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Written statement by the United Nations Human Settlements Programme (UN-Habitat)

Agenda Item 7: Leveraging key advances in building strong institutions and governance for climate action, focusing on clean energy transition

The escalating impacts of climate change demand urgent action, particularly in accelerating the clean energy transition in cities of all sizes and regions. This transition must reduce emissions while also expanding access to electricity and modern cooking solutions for the millions who are still without. Beyond technology, it is a systemic challenge that calls for strong institutions and effective governance to bridge global ambitions with local realities, ensuring an inclusive, equitable transition aligned with broader sustainable development goals, SDGs 7 (affordable and clean energy), 11 (sustainable cities and communities), and 13 (climate action).

Cities, consuming up to 80 per cent of global energy—and hubs of innovation, play a critical role in the energy transition. However, many cities still face barriers such as limited awareness of their potential to reduce energy use and expand urban renewable energy production, fragmented governance, resource constraints, and weak coordination mechanisms. A key takeaway from the UN-Habitat *World Cities Report 2024* is that as climate threats intensify, cities—being highly vulnerable—must be at the forefront of global climate action, advancing net-zero targets while strengthening resilience to climate-related shocks and extreme weather events.

To overcome these barriers to an inclusive and sustainable energy transition, it is essential to embed energy policy into governance systems at all levels. This means aligning national, regional, and local energy strategies and strengthening institutional frameworks to support context-specific urban solutions—from expanding renewable energy infrastructure to improving energy efficiency in buildings and transport. Governance mechanisms must enable coordination across sectors and jurisdictions to ensure that the energy transition is equitable, responsive, and aligned with broader development priorities.

UN-Habitat's work in strengthening institutions and governance for effective climate action in cities is multifaceted. The *World Cities Report 2024* stresses the need for stronger and more collaborative multilevel governance in accelerating climate action in cities. UN-Habitat's ongoing work in promoting sustainable urban development and multilevel governance, as highlighted in the *Urban Planning Law for Climate-Smart Cities*, provides valuable insights into overcoming these systemic barriers by advocating for legal frameworks that align climate action across government levels, strengthen institutional coordination, and empower local authorities with clear mandates, financial mechanisms, and regulatory tools to drive the clean energy transition

effectively. The New Urban Agenda (NUA) further reinforces the need for integrated urban governance, emphasizing climate-responsive policies, financial mechanisms, and institutional coordination to support sustainable energy transitions and urban resilience (para. 75, 79)

The UN-Habitat Guide on *Multilevel Governance for Effective Urban Climate Action in the Global South* highlights the importance of both vertical and horizontal coordination to align national policies with local implementation. It emphasizes that while national governments must provide enabling legal and institutional frameworks, local governments are best positioned to implement and adapt policies to fit their specific contexts. This underscores the importance of contextually relevant regulations and standards that take cities into account for sector-specific interventions. For example, Canada's *Green Communities Act*, empowers municipalities to enforce sustainable design elements in the building sector, and Norway's *Regulations on Impact Assessments*, which require urban plans to consider energy needs and emissions. Such legal tools empower local governments to integrate clean energy solutions effectively while aligning with national climate policies.

Public participation strengthens transparency, accountability, and innovation by incorporating diverse perspectives. The SDGs emphasize a whole-of-society approach, reinforcing the need for broad engagement to create equitable and sustainable solutions. UN-Habitat's *Rise Up: Multilayered Vulnerability Assessment Handbook* promotes structured stakeholder engagement using tools like the *Stakeholder Influence-Interest Matrix* and the *International Association of Public Participation Spectrum of Public Participation*. It demonstrates how participatory urban planning, data-driven vulnerability assessments, and multilevel governance enhance transparency and strengthen climate resilience. Similarly, UN-Habitat's "*Sustainable Urban Energy Planning*" handbook guides local governments in developing energy and climate action plans, emphasizing the need for community involvement.

Urban areas are key players in the clean energy transition. Integrating renewable energy solutions into urban planning reduces emissions and enhances energy security. UN-Habitat advocates embedding climate action within urban planning and design frameworks, urging national urban policies to prioritize mitigation and adaptation. The "*Sustainable Urban Energy*" handbook outlines energy conservation, efficiency and renewable energy as key steps toward sustainable urban energy solutions. Strengthening planning frameworks with renewable energy infrastructure, green building codes and zoning regulations tailored for energy-efficient urban development is essential to accelerating this transition.

Securing funding for climate initiatives remains a significant challenge. Innovative financing mechanisms, including public-private partnerships and international climate funds, are essential to support clean energy projects. The "*World Cities Report 2024*" highlights the critical funding gap for resilient urban infrastructure, estimating that cities need USD 4.5 to 5.4 trillion annually. Limited financial autonomy restricts local governments from investing in renewable energy and

climate-resilient energy infrastructure, including power grids, district energy networks and expansion of public transport networks. Many rely on national funding or external grants, which may be inconsistent or insufficient to fund large infrastructure projects. In addition, many cities cannot access international financial markets. Cities also receive less than 20 per cent of the finance needed to take effective climate action, with smaller-scale and local projects often struggling to attract investment.

Additionally, fossil fuel subsidies artificially lower prices, making renewable energy investments less competitive in certain markets and regions. A lack of technical capacity and policy frameworks further prevents institutions from adopting innovative solutions like smart grids or decentralized renewable systems – which can also be implemented in urban areas. Without stable financial resources, technical expertise, and supportive policies from national governments and development partners, local governments struggle to implement and expand clean energy initiatives. For example, in Zambia, financial constraints on hydropower development—exacerbated by reduced precipitation—led to reliance on international institutions such as the World Bank and the International Finance Corporation through the *Scaling Solar* project. Without external financial support and risk mitigation measures, local governments faced significant barriers in implementing large-scale renewable energy projects. Institutional inertia, including outdated policies and entrenched interests, also slows progress and stifles innovation. For instance, Canada’s Income Tax Act continues to offer financial incentives for fossil fuel extraction, allowing companies to deduct exploration and development costs, which discourages investment in renewables.

In 2024, the European Union reached a milestone, generating 47 per cent of its electricity from renewable sources. This achievement stems from coordinated policy efforts like the *European Green Deal*. Similarly, Germany’s energy transition plan (*Energiewende*) demonstrates how integrated institutional planning, financial incentives, and public engagement can facilitate large-scale energy transitions. The initiative, anchored in laws such as the *Renewable Energy Sources Act*, prioritizes decentralized energy production, grid modernization, and financial tools like feed-in tariffs to attract investment in renewables. *Energiewende* also highlights the role of public participation through community-owned renewable energy projects, reinforcing the importance of inclusive governance structures that empower local actors.

Malaysia’s *Energy Exchange* initiative, part of the ASEAN Power Grid, is a cross-border electricity trading platform that enables ASEAN member states to share surplus renewable energy. This initiative strengthens energy security, enhances grid efficiency, and reduces reliance on fossil fuels. Governance mechanisms such as regulatory harmonization, intergovernmental agreements, and coordinated market frameworks ensure its smooth operation, showcasing how institutional collaboration can accelerate the clean energy transition.

Achieving a sustainable clean energy transition requires governance mechanisms that align policies, financial systems, and capacity-building initiatives with climate goals. Strong policy and regulatory frameworks are essential for guiding transitions, including setting renewable energy targets, phasing out fossil fuel subsidies, and introducing carbon pricing. Financial mechanisms such as green bonds, public-private partnerships, and international climate finance can support local governments, with Kenya's green bond initiatives demonstrating how targeted financial instruments facilitate progress in resource-limited contexts and promote sustainable urban development. Equally critical is capacity-building and knowledge-sharing, as strengthening institutional capacity through technical training and collaborative networks enhances decision-making and project execution, while data-driven approaches further improve the efficiency and effectiveness of climate policies.

To advance the shift to clean energy, institutions must take a comprehensive approach. Strengthening multilevel governance frameworks ensures alignment between national, regional, and local policies. Collaborative platforms encourage communication and coordination across governance levels, reducing fragmentation.

Reforming financial systems to eliminate fossil fuel subsidies and prioritize green investments is essential, as expanding mechanisms like green bonds and climate funds can empower local governments with predictable funding streams for renewable energy initiatives. At the same time, scaling up capacity-building efforts through training programs for local officials and knowledge-sharing platforms can accelerate best practices and innovation, while integrating data-driven technologies enhances the monitoring and evaluation of climate actions. Equally important is fostering inclusive governance by engaging communities through participatory processes to ensure that climate policies are fair and responsive to diverse needs, with mechanisms such as public consultations and co-design processes aligning with people-centered urban planning principles.

Finally, continuous assessment of climate actions ensures accountability and facilitates adaptive management. Developing indicators and benchmarks allows institutions to track progress and make informed decisions. UN-Habitat's "*Planning for Climate Change Toolkit*" provides guidance on monitoring and evaluating climate action plans at the local level. Establishing clear performance metrics enables governments to assess the effectiveness of clean energy initiatives, identify gaps, and refine strategies accordingly. Integrating digital tools and data-driven approaches can further enhance transparency and ensure evidence-based policymaking in climate governance.