised subsector that exists in the municipality.
- In public activities, particularly municipal ones, the services and activities that the municipality provides through public-private partnerships -in other words, through concessionaires- will be especially analysed, as the municipality can intervene in said activities using local fiscal policies. For that purpose, such concessionaires will have to provide data regarding consumption and their nature. The most common services that are provided through public-private partnerships are water, public parking and solid waste services, etc.

Subsectors related to the residential sector:

- Number and category of domestic buildings. The identification of domestic activities perhaps requires additional work, in order to calculate and systemise the amount of energy they consume, depending on the type of housing (detached houses, building blocks, etc.) and whether or not the energy is from non-renewable sources. Obtaining that data may not be excessively difficult as we may be able to obtain, from energy supply companies in the municipality, the total consumption and itemised data relating to gas, electricity and other sources of energy, as well as data relating to houses that receive electricity from renewable sources or that have solar energy installations or other forms of renewable energy sources.

- Private and commercial vehicles. Vehicles, due to their high potential as regards energy consumption and GHG production, require particular identification. Vehicles must be identified and classified by power, consumption and any other characteristic provided in current records. If municipal tax has previously been paid on vehicles, using the registration number, census or tax records that exist will suffice. From that information, the total emissions figure and their characteristics can be extracted. If tax has not been paid on the vehicles in the municipality, an application will need to be sent to the corresponding registry.

To facilitate the undertaking of step 4 -analysis of the gender and social inclusion perspective regarding local fiscal policies to intervene in renewable energy sectors at a municipal level- it is important to have, when appropriate and technically feasible, data on the number of taxpayers (natural persons) broken down by sex, income, marital status or household structure.

04. Cost and technical viability analysis on the conversion of high-emission subsectors to sources of renewable energy.

The transition from using energy from non-renewable sources to energy from renewable ones, may not be very viable for some activities, as the adaptation costs may be extremely high or because the solutions are technically complicated, difficult to access and/or expensive. In other activities, it may be that the change makes it impossible to amortise current equipment.

The analysis will determine if the adaptation costs and the technical viability are very high, high, medium or low. Said analyses will be conducted in collaboration with sector experts, analysing the technology available and its cost for the prioritised subsectors.

05. Prioritisation based on the emissions criteria and the technical/fin ancial potential of subsectors in which to intervene.

When the sector and subsector analysis has been carried out, a matrix that will help to arrange, in a single document, the subsectors in accordance with the criteria relating to energy consumption, GHG emissions, technical difficulty, financial cost and other criteria subsequently specified, will have to be completed.

To do that, we suggest that the following matrix be used:

FIGURE 3: PRIORITISATION MATRIX OF LOCAL FISCAL POLICIES. TECHNICAL CRITERIA.

Macro-sector	*E.g. Industry*	*E.g. agriculture*
Subsector	*Pottery*	*Chicken farms*
Energy consumption (MWh)		
CO^2 emissions (Tonnes of CO^2)		
Cost of adapting to renewable sources (0-high, 1-medium or 2-low)		
Technical difficulty of adapting to renewable sources (0 high, 1 medium or 2 low)		

The technical prioritisation criteria refer to energy consumption and GHG emissions, particularly CO^2. Furthermore, the adaptation costs of the subsector to renewable sources and the technical difficulty of the process are also considered. In this sense, valuating the following criteria for each subsector is proposed:

Energy consumption (MWh): the data should be recorded and expressed in MWh. Once the consumption of each subsector has been recorded, the highest grade will be assigned to the subsector with high consumption and the lowest grade (1) to the subsector with low consumption. For example, if 3 subsectors are being analysed, the highest consuming subsector will have a valuation of 3 and the lowest 1.

CO^2 emissions (CO^2/tonne) data should be recorded and expressed in CO^2/tonne; if, for all the subsectors analysed in the municipality, data for all the GHGs are available, the number of tonnes of CO^2 equivalent will be measured. Once the emissions of each subsector have been recorded, the highest grade will be assigned to the subsector with high emissions and the lowest grade (1) to the subsector with low emissions. For example, if 3 subsectors are being analysed, the highest emissions-producing subsector will have a valuation of 3 and the lowest 1.

Cost of adapting to renewable sources (very high, high, medium or low): The adaptation cost is considered to be low when it is less than 10% of the initial installation cost of the elements to be adapted; medium if it is between 10% and 20%; and high if it is above 20%.

The technical difficulty of adapting to renewable sources: with the help of an expert, a valuation of the technical difficulty will be carried out in accordance with the following classification: 0 high difficulty, 1 medium difficulty or 2 low difficulty.

As set out in detail in step 5 -analysis of alternatives to local fiscal policies to intervene in renewable energy sectors at a municipal level- a weighting is to be given to each section. The sum of all sections will help to order and systemise all activities and to technically value the capacity to act on each one of them. The valuation of each section will be assigned a weighting according to importance and will be supplemented with other sections relating to legal and financial aspects that are to be subsequently added, as set out in the following steps.

STEP 2 LEGAL ANALYSIS OF THE POTENTIAL OF LOCAL FISCAL POLICIES TO INTERVENE IN RENEWABLE ENERGY SECTORS AT A MUNICIPAL LEVEL.

Municipalities must act within the framework of their competencies. Such competencies are not always fully granted to municipalities, excluding other public bodies. Sometimes municipalities, having been granted competence, are unable to carry out certain actions on it or such action may require an external decision. For example, to grant tax relief (tax breaks), they require an amendment in the law regulating said tax to be made or another public body to give its approval.

This action centres on municipal competence relating to taxation and environment. Therefore, the competencies municipalities have in those areas and their scope have to be examined. In other words, it has to be established if municipalities, within the legal framework, can adopt all the corresponding decisions or if it depends on legislative amendments being made or authorisation granted from other public bodies. The following will particularly need to be studied:

- The competence to intervene in environmental matters.
- The competence to draft fiscal policies.
- Studying, in both cases, the capacity to draft its public policies and the degree of autonomy with which to do it.
- Establishing what legally falls under the concept of local fiscal policies and if the legal system grants them the competence to intervene with said policies in other areas, in this case environmental competencies, to promote sources of renewable energy.

The rationale

The analysis of current activities in the municipality and their capability to adapt to renewable sources of energy and other factors, indicates the areas that should be acted

on, prioritising the activities in accordance with the criteria set out in step 1. Nevertheless, as previously discussed, municipalities generally do not have full competencies and, in some cases, they have competencies that they share with other public bodies (central government, regional governments, etc.). Specifying the scope of their legal powers to be able to act or not in certain activities is essential, because any measure a municipality adopts that exceeds its powers will be rendered invalid. Furthermore, once the scope of said legal powers has been established, identification of the procedure to following will be required, as the fulfilment of procedures in taxation matters is essential.

The legal system establishes the powers and the procedure. Therefore, this analysis needs to be focused on.

The means

To implement fiscal policies to promote the use of energy from renewable sources, the applicable legislation will need to be identified and interpreted so that the possible scope of intervention can be discovered. The analysis will be undertaken in line with the following steps.

01. The capacity/competence to draft public policies and the degree of autonomy.

To determine the ability of municipalities to draft their own policies, including fiscal ones, the Constitution and laws will have to be studied to see if they attribute autonomy and, if so, if said autonomy attributes powers to draft fiscal policies and to what extent. As interpretive criteria of the Constitution and the laws of each State, the European Charter of Local Self-Government of 15 October 1985 must be used, particularly Article 4 and Article 9, regarding the autonomy of municipalities and financial resources, respectively.

02. The capacity to intervene in environmental matters.

Once the degree of autonomy the municipality has regarding fiscal policies has been established, the State, regional and local environmental legislation will need to be studied and the following will need to be extracted:

- In what environmental areas and matters can municipalities act? To what degree and with what level of autonomy?
- Does legislation prohibit the use of fiscal resources to achieve environmental purposes? Does it restrict such intervention and, if so, to what extent?

As interpretative criterion of the ability to intervene in environmental matters and besides the legislation of each State, the 2030 Agenda for Sustainable Development, which approved the Sustainable Development Goals (SDGs), can be consulted, along with the Paris Agreement adopted in the Framework Convention on Climate Change and the Quito Declaration on Sustainable Cities and Human Settlements for All (UN, 2015).

03. The capacity to draft tax revenue.

Reverting to the definition of the area of fiscal policies, which was introduced in the chapter 'General methodology guidelines', is important. In particular, we can define the area of taxation, from a broad perspective, as monetary revenue that the municipality collects by virtue of its administrative power, which it then uses to achieve the objectives under its competence (expenditure on grants, subsidies, etc.).

The legal form of fiscal revenue comprises, on the one hand, tax revenues and, on the other, many other types of taxation that have different denominations in each country.

Tax revenues fundamentally comprise two types of taxation: Taxes: on the mere ownership of property, the undertaking of activities and on the receipt of income which demonstrates the earnings or wealth of the taxpayer; fees: on the taxpayer's general use of municipal property and of the services or activities provided by the municipality, which is not paid if they are not used. Furthermore, as previously mentioned, tax revenues include other types of taxation. In accordance with the definitions in the chapter, 'General methodology guidelines', the different types of tax-related revenue in each country may relate to one concept or another (tariff, charge).

The Constitution and laws have to be studied to determine the competencies over each type of taxation and also the scope of municipal powers over each one. The range of possible interventions through fiscal policies is potentially very broad. To determine said range, a careful legal analysis has to be conducted. It is recommended that the following criteria be considered in conducting said analysis.

As regards tax revenues, particularly regarding taxes and fees, analysis of the following aspects is recommended:

- Examine if the Constitution and/or laws grant the municipality the competence to create taxes or other new forms of taxes, either in general or relating to the environment.
- If municipalities cannot create taxes, study the legislation to see, in the event they are created by the State, if the municipality can regulate the contents alone. In this case, examine if the legislation allows the municipality to regulate, and to what extent, the granting of tax benefits or the imposing of surcharges on environmental grounds or other more general grounds that may be redirected towards the environment issue.
- If municipalities can neither create taxes nor establish relief or surcharges, and are therefore limited to collecting taxes established and fully regulated by the State, then the possibility of being able to influence the State so it implements appropriate measures granting autonomy in the regulating of local taxes will have to be studied.

- For all the aforementioned situations, study the procedure through which decisions corresponding to each tax have to be adopted. For example, the body that has to adopt the measure, the quorum and publications, etc.

04. The capacity to draft other forms of tax revenue.

As previously mentioned, the monetary revenues that the municipality collects by virtue of its administrative powers are tax revenues. Having already referred to the taxes above, it is now appropriate to conduct the same legal analysis on the other forms of tax revenues.

As previously mentioned, they regard revenue from acts that entail the provision of services or the undertaking of activities of municipal competence, which are not imposed as ordinary taxes. Furthermore, they include other revenues deriving from company or individual relationships that provide benefits from the operating of particular public services, which the municipality authorises them to provide on payment of a charge and through a public-private partnership (PPP).

The municipality will have to carry out an analysis of the legislation that empowers it to impose and organise those taxes. Said analysis will also have to look at the capacity of the municipality to establish exemptions and relief (discussed in the following section) to conditionally subsidise the revenue that a concessionaire has to pay.

05. The capacity to intervene in fiscal expenditures.

As regards *fiscal expenditures*, it is worth specifying that the area of taxation includes, in addition to the aspects regarding revenues, the availability and expenditure, through grants and subsidies, etc., of its own municipal resources to achieve the objectives of general interest under the competence of the municipality. For example, it is possible to subsidise the tariff of a service directly provided by the municipality or the tariff of a service that a concessionaire provides through a public-private partnership. The legal analysis of fiscal expenditure must examine the capacity of the municipality to make those expenditures.

06. Legal analysis of forms of indirect intervention through taxation.

Municipalities provide services corresponding to them through PPPs -that is to say, that municipalities entrust the provision of a service to an individual through an agreement- with different alternatives, which range from charging or paying the concessionaire. For example: the municipality may provide a solid waste service by means of a public-private partnership, under which it pays a company to provide the service; the municipality grants a water service concession and charges the private concessionaire company a charge for operating said service. The municipality continues to be the title

holder of the activity and it has management power, even though the physical activity is undertaken by the private company. The municipality can, as title holder of the service or activity, impose the use of renewable energy on the concessionaire, either on formalising the public-private partnership or by amending the concession contract in force.

In any case, when a valid concession contract is amended, the additional cost regarding both the change in energy use and adaptation should be calculated. In this case, the concessionaire should be compensated for the additional cost.

The additional cost, whether it emerged at the outset or in a subsequent amendment, will increase the fees or prices that users pay and the municipality may pay all or part of the cost of said increase by using its own resources, subsidising amounts paid by users.

On this point, it is appropriate to look over the rules that regulate public-private partnerships, current concessions and possible costs. In light of the information, the most appropriate decisions should be made to, firstly, oblige the concessionaire to use renewable energy and, secondly, to determine if the cost has to be passed on to users through tariffs or if the municipality has to fully or partial incur the cost, subsidising tariffs or charges.

07. Studying municipality competencies in the area of social exclusion and gender.

As will be discussed in further detail in step 4 -analysis of the gender and social inclusion perspective regarding local fiscal policies to intervene in renewable energy sectors at a municipal level-, implementing fiscal policies to promote sources of renewable energy can include measures relating to social inclusion and gender equity.

On this point, the scope of municipal competencies regarding gender and social inclusion will be analysed. Furthermore, if legislation allows, or at least does not forbid it, the drafting of gender and exclusion policies through fiscal measures will also be analysed. Therefore, the legislation that confers those competencies, their scope and the capacity of the municipality will also have to be analysed.

08. Valuation of the capacity to act in the subsectors prioritised in step 1 -analysis of the potential of energy obtained from renewable sources in the municipality- and establishment of the fiscal measures.

When the mentioned legal aspects have been studied, the activities or subsectors prioritised in step 1 -analysis of the potential of energy obtained from renewable sources in the municipality- will be analysed, while considering the legislation applicable to each prioritised subsector and the powers that said legislation confers on the municipality to intervene in each subsector. Based on the range of options accepted under the legal

framework, at least one fiscal measure will be identified for each prioritised sub-sector in order to foster renewable energy sources.

As such, adding the following columns to the matrix drawn up in step 1 is suggested:

Capacity of the municipality to intervene through taxation: the capacity of the municipality to intervene with fiscal policies, considering the outcomes of the legal analysis, are to be classified as very high, high, medium or low. To correctly grade this criteria, following the factors below is proposed.

- Regarding the activities for which the law confers power on municipalities to regulate them: weighting from 0 to 3, where 0 means that they hardly have any competence to regulate tax revenues and 3 means they have broad competence to regulate them.
- Regarding the activities for which the law confers power on the municipalities to establish tax exemptions, relief, tariff increases or the elimination of relief: weighting from 0 to 3, where 0 means they cannot establish any and 3 means they can freely establish them.
- Regarding activities for which the law confers power on municipalities to impose the use renewable energy on service concessionaires: weighting from 0 to 3, where 0 means they cannot impose any condition on the concessionaire and 3 means they can impose the conditions they deem appropriate.

Fiscal measures that can be applied: in this column, the fiscal measure or measures (tax exemptions, relief, concession intervention, etc.) to promote renewable energy in each prioritised subsector will be briefly identified. Examples of said measures can be found in the chapter, ‘Examples of local fiscal policies to promote renewable energy sources’. For example, in the residential macro-sector (homes) we can envisage in the column, ‘Fiscal measures that can be applied’: reduction in immovable property tax for homes with photovoltaic installations or an energy supply from renewable sources.

Once said columns have been added, the matrix will be as follows:

FIGURE 4: PRIORITISATION MATRIX OF LOCAL FISCAL POLICIES. LEGAL CRITERIA.

Macro-sector	*E.g. Industry*	*E.g. agriculture*
Subsector	*Pottery*	*Chicken farms*
Energy consumption (MWh)		
CO^2 emissions (Tonnes of CO^2)		
Cost of adapting to renewable sources (0-high, 1-medium or 2-low)		
Technical difficulty of adapting to renewable sources (0 high, 1 medium or 2 low)		
Capacity of the municipality to intervene through taxation (3 high, 2 medium, 1 low, 0 none)		
Fiscal measures that can be applied		

STEP 3 FINANCIAL-ADMINISTRATIVE ANALYSIS OF THE POTENTIAL AND ECONOMIC SUSTAINABILITY OF LOCAL FISCAL POLICIES TO INTERVENE IN RENEWABLE ENERGY SECTORS AT A MUNICIPAL LEVEL.

Among the fiscal policies to implement, the main ones are:

- Applying tax relief or exemptions on fees and taxes for those who incorporate or use energy from renewable sources.
- Applying surcharges or increasing fees and taxes for those who do not use energy from renewable sources.
- Imposing the use of energy from renewable sources on concessionaires of services and activities belonging to the municipality. The corresponding cost increase may be passed on to users or be borne fully or partially by the municipality, using its own resources. This measure may be i mplemented by amending current contracts, writing into the purpose of new public contracts the requirement for awardees to use renewable energy in the provision of services, or by establishing in the award criteria that concessionaires are to produce or use renewable energy.

Before adopting any fiscal measure that affects municipal revenue or expenditure, its financial sustainability will have to be assessed, calculating the estimated amounts it may entail and the consequences it will have on the expenditure committed to in budgets.

The rationale

Municipalities deal with a multitude of activities and services through their budgets. The establishment of fiscal measures will have an impact on revenue and expenditure. Determining the amount the municipal budget will be affected by is essential in anticipating what will be required to ensure that other services are not neglected, reducing the expenditure or increasing revenue by other means.

The means

The adoption of agreements or resolutions to include regulations that foster the use of energy from renewable sources, as well as engaging in fiscal expenditure for the same purpose, will precede technical, legal and financial reports. Economically speaking, it is important to bear in mind what each amendment individually entails and what they all entail as a whole, in accordance with the following actions.

<u>01. Calculation of revenue decrease through measures applicable to the types of taxation in force.</u>

When the intended measures to adopt cause a decrease in tax revenue that is periodically collected, a reasoned forecast regarding the extent of said decrease will have to be carried out by calculating the number of taxpayers that is likely to engage in the measures. Whether the decrease affects a one-year period or is prolonged over time will also have to be analysed. In the latter case, a decrease forecast per year will have to be carried out.

Calculating the decrease will have to be done for each form of tax revenue that is affected by the measures set out in step 2, ‘Legal analysis’. The sum of all reductions in the collection of each tax will be the total that affects the municipal budget.

<u>02. Calculation of revenue generated by the implementation of new forms of tax revenues or by increasing the contributions or tariffs of those who do not adopt certain measures.</u>

The fiscal measures to adopt may also mean an increase in tariffs, as well as the creation and establishment of new fiscal obligations, if allowed by law, which generate an increase in tax collection.

They may also lead to certain benefits, which are currently in force for all users, becoming invalid for those who do not meet the environmental measures established.

In the same way as described in the foregoing action, this additional income through each form of tax revenue will have to be calculated and the total will have to be added to the municipal budget.

03. Calculation of the impact of other fiscal measures.

Besides considering the application of tax relief or exemptions, other fiscal measures that can also have an impact on budgets are also possible.

They are measures applicable to activities or services that are provided through concessionaires (public-private partnership). In this case, the municipality, as title holder of the service or activity, can impose the use of renewable energy, compensating concessionaires for the additional cost. Said cost may be passed on to users, in which case, we will see higher revenue that will compensate for the additional cost. Furthermore, the municipality may fully or partially pay the additional cost (subsidising tariffs) if permitted by law. Bearing this cost will entail an additional expenditure that must be taken into account.

In the same way as described in the foregoing action, the additional cost for each fiscal measure set out (e.g., the additional cost of contracts that require the awardee to use energy from renewable sources) will have to be calculated and the total will have to be added to the municipal budget.

04. Establishment of the impact on budgets and, if appropriate, on compensation.

The total of all positive and negative budgetary implications will constitute the impact on the budget.

When the budgetary impact is positive, the corresponding resources should be used for environmental purposes, publicising such measures as much as possible. When the budgetary impact is negative, the municipality should reduce its spending or/and seek resources from other means to compensate for it. If those means involve a greater tax burden on citizens, such burden must be separated as much as possible from the promotion of energy from renewable sources so that the awareness element entailed in the adopted fiscal measures is not affected.

It should be noted that the European Union currently has very strict rules regarding budgets. The decrease in revenues or the increase in spending can affect the expenditure ceiling and, therefore, this variable in the measures adopted will have to be considered.

05 Valuation of the financial impact of fiscal measures set out for prioritised subsectors.

The positive or negative budgetary impact must be added to the following matrix, which already contains the data obtained from the analyses undertaken in previous sections; in other words, the technical and the legal analyse. As such, adding the following columns to the matrix is proposed:

Reduction in municipal revenue: based on the financial analysis, if it is determined that the measure causes a reduction in municipal revenues, such reduction is to be classified

as follows: 0-high, 1-medium, 2-low or 3-none: where 3 means that the measure causes a reduction of less than 5%, 2 a reduction of between 5% and 10%, 1 a reduction of between 10% and 20%, and 0 a reduction higher than 20%.

A compensatory revenue measure required: if the financial analysis determines that the revenue reduction is of such magnitude that measures to compensate for it are required, it should be indicated as follows: (S-0) - compensatory measures are required, or (N-1) - they are not required.

An increase in municipal revenue caused: if the financial analysis determines that fiscal measure will increase municipal revenues, such increase is to be classified as follows: 3-high, 2-medium, 1-low or 0-none: where 0 means that there is a revenue increase of less than 5% of the municipal register, 1 a reduction of between 5% and 10%, 2 a reduction of between 10% and 20%, and 3 a reduction higher than 20%.

An increase in municipal expenditure caused: in the event that the measures entail an increase in municipal spending, e.g., on subsidising the tariffs for imposing the use of renewable energy on concessionaires, said increase is to be classified from 0 to 3: where 0 means that the expenditure increase is higher than 10% of the municipal budget, 1 the increase is between 10% and 5%, 2 the increase is between 5% and 0.25%, and 3 the increase is less than 0.25%.

The matrix set out in the foregoing steps is to be updated as follows:

FIGURE 5: PRIORITISATION MATRIX OF LOCAL FISCAL POLICIES. FINANCIAL CRITERIA.

Macro-sector	*E.g. Industry*	*E.g. agriculture*
Subsector	*Pottery*	*Chicken farms*
Energy consumption (MWh)		
CO^2 emissions (Tonnes of CO^2)		
Cost of adapting to renewable sources (0-high, 1-medium or 2-low)		
Technical difficulty of adapting to renewable sources (0 high, 1 medium or 2 low)		
Capacity of the municipality to intervene through taxation (3 high, 2 medium, 1 low, 0 none)		
Fiscal measures that can be applied		
Reduction in municipal revenue (0-high, 1-medium, 2-low, 3-none)		
Compensatory revenue measure required (S-0/N-1)		
An increase in municipal revenue caused (3-high, 2-medium, 1-low, 0-none)		
An increase in municipal expenditure (0-high, 1-medium, 2-low, 3-none)		

STEP 4 ANALYSIS OF THE GENDER AND SOCIAL INCLUSION PERSPECTIVE REGARDING LOCAL FISCAL POLICIES TO INTERVENE IN RENEWABLE ENERGY SECTORS AT A MUNICIPAL LEVEL.

As well as other international declarations and commitments, this methodology takes into consideration the 2030 Agenda for Sustainable Development, which was approved by the United Nations General Assembly on 25 September 2015 and entered into force on 1 January 2016.

The declaration states:

> "They [*the goals and targets*] seek to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental." (United Nations 2015, 3).

In terms the central concept of sustainable development, the economic, social and environmental dimensions are present in all sustainable development goals. The aspects relating to Gender Equity and social inclusion are clearly provided for in the following goals:

- Goal 5: Achieve gender equality and empower all women and girls.
- Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all.
- Goal 10: Reduce inequality within and among countries.
- Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable. (United Nations 2015, 16).

In drafting the municipal fiscal policies, the technical, financial equality and social inclusion aspects that derive from the implementation of said policies, must be identified.

We have already set out the technical, legal and financial analyses regarding the application of fiscal measures by municipalities to incentivise the use of energy from renewable sources. It is now time to analyse how those measures may affect gender equity and social inclusion, as well as how these two aspects interrelate with the analyses already conducted.

The rationale

Fiscal policies may be strengthening the sexual division of labour and inequalities between men and women, acting as obstacles for development and the optimum use of female potential. Further study should be undertaken of the biases, both explicit and implicit, of fiscal systems that serve to reinforce traditional roles of women in society (Oxfam, 2014). Therefore, the gender equality aspect must be taken into account in drafting local fiscal policies, considering that in many cases people's financial resources, as well as access to a basic service (energy), will be coming into play.

The equity of the fiscal measures that are intended to be drafted with this methodology does not exclusively refer to the gender aspect. As previously mentioned, local fiscal policies have an impact on sensitive areas regarding aspects of social inclusion: energy and the financial resources of people. Fiscal policies can substantially change situations of inequality and poverty (Lustig, 2011). Therefore, fiscal measures must consider the aspect of social inclusion.

The means

Equity in fiscal systems from a gender (and general) perspective (of economic policies) entails that their implementation, measures, contents and, above all, impact take into consideration the inequalities between men and women, and that they directly or indirectly contribute to overcoming these issues (Oxfam, 2014, 20). Fiscal systems often use tax deductions that are based on a specific image of women (mothers and wives) or where a belief in the traditional family makes women the deserved beneficiaries of significant tax benefits to the detriment of other family models (Ruiz Garijo, 2013, 25). The analysis from the gender perspective should help to prevent such mistakes.

Similarly, the application of a social inclusion perspective in the drafting of fiscal policies involves considering the social inequalities present in the region and the specific phenomenon of social marginalisation. Furthermore, giving consideration to the issue of energy poverty is particularly relevant, as it could be affected in the framework of the fiscal policies fostered.

It must be ensured, for both the gender and social inclusion perspectives, that the fiscal policies do not have a negative impact and, as may be appropriate, measures must be included that favour gender equality and social inclusion.

01 Analysis of the general situation regarding gender equality.

To consider the gender perspective in local fiscal policies, where we are in terms gender equity must be identified. It is likely that municipalities that have gender policies implemented already have data that can be analysed. Furthermore, as previously discussed in step 1 -analysis of the potential of energy obtained from renewable sources in the municipality-, having information broken down by sex of the prioritised subsectors is important.

The situation analysis will help to identify the general areas where there is potential for synergy or conflict between the gender equality improvement objectives and the promotion of renewable energy through fiscal policies.

02 Analysis of the prioritised fiscal measures to promote renewable energy sources from a gender perspective.

The local fiscal policies must consider measures aimed at bring about gender equality and/or at impeding measures or applications that hinder or slow it down.

Using the data obtained from the analysis of the potential of activities, the legal and financial analyses (steps 1, 2 and 3), as well as considering the information and general situation regarding equal opportunities in the municipality, each fiscal measure identified

will have to be analysed. Thus, in making an effort to simplify the analysis of public policies from the gender perspective, asking the following questions about each prioritised fiscal measure is recommended:

- Does the fiscal policy have a negative impact on exclusively one gender or the other?
- If it does, what corrective measures could be implemented?
- Does the fiscal policy positively contribute to gender equality?
- If it does not, what measures can be incorporated so that the fiscal policy positively contributes to gender equality?

In summary, the first step is to identify from the list of prioritised fiscal policies those that either affect or may affect, whether positively or negatively, exclusively one gender or the other. In other words, how each fiscal policy can affect one gender or the other will be identified. Secondly, if the fiscal policies adversely affect or may affect gender equity, alternative measures to adopt that ensure neutrality, at the very least, will be put forward. Furthermore, a positive impact will be sought, incorporating measures into fiscal policies to promote gender equity. To have a positive impact on gender equity, for example, certain tax exemptions may be higher for women heads of households. The measures identified are to be incorporated into the prioritised fiscal policies.

If current regulations require it, a report of competent municipal services will have to be obtained, assessing the impact of prioritised measures regarding gender equality.

03 Analysis of the general situation regarding social inclusion.

Social inclusion has been incorporated into the 2030 Agenda through the majority of goals and such will is especially expressed in the preamble, stating “no one will be left behind” (United Nations 2015, 3).

Poverty is one of the main circumstances that leads to social exclusion, but it is not the only one. Unemployment, low-paid jobs, elevated inequality and the lack of access to education, health and housing are some elements that socially exclude citizens in municipalities. The financial crisis has given rise to new forms of poverty, which includes energy poverty, particularly significant given the purpose of this methodology.

Municipalities use their competence to act, through extensive measures, to address the causes that can breed or produce the social disconnection of citizens. As such, it is possible to obtain the necessary information, through municipal social service institutions, to analyse the general situation regarding social exclusion and to identify the areas in which fiscal policies promoting renewable energy could have synergies or cause conflicts with municipal social inclusion policies. Special attention should be paid to the phenomenon

of energy poverty in order to subsequently try to identify fiscal measures that contribute to its mitigation.

04 Analysis of the prioritised fiscal measures to promote renewable energy sources from a social inclusion perspective.

As stated regarding gender equality, local fiscal policies must consider measures aimed at promoting social inclusion and/or impeding measures that negatively affect it. Fiscal policies, including local ones, are essential tools for redistributing wealth and reducing poverty, which include the new forms of poverty already mentioned. Given that energy poverty is one of the new forms of poverty, the analysis is especially important as this methodology aims to intervene in the promotion of renewable energy.

Each fiscal policy identified in the foregoing steps will have to be analysed from a social inclusion perspective. To simplify said analysis, giving consideration to the following questions for each fiscal policy is proposed.

- Does the fiscal policy negatively affect groups prioritised under the municipal social inclusion policies or could it lead to the social exclusion of individuals who are not currently excluded?
- If it does, what corrective measures could be implemented?
- Does the fiscal policy positively contribute to social inclusion?
- If it does not, what measures can be incorporated so that the fiscal policy positively contributes to social inclusion?

The measures identified are to be incorporated into the prioritised fiscal policies. When corrective measures are identified in any case, such measures should not hinder the fulfilment of the general measures that apply to citizens, individually granting them tax relief or exemptions in accordance with the specific situation.

If current regulations require it, a report of competent municipal services will have to be obtained, assessing the impact of prioritised social measures.

05 Valuation of the impact of the fiscal measures envisaged for prioritised subsectors regarding gender equality and social inclusion.

The prioritisation matrix, which already contains the points of analysis from the previous steps, will also incorporate the valuation of the impact regarding gender equality and social inclusion. In particular, the following columns are to be added:

Does it have a negative impact, which cannot be neutralised with corrective measures, on gender equality and/or social inclusion? If the fiscal policy in question has a negative impact on the two areas, the grade to assign will be: -2. If it has a negative impact that

cannot be corrected on only one of the two areas, the grade to assign will be: -1. If there is no negative impact, including cases in which a negative impact has been neutralised with corrective measures, the grade to assign will be: 0.

Does it have a positive impact on gender equality and/or social inclusion? If the fiscal policy in question has a positive impact on the two areas, the grade to assign will be: 2. If it has a positive impact on only one of the two areas, the grade to assign will be: 1. If there is no positive impact, the grade to assign will be: 0.

FIGURE 6: PRIORITISATION MATRIX OF LOCAL FISCAL POLICIES. SOCIAL INCLUSION AND GENDER EQUALITY CRITERIA.

Macro-sector	*E.g. Industry*	*E.g. agriculture*
Subsector	*Pottery*	*Chicken farms*
Energy consumption (MWh)		
CO^2 emissions (Tonnes of CO^2)		
Cost of adapting to renewable sources (0-high, 1-medium or 2-low)		
Technical difficulty of adapting to renewable sources (0 high, 1 medium or 2 low)		
Capacity of the municipality to intervene through taxation (3 high, 2 medium, 1 low, 0 none)		
Fiscal measures that can be applied		
Reduction in municipal revenue (0-high, 1-medium, 2-low, 3-none)		
Compensatory revenue measure required (S-0/N-1)		
An increase in municipal revenue caused (3-high, 2-medium, 1-low, 0-none)		
An increase in municipal expenditure (0-high, 1-medium, 2-low, 3-none)		
Does it have a negative impact, which CANNOT be neutralised with corrective measures, on gender equality and/or social inclusion? (If it does on both: -2; if it does on one: -1; if not-0).		
Does it have a positive impact on gender equality and/or social inclusion? (on two-2, one one-1, on neither-0).		

STEP 5 ANALYSIS OF ALTERNATIVES TO LOCAL FISCAL POLICIES TO INTERVENE IN RENEWABLE ENERGY SECTORS AT A MUNICIPAL LEVEL.

The analyses conducted so far have provided us with information on the possibilities of separately acting on and affecting each aspect discussed (technical, legal, financial, gender equality and social exclusion).

However, when deciding on what activities to act on, or not, we have to value and assign a weighting to all the concurrent circumstances, which forces us, on the one hand, to compare them and, on the other, to establish prioritisation criteria.

Thus, in the foregoing steps we suggested using a prioritisation matrix in which we could gradually include valuation criteria relating to all the aspects considered so far (technical, legal, financial, gender equality and social exclusion). In steps 1 to 4 we have described how to numerically value each criterion.

In this step, we propose adding to the matrix other indicators, in addition to the ones already included, which we consider to be particularly important to facilitate decision-making regarding the fiscal policies that should be implemented to foster renewable energy in the municipality.

Furthermore, we suggest that the different indicators are assigned a weighting in accordance with the weight that the political decision-makers consider granting to each one. For example, political decision-makers, in some cases, will decide to attach more importance to financial criteria, accordingly weighing up the different indicators considered.

In any case, the aim of this analysis is to establish a methodology and guidance criteria to be used in the decision-making process. The information provided by the matrix constitutes a an instrument for the decision-making bodies to use; an instrument that is purely indicative. The final decision corresponds to the political decision-makers.

The rationale

The fiscal measures fostering the use of energy from renewable sources are very diverse, as are the activities that consume energy, the applicable legislation and the amount of available resources.

The adoption of one measure or another can produce favourable effects in fostering or achieving the use of energy from renewable sources. However, it can also produce unfavourable effects on budgets, people and other activities that fall within the competence of municipalities. Such effects must be assessed.

Before making a decision, all the concurrent circumstances have to be studied, valuating and assigning them a weighting in line with the priorities expressed by politicians and comparing the different possible measures for making the most appropriate decisions.

The means

When we get to this step, we will have a prioritisation matrix in which a set of indicators relating to technical, legal, financial, gender equality and social exclusion aspects will already have been duly evaluated. Other indicators should be added to those established, according to the specific circumstances of each municipality. Furthermore, in accordance with the political priorities of each municipality, weighting factors can be included to finally achieve a ranking of fiscal policies that will serve as a basis for the following steps. We suggest that said process be done as follows.

To prioritise fiscal policies, we have opted for a prioritisation matrix as it is the most appropriate tool for selecting the best one from a list of options containing multiple criteria for deciding on aspects of importance, as well as for obtaining agreement on the priorities and significance of diverse aspects (Bou, 2014).

<u>01. Valuation of additional criteria.</u>

Each municipality should supplement the criteria and indicators already analysed with others, according to the political priorities in each individual municipality. In this sense, the intervention of the political decision-makers in selecting the additional criteria and indicators is important.

Notwithstanding the fact that each municipality will add the indicators it deems appropriate, we recommend that including the following be considered:

- Impact in terms of reducing greenhouse gas emissions. The impact of the fiscal policy studied should be estimated in terms of introducing renewable energy sources and reducing GHG emissions. Once the emissions reduction in each subsector has been recorded, the highest grade will be assigned to the subsector that is envisaged to have a big reduction and the lowest grade (1) to the subsector with a small reduction. For example, if 3 subsectors are being analysed, the biggest emission-reducing subsector will have a valuation of 3 and the smallest a valuation of 1. The establishment of indicators with goals that the policy envisages fulfilling is related to step 15, in which the expected impacts will be considered in order to define the indicators for monitoring and evaluating the public policies.
- Innovate nature of the fiscal policy. The policy should be given a valuation of 1 if it has no or little history in the country and 0 if it has extensive history.

Furthermore, the inclusion of the following indicators may be assessed:

- If there are doubts about the complexity of implementing fiscal measures, the capacity of the municipality to manage the measures to be implemented should be examined and measured, grading them from 0 to 3: where 0 means the municipality does not have the capacity or resources to control or manage the measures, and 3 means it does.
- If there are doubts about the capacity of the governance team to approve the fiscal measures due to a clear difference in opinions on the matter, the municipality should assess the political capacity to carry through each measure proposed, according to the political composition of the decision-making body, the required system of majorities to adopt and implement them, and to the interests of minorities. A valuation of 0 to 3 is to be given, where 0 means that there is not a majority to approve the fiscal policy analysed, and 3 means there is. It is worth mentioning that valuating political-like criteria is also suggested in step 9. Therefore, such indicators should only be included if there are serious political difficulties in approving the measures.

02. Introduction of criteria weighting factors.

As circumstances in municipalities can be very different, some municipalities will consider particular indicators to be more important than others. It is possible, for example, that a municipality with specific budgetary constraints will be forced to give great importance to the indicators of the financial criterion. Thus, we suggest introducing, with the participation of the political decision-makers, some weighting factors for each indicator.

It is possible, when faced with the large number and diversity of criteria and indicators, that doubts and disagreements arise on establishing the weighting. In such case, it is possible to resort to criteria weighting matrices with a consensus method. In the matrix in figure 7, each decision-maker (that is, the politicians (political decision-makers) and technical managers that have a say on the weighting to be given) indicates the weighting that each criterion should have. From the sum of the weight assigned by each decision-maker, the total weight of each indicator will be calculated; in other words, the weighting factor of each indicator of the prioritisation matrix.

FIGURE 7: EXAMPLE OF CRITERIA MATRIX (BOU, 2014, 54).

Criterion	Decision-maker 1	Decision-maker 2	Decision-maker 3	Decision-maker 4	Sum	Weight
Criterion 1	0.15	0.15	0.25	0.30	0.85	0.21
Criterion 2	0.70	0.65	0.55	0.60	2.50	0.63
Criterion 3	0.10	0.12	0.15	0.10	0.47	0.12
Criterion 4	0.05	0.08	0.05	0.00	0.18	0.05

(2.50/4.00 = 0.63)

Valuation of decision-maker 1 on the second criterion.

$\sum = 1$

Total 4

Criterion of very little significance

In summary, whether through a criteria weighting matrix or through dialogue, a specific weight will be assigned to each indicator.

03. Drawing up the ranking of local fiscal policies to promote renewable energy sources.

Once the indicators have been completed and a weight has been assigned to each one, the ranking of fiscal policies will be calculated using the prioritisation matrix referred to in the previous steps. To do that, the valuation of each fiscal policy will be multiplied by the weight assigned in the criteria weighting matrix. For example, in figure 7 we assigned a weight of 0.21 to criterion 1. If option C has obtained a valuation of 0.33, this value will be multiplied by the weighting factor (0.21). The result is the weighted valuation of option C, according to criterion 1.

FIGURE 8: EXAMPLE OF WEIGHTING CRITERIA APPLICATION (BOU, 2014, 55).

Opciones vs Criterios	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Sum
Option A	0.04				0.33
Option B	0.11				0.64
Option C	0.07				0.26

Priority option

(0.21 x 0.33)

If each indicator has correctly been valued and assigned a weighting, the ranking will order the possible fiscal policies, from those of the highest priority for the municipality analysed (highest grade) to those of lower priority (lower grade).

The prioritisation of possible fiscal policies to promote sources of renewable energy is a very useful tool for the decision-making process of politicians and technical managers. Furthermore, the matrix can be used to develop the arguments needed to build consensus regarding the proposal, not only among members of the municipal body in charge of approving the policy, but also among citizens.

Once the new, suggested indicators and the weighting factors have been added, the prioritisation matrix will appear as follows.

FIGURE 9: PRIORITISATION MATRIX OF LOCAL FISCAL POLICIES. COMPLETE VERSION.

	Macro-sector	*E.g. Industry*	*E.g. agriculture*
	Subsector	*Pottery*	*Chicken farms*
Technical criterion	**Energy consumption (MWh) and grade. (Weighting factor: xxx)**	*Grade x weighting factor)*	*Grade x weighting factor)*
	CO^2 emissions (Tonnes of CO^2) and grade (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
	Cost of adapting to renewable sources (0-high, 1-medium or 2-low) (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
	Technical difficulty of adapting to renewable sources (0 high, 1 medium or 2 low) (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
Legal criterion	**Capacity of the municipality to intervene through taxation (3 high, 2 medium, 1 low, 0 none) (Weighting factor: xxx)**	*Grade x weighting factor)*	*Grade x weighting factor)*
	Fiscal measures that can be applied (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
Financial criterion	**Reduction in municipal revenue (0-high, 1-medium, 2-low, 3-none) (Weighting factor: xxx)**	*Grade x weighting factor)*	*Grade x weighting factor)*
	Compensatory revenue measure required (S-0/N-1) (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
	An increase in municipal revenue caused (3-high, 2-medium, 1-low, 0-none) (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
	An increase in municipal expenditure (0-high, 1-medium, 2-low, 3-none) (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
Gender and social inclusion criterion	**Does it have a negative impact, which CANNOT be neutralised with corrective measures, on gender equality and/or social inclusion? (If it does on both: -2; if it does on one: -1; if not-0). (Weighting factor: xxx)**	*Grade x weighting factor)*	*Grade x weighting factor)*
	Does it have a positive impact on gender equality and/or social inclusion? (on two-2, one one-1, on neither-0). (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
Other criteria	**Impact in terms of reducing greenhouse gas emissions (grade based on envisaged impact). (Weighting factor: xxx)**	*Grade x weighting factor)*	*Grade x weighting factor)*
	Innovate nature of the fiscal policy (yes-1; no-0). (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
	Other indicators. (Weighting factor: xxx)	*Grade x weighting factor)*	*Grade x weighting factor)*
WEIGHTED TOTAL			

STEP 6 SYSTEMISATION OF THE ANALYSES IN A VIABILITY STUDY ON THE LOCAL FISCAL POLICIES AIMED AT PROMOTING RENEWABLE ENERGY SOURCES.

Based on the ranking produced in step 5, a viability study on the local fiscal policies, which aim to promote renewable energy sources, will be drawn up. It is a summarised and practical document that develops through narrative the analyses conducted in the foregoing steps (technical, legal and financial analyses and in accordance with the gender and social inclusion perspectives).

The rationale

The prioritisation matrix, which concluded in step 5, is an excellent tool for decision-making. That said, it is a difficult tool to use in building the consensus required to approve fiscal policies, as it is an extremely synthetic instrument based on numerical valuations, which leaves no space for qualitative considerations and narrative explanations of the valuations of each indicator. As such, having a viability study of a narrative nature to go with the matrix is appropriate.

The means

Based on the prioritisation matrix, which concluded in step 5, the viability study will present fiscal policies in order of priority and will explain, in a synthetic and practical manner, the arguments that corroborate the valuation and weighting of each indicator or, at least, each group of indicators (grouped together by criterion. See figure 9). In this regard, the minimum content recommended for the viability study is:

- The prioritisation matrix and explanation of the weighting factors, briefly setting out the arguments why more weight was given to a particular criterion or indicator.
- Explanation of the fiscal policies or at least of those that were graded higher in the matrix. The explanation should contain at least:
    - A short description of the subsector they impact on.
    - A description of the fiscal policy, of what is expected and of the specific measures to implement.
    - A description of the expected impact on the corresponding subsector, arguing the specific effect on promoting renewable energy sources. This section is particularly important, because in Step 15 the envisaged impacts will be considered in order to establish the indicators for monitoring and evaluating the public policies.
    - Arguments regarding the grades obtained for each indicator or, at least, for each indicator group (grouped together by criteria: technical, legal, financial, other indicators).

The study will help local politicians to build the necessary consensus for their approval and citizen appropriation. The study will provided decision-makers with all the arguments and information available to justify the decision. However, it must be borne in mind that it is not always possible, politically speaking, to adopt the best technical solution or measure, due to concurrent political circumstances.

STEP 7 CONSULTATION WITH THE SPECIFIC SECTOR, ASSOCIATION OR COLLECTIVE AFFECTED BY THE LOCAL FISCAL POLICIES AIMED AT PROMOTING PRIORITISED RENEWABLE ENERGY SOURCES.

Municipalities, as bodies endowed with public power, can impose, within their scope of competence, the legal measures they deem appropriate through their agreements or resolutions.

Good governance of a city requires public authorities to interact with all the actors in the municipality and with all those directly affected by public policies. The purpose of such interaction is not to achieve the unanimous adopting of measures, but rather that public authorities, private entities, companies and non-profit organisations participate one way or another in the decision-making process.

Laws usually take into account public consultation periods during the preparation process. In general, the laws of democratic countries provide for public consultations in which individuals can argue and propose measures regarding local government initiatives. In other procedures, some citizens must necessarily be heard due to being directly affected by laws (e.g., trade unions on the regulations that govern working conditions and associations of architects on issues relating to building regulations, etc.).

The aim of this section is to go slightly beyond meeting the formal procedures and the legal requirements for public consultations.

The aim is to identify the key local actors who could be more significantly affected by the adopted measures and to start a process of dialogue in which they can have their voices heard, measures can be explained and input can be acquired to improve, where appropriate, the initial proposal.

In the unlikely event that there is no group particularly affected by the fiscal measures, moving onto the next step is recommended.

The rationale

As previously mentioned, good governance goes beyond fulfilling periods of public

consultation and deadlines for complaints and legal challenges, which democratic States generally provide for. Governance requires a process of dialogue to be opened in which all the preparatory work and information provided by the public authority, as well as the personal preferences of citizens, are taking into consideration. Furthermore, the corresponding authority is required to openly participate in the dialogue and to be willing to amend its initial proposals in the interest of improving its own objectives and increasing public acceptance.

Furthermore, consultations with specific collectives or those more affected by fiscal measures are justified. This is because the measures that can be adopted by municipalities to foster renewable energy basically involve increasing or reducing tax contributions and obliging concessionaires to use energy from renewable sources, which they in turn pass on to users. In some municipal taxes, an increase or decrease in contributions may be rather unappealing given the amount involved. As such, its application will have a more sensitised approach. In other cases, fiscal measures may affect certain groups and, therefore, doing everything possible will be required to ensure that the fiscal policy has strong backing.

The means

Firstly, it should be noted that the municipal government, at this point, will not have decided which measure(s) to adopt out of all of the possible options. It only has the viability study available, drawn up using the prioritisation matrix as described in the foregoing section.

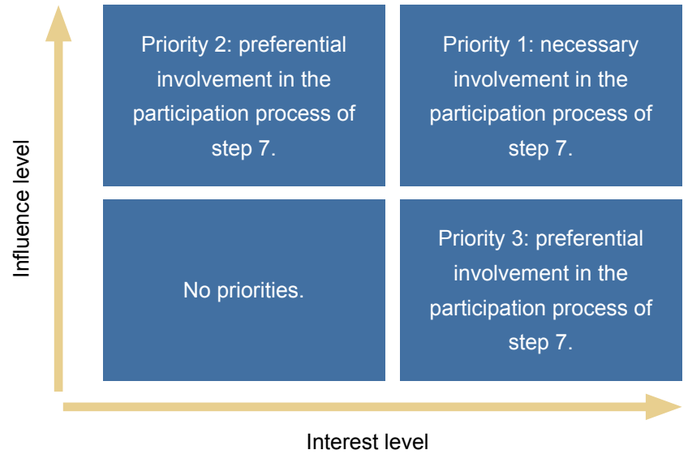
To carry out the consultations, the following actions will be undertaken.

01. Stakeholder mapping.

The first action is to identify the different sectors, associations and collectives specifically affected by the possible decisions to adopt. The broad term ‘stakeholders’, will be used to encompass the aforementioned groups. In general, they will be professional trade, business and residential organisations, as well as energy supply companies and environmental organisations.

Thus, a list of stakeholders will be drawn up, making it as comprehensive as possible. If the list is extremely extensive, a prioritisation exercise can be undertaken in accordance with the influence and interest criteria set out in figure 10. The influence describes the ability of the group or collective to affect the implementation of the fiscal measure. The other criterion describes the level of the group’s interest regarding different circumstances: in being affected by the policy and in being collectives active in fostering renewable energy, etc.

FIGURE 10: STAKEHOLDER PRIORITISATION GRAPHIC.



The stakeholders with greater influence and interest must be the ones that participate in the consultation process. What is more, the stakeholders with a high level of influence will be considered first, followed by those with a high level of interest.

02. Calling consultation meetings with prioritised stakeholders.

One or more meetings will be called for each prioritised fiscal policy that fosters renewable energy and the representatives of the stakeholders considered as priority in the previous action will be invited to attend. In the event that fiscal policies significantly affect the conditions of public-private partnerships, it would be appropriate to organise meetings exclusively with the concessionaires of public services that could be affected by such measures. An individual meeting per concessionaire may be held if the magnitude of the contract warrants it.

For the purpose of functionality, a municipal representative, legally and technically assisted by technical officers, and a maximum of one representative per sector or association, except in the cases previously discussed regarding fiscal measures that affect public-private partnerships, should attend the meetings.

At the meeting, sufficient time must be given to explaining the purpose of the measures sought to be adopted, stating that a decision is yet to be made and asking those attending to put forward improvements to the fiscal measures proposed, both verbally at the meeting and in writing in the days that follow. The explanation will have to be very extensive and the viability study (step 6) can be used. The viability study, including the prioritisation matrix, may be given to those in attendance in a complete or summarised form. This is not

to withhold information, but rather not to constrain the meeting to the content or to make it excessively complicated.

The importance of the contributions requested should be emphasised and said contributions should be geared towards the objective of the fiscal policies, which is not financial, but rather increasing renewable energy use. After the meeting, a period of no more than 15 days must be opened so that those who attended can formulate proposals and/or arguments. This period may be the same as that of the following step (step 8).

03. Other consultation actions with prioritised stakeholders.

Although prioritising the undertaking of face-to-face meetings is recommended, as set out in the previous action, using new information and communication technologies for consultations with prioritised stakeholders is possible. These actions can have greater importance in the case of broad collectives and associations, which lack representative entities or that have difficulties in attending meetings. For that reason, the use of online surveys or other similar actions can be good alternatives or additions to the foregoing actions.

STEP 8 GENERAL CITIZEN PARTICIPATION REGARDING LOCAL FISCAL POLICIES AIMED AT PROMOTING RENEWABLE ENERGY SOURCES.

Transparency, access to public information and rules of good governance are the fundamental aspects of all democratic political action. In general, local governments have rules that ensure, to a small or large extent, citizen participation.

In the area of taxation, citizen participation is more complicated as it affects the revenue of public bodies. Some legislation restricts public consultation in this area but, generally, the methodology recommends opening up a participation process to all citizens, in accordance with the New Governance principles: responsibility, transparency and participation (Merino-Cuesta, 2010), establishing procedures that not only ensure public consultations on the action of public authorities, but also the initiative to undertake proposals and to possibly decide from different alternatives.

The rationale

The consultation process of groups that could be directly affected by the implementation of prioritised fiscal policies was set out in step 7. However, it is very likely that some of the prioritised fiscal policies promoting renewable energy have an impact, directly or

indirectly, on all citizens. Therefore, opening a general citizen participation process on the prioritised measures is recommended.

The means

Public consultation procedures today cannot be limited to explaining what the public authority is going to do or to opening a space where opinions of citizens are heard and decision-making can be adjusted according to their suggestions and proposals, particularly those most relevant or that have the largest ability to influence.

Participation is understood as a way or procedure through which citizens and public authorities can interact to achieve public purposes of general interest, bringing together decisions, proposals, aspects and thoughts that may lead the way to decisions for all. It is not about achieving consensus, as it will not be possible in many cases, but rather that the public authority and citizens listen to each other and provide as much input on the decision as possible.

The process proposed must address four aspects: 01) Selecting participants; 02) information; 03) specific proposals; and 04) Systematisation of proposals.

01. Selecting participants.

Selecting participants is point of utmost importance. The aim is not to open a new political forum with which to make decisions, but rather to have a significant sample of citizens from all levels and education engage in the participation process and give their opinions. As such, the best option proposed is that a participation process is opened, without excluding anyone, that randomly picks out citizens and representatives from the community. This selection could be done through a draw that considers different neighbourhoods, ages, professions, education and economic status, etc. The number of participants invited must be very extensive because, with it being a random selection, it is extremely likely that many will not attend.

02. Participant information.

Once the participants have been selected, a meeting that all can attend should be called. At this meeting, a non-partisan expert will explain the why and wherefores of the measures proposed and the advantages, issues, and technical and financial repercussions, etc., of each possible measure. The explanation will aim to be clear and specific so that citizen participation can subsequently begin, putting questions and concerns to said expert. At the meeting, the political presence should be merely representative, with no or few interventions as regards the measures proposed.

Once the meeting has finished, there will be a period of time so that the citizens, who participated in the first meeting, can convene and continue to deliberate alone without the

municipality, if so requested by said citizens. The outcome of said deliberations may be put forward to the municipality, referencing the meeting and participants in simple minutes.

In the event that the random selection process suggested in the foregoing action is not possible (due to lack of means, etc.), an informative meeting will be directly called, publicising it as much as possible in the community. Furthermore, it is possible that citizens are not interested in attending another meeting. In that case, this stage will conclude with the informative meeting, moving onto the next action.

03) Specific proposals.

During a reasonable period of time (e.g., one month), both attendees and absentees can formulate arguments, proposals and anything else they deem appropriate regarding the possible measures to adopt. It may be done through a website launched for such purpose or, if this option is not available, an email address.

04 Systematisation of proposals.

The municipality will compile the proposals of citizens and will argue for the acceptance or rejection of each one in a document that will be used to establish the measures to implement, which are set out in the following step.

In general, in the municipalities that have the required technical means, it will be possible to use new forms of IT and communication to facilitate consultation access to a larger number of people. For example, it may be decided to disseminate the prioritised fiscal policies through the municipality website and email, and an online platform may be launched on which to present relevant suggestions.

STEP 9 ESTABLISHMENT OF THE FISCAL MEASURES TO INTRODUCE IN ACCORDANCE WITH CITIZEN INPUT AND THE POLITICAL CRITERIA OF THE DECISION-MAKER.

Under the framework that each country's legal system provides for, political representatives may discretionally adopt the measures they deem appropriate. To do so discretionally does not mean to do so arbitrarily, but rather that some measures can be chosen and others rejected without the legality of such action being affected. It must be remembered that elected municipal bodies are those which represent citizens and, therefore, have legitimacy in terms of making decisions.

In this respect, the political body that has to adopt the decision has three elements available to it.

Firstly, the criteria that we can call 'technical', which are contained in the viability study produced from the analysis set out in the first steps of the methodology.

Secondly, the criteria that we will call 'participative', which contain the results of consultations with the specific sector, association or collective affected, as well as the general citizen participation. The final consultation valuation will also be added to them.

Finally, political criteria must be considered, which arose from the ideology and election manifesto of those who exercise power in local government. Furthermore, the system of majorities must also be considered, whether or not quorum voting or other specific circumstances dictated by each legal system are required.

The rationale

To govern is to decide from several possible options and such decision, at municipal level, corresponds to those elected who work in local government. To govern means assessing varied elements and circumstances, even when the corresponding importance is more varied, as is the case with technical criteria, where they are not always enough to justify the final decision.

Within the scope of legality, the public body can adopt any of the possible decisions. However, establishing a guidance criterion, which allows the body making the decision to know all the data available, is deemed to be necessary.

The means

At this point, we have a viability study on municipal fiscal policies aimed at promoting renewable energy and a prioritisation matrix. In this matrix, fiscal policies have been prioritised in accordance with the criteria, indicators and weighting factors established in steps 1 to 5.

Based on that, local politicians will have to decide which fiscal policies to implement. In addition to considering the prioritisation matrix and the fiscal policy ranking, we suggest that the following aspects also be considered in making such decision.

01. Analysis of the results of the participation process.

Whether or not the consultation process with the sectors affected, as well as the citizen consultation in general, has brought to light radical opposition to certain measures and if the citizen contributions accepted have devalued the fiscal policies initially drafted, should be analysed. The latter should not happen often as the citizen proposals in step 8 were subject to a technical filter before being accepted and incorporated.

02. Analysis of political criteria.

These criteria are those which can solely determine the final decision. Analysing the following is recommended:

- The political capacity to be able to adopt each measure, according to the majority in representative bodies.
- The coherence of prioritised fiscal policies with the election manifesto and the agreement adopted in step 0.

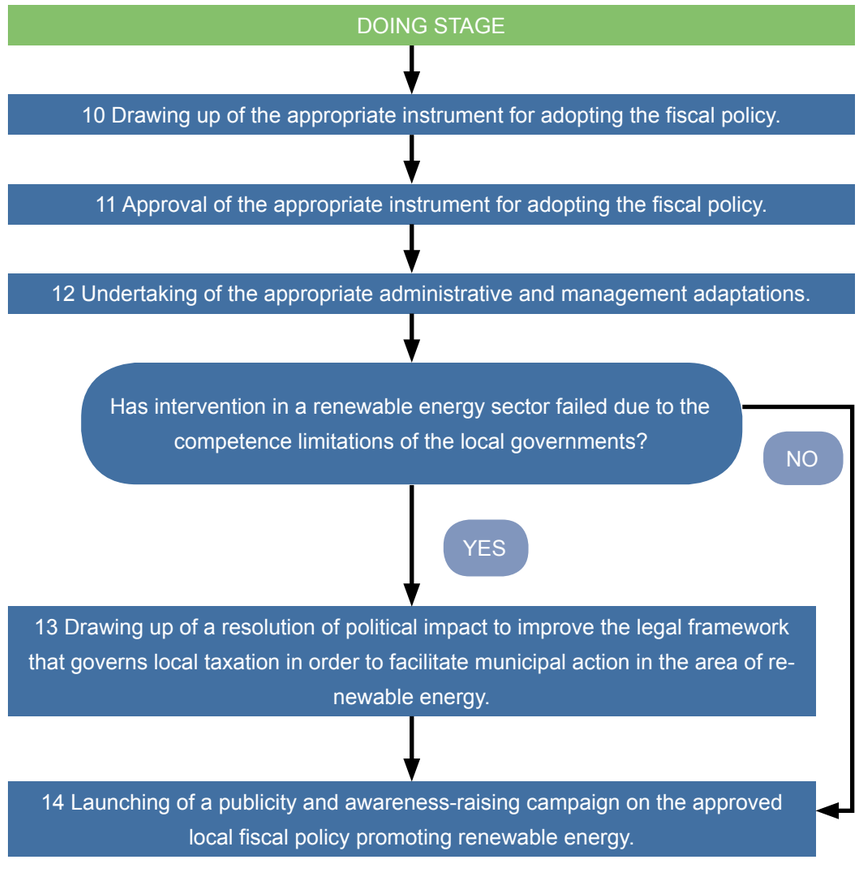
03. Selecting the policies to implement.

Once the recommended aspects have been analysed, possibly with the help of experts, the decision-makers will define which municipal fiscal policies will be adopted to foster sources of renewable energy in the municipality. Based on that decision, the technical officers will tackle the following steps of the methodology.

Doing Stage.

Once the fiscal policies to implement have been selected, the planning stage of the methodology concludes and the implementation stage commences. In this stage, the fiscal policies selected will be formalised in accordance with the instruments provided for in the regulations and administrative adjustments will be undertaken to implement them. Furthermore, citizens will be informed of the measures to implement and, where appropriate, actions of political impact will be undertaken to improve the legal framework regarding the capacity of municipalities to foster fiscal policies that promote renewable energy sources. To implement fiscal policies, the following steps are suggested.

FIGURE 11: FLOW CHART OF THE 'DOING' STAGE.



STEP 10 DRAWING UP OF THE APPROPRIATE INSTRUMENT FOR ADOPTING THE FISCAL POLICY.

At this point, we will already have made a decision on the measures that are going to be approved to foster renewable energy sources. As we now know what the municipality wants to do politically, the most appropriate instrument with which to put the adopted decision into practice has to be established.

At this point, an instrument that contains the appropriate technical, legal and financial elements that make political will a reality has to be chosen and drawn up for each case. Furthermore, it will form part of the proposal that shall be subject to the approval of the competent body. There may be amendments, whether by the initiative itself or due to a lack of majority or any other circumstance, during the process.

The drawing up of the instrument, in accordance with the political will shown, will correspond to the administrative section of the municipality (technical, legal or financial personnel).

The rationale

In the case of taxation-related measures, public authorities must follow an extremely rigorous procedure. If the procedures are not fulfilled, the measures adopted may be invalidated by the courts.

Therefore, it is extremely important that the instruments established by law are drawn up for each measure, with the content established in each case, and that the appropriate procedure for its approval is subsequently followed.

The means

In view of the variety of fiscal measures that could be adopted to foster renewable energy, we have provided a few pointers for formalising fiscal policies in accordance with the type of measure.

- On taxation measures.
    - Drawing up of new byelaws, regulations and other types of taxation. In general, the drawing up of new byelaws, regulations and other types of taxation will not be done often, as the majority of taxation measures will provide for the introduction of tax relief or exemptions, etc., in the types of taxation that already exist. Were the drawing up of new byelaws or regulations regarding a particular fiscal measure necessary, they would be drawn up with the required content and would follow the provisions established by the law of each country, ensuring that the text is worded clearly and that it leaves no doubt that could subsequently hinder its application.

- Amendment of byelaws, regulations or other types of municipal taxation that are currently in force so as to incorporate new regulations. The wording to incorporate the measures in the byelaws must be clear and coherent with the text set out in the current byelaws. These amendments will include tax exemptions, tax relief, tariff amendments or other changes envisaged in the selected measures. It is important to clearly establish the requirements that taxpayers must meet to benefit from one measure or another. This is to avert abuse that does not benefit the increase in use of renewable energy sources. In some cases, amendments will entail increasing the tariffs of those who do not adopt certain established measures. As such, these should be equally clear and specific, as required under tax legislation. When approving amendments, the writing up of a consolidated text should be provided for. Public information and consultation periods will have to be opened if established by legislation. These periods are not to be replaced by those referred to in documents 7 and 8. Under the provisions in the legislation of each country, said public consultations can take place at the beginning of the process or after approval. The technical, legal and financial reports required by law must go with the approval and amendment of each byelaw. Said reports will refer to how they will contribute to achieving the objectives proposed and to whether or not the approval is in accordance with the legality and financial impact that they may have on the municipal budget and on the municipality's capacity to manage such measure. These aspects were analysed in the opening steps. As such, useful information can be provided to those in charge of said reports. Any additional report required by the legislation of each country must also be incorporated.
- On the incorporation of measures on other revenue.

  As we have mentioned, there are other revenues that may also form part of the fiscal policies. We are referring to tariffs, charges and other similar concepts that are defined in the section, 'Fees, taxes, tariffs and charges'.

    - Fiscal policies inherent to tariffs. When dealing with tariffs, in general, we discover that there are similar instruments to taxation byelaws and regulations (described in the previous point), although here the formalities are usually of a lesser degree. Nevertheless, the instruments will be drawn up in the same way as that planned for taxes, clearly setting out the factual situation that increases or decreases the tariffs and the amount.
    - Fiscal policies inherent to charges. As regards the charges received by councils from concessionaires that provide a public municipal service through an administrative concession (PPP), we are dealing with an

amendment of a concession agreement, which will be handled in the same way as provided for in the following section.

- Fiscal policies inherent to imposing the use of energy from renewable sources on concessionaires. In this case, the concessionaire will be obliged to use renewable energy in undertaking the service and it will be compensated either by receiving a reduction in the charge to pay or by receiving authorisation to increase the tariff until it is compensated for the additional cost. Therefore, the procedure may vary depending on national legislation. Without prejudice to the differences in each legal system and to the specific and mandatory processes in each country, the most frequent actions required include the opening of a file for each concession in force on which the imposition of said energy is sought. Furthermore, a detailed proposal of the measures sought to be imposed will be drawn up. A technical report regarding its viability and impact on the remaining concession will be attached. Furthermore, a financial report regarding the financial budgetary impact of such compensation, which a concessionaire may receive for the corresponding imposition, as well as any passing on of tariffs to users and any possible impact on the budget will also be included. A legal report will also be produced on the legality of the content of the file. Finally, a concessionaire consultation period will be established for the timeframe indicated by law so that it can consult, study and argue the file and, where appropriate, oppose it.

STEP 11 APPROVAL OF THE APPROPRIATE INSTRUMENT FOR ADOPTING THE FISCAL POLICY.

When the appropriate instrument (technically, legally and financially) has been drawn up for its entry into force, it has to be approved.

The rationale

In the administrative action, the procedure is not just considered to be necessary, but, in many cases, essential, particularly where taxes are concerned. Patrimony and freedom are the two legal areas most protected by legal systems.

At this point, we merely have a project that has to be submitted to the approval of the municipal decision-making body. Only after its approval can it start to be demanded. Besides the approval and fulfilment of requisites, most national legislation requires it to be published.

The measures contained in instruments can only be enforced on citizens once all the requisites have been met. As regards concession modifications, the procedure is just as important. Furthermore, it has to be borne in mind that one has to be very rigorous, as concessionaires usually have strong legal resources that can thwart measures imposed on them.

The means

The approval processes of the competent local government body will largely depend on national procedures and legislation. However, we have provided below a few different recommendations based on the type of fiscal measures sought to approve.

- Approval instruments that contain taxation measures.

  As previously mentioned, the most important thing is that the instrument itself and its content abide by the law. The specific approval procedure will depend on the legal system of each country. For example, it is possible that the procedure is one of two approval stages. The first preliminary stage and the second final stage, with public consultation processes between them. Furthermore, in order to reach an agreement, it is possible that a qualified majority, absolute or greater majority, is required or that the supervision or approval of a different municipal body is needed. Finally, it is possible that it has to enter into force at the beginning of the financial year and not during it. These and other variables may make the process more or less complicated.

- Approval instruments that contain other revenue measures.

  For other non-tax revenues, such as tariffs and charges, that set out in the previous section will apply, although the process will generally be more straightforward. In each established case, the procedure will have to be followed in each country.

- On imposing the use of energy from renewable source on concessionaires.

  In step 10 we saw the general content of the concession amendment file. The approval of said amendments will generally be via agreement of the competent body, which must clearly declare the measures to be imposed and the compensation, etc. The procedure will be that established in each country. In some cases, certain formalities may be required, for example: adopting the agreement with specified majorities, redrafting the whole concession agreement, public deed, etc.

STEP 12 UNDERTAKING OF THE APPROPRIATE ADMINISTRATIVE AND MANAGEMENT ADAPTATIONS.

Once the instruments that contain the fiscal policy have been drawn up, approved and entered into force, their material implementation must be focussed on. This entails undertaking numerous actions so that what has been approved is applied, thereby achieving the objective of fostering renewable energy sources in the municipality.

The rationale

In the case of certain fiscal measures, such as those that entail an increase or decrease in contributions for applying tax benefits, said policies will minimally alter the administrative and bureaucratic management. However, it is possible that such alteration is greater in other cases. As such, the appropriate adaptations, regarding administration, management and result verification, need to be carried out.

The means

The diversity of fiscal measures that may be taken to promote renewable energy sources is very extensive and, therefore, the measures to take for their specific implementation are also very diverse. However, we have provided below a few recommendations.

- The implementation of taxation measures.

  Forms and procedures will have to be drawn up and prepared in order to compile, in voluntary cases, applications to apply the measures. If, in embracing the measure, a matter has to be verified, the documents required, which will have to be attached to the application, will be clearly stated. An online procedure will preferably be set up for such applications.

  Regarding applications that have to be submitted every year, as the activity commences or continues each year, the tax relief application will also be included in the commencement or continuity application. Regarding applications for individual actions, which are not repeated, the tax relief or exemption application must be included in the same activity commencement application or communication. Finally, when regarding activities that only require communication to be sent to the public authority, such communication will be required to contain, where appropriate, that application.

  The municipal register of each tax will already include new measures and it will be approved as established for such purpose in the legal system of each country. Payments, complaints, appeals and other aspects will be governed by the same rules currently in force in each country.

  Appointing personnel to be in charge of carrying out regular inspections of the measures applied by each taxpayer is recommended so that the information needed to monitor and evaluate the fiscal policies, set out in further detail in steps 15, 16 and 17, can be compiled.

- The implementation of imposing the use of energy from renewable source on concessionaires.

  In this case, once the appropriate agreements have been adopted, the concessionaires will be notified of the resolution. The concessionaires may accept and apply the measure, or oppose and file a series of appeals, which will be different depending on the country. The procedure to follow will be:

  01. Giving notification of the agreement adopted, stating the timeframes and methods for appeal, according to the country. Settling, if applicable, appeals lodged.

  02. Incorporating new measures into the concession agreement and formalising the corresponding addendum.

  03. Requiring the concessionaire, if it does not do so voluntarily, to use renewable energy pursuant to the agreement.

  04. Communicating the agreement to the municipal financial bodies so that they pay the compensation established in the agreement.

  05. If the agreement imposing the measures does not stipulate, it will have to be decided if the additional cost for the council that involves compensating the concessionaire will have an impact on tariffs.

  06. Appointing technical personnel (own or outsourced) to verify that the measures have been adopted and continue in operation before each compensation payment.

  07. In the event that the concessionaire refuses to apply the measures, a file to terminate the concession on grounds of non-compliance will have to be opened. In such case, a file for the new concession will have to be opened, which establishes from the outset the obligation to use energy from renewable sources.

STEP 13 APPROVAL OF A RESOLUTION OF POLITICAL IMPACT TO IMPROVE THE LEGAL FRAMEWORK THAT REGULATES A SET OF LOCAL FISCAL POLICIES IN ORDER TO FACILITATE MUNICIPAL ACTION IN THE AREA OF RENEWABLE ENERGY.

As discussed throughout this guidebook, municipalities form part of the organisation of the State. The distribution of competencies between national and subnational authorities, the latter comprising municipalities, is diverse in each country.

In some countries, competencies to act in the promotion of energy from renewable sources through taxation measures can be very broad (creating taxes, determining types and tariffs, establishing relief, exemptions and surcharges, etc.). Furthermore, in many cases it will be possible to do it without the intervention of other public authorities. In other cases, however, such competencies may be limited by legislation, where municipalities do not have any regulating competence and are merely title holders of the capacity to collect tax or of other partial competencies. This situation affects the capacity of municipalities in promoting sources of renewable energy through taxation measures, but it does not reduce the relevance of dealing with renewable energy in the local area.

The rationale

The drawing up of a resolution of political impact is an essential element in completing the tools, ensuring they have the greatest impact on the implementation of these measures. In the different analyses, measures will be identified that will not be possible to undertake, despite being useful in achieving our final goal, because either the corresponding legislation does not grant the municipality the competence or because they entail a expenditure or excessive fall in revenues, etc.

If the aim is to increase the use of renewable energy at the detriment of non-renewable energy, the possible alternatives will need to be addressed, which include those that cannot be applied by the municipality due to applicable law or to any other reason.

After said analyses, the municipality will be in a position to find out the main obstacles that hinder the putting into practice of the actions that would be suitable for better achieving the objectives proposed. Based on the information already systematised, particularly the results of the legal analysis envisaged in step 2, the municipality will be able to undertake actions of political impact. Such actions will be geared towards the appropriate public authorities so that they implement the legislative amendments that facilitate municipal action in favour of renewable energy sources or so that they themselves take appropriate fiscal measures.

The means

To carry out the most effective politically impacting initiative, undertaking the following actions is recommended.

01 Drawing up a list of fiscal measures of interest for promoting renewable energy sources that are not viable under the current legal system.

Throughout the different analyses, particularly the legal analysis (step 2), some subsectors will have appeared in which action cannot be taken because legislation impedes it. Similarly, some subsectors will have appeared where the possibility of acting may be limited due to the same reason. Some may even have appeared where a noticeable impact could be had were they not completely overlooked by the legal system.

The first thing to do is to draw up a list of these activities and the reasons that hinder action being taken on them, as well as the measures that the municipality deems appropriate to address.

It is really important to take into consideration that there is a field which, in general, barely incurs municipal taxes. That field is the domestic one, recognised as the non-ETS residential sector. As described in the chapter, ‘Why focus on local fiscal policies aimed at promoting renewable energy sources?’, said sector consumes a significant percentage of energy in the type of municipalities analysed. Very few fiscal measures to incentivise the use of renewable energy currently exist regarding that sector. The majority of them are applied on property tax. Exploring possibilities in this area, such as how to apply tax benefits according to the power consumption arranged with suppliers, the installation of water heating systems that use solar energy and the installation of photovoltaic panels, etc., is rather interesting, as referred to in the examples of fiscal policies described further down. In order to have a profound impact on the promotion of renewable sources in said sector, resolutions of political impact must be directed at not only local taxation measures, but also States and other subnational bodies. For example, it is possible to influence the approval by the State and other subnational bodies of fiscal benefits relating to income and company tax (which are not usually taxes imposed by municipalities), according to the adoption of measures incentivising renewable energy use. This type of impact may be important if we take into account that the contribution of some municipal taxes, on occasions, will not have much of an effect given the low amounts involved.

When drawing up the list we previously referred to, there are aspects that are envisaged to be the most recurring objectives the actions of political impact. As regards taxation measures, we may find that municipalities a) only have the capacity to collect their own taxes and not to regulate them, b) they may regulate the content within an extremely narrow framework and the authorisation of another authority is required, and c) they can only establish tax relief, exemptions and surcharges, etc., within a very restricted

framework that does not contemplate environmental measures. In terms of imposing the use of energy from renewable sources on concessionaires, we may find that legislation hinders or makes the imposition of the measures more difficult, or perhaps they can impose the measures, but excessive and unjustified external interventions are required.

The aforementioned difficulties should be described in detail on the list, as well as the amendments in legislation that should be undertaken to remove said difficulties and to enable municipalities to carry through the fiscal policies in question.

2. Drawing up of the resolution.

The resolution proposal should include the list produced in which the different measures are prioritised, stating a) the suitability of adopting a measure, b) the specification of the measure that should be adopted and/or the legislation amendment needed so that the municipality can implement it, and c) who should adopt the measure (State or regional government, etc.) or who should approve the legislation amendment required so that the municipality can implement it.

3. Building consensus.

A negotiation process should be launched with all the political powers in the municipal bodies to determine the priorities on the list and to reach an agreement as regards the resolution content. The most important priorities should be chosen, ensuring they are not excessive and do not disperse efforts.

4. Resolution approval.

An agreement will be adopted, which requires the bodies to have the competence to resolve the issues raised, requesting that such measures be adopted. This agreement will have to have extensive backing and the largest consensus possible.

5. Agreement dissemination.

The agreement must be extensively disseminated in the media and all the country's municipalities. It must particularly reach the representative bodies of the municipalities, such as federations, national associations and regional municipalities, asking them to support the measure and to include it in negotiation agendas and dialogue with the State and other relevant authorities.

STEP 14 LAUNCHING OF A PUBLICITY AND AWARENESS-RAISING CAMPAIGN ON THE APPROVED LOCAL FISCAL POLICY PROMOTING RENEWABLE ENERGY.

Citizens need to first be informed of the fiscal measures adopted in order to apply them. It has to be taken into account that said dissemination campaign also entails an awareness-raising element on the importance of renewable energy sources.

The rationale

The aim of the fiscal measures approved is to increase the use of energy from renewable sources in the municipality. Therefore, it is essential that people are made aware of the possibility of paying less in some taxes or more if they do not adopt certain measures, but it is also important that people personally engage in it, that there is a change in attitudes and conduct in favour of using energy from renewable sources.

In summary, for citizens to embrace the approved fiscal measures, they will have to know about them in detail and know the procedures to engage in them. Furthermore, it is important they know the reasons why such policies have been adopted and that they entail the use of renewable energy, which goes beyond the immediate fiscal benefit.

The means

Once approved, the dissemination campaign of the adopted fiscal measures will be launched. A document will be drawn up that will be materially distributed and placed on the municipal website, setting out all the adopted measures, as well as the forms and documents needed to apply to engage in the measures. All the documents required to engage in the measures will be set out in said document. In the event that engagement in measures has to be applied for every year, a straightforward renewal procedure will be set up. Posters and the like that contain basic information regarding new information and communication technology should be attached to the documents described.

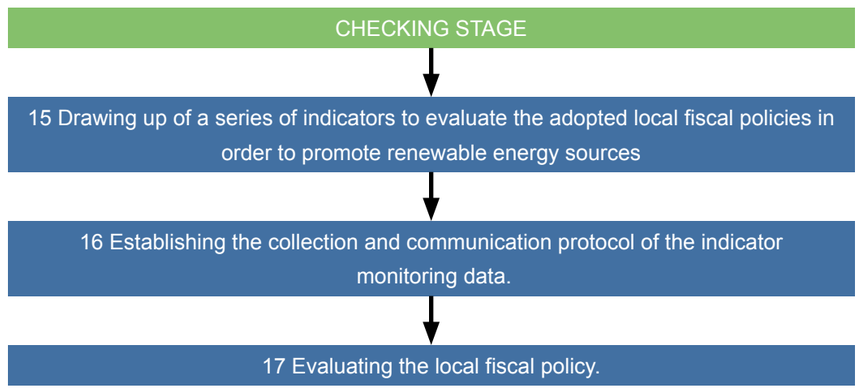
The dissemination campaign should also be undertaken regarding the imposition of renewable energy measures on concessionaires, regardless of whether tariff increases will be passed on to users or the additional cost will be incurred by the municipality. In this case, how it will be automatically applied will be communicated to users for each concession affected. In this communication, whether the increase will be totally or partially incurred by the municipality or passed on to users will be stated. Furthermore, the measures imposed on concessionaires should be disseminated among citizens so they know the commitment of the municipality to renewable energy.

In all the aforementioned cases, it is fundamental that the purpose of the fiscal measures and the benefits they entail for the municipality, country and planet are clearly explained. The aim of disassociating the measures from the possible effects of revenue collection and clearly associating them with the aims of fostering renewable energy is also essential.

Checking Stage.

During the fiscal measure implementation process, putting a measure monitoring mechanism, which helps to identify areas for improvement and to facilitate the subsequent evaluation, into operation is recommended. To do this, the steps to follow will be explained.

FIGURE 12: FLOW CHART OF THE ‘CHECKING’ STAGE.



STEP 15 DRAWING UP OF A SERIES OF INDICATORS TO EVALUATE THE ADOPTED LOCAL FISCAL POLICIES IN ORDER TO PROMOTE RENEWABLE ENERGY SOURCES.

Public and modern management identifies the impact on desired sectors, adopts evaluation tools and is subject to continuous scrutiny regarding its public policies, which aids its continuous improvement. The evaluation of public policies will be discussed further in-depth in step 17 -Evaluating the local fiscal policy. However, it is worth mentioning that establishing indicators is essential in order to evaluate and monitor measures, facilitating decision-making for the continuous improvement of public policies.

The rationale

If we have adopted a fiscal policy with a specific purpose, the effects and impact it entails has to be checked. Therefore, establishing indicators that provide us with input with which we can evaluate the policies and that give us information on improvements that we can integrate in the adopted fiscal policies is required.

The means

The adopted fiscal policies are a means to achieve change. To correctly identify the most appropriate indicators, consulting the Theory of Change methodology is recommended. The Theory of Change is a tool that helps us to identify the conditions and interventions that allow a desired outcome to be achieved (Taplin, D.H., Clark, H., 2012) and it envisages the identification and use of effect (outcome) and impact indicators.

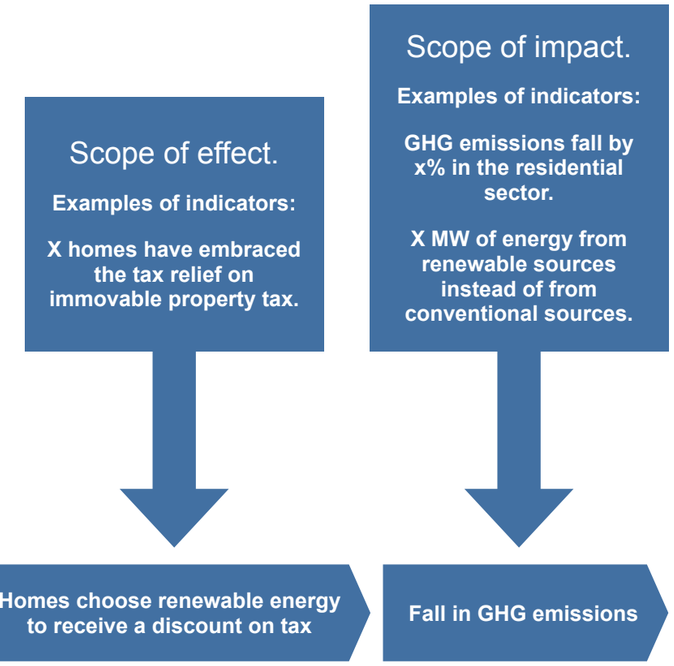
01. Establishment of the Theory of Change underlying the municipal fiscal policies promoting renewable energy.

In general, the change that is intended to be achieved is based on the theory that the implementation of local fiscal policies will favour an increase in the use of renewable energy sources, which will in turn shape a reduction in GHG emissions. Using an image, we would summarise the broad lines of the change as follows.

FIGURE 13: THEORY OF CHANGE. GENERAL STAGES.

Depending on the type of fiscal policies, a more detailed description of the Theory of Change should be drawn up, based on the envisaged impacts set out in step 6. For example, if we offer tax relief on immovable property for homes supplied with energy from renewable sources, we hope that many more homes would opt for the relief and change to energy from renewable sources, which entails a reduction in GHG emissions.

FIGURE 14: THEORY OF CHANGE. EXAMPLES OF SPECIFIC STAGES AND INDICATORS.



Greatly simplifying the Theory of Change methodology, once the Theory of Change underlying the adopted municipal fiscal policy has been outlined, we can identify a scope of effect (outcomes) and a scope of impact, as seen in figure 12. For each one, identifying a few indicators that will be useful to evaluate the policy is appropriate. We have provided some examples of effect and impact indicators in figure 12. Sometimes the difference between effects and impacts will be subtle. However, without delving too deep into methodological aspects, it is important that both aspects are measured. In other words, the most immediate effect of the fiscal policy and its medium- to long-term impact, related to the final objective that is sought to be achieved. The variety of indicators is very broad because the variety of fiscal policies that can be applied to foster renewable energy is extensive. Therefore, on a case-by-case basis, the most relevant indicators with which to measure the effects and impacts of the Theory of Change underlying each fiscal policy will also have to be identified.

When establishing the indicators, those chosen need to provide relevant data. Furthermore, it must be possible to obtain said data through techniques and processes that the municipality has available. In this sense, data collection must be cost-effective and technically straightforward. Additionally, the indicators must be able to measure in reasonable timeframes, enabling timely improvements to be made in the fiscal policies

implemented. In summary, they must be SMART (Specific, Measurable, Achievable, Relevant and Time-based) indicators. The most technically and financially viable methods will be sought to measure them. Using, as an example, the impact indicator in figure 12, measuring the fall in GHGs can be expensive as it requires an emissions inventory. Nevertheless, if we have the data of homes that embrace tax relief, we can calculate the MWh, and use this data to calculate the emissions reduction.

It is essential that the expected value is calculated for each indicator; in other words, that which is sought to be achieved by implementing the policies. Furthermore, the measuring and calculation method must also be specified. In the next figure, we summarise the elements that should be outlined for each indicator. Said elements will be joined by those provided for in the following step.

FIGURE 15: SUMMARY TABLE OF INDICATOR CHARACTERISTICS.

Indicator	Measurement unit	Calculation formula (if appropriate)	Goal to achieve

STEP 16 ESTABLISHING THE COLLECTION AND COMMUNICATION PROTOCOL OF THE INDICATOR MONITORING DATA.

Once the indicators to be measured have been established (step 15), a protocol in the municipality to collect and communicate the information needed to measure said indicators will be established.

The collection protocol is of utmost importance, not only for the initial purpose of this guidebook, but also because several international declarations, particularly the 2030 Agenda for Sustainable Development and the Paris Agreement, have set out international goals to achieve and oblige countries to stand accountable for national advances. In this respect, the protocol may have one part that relates to internal communication and another to external communication.

The rationale

The indicators require regular monitoring and measuring that must not be assigned to resources outside the municipality. Thus, the most suitable personnel in the municipality

should be involved so that it incorporates into its work procedures the collection of information required to monitor the indicators established. Thus, the data collection and communication protocol must be clearly outlined.

The means

We will now outline the main actions in establishing the protocol. Setting out the protocol using the table in figure 16 is recommended, as well as the flow chart in which the actions, the person in charge of the action and its regularity are graphically specified.

<u>01. Identifying the information collectors.</u>

Once the required indicators have been identified, how each one is to be measured will be outlined, clearly identifying the required data and the sources, as well as the measuring periodicity. Based on the type of data and sources, the municipality technical officers, who will be able to generate or have access to said data, will be identified. Using the table in figure 16, the following fields will be added:

- Municipal technical officer in charge of collecting the information.
- Periodicity of information collecting.

FIGURE 16: SUMMARY TABLE OF INDICATOR CHARACTERISTICS AND MEASUREMENTS.

Indicator	Measurement unit	Calculation formula (if appropriate)	Goal to achieve	Municipal technical officers in charge	Periodicity of information collecting

<u>02. Determining internal formats to collect and systemise the information.</u>

To facilitate the work of the technical officers in charge and to ensure that the information is homogeneously provided, the amount of formats that is deemed necessary to collect and process the information, in the event that the required indicators calculate and interpret the data, will be generated. Said formats should be digital to simplify as much as possible the work of the technical officer.

03. Determining the internal communication flows of data.

The information, once collected in appropriate forms, will have to be transmitted to those in charge of monitoring the applied fiscal policy. It is recommended that the technical officer in charge of said collecting, transmits the information to, at least, the political decision-makers or technical managers in charge, identified in step 0. Said persons will assess the data and will be able to make decisions on the adopted fiscal measures if they detect deviations regarding the corresponding purpose.

04. Determining the external communication of data.

The political decision-makers and technical managers in charge of the fiscal policies should consider the publication of the indicator measurements.

Firstly, the publication of said data is an exercise in transparency. The transparency of public actions brings them closer to the citizens who finance them and provides legitimacy. Citizens need to know what their money is being spent on and the results and impact that will arise from such expenditure. Through the evaluation process, a continuous learning, improvement and transparency process of public sector actions is created among society. In addition to being considered as a democratic right, this idea of public service has a positive value per se that goes beyond results (Merino-Cuesta, 2010, 21). This exercise in transparency has additional added value. That value is the awareness-raising aspect, as the fiscal policies fostered aim to increase the use of energy from renewable sources.

Secondly, as previously touched on, the data generated are important for other levels of State and even for international organisations under the framework of the 2030 Agenda for Sustainable Development and the Paris Agreement. The municipality can associate itself with national data collection protocols that regard said international agreements to provide the relevant information.

STEP 17 EVALUATING THE LOCAL FISCAL POLICY.

The evaluation of public policies point to a new type of democratic-political control in line with the principles of New Governance: responsibility, transparency and participation. This form of governance is supported in public management models, which pursue greater effectiveness and efficiency of the public sector in its different governance, strategy and operating levels. Those levels complement each other, but the logic behind their assessment is not exactly the same (...); in this sense, to improve the capacity of formulating high level public policies and to assess them, one is required to transcend the conventional notions of ‘efficiency’ and ‘effectiveness’ (despite their importance), assess

the ‘ability to steer the future in the desired direction’ (enlightenment) and to delve deeper, or not, into the quality of democracy. That is the essence of evaluating public policies (Merino-Cuesta, 2010, 19).

The rationale

In the implementation of the adopted fiscal policies, some new and others replicas of existing experiences, limitations and deviations may arise, regardless of how diligent the policy drafting process was, which hinder the effective fostering of sources of renewable energy or affect other aspects of the fiscal measures implemented.

Evaluating the policies after an implementation period is the best way to identify the areas for improvement. Furthermore, the eventual publication of the evaluation results is an exercise in transparency that brings citizens closer to public authorities and aims to raise awareness by implicitly fostering citizen commitment to renewable energy.

The means

The literature that exists on evaluating public policies is vast. However, this step does not aim to be an exhaustive summary of the methodological options that exist in this area. Furthermore, it must be taken into account that municipalities usually have limited resources, especially for implementing measures, such as those for evaluating public policies, which are still new and uncommon in many contexts. Therefore, we will now suggest a few steps to conduct a simple evaluation of the adopted fiscal policies with internal resources, linking said evaluation to the indicators identified and monitored in steps 15 and 16.

01. Evaluation design.

The evaluation that we propose seeks to bolster a culture of results-oriented public management, learning and political decision-making based on evidence. Therefore, the most appropriate approach is to draw up a results evaluation that compiles useful information geared towards local politicians and executives to foster the continuous improvement of the fiscal public policies implemented. Furthermore, the information should be useful for the general public so it can find out the results of said public policies (UNDP, 2009).

The design of the evaluation should start by selecting the evaluation criteria and questions. The criteria are the aspects of public policies that will be assessed and the questions are those that help us to specify what we want to know for each criterion selected.

In establishing the criteria, we recommend that the approach, with which the indicators in step 15 were selected so as to monitor the public policies, is taken into consideration. Furthermore, in order to undertake a simple evaluation, questions should be prepared

that can be answered using information that is easy to gather with internal resources, not only in terms of the information envisaged by said indicators and their monitoring protocols, but also additional information.

When selecting the indicators (step 15), the stages of the Theory of Change, relating to the effects (outcomes) and impacts of fiscal policies, should have been analysed. Accordingly, we recommend including effectiveness and impact as evaluation criteria. Questions relating to them will refer to the indicators already selected, which therefore facilitates the evaluation.

In addition to these two criteria, analysing the efficiency of the fiscal policies, which is to say the relationship between the resources used and the results obtained, is considered important. As fiscal policies are being evaluated, this criterion is useful for analysing the fall in revenue or the increase in expenditure relating to the results obtained regarding the rise in sources of renewable energy in the benefiting municipalities.

Finally, it must be borne in mind that we are analysing public policies and that exclusively analysing criteria, such as efficiency, effectiveness and impact, can exclude important criteria. If we accept the principles of good governance identified by the European Union (EC, 2001), the inclusion of an evaluation criterion that refers to them should be assessed. In particular, among the principles listed by the European Union (EC, 2001, 10), participation stands out for its relevance and, therefore, including it as an additional evaluation criterion should be considered.

The selecting of criteria should be done, with the participation of the political decision-maker, by the technical manager assigned in step 0 to the development of fiscal policies. Once the criteria have been selected, the questions and their connection with the indicators are to be established. To simplify the process, in figure 17 we summarised the basic elements of the evaluation. To design the evaluation, the following table can be used, which is a very basic and incomplete outline. That said, municipalities that have the capacity to do it, may undertake much more complex evaluation designs and processes than the one we have suggested.

FIGURE 17: EVALUATION DESIGN OF FISCAL POLICIES.

Criterion	Description	Questions	Related indicators
Effectiveness	Analysing the fulfilment of the objectives of the fiscal policy implemented. It particularly focuses on the scope of the effects (outcomes) of the Theory of Change set out in step 15.	Have the results envisaged under the fiscal policy been achieved? Have other unexpected effects been achieved? Were there difficulties in achieving the results?	Those identified in step 15, e.g.: • The number of homes that have embraced the tax relief on immovable property tax.
Impact	Analysing the medium- to long-term results deriving from the effects of the project. It particularly focuses on the scope of the impact of the Theory of Change set out in step 15.	Has the impact, in terms of an increase in renewable energy sources, been achieved? Has the impact, in terms of reducing greenhouse gas emissions, been achieved?	Those identified in step 15, e.g.: • GHG emissions fall by x% in the residential sector. • The amount of MWh of energy from renewable sources instead of from conventional sources.
Efficiency	As we are analysing policies that affect municipal revenue and expenditure, analysing the connection between the results obtained and lower revenue/higher expenditure is relevant.	Is the transformation of resources into results efficient?	Although in step 15 we have not suggested efficiency indicators, having reached the evaluation stage, it is important to analyse the fall in revenue and the rise in expenditure that the policies have entailed for the municipality. They will be placed in connection with the results obtained, particularly in terms of impact. For example, the following will be measured: • the cost of every MWh obtained that goes to renewable energy.
Participation	Taking into account the participative nature of this methodology and that the aim of the evaluation is to create a governance tool, analysing the fiscal policy from a participation perspective is suggested.	Have citizens participated in the drafting of fiscal policies? Has the drafting of fiscal policies taken citizen contributions into account?	Although we have not suggested participation indicators in step 15, adding easy-to-measure indicators is suggested: • Number of citizen suggestions incorporated into the policies arising from the process established in steps 7, 8 and 9.
Others to be established by each municipality.	…	…	…

02. Drawing up the evaluation.

Once the evaluation design has been done, the technical manager in charge of the fiscal policy, will collect the information required to measure the indicators set out in figure 13. Justifications of the evaluation results may be produced for each criterion, facilitating their understanding.

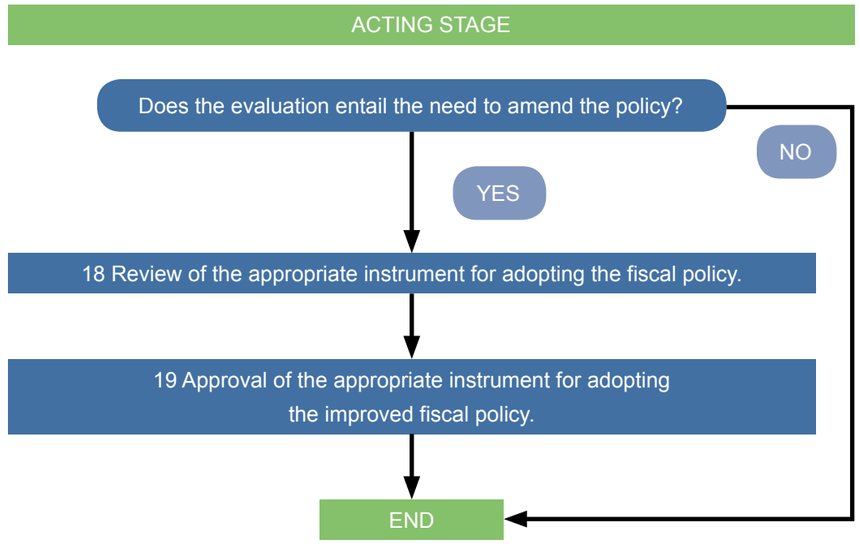
03. Internal and external dissemination of the evaluation.

The evaluation will be geared towards the political decision-maker responsible for the implemented fiscal policy, who will analyse it with the relevant technical officers. Furthermore, the political decision-makers should consider the possibility of publishing the most relevant aspects of the evaluation. In particular, the effectiveness, impact and participation indicators should be subject to a dissemination campaign using the means available to the municipality.

Acting Stage.

Once the fiscal policy has been implemented and evaluated, the information required to identify the areas for improvement and to make amendments to the adopted fiscal measures, in order to improve their impact, will be available.

FIGURE 18: FLOW CHART OF THE ‘ACTING’ STAGE.



STEP 18 REVIEW OF THE APPROPRIATE INSTRUMENT FOR ADOPTING THE FISCAL POLICY.

The rationale

The exercise of evaluating the public policies would be useless if the necessary measures to improve negative aspects were not taken. In accordance with an approach that seeks the continuous improvement of the public policies, this step covers the need to incorporate improvements into the implemented fiscal policies.

The means

The technical managers and political decision-makers responsible for the implemented fiscal policy must thoroughly analyse the evaluation and extract measures to improve it.

A lower performance, in terms of impact, than that envisaged, will necessarily lead to a review being carried out on the fiscal policies promoting renewable energy. If the evaluation detects problems in other criteria, the areas for improvement will be thoroughly and singularly considered.

In particular, actions will be put forward, for each problem detected by the evaluation, to resolve said incidents, which we will call 'areas for improvement'. Such solutions may involve amendments in the fiscal policies implemented or may provide for measures that do not necessarily affect said policies, but rather have an impact on other areas. For example, if scarce participation is detected, corrective measures for forthcoming participatory aspects regarding public policies will be taken.

When the areas for improvement have been identified, they will be set out and prioritised. Therefore, it is generally recommended that priority be give to actions that address impact-related problems. Furthermore, if the improvements require a change in the approved fiscal policy, it is important to consider the political criteria, particularly those set out in step 9:

- The political capacity to be able to adopt each measure, according to the majority in representative bodies.
- The coherence of prioritised fiscal policies with the election manifesto and the agreement adopted in step 0.

In general, the prioritisation criteria will significantly vary according to the specific circumstances of each municipality. The exercise of prioritising should be jointly undertaken by the technical manager and the political decision-maker and, in the event consensus is difficult to reach, the matrices for the participative establishment of the prioritisation criteria, which we have described in step 4, can be adapted and used.

STEP 19 APPROVAL OF THE APPROPRIATE AND AMENDED INSTRUMENT FOR ADOPTING THE FISCAL POLICY.

Once the areas for improvement have been established, the measures needed to incorporate them into the implemented fiscal policies or into other areas related to them, should be taken.

The rationale

The areas for improvement detected will have to be formalised to make them effective.

The means

When the areas for improvement in step 18 have been outlined and prioritised, it will be possible to undertake the actions required to formalise them. Said process will depend

on the type of improvements adopted. If the improvements detected require amendments to the approval instrument or the approval of new measures included in new approval instruments to be made, revert to the description under steps 10 and 11. In order to make minor amendments, the approval of the government body may not be necessary, depending on the legal system in each country, which would facilitate the fiscal policy improvement process.

The cycle does not end on approval of the amendments. This methodology, like the majority of continuous improvement tools, has circular logic. Therefore, once the improvements have been approved, the process continues to implement the improvements and, after a reasonable timeframe, a new evaluation is conducted. The process does not end. The indicator monitoring and the periodical evaluation will afford the chance to undertake new improvements, sometimes in light of changes in context.

Examples of local fiscal policies to promote renewable energy sources.

The range of fiscal policies to foster sources of renewable energy that municipalities can implement fundamentally depends on the current legal framework in each country. It also depends on the capacity of the municipality to approve new taxes and/or amend existing ones, as well as to unilaterally amend fee and concession conditions.

Identifying the fiscal measures that can be implemented to affect renewable energy sources is another difficulty. As such, we will now consider the types of taxes, fees and concessions that municipalities usually have. For each one, we have set out some examples of measures that favour sources of renewable energy. In some cases, the measures have already been applied in some municipalities, while others are ideas of interesting measures that could be applied (these are largely the result of a reflection process on sectors that are now emerging as areas of interest).

FIGURE 19: EXAMPLES OF FISCAL MEASURES.

Examples related to **fees for building work permits**.

Reductions in fees if works include the installation of their own renewable energy sources or if the owner is with an energy provider that supplies electricity from renewable energy sources.

Deliverable 3.1.1 – Handbook for green local fiscal policy formulation

Examples related to **income tax**.

In countries in which municipalities receive a share of taxes on income, provide for deductions for people who use their own renewable energy sources or who are with an energy provider that supplies electricity from renewable energy sources.

Examples related to **tax on economic activities (or trade tax).**

Tax reductions for companies that produce energy from renewable sources.

Tax reductions if a company has its own renewable energy sources or is with an energy provider that supplies electricity from renewable energy sources, including agricultural companies.

Taxes on companies that do not use renewable energy with additional surcharges on their tax.

Examples related to **sustainable mobility**.

In many municipalities, carsharing services are increasing, generally through public-private partnerships. It is possible to intervene in concessions of companies that provide the services so that they use electric cars and charging points with renewable energy sources.

Municipalities can increase electric car charging points through concessions that include an electricity supply from renewable sources. As such, a change in the private and commercial transport model will be fostered.

Examples related to **other service concessions**.

Parking: intervening in concessions of companies that provide the service, granting discounts on charges if the company ensures that parking areas use electricity supplies from renewable sources or its own sources of renewable energy.

Examples related to the **provision of drinking water via public-private partnerships**.

It is possible to intervene in concessions of companies that provide the service, granting discounts on charges if the company ensures that the water system uses sources of renewable energy or that the electricity supply is from sources of renewable energy.

Work Package 3 – Testing
Activity 3.1 Elaboration of a participatory methodology to prepare the green local fiscal policy to promote renewable energy sources
Version: Final - English - Date: 05.06.2017

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Examples related to **fees for use or occupation of public land**:

Bars with outdoor terraces and many other activities occupy and use public land, usually paying a fee to do so. Discounts may be granted on fees relating to the use of public land for establishments that have their own sources of renewable energy or that are with an energy provider that supplies energy from renewable sources.

Energy supply companies deserve a special mention as they occupy a great number of public spaces and contribute, one way or another, through the payment of fees or other types of taxation to the municipality. It is possible to establish some kind of reduction in said payment so that the companies themselves grant significant exemptions or relief to people or families at risk of social exclusion, to mothers of one-parent families with low income or to companies that supply energy from renewable sources.

Examples related to **immovable property tax**.

Reductions in tax if property owners use their own sources of renewable energy or if they are with an energy provider that supplies energy from renewable sources. Said tax relief may be greater in the case of people or families at risk of social exclusion and mothers of one-parent families with low income.

Reductions in tax if owners of agricultural land use their own sources of renewable energy or if they are with an energy provider that supplies energy from renewable sources.

Conclusions.

In rural and island municipalities, non-ETS sectors, particularly the tertiary building and equipment, residential, and the commercial and private transport sectors, are the ones that consume most energy. A very low percentage of energy consumed by those sectors comes from renewable sources. That means that these sectors are responsible for a large part of the greenhouse gas emissions in rural and island municipalities.

To change this situation, municipalities play a key role. Among the options that municipalities have available to them in order to promote renewable energy sources, fiscal policies are the ones that most stand out, as taxes, fees and other municipal fiscal-related revenues precisely affect the aforementioned sectors.

A methodological guide of international scope, which thoroughly addresses the specific aspects of local taxation and the fostering of renewable energy sources, cannot be drawn up due to the diversity of the current legal systems in different countries. That said, such diversity also provides an opportunity for municipalities in the Mediterranean region, which share many characteristics, to learn, benchmark and share their experiences with others.

This guidebook aims to make the most of said opportunity, setting out a 20-step methodological guide, albeit not exhaustive, that helps a political decision-maker and technical manager to suitably plan and implement fiscal policies that can effectively and sustainably promote renewable energy sources.

The methodology places a lot of emphasis on the planning stage, as prior knowledge of the context is essential in drafting effective policies. Knowing the external context is important to be able to identify the sectors and subsectors that most affect energy consumption and greenhouse gas emissions. By acting on such sectors, it will be possible to change trends relating to GHG emissions and the use of renewable energy sources with less effort. Furthermore, it is important to know the external context from a legal perspective to prevent fiscal measures from being drafted or considered that are not compatible with levels of municipality autonomy. Analysing the internal context of municipalities is fundamental in planning fiscal measures that are sustainable, especially in terms of the financial perspective. In a context of strict budgetary constraints, this aspect is essential.

The methodology selected is not neutral and points to a high-quality and modern public management model that contributes to good governance. The aim of selecting a continuous improvement model is to implement work processes that contribute to improving the quality of local public policies, instilling a culture of excellence in public authorities. Focussing on transversal issues, such as gender equity and social inclusion, strengthens the coherence of public policies and the integral vision of the municipality. Finally, the steps of the methodology focussing on participation by and interaction with citizens, aim to bolster the legitimacy of public policies.

Beyond the citizen participation aspect in the drafting of policies fostered by this methodology, it is worth stressing that the local fiscal policies, due to their application on practically all citizens, help to directly involve people in fostering renewable energy sources, raising awareness and focussing their behaviour on more sustainable models. This implicit impact of the local fiscal policies is one of the greatest added values to emerge from said policies. Only through the involvement of citizens and companies will it be possible to introduce renewable energy sources in non-ETS sectors and to reduce climate change.

Glossary.

ANATOLIKI: Development agency of Eastern Thessaloniki's local authorities – center for the development of human resources and the support of local economy.

ANCI Lazio: Lazio Region Association of Cities and Municipalities (Italy).

UNFCCC: United Nations Framework Convention on Climate Change.

CEA: Cyprus Energy Agency.

COP: Conferences of the Parties.

EUROSTAT: Statistical Office of the European Union.

ERDF: European Regional Development Fund.

FVMP: Federación Valenciana de Municipios y Provincias [*Valencian Federation of Municipalities and Provinces*].

GHGs: greenhouse gases.

ICLEI: Local Governments for Sustainability.

IPA: Instrument for Pre-Accession Assistance.

BEI: Baseline Emission Inventory.

LAU: Local Administrative Units.

MIEMA: Malta Intelligent Energy Management Agency.

MUSOL: la Fundación MUSOL, Municipalistas por la solidaridad y el fortalecimiento institucional [*MUSOL Foundation, municipalities for solidarity and institutional strengthening*].

UN: United Nations.

NAZCA: Non-State Actor Zone for Climate Action.

OECD: Organisation for Economic Co-operation and Development.

SDGs: Sustainable Development Goals.

CoM: Covenant of Mayors for Climate & Energy.

SEAP: Sustainable Energy Action Plan (drawn up under the Covenant of Mayors for Climate & Energy).

SECAP: Sustainable Energy and Climate Action Plans.

PDCA: Plan, Do, Check, Act or the Deming Cycle.

PPP: Public–private partnership.

REGEA: North-West Croatia Regional Energy Agency.

ZRMK: Building and Civil Engineering Institute.

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