



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

NATIONAL HANDBOOK ON MODELS OF GREEN FISCAL POLICIES - SPAIN

Project Partner in charge: LP1 FVMP

Project partners involved: -

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1. INTRODUCTION: LOCAL4GREEN PROJECT

The LOCAL4GREEN Project aims to **support local authorities to define and implement innovative local fiscal policies, intended to promote renewable energy sources both in the public and private sector**. The Project gives priority to signatory local authorities of the Covenant of Mayors and those including this type of policies in their Sustainable Energy Action Plans, which means support for their development and implementation.

The Project has been carried out in specific MED territories: rural areas and islands. In this type of territories, where local authorities have economic and technical limitations, promotion plans for renewable energy sources should prioritise the collaboration and active roles of the public and private sectors. Green fiscal policies play a key role in increasing renewable energy sources as they are appropriate tools to involve public and private stakeholders in their promotion.

The Project has implemented pilot experiences in local authorities in 9 countries/ regions of the MED area (Albania, Cyprus, Croatia, Greece, Italy, Malta, Portugal, Slovenia and Spain,). Pilot experiences include participatory design, implementation, monitoring and evaluation of local fiscal policies that promote renewable energy sources. These pilot experiences are included in work package 3 “Testing” of the project.

Once the phases of design, implementation and monitoring of fiscal policies were completed, as well as their evaluation, the responsible project partners in each participating country developed a National Handbook on models of green local fiscal policies. These national handbooks will be the basis for the development of an International Handbook, also scheduled by the Project.

This document is the National Handbook for Spain, which includes the pilot experiences of the Project in the Valencian Region, area where the Spanish partners are based: Valencian Federation of Municipalities and Provinces, leader of the Project, and MUSOL Foundation, in charge of work package 3 "Testing".

The objectives of the National Handbook on models of green local fiscal policies are the following:

- To summarise models of transferable green local fiscal policies at the national level, based on pilot experiences and best practices,
- To provide national decision makers with all the information (legal, economic, technical, etc.) necessary to implement green local fiscal policy models in other municipalities, and
- To provide the Project with the best practices on green local fiscal policies in order to be included in the International Handbook and to be transferred internationally.

The main recipients of the National Handbook are:

- decision makers and employees of local authorities,
- decision makers of regional and national authorities,
- consultants specialised in public management, and
- other stakeholders interested in promoting renewable energy sources in local authorities.

2. NATIONAL REGULATION ON LOCAL FISCAL POLICIES AND LOCAL AUTHORITIES' CAPACITY TO IMPLEMENT FISCAL POLICIES THAT PROMOTE RENEWABLE ENERGY SOURCES

In the framework of the project, and as starting point for the green fiscal policies proposals to be implemented in the different pilot municipalities, it was decided to develop an analysis of their legal framework, examining the laws that regulate the main municipal taxes.

In Spain, City Councils are the closest entities to citizens, however, their powers are limited. They are based on Law 27/2013, of December 27, on the rationalisation and sustainability of the Local Administration, which establishes the municipal competences to avoid duplicity with other Administrations, and Royal Legislative Decree 2/2004, of March 5, approving the Consolidated Text of the Law regulating Local Finances. Thus the estate legislation aims at regulating either communal institutions for the different Tax Authorities or coordination measures between the state Tax Authorities and those of Local Corporations, as well as the protection of financial sufficiency of local Tax Authorities guaranteed by article 142 of the Spanish Constitution, in regards to the indispensable budget for the exercise of local autonomy constitutionally recognised as well in articles 137, 140 and 141 of the Spanish Constitution.

Based on these competences, established and in some cases delimited, the City Councils have the power to set different taxes and define their essential elements (taxable event, exemptions, taxable persons, accrual, determination of the taxable base, etc.), applicable tax rates, increase coefficients and tax relief.

In order to identify the different possible actions that local entities can carry out to promote the use and implementation of renewable energy sources, the aim is to analyse the range of available possibilities based on the current national legislation, since it establishes certain limitations for City Councils on local taxes regulations.

First of all, it should be recalled that the Spanish Constitution, in its article 133, establishes that it is the State who has the exclusive power to establish taxes through regulations with the status of a law. Likewise, it establishes that the Autonomous Regions and Municipal Corporations may establish and demand taxes in accordance with the Constitution. Therefore, we work on the assumption that the taxes that local entities can establish must be regulated in a rule with the status of a law, that is, issued by the State.

Thus, Royal Legislative Decree 2/2004, of 5 March, which approves the Consolidated Text of the Law Regulating Local Finances, lays the foundations of the national regulations on local taxes in Spain, all following the provisions of Article 133 of the Spanish Constitution.

Article 2 of the Law Regulating Local Finances lists the different resources available to local entities, establishing their general financial resources framework. Specifically, it is determined that the local entities' finances will consist of:

- a) Income from their assets and private law.
- b) Local taxation in the form of fees, special contributions and taxes and the surcharges payable on taxes from autonomous regions or other local entities.
- c) Shares in the State taxes and those from autonomous regions.
- d) Subsidies.
- e) Those received from public prices.
- f) Proceeds from credit operations.
- g) Proceeds from fines and sanctions in the scope of their competences.
- h) Other benefits from public law.

In any case, as object of study in this handbook, focus is given to resources from local taxation, in the form of fees, special contributions and taxes. This local taxation also tends to be the largest source of financing for local entities.

As a starting point, it must be taken into account that the power of local entities to establish and demand taxes requires that said entities have a certain capacity to develop the following actions:

- . to agree on the imposition of their own taxes.
- . the regulatory development of the legal regulations for said taxes.
- . to carry out their management.

This power is implemented through two measures:

- . On the one hand, through the approval of the regulatory tax ordinances for each of its taxes, which include their legal regime, according to the provisions of the Consolidated Text of the Law Regulating Local Finances.
- . And on the other hand, through the possibility of approving general tax ordinances to regulate their tax management, including collection and inspection procedures.

It should be noted that these laws regulating local taxes have been progressively contemplating new assumptions and authorising municipalities to apply tax relief or reductions for environmental purposes, although at the moment these are very limited and restricted in general.

Specifically, Article 2.1 of the General Taxation Law when defining taxes indicates that: “Taxes, in addition to being means to obtain the necessary resources to sustain public expenditures, may serve as instruments of general economic policy and focus on the realisation of the principles and aims contained in the Constitution”. This precept is foreseeing that beyond economic performance, taxes may have, among others, an environmental performance. However, to date this instrumentalisation of local taxes, whether environmental or other, that could be achieved by the municipalities, is in the hands of the State. It is the legislator who, for each case, establishes the assumptions and limitations for each tax relief or exemption, thus reducing municipal autonomy for the management of those "new" interests: the environmental.

In any case, one of the options available to local entities, allowed by national regulations, is that within local taxes it is necessary to differentiate between optional and mandatory taxes. These are the following:

- Mandatory taxes (Article 59.1 Law Regulating Local Finances):
 - Property Tax
 - Tax on economic activities
 - Road Tax

- Optional taxes (Article 59.2 Law Regulating Local Finances):
 - Fees
 - Special contributions
 - Tax on constructions, installations and works
 - Tax on the increase in urban land value
 - Municipal luxury Tax

According to article 15.3 of the Consolidated Text of the Law Regulating Local Finances, the regulatory power regarding management, liquidation, collection and inspection of local taxes will be carried out either by the approval of regulatory tax ordinances for the different local taxes or by the approval of specific regulatory tax ordinances for these matters.

In any case, it should be noted that this national regulation also sets limits on the determination of the different aspects of local taxes, so that they are limited to avoid duplication and abuse in taxation. Specifically, article 6 of the Law Regulating Local Finances states that the following principles must be respected:

- a) Not to tax assets located, activities developed, returns originated or expenses incurred outside the territory of the respective entity.
- b) Not to tax, as such, businesses, acts or events celebrated or developed outside the territory of the imposing entity, nor the exercise or transfer of goods, rights or obligations that did not emerge or were not to be fulfilled in said territory.
- c) Not to imply any obstacle to the free movement of people, goods or services and capital, nor to effectively affect the establishment of residence for people or the location of companies and capital within the Spanish territory, notwithstanding local entities implementing the urban planning of their territory.

Guidelines are also established for the management of such local taxes so that it refers again to a state regulation. More specifically, reference is made to the General Taxation Law, in addition to other laws regulating the matter, as well as to the provisions dictated for their development. As per Article 12.2 of the Consolidated Text of the Law Regulating Local Finances, local entities, through their tax ordinances, may adapt the national regulations to their own organisation and internal operation, but such adaptation may not contravene the material content of said regulations.

After breaking down the general aspects of local taxes, their most significant aspects are detailed individually below.

2.1 PROPERTY TAX

As previously mentioned, based on article 59.1 of the Consolidated Text of the Law Regulating Local Finances, Property Tax is mandatory. This is regulated in Subsection 2 of the aforementioned Consolidated Text of the Law Regulating Local Finances, in articles 60 to 77.

This is a direct tax on the value of real estate, according to article 60 of the Consolidated Text of the Law Regulating Local Finances. In this text there are various exemptions, depending on the purpose of the real estate (education, populated mountains, land, etc.) or by the owning taxable person (State, Autonomous Regions, Spanish Red Cross, Church, etc.). It is allowed in article 62.3 of the Consolidated Text of the Law Regulating Local Finances that the tax ordinances regulate an exemption in favour of the assets of publicly owned health centres, and in any case the regulation of the remaining substantive and formal aspects of this exemption shall be established in the fiscal ordinance.

The tax base is determined based on the cadastral value of the real estate, that will be determined in accordance with the regulations of the Real Estate Cadastre (Royal Legislative

Decree 1/2004, of March 5, which approves the Consolidated Text of the Law of the Real Estate Cadastre).

To this taxable base, the established tax rate is applied, which is determined by local entities in their property tax ordinance, according to article 71 of the Consolidated Text of the Law Regulating Local Finances. Once the full fee has been obtained, the different types of tax relief legally foreseen can be applied, thus obtaining the final fee.

This way, both the tax type and tax relief can be established by the different local entities, within the limits established in the national regulations, allowing therefore a scope for action to fiscally encourage certain actions.

Specifically, as regards the tax type, article 72 of the Consolidated Text of the Law Regulating Local Finances establishes a minimum and supplementary rate, as well as a maximum rate. These tax types may be increased potentially in cases where the municipality meets a number of specific characteristics.

Tax relief can be applied to the resulting full fee, some of which are mandatory and others optional, as shown below:

- **Mandatory tax relief (Article 73 Law Regulating Local Finances):**
 - Real estate that constitute the object of the activity of urbanisation, construction and real estate promotion companies
 - Social housing
 - Rustic property of agricultural cooperatives and community land exploitation
 - Cities in Ceuta and Melilla (Article 159 Law Regulating Local Finances)

- **Optional tax relief (Article 74 Law Regulating Local Finances):**
 - Urban properties located in rural areas of the municipality with a level of services, infrastructures or equipment lower than that in consolidated areas of the municipality
 - Tax relief for properties affected by collective valuation procedures of general nature
 - Real estate of public organisations, research facilities and universities
 - Real estate of the Spanish historical patrimony
 - Real estate where economic activities of special interest are developed
 - Real estate of special characteristics
 - Taxable persons with a large family card
 - Real estate with installations for the thermal or electric use of solar energy
 - Social housing
 - Collaboration with tax collections

It should be pointed out the tax relief relating to real estate with facilities for the thermal or electrical use of solar energy, which is optional and already regulated in article 74.5 of the Consolidated Text of the Law Regulating Local Finances. Specifically, this article states that tax ordinances may regulate a tax relief of up to 50 percent of the full tax rate for real estate in which systems have been installed for the thermal or electrical use of solar energy. Similarly, it is established that the application of this tax relief will be conditioned to the heat production facilities including collectors that have the corresponding approval by the competent Administration. The other substantive and formal aspects of this tax relief shall be regulated in the tax ordinance.

Therefore, a tax relief can be established, with the maximum limit of 50% of the full fee (obtained from applying the tax rate established in the tax ordinances to the tax base), to encourage the installation and use in homes, irrespective of whether they are urban or rustic, of solar or thermal energy systems. It is therefore a measure made available to local entities for the promotion of the implementation and use of renewable energy. Thus, it is possible to approve a tax ordinance in this regard, so that its substantive and formal aspects are regulated.

Likewise, these other types of optional tax relief are established:

a) Article 74.1 of the Consolidated Text of the Law Regulating Local Finances: It allows the ordinances to regulate a tax relief of “up to” 90 percent of the fee in favour of real estate in population settlements singularised due to their connection or prevalence of certain activities and with a level of services or infrastructure lower than other consolidated areas. Since the tax relief is up to 90 percent, nothing prevents the granting of the tax relief from being graded, so that a higher percentage of tax relief is granted to urban real estate in which these circumstances concur and when proof is provided that they consume energy from renewable sources. This is so, on the one hand, because the precept says that it can be regulated (the percentage cannot be determined), and if it can be regulated, it is possible to incorporate differential elements, derived from the listed circumstances and others, as would be the case of the consumption of energy from renewable sources.

b) Article 74.2. of the Consolidated Text of the Law Regulating Local Finances: Allows up to 95 percent of the full fee to be reimbursed for real estate in which certain economic activities are carried out and declared of special interest or municipal utility due to social, cultural circumstances, etc. Undoubtedly, the fight against climate change that encourages the use of energy from renewable sources has a marked municipal utility and justified social circumstances, therefore, the Plenary Council can declare these activities of municipal interest, and only those that use renewable energies. With the tax relief being optional, the ordinance may grade the percentage, applying a higher percentage to activities that use renewable energy, just as it may not apply the tax relief to any.

c) Article 74.3 of the Consolidated Text of the Law Regulating Local Finances: It allows to regulate a tax relief of up to 90 percent of the fee in properties with special characteristics. Again, the optional character and the range from 0 to 90% allow establishing a higher percentage for those properties with special characteristics that use energy from renewable sources.

d) Article 74.4 of the Consolidated Text of the Law Regulating Local Finances: It allows to subsidise up to 90 percent of the real estate fee when the taxpayer has a large family. The ordinance must specify some more aspects. This precept also allows, as optional tax relief, to grade the percentage depending on whether or not renewable energy is consumed. Likewise, and this would apply to the rest of the circumstances referred to in this provision, social, economic circumstances, risk of social exclusion and others are taken into account for the grading of the percentage. Even to exclude some cases.

2.2 TAX ON ECONOMIC ACTIVITIES

The Tax on Economic Activities is also a mandatory tax, according to article 59.1 of the Consolidated Text of the Law Regulating Local Finances. This is regulated in Subsection 3 of the aforementioned Consolidated Text of the Law Regulating Local Finances, in articles 78 to 91.

According to article 78.1 of the Consolidated Text of the Law Regulating Local Finances, it is a direct tax, whose taxable event is constituted by the mere exercise, in national territory, of a business, professional or artistic activities, whether or not they are exercised in a specific place and whether or not they are specified in the tax rates.

Article 85 of the Consolidated Text of the Law Regulating Local Finances establishes the tax rates, which are an exhaustive and detailed list of the different economic activities, carried out in accordance with the national classification of economic activities, which sets the fee assigned to each economic activity or the criteria for its determination. In the settlement scheme of this tax on municipal, provincial or national fees, a weighting coefficient will be applied, in any case, determined depending on the net amount of the turnover of the taxable person.

Some types of tax relief can be applied to the full fee of the tax on economic activities, some of which are mandatory and others optional. In this sense, it should be noted that the mandatory tax relief does not require an agreement or tax ordinance being applicable throughout the national territory. As for the optional tax relief, it is necessary that its application be approved and regulated in the fiscal ordinance, and it can be applied only to the municipal tax rates.

The summary of the tax relief provided for the tax on economic activities is the following:

- Mandatory tax relief (Article 88.1 Law Regulating Local Finances)
 - Cooperatives and their unions, federations and confederations and transformation agricultural societies
 - Start-up of professional activity
 - Rates due in Ceuta or Melilla (article 159 Law Regulating Local Finances)

- Optional tax relief (Article 88.2 Law Regulating Local Finances)
 - Start-up of professional activity
 - Job creation
 - Taxable persons who pay taxes by municipal fee and carry out certain actions respecting or favouring the environment
 - Taxable persons who pay taxes by municipal fee with an income or net business profit negative or lower to that established by the fiscal ordinance
 - Taxable persons who pay taxes by municipal fee and develop economic activities declared of special interest or municipal utility due to social, cultural, historical-artistic or job creation circumstances

Out of these types of tax relief we will focus on the optional type included in article 88.2.c of the Consolidated Text of the Law Regulating Local Finances, where it is specified that a tax relief of up to 50 percent of the full fee may be established for taxpayers who pay taxes by municipal fee and use or produce energy from facilities for the use of renewable energy or cogeneration systems.

To this end, some requirements are established that must be met, as follows:

. The facilities for the use of renewable energies must be contemplated and defined as such in the Plan for the Promotion of Renewable Energies. Equipment and facilities that allow the joint production of electricity and useful thermal energy are considered cogeneration systems.

. Industrial activities are carried out in premises or facilities away from the most populated areas of the municipality.

. A transport plan is established for its workers that aims to reduce energy consumption and emissions caused by travelling to the workplace and to encourage the use of more efficient means of transport, such as collective or shared transport.

This tax relief is compatible with those included in articles 88.1 and 88.2 in paragraphs a) and b) of the Consolidated Text of the Law Regulating Local Finances.

Therefore, it is another measure, which optionally establishes national legislation as a tax relief for a local tax, and which local entities can use to promote renewable energy sources.

Likewise, these other types of optional tax relief are established:

- a) Article 88.2.a) of the Consolidated Text of the Law Regulating Local Finances: It allows to subsidise in the municipal ordinance, up to 50 percent of the fee to those who initiate the exercise of any business activity and pay taxes by municipal fee. The ordinance may contemplate applying this tax relief exclusively or with a higher percentage to those who begin the activity and use renewable energy.
- b) Article 88.2.b) of the Consolidated Text of the Law Regulating Local Finances: It allows to apply up to 50 percent for job creation. Here, in any case, it should be assessed the amount of employment created and whether or not it is permanent, but at the same time it can be incorporated that the activity uses renewable energies or not, as an element to grade the percentage.
- c) Article 88.2.e) of the Consolidated Text of the Law Regulating Local Finances: It provides a tax relief of up to 95 percent of the fee for taxpayers who pay by municipal fee and who develop economic activities declared of special interest or municipal utility due to concurring social, cultural, historical-artistic circumstances or for employment promotion that justify such statement. This declaration will correspond to the Plenary Council, and the tax relief will be regulated by ordinance, as already mentioned for article 74.2 of the Consolidated Text of the Law Regulating Local Finances. Undoubtedly, the fight against climate change that encourages the use of energy from renewable sources has a marked municipal utility and justified social circumstances, therefore, the Plenary Council can declare these activities of municipal interest, and only those that use renewable energy. With the tax relief being optional, the ordinance may grade the percentage, applying a higher percentage to activities that use renewable energy, just as it may not apply the tax relief to any.
- d) Article 88.3. of the Consolidated Text of the Law Regulating Local Finances: It refers to the tax ordinance to specify “the remaining substantive and formal aspects” referred to in all section 2 of this article. This is admitting, therefore, that it is possible to introduce material circumstances to grade the granting of tax relief.
- e) Finally, article 88.3 establishes the possibility of simultaneously applying all types of tax relief. In this sense, it is estimated that the ordinance should establish a maximum for all of them of 95 percent, and in any case should establish requirements to accredit the use of renewable energy. In this regard, we believe that renewable energy contracts with electricity companies must be admitted in any case.

2.3 ROAD TAX

Road Tax is also mandatory, according to article 59.1 of the Consolidated Text of the Law Regulating Local Finances. This is regulated in Subsection 4 of the aforementioned Consolidated Text of the Law Regulating Local Finances, in articles 92 to 99. Additionally, it is developed by regulation in Royal Decree 1576/1989, of December 22, which dictates rules for the application of Road Tax that refer to rates and tax management.

According to article 92.1 of the Consolidated Text of the Law Regulating Local Finances, it is a direct tax on the ownership of vehicles, suitable for driving on public roads, whatever their class and category.

The tax rates that are included in the tax rates are considered minimum fees of Road Tax, to the extent that local entities cannot demand lower fees, although they can be increased by applying coefficients within the established limit in article 95.4 of the Consolidated Text of the Law Regulating Local Finances, this is a maximum of 2%. These minimum fees may be modified by the State General Budget Law. Local entities may set some coefficients for each of the classes of vehicles provided in the tariff schedule set out in article 95.1 of the Consolidated Text of the Law Regulating Local Finances.

Some tax relief foreseen in the Consolidated Text of the Law Regulating Local Finances can be applied to the full Road Tax fee, whether increased or not as per the previous paragraph, so that the final fee is obtained, and the final tax due is adjusted to certain personal circumstances of taxable persons or vehicles.

As in other taxes, some tax relief is mandatory and some is optional, as summarised below:

- Mandatory tax relief (Article 159.2 Law Regulating Local Finances)
 - Rates due in Ceuta or Melilla

- Optional tax relief (Article 95.6 Law Regulating Local Finances)
 - Based on the type of fuel used by vehicles and their incidence on the environment
 - Based on the engine characteristics of vehicles and their incidence on the environment
 - For historical vehicles or those older than 25 years

For this local tax, the national regulations establish more guidelines as to the possibilities of approving tax ordinances that favour the ownership of certain less-polluting vehicles, again optional tax relief. Specifically, the regulations indicate the power to apply the following tax relief that favours green fiscal policies (article 95.4.6 a) and b) of the Consolidated Text of the Law Regulating Local Finances):

. Tax relief of up to 75 percent depending on the type of fuel consumed by the vehicle, based on the incidence of combustion of said fuel on the environment.

. Tax relief of up to 75 percent depending on the characteristics of the vehicles' engines and their impact on the environment.

On the other hand, art. 95.4. c) of the Consolidated Text of the Law Regulating Local Finances allows to carry out a green fiscal policy in the sense of penalising those vehicles that produce greater pollution, since it allows a tax relief of up to 100% to historical vehicles or those that are at least 25 years old. Taking into account that these vehicles, due to their age, would be much more polluting than the current ones, the application of the tax relief should be weighed based on the use of renewable energies and the capacity of the engine to generate less CO₂. Therefore, as it is an optional tax relief, it is possible to approve a penalty for these vehicles that are predictably more polluting.

According to article 95.6 of the Consolidated Text of the Law Regulating Local Finances, the regulation of the remaining substantive and formal aspects of the tax relief must be approved in the Road Tax ordinance.

2.4 TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS

The Tax on Constructions, Installations and Works is optional, according to article 59.2 of the Consolidated Text of the Law Regulating Local Finances and it is an indirect tax whose taxable event is constituted by the realisation of any construction, installation or work for which it is required to obtain the corresponding works license or for which the presentation of a responsible declaration or prior communication is required, provided that the issuance of the licence or the control activity corresponds to the relevant City Council. This is regulated in Subsection 5 of the aforementioned Consolidated Text of the Law Regulating Local Finances, in articles 100 to 103.

According to article 102.1 of the Consolidated Text of the Law Regulating Local Finances, the tax base of this tax is constituted by the real and effective cost of the construction, installation or work, and it is understood as such, in this sense, the cost of its material execution.

Article 103.2 establishes some types of tax relief on the tax rate, which are summarised below:

- Mandatory tax relief (Article 159.2 Law on Local Finances)
 - Rates due in Ceuta or Melilla
- Optional tax relief (Article 103.2 Law on Local Finances)
 - Constructions, installations or works declared of special interest or municipal utility due to social, cultural, historical-artistic or job creation circumstances

- Constructions, installations or works incorporating systems for the thermal or electric use of solar energy
- Constructions, installations or works linked to plans to foster private investment in infrastructures
- Constructions, installations or works related to social housing
- Construction, installation or works facilitating access and habitability conditions for disabled people

According to art. 102.3 of the Consolidated Text of the Law Regulating Local Finances, the applicable fee shall be a maximum of 4 percent on the taxable base and shall be determined by each City Council. This way it is possible to set differentiated types depending on the purpose of the construction, as well as the elements that concur or are proposed for the realisation of the work, so it can be a mechanism to encourage the use of renewable energies in new constructions.

For the purpose of this Handbook we will focus on the tax relief in favour of constructions, installations or works in which systems for the thermal or electrical use of solar energy are incorporated, with a possible tax relief of up to 95 percent. The application of this tax relief will be conditioned to the heat production facilities including collectors that have the corresponding approval by the competent Administration. Again, the possibility of approving this tax relief is established in the national regulations, although the necessary conditions that the taxpayers must meet (Article 103.2.b Consolidated Text of the Law Regulating Local Finances) are also specified.

This tax relief is compatible with the application, in the first place, of the constructions, installations or works that are declared of special interest or municipal utility due to social, cultural, historical artistic or employment promotion circumstances.

Likewise, these other types of optional tax relief are established:

- a) Article 103.2.a) of the Consolidated Text of the Law Regulating Local Finances: It allows a tax relief of up to 95 percent for constructions, installations or works declared of special interest or municipal utility due to social, cultural, historical artistic or employment promotion circumstances that justify such declaration. This declaration will correspond to the Plenary Council, and the tax relief will be regulated by ordinance, as already mentioned for article 74.2 of the Consolidated Text of the Law Regulating Local Finances. Undoubtedly, the fight against climate change that encourages the use of energy from renewable sources has a marked municipal utility and justified social circumstances, therefore, the Plenary Council can declare these activities of municipal interest, and only those that use renewable energy. With the tax relief being optional, the ordinance may grade the percentage, applying a higher percentage to activities that use renewable energy, just as it may not apply the tax relief to any.

- b) Article 103.2.c) of the Consolidated Text of the Law Regulating Local Finances: It allows a tax relief of up to 50 percent for constructions linked to the promotion of private investments in infrastructure. This percentage can be graded depending on whether or not renewable energy is consumed or in what percentage.

In any case, the regulation of the substantive and formal aspects of the type of tax relief and whether they are compatible with each other must be approved through tax ordinances.

In addition, it can be approved as a deduction of the full or subsidised fee of the tax, the amount paid or due by the taxable person as payment for the granting of the urban planning license corresponding to the construction, installation or work in question.

2.5 TAX ON THE INCREASE IN URBAN LAND VALUE

The Tax on the Increase of Urban Land Value is an optional tax, according to article 59.2 of the Consolidated Text of the Law Regulating Local Finances. It is a direct tax on the increase in land value that is evidenced by the transfer of the property by any title or by the constitution or transmission of any real limited property right on the referred lands. This is regulated in Subsection 6 of the aforementioned Consolidated Text of the Law Regulating Local Finances, in articles 104 to 110.

For this type of tax, state regulations do not establish a tax relief specifically related to green fiscal policies. Nevertheless, taking into account the provisions of article 108.5 of the Consolidated Text of the Law Regulating Local Finances, it is possible to approve a tax relief of up to 95 percent of the full fee of the tax, for the transfer of lands, and for the transfer or constitution of real limited property right on lands, where economic activities are developed that are declared of special interest or municipal utility due to social, cultural, historical artistic circumstances or employment promotion that justify such a statement. This declaration must be approved by the Plenary Council, upon request by the taxpayer, through the favourable vote of the simple majority of its members.

Therefore, due to the significant negative consequences of climate change, this tax relief can be applied, to the extent that the activities developed by taxpayers are framed within activities of interest or public utility for the municipality, applying social, cultural or employment promotion criteria.

However, at present the tax has been conditioned by sentences from the Constitutional Court, to the extent that as it is regulated, it taxes or may tax land on which no increase has occurred.

Since this tax provides important revenues, it is foreseeable that a new regulation will be established. In this sense, environmental aspects should be taken into account and, in particular,

strongly benefit the increase in land value, when it is built and its constructions consume energy from renewable sources for their main activities, if such consumption is their own or supplied by legally established companies.

2.6 MUNICIPAL LUXURY TAX

The Municipal Luxury Tax is an optional tax, according to article 59.2 of the Consolidated Text of the Law Regulating Local Finances and is established in its first additional provision. This states that the autonomous regions may establish and demand their own tax on the matter imposed by the Municipal Luxury Tax, in its modality of the use of hunting and fishing grounds. However, the tax established by the autonomous regions under this faculty will be compatible with the municipal tax, although the latter's fee will be deducted from the one established by the autonomous region.

For this type of tax, state regulations do not establish possible tax relief related to green fiscal policies.

2.7 TAX ON THE COLLECTION OF URBAN WASTE AND ON SANITATION SERVICES

According to article 20 of the Consolidated Text of the Law Regulating Local Finances, local entities may establish fees for the private use or special use of the local public domain, as well as for the provision of public services or the performance of administrative activities of local competence that refer to, affect or benefit taxpayers particularly. This Law makes an exhaustive list of the capital benefits that will be considered as taxes.

The establishment and therefore the enforceability of the taxes is completely voluntary. Local authorities may or may not impose fees for the occupation of the public domain and for the services they provide. Therefore, to the extent that the municipality can choose which are the public services or administrative activities that will be taxed, it is configuring the taxable event. In this configuration of the taxable event different circumstances may be taken into account. For example, fees can be set for the use of the public domain in general or for the use of the public domain with facilities that do not use energy from renewable sources while not taxing others; or tax the parking of vehicles that do not use energy from renewable sources while not taxing the rest. As for the activities or services they can tax, for example, only taxi licences when the vehicles consume non-renewable energy, etc.

The power to tax or not, implies the fact that it can be instrumentalised and in that sense the best instrument is the configuration of the taxable event. This configuration must be clear, it must be made even by setting examples in the ordinance and it must also require that the factual situation be clearly configured by the taxpayer.

But not only through the configuration of the taxable event. Also, through the establishment of tariffs it is possible to discriminate based on the greater or lesser potential for the use of energy from renewable sources.

Thus, in the case of fees for the occupation of the public domain, the fee must be established, taking as reference the value that the utility derived from the use of the public domain would have on the market. Article 24.1.a) of the Consolidated Text of the Law Regulating Local Finances establishes that, in general, the amount of fees for private use or special use of the local public domain shall be fixed taking as reference the value that the profit derived from said use would have on the market, if the affected goods were not public domain. To this end, the tax ordinances may indicate in each case, taking into account the specific nature of the private use or special use in question, the criteria and parameters that allow defining the market value of the derived utility. By applying this precept, it is estimated that it is possible to take into account the nature of the activity to be carried out in the occupied public domain and, based on it, assess its use, so that the ordinance can establish elements to evaluate the occupation. These elements may include the use of energy from renewable sources, so that if they are not used, the fee is higher. Obviously, the application of the fee in each case must be backed by a supporting technical report (article 25 Consolidated Text of the Law Regulating Local Finances).

The possibility of establishing these fees is unlimited and, in any case, the list from article 20 of the Consolidated Text of the Law Regulating Local Finances is merely an example.

Article 24.2 of the Consolidated Text of the Law Regulating Local Finances states that the amount of the fees may not exceed the actual or foreseeable cost of the service or activity. However, it could be unprofitable (a deficit that obviously will have to be covered by the budget). Therefore, and in their instrumental nature, as previously stated, fees may be lower for activities of general interest, certainly including those that use energy from renewable sources.

Finally, article 24.4 of the Consolidated Text of the Law Regulating Local Finances allows that in determining the amount of the fees, generic criteria on the economic capacity of the taxpayers can be taken into account. This “permissiveness” is regulated not so much as a tax relief but as a criterion, and it allows for others to be taken into account. It is not about establishing a tax relief but about a better configuration of the taxable event; in this case of article 24.4 through generic capacity criteria, in our case through the use of renewable energy.

The fees for the provision of services do not exclude the imposition of special contributions for their establishment or extension.

In any case, for this type of tax, state regulations do not establish possible tax relief related to green fiscal policies.

2.8 PUBLIC PRICES

Through this figure a tax income can be obtained. The public prices whose taxation is voluntary, as well as the fees, tax the provision of services or the performance of activities, when they do not have the nature of fees, as set forth in article 20 of the Consolidated Text of the Law Regulating Local Finances.

As regards this report, article 44 of the Consolidated Text of the Law Regulating Local Finances clearly allows to take into account the circumstances referred to: the use of energy from renewable sources. This is established in article 44.2: “When there are social, beneficial, cultural or public interest reasons that so advise, the entity may set public prices below the limit provided in the previous section. In these cases, the appropriate provisions to cover the resulting difference, if any, should be included in the budgets of the entity”. The promotion of the use of renewable energy is undoubtedly a clear reason of public interest.

Therefore, it will be enough to establish it in the ordinance to be passed.

2.9 LICENCES

1) *Licences for Public Domain goods*

This is not the place or the time to define and expand on administrative licences. We will refer here only to those related to the public domain and service. In a licence for the use of public domain, its occupation is authorised by the local entity for a specific purpose that may even be the establishment of a private service for the general public, a fee can be charged, what is charged to individuals can be controlled and the activity to be provided can be subsidised.

Here, and after a contradictory file of modification of the licence, where they will have to be taken into account its clauses, the contract legislation and the Regulation of the Local Government Property, it can be “imposed” on the licensee that in the services to the public or in the activity itself energy from renewable sources must be used, since public interest circumstances are involved, such as the progress of global warming. This is empowered by Article 80 of the Regulation of the Local Government Property, which is reproduced below.

In this case, the City Council must compensate the individual, either by granting or increasing the subsidy or by reducing the fee. It could also be done by authorising the increase in rates from individuals.

According to article 80 of the Regulation of Local Government Property:

In any licence on public domain property, the clauses according to which it might be granted will be fixed, and without prejudice to those deemed convenient, they will include:

- 1st. Object of the licence and limits.
- 2nd. Works and facilities that, if applicable, the interested party must carry out.
- 3rd. Term of use, which will be non-extendable, without prejudice to the provisions of the special regulations.
- 4th. Duties and powers of the licensee in relation to the corporation.
- 5th. If through use, private pricing services destined to the public must be provided, governing clauses, with a breakdown of their constituent factors, as the basis for future revisions.
- 6th. If subsidy is granted, type and amount, terms and forms of delivery to the interested party.
- 7th. Canon to pay the local government, which will have the character of a fee, and will entail the duty of the licensee or authorised person to pay the amount of the damages caused to the goods or to the general use or service to which they were destined.
- 8th. Obligation to maintain in good condition the portion of the domain used and, where appropriate, the works built.
- 9th. Reversal or not of the works and facilities at the end of the term.
- 10th. The corporation's power to cease the licence before expiration, if justified circumstances of public interest occur, by means of compensation for the damages caused, or without it when it does not proceed.
- 11th. Granting of the licence, except the right of ownership and without prejudice to a third party.
- 12th. Sanctions in case of slight, serious or very serious infraction of their duties by the interested party.
- 13th. Obligation of the licensee to leave and empty, at the disposal of the administration, within the term, the goods subject to the use and the recognition of the administration's power to agree and execute the eviction."

2) Licences for Public Service goods

In accordance with Article 115 of the Regulation of the Local Government Services: "In any licence of services, the clauses according to which it might be granted will be fixed, deemed convenient and include, at least, the following:

- 1st Service subject to the licence and its characteristics.
- 2nd Works and facilities to be carried out by the licensee and subject to reversal, and works and facilities under its charge, but not included therein.

- 3rd Works and facilities of the corporation whose enjoyment will be delivered to the licensee.
- 4th Term of the licence, according to the characteristics of the service and the investments to be made by the licensee without exceeding fifty years.
- 5th The respective situation of the corporation and the licensee during the term of the licence.
- 6th Fees to be received from the public, with a breakdown of its constituent factors, as the basis for future revisions.
- 7th Type, amount, deadlines and forms of delivery of the subsidy to the licensee, if granted.
- 8th Canon or participation that the licensee must pay the corporation, if applicable.
- 9th Duty of the licensee to keep the works and facilities in good condition.
- 10th Other obligations and reciprocal rights of the corporation and the licensee.
- 11th Relations with users.
- 12th Penalties for breach of licence.
- 13th Transition regime, in the last period of the licence in guarantee of the due reversal or return, where appropriate, of the facilities, goods and material part of the service.
- 14th Cases of resolution and expiration.”

With regard to the modifications, the same should be noted regarding public service licences, according to article 127.1.1^a of the Regulation of the Local Government Services: “The granting corporation will hold, without prejudice to those appropriate, the following powers: 1. Discretionary ordering, as if directly managing the service, the modifications in the public interest and among others: a) the variation in the quality, quantity, time or place of the provisions in which the service consists ; and b) the alteration of the rates charged to the public and in the form of payment of the licensee. ”

Here, in some cases it is the licensee who receives the fees, for example, those from the drinking water supply, and in others it is the City Council itself, as in the case of the rubbish collection service, where the licensee receives a price for the collection, without linking it to the fee.

It should also be noted that the City Council may vary the conditions and may impose, for public interest reasons, that the licensees or providers of these or other services use energy from renewable sources.

As in public domain licences, the City Council, in these cases, must indemnify the provider. And this can be done by charging the increase via tariff or covering it directly.

3) Other services

As authorised by contract legislation, the City Council may impose the use of energy from renewable sources in current contracts, although it must compensate these modifications.

The procedure for the modification of licences and services is the one established in the specifications that govern licences and in the contractual legislation and they include a hearing with the interested parties.

In any case, the most complex thing here is to determine who will bear and how the highest cost implied by the modifications because, the licensee has no obligation to bear it. The procedure will be to transfer it to the users via some tariff, or for the City Council to cover the cost itself. It is possible if included in the specifications, that the licensee can bear the cost, in exchange for an extension of the licence term.

2.10 SPECIAL CONTRIBUTIONS

According to article 20 of the Consolidated Text of the Law Regulating Local Finances, local entities may establish fees for the private use or special use of the local public domain, as well as for the provision of public services or the performance of administrative activities of local competence that refer to, affect or benefit from taxpayers particularly. This Law makes an exhaustive list of the capital benefits that will be considered as special contributions.

In any case, for this type of tax, state regulations do not establish possible tax relief related to green fiscal policies.

2.11 MODIFICATIONS IN FISCAL ORDINANCES FOR THE APPROVAL OF GREEN POLICIES

The range of fiscal policies to promote renewable energy sources that municipalities can implement depends primarily on the legal framework in force in each country, in particular on the municipality's ability to approve new taxes and/ or modify existing ones, as well as modify unilaterally the conditions of the fees and the granting of tax relief.

In general, it should be pointed out that local taxes, in addition to their importance in that they represent an important and significant part of the resources available to municipalities for their operation and budgetary stability, are a very significant element due to the strong impact that they have in citizens, therefore the treatment and regulation of local taxes is not a trivial matter and must be carefully analysed for the implementation of certain measures.

Regarding local taxes, it can be observed that in the national regulations there are several options for the approval of tax relief that encourage the implementation and use of renewable energies, although all of them are optional, so each municipality must regulate the tax relief through the approval of their own fiscal ordinances, both for their application and for their substantive and formal aspects. In addition, in some cases, national regulations establish minimum conditions that must be met by taxable persons and/ or taxable events for their application, so that limits the actions of local entities.

The incorporation of deductions and exemptions in the main municipal ordinances is increasingly considered an essential measure to moderate energy consumption and contribute to the reduction of CO₂ caused by climate change.

Fiscal ordinances are the regulatory norm by which local entities can exercise the powers that state law confers on them in matters of local taxes. The Supreme Court has repeatedly stated that tax ordinances can establish important definitions and requirements of the management and collection procedure.

We can agree that when in our local area it is required that we respect the principle of legality in the regulation of an income that we propose to demand, reference is being made to the approval of a tax ordinance by the competent body and with the procedure determined in the articles 15 to 19 of the Consolidated Text of the Law Regulating Local Finances.

In any case, two important points to be taken into account when obtaining certain flexibility to implement new fiscal policies, in this case with the aim of promoting green policies, should be noted:

1) It is possible not to tax the private use or special exploitation of the public domain even if it occurs effectively and it is not necessary to tax all uses; some uses and some exploitations can be taxed and not others, provided that the utility being taxed is objectively calculated by transparent and proportionate methods, in a non-discriminatory and appropriate way for the intended purpose.

Therefore, the exploitation by a private use or special exploitation of the public domain could be taxed exclusively, when energies from non-renewable sources are used, so those that do use renewable energies would not be taxed. Likewise, the exploitation by taxpayers could be graded according to the greater or lesser consumption of energy from non-renewable sources, resulting in a greater exploitation the more non-renewable energy sources used. These criteria are objective, public and transparent, and also proportionate, non-discriminatory and appropriate for the intended purpose.

2) The taxation and correlatively the management are optional. Also, in the management it is possible to establish criteria and parameters to define the market value and the utility, taking into account the specific nature of the use or exploitation. This way, when taxing the utility produced by each occupation, use or exploitation, it is possible to apply as a criterion or parameter - together with others - to define the utility: whether energy from renewable sources is used or not. Thus, a higher value of the utility or use could be graded, the less energy from renewable sources used in the activity.

This criterion for the determination of the value of the utility or use, is equally objective, public and transparent, proportionate, non-discriminatory and appropriate for the purpose that is intended to grade the utility based on the specific nature of the private use.

Ultimately, the point is to use as a valuation criterion on the exploitation by the taxable person the fact that whoever uses non-renewable energy is taking advantage with greater intensity of public goods and the expenditure made by the City Council to reduce the effects of climate change, than whoever uses energy from renewable sources. In other words, the first emits and expels more greenhouse gases (GHG) to the public domain than the latter, so the exploitation by the former is higher than the exploitation by the latter.

3. GREEN LOCAL FISCAL POLICIES IN THE PILOT MUNICIPALITIES OF THE VALENCIAN REGION

The evaluation carried out in each of the municipalities had the objective of reinforcing a culture of public management orientated to results, learning and evidence-based political decision making. This way, results have been evaluated in order to gather useful information addressed to local politicians and managers to encourage the continuous improvement of the green fiscal public policies implemented.

The municipalities of the Valencian Region included in this pilot experience are:

Province of Alicante

Altea
L'Alfàs del Pi
Callosa d'en Sarrià
Dolores
Muro de Alcoy
Pedreguer

Province of Valencia

Alaquàs
Almussafes
Godella
Quart de Poblet
Xeresa

In these 11 pilot municipalities there have been different levels of application of fiscal policies, since while in some municipalities the approval of modifications of several fiscal ordinances aimed at implementing green policies in their territories has been carried out, in others, for various reasons, no modification of the analysed policies has taken place. Therefore, this chapter identifies, on the one hand, those City Councils that have approved green fiscal policies and have been considered best practices, described in section 3.1, and on the other hand, those City Councils where they have analysed the policies but they have not been applied, described in section 3.2.

3.1 LOCAL FISCAL POLICIES CONSIDERED BEST PRACTICES

3.1.1 CITY COUNCIL OF ALTEA

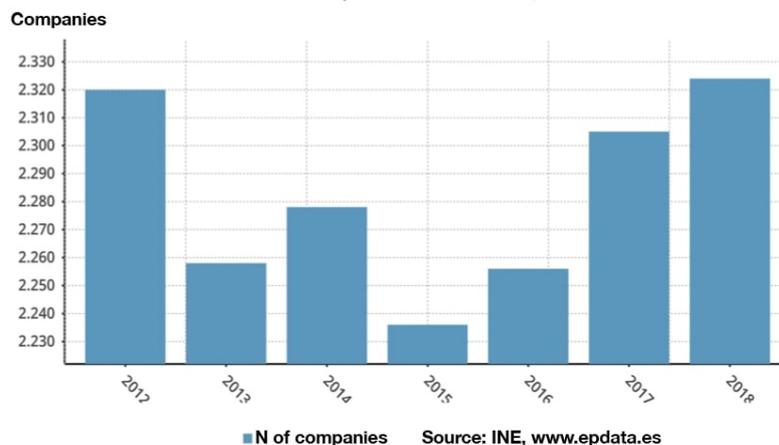
PILOT MUNICIPALITY IDENTIFICATION

Altea is a municipality in the province of Alicante, within the Valencian Region. It is located in the Marina Baja county, on the Mediterranean coast of the Altea bay. According to the latest data from the National Institute of Statistics Altea had 21,813 inhabitants - 10,702 men and 11,111 women - in 2017 (latest with an official registry). And according to data collected by the Epdata portal (<https://www.epdata.es/datos/datos-graficos-estadisticas-municipio/52/altea/907>), in 2018 the population of Altea was 23,532 inhabitants.



Likewise, the number of companies in the municipality has been increasing in recent years, as reflected in the following graph. In 2018, there were 2,324 companies registered in Altea.

Number of companies in Altea.



Altea Village is part of the Douzelage, which is the European twinning plan between various cities in member states of the European Union.

FISCAL POLICIES PROPOSED AND APPROVED BY THE CITY COUNCIL OF ALTEA

The municipality of Altea signed the Covenant of Mayors for Climate and Energy in May 2010. In this sense, the City Council of Altea, as the competent local authority - as stated in its Sustainable Energy Action Plan (SEAP), signed in September 2012- faces the challenge of a 20% decrease in its total CO₂ emissions released in its municipal district by 2020, both in municipal facilities and in the tertiary, private and residential sector . For this challenge, the emissions from 2007 have been taken as a reference. It is estimated that the emission reduction will be 12,953.55 tons of CO₂.

This way, the commitment of the Altea City Council to develop concrete actions and projects that appear therein, as well as the allocation of sufficient resources to carry them out, is reflected in the SEAP. This series of measures agreed at the technical and political level have been announced in the citizen participation process called "Energy Forum".

Thus, Altea, as one of the adhering cities of the Covenant of Mayors has committed to the following:

- To reduce CO₂ emissions by 20% in 2020.
- To prepare a Baseline Emission Inventory, as the basis for the Sustainable Energy Action Plan.
- To present the Sustainable Energy Action Plan within one year of the official signing of the Covenant.
- To adapt the structures of the municipality, including the allocation of sufficient human resources for the development of the necessary actions.
- To mobilise civil society, in the respective territorial areas, to participate in the development of the Action Plan.
- To share experiences and technical knowledge.
- To organise an "Energy Day" or "Covenant of Mayors Day", to publicise the advantages of the smartest use of energy among the citizens and to report on the development of the Action Plan.
- To attend and participate in the EU Mayors Conference.
- To disseminate the Covenant message to encourage other Mayors to join.

From the commitments acquired by the municipality of Altea when signing the Covenant of Mayors, it can be verified that:

- Work is being done on reducing CO2 emissions by 20% by 2020, taking 2007 as a reference.
- A Baseline Emission Inventory has been prepared and is included in the SEAP.
- It currently has a fairly complete SEAP, which was approved in 2014.
- The structures in the municipality are being adapted.
- Civil society was mobilised to participate in the development of the Action Plan.
- Various conferences have been organised to disseminate the most intelligent use of energy among the citizens.
- Participation in the EU Mayors Conference.
- The message of the Covenant has been disseminated to encourage other mayors to join.

Within the framework of the LOCAL4GREEN Project, of which Altea has been a pilot municipality since the beginning of its implementation in 2016, a Municipal Ordinance has been approved in that municipality, specifically the *Fiscal Ordinance Regulating the service provision fee for the granting of licences, authorisations, control and/ or inspection of prior communications and affidavits and other environmental actions*. The final approval agreement for said ordinance was published in the Official Gazette of the Province of Alicante, on August 14, 2018.

The content of the aforementioned Ordinance is detailed below.

1) FISCAL ORDINANCE ON THE FEE FOR SERVICES PROVISION AND LICENCE GRANTING

As set forth in the Fiscal Ordinance Regulating the service provision fee for the granting of licences, authorisations, control and /or inspection of prior communications and affidavits and other environmental actions, specifically in Article 1:

“Using the powers granted by articles 133.2 and 142 of the Spanish Constitution and by article 106 of Law 7/1985, of April 2, regulating the Law on Local Regime, and in accordance with the procedure established in articles 15 to 17 of Royal Legislative Decree 2/2004, of March 5, which approves the Consolidated Text of the Law Regulating Local Finances, the City Council of Altea establishes the service provision fee for the granting of licences, authorisations, control and /or inspection of prior communications and affidavits and other environmental actions, under the following regulations:

- Articles 20 to 27 of the Royal Legislative Decree 2/2004, of March 5, which approves the Consolidated Text of the Law Regulating Local Finances.
- Law 6/2014, of July 25 of the Regional Government, on Prevention, Quality and Environmental Control of Activities in the Valencian Region.
- Law 14/2010, of December 3, on public shows, recreational activities and public establishments.

- Law 12/2012, of December 26, on urgent measures for trade liberalisation and certain services, with the modification incorporated by Law 14/2013, of September 27, on support for entrepreneurs and their internalisation.”

This Fiscal Ordinance includes the following modifications, with respect to the previous Ordinance, which was the Fiscal Ordinance regulating the fee for the granting of opening licences -of the year 1993-, and with respect to the following Ordinances of the year 2013: 1) Tax on constructions, installations and works; 2) Ordinance regulating the fee for occupations of soil, subsoil and airspace on public roads; 3) Tax ordinance regulating the fee for the granting of opening licences; 4) Fee for the granting of licences and other urban development actions; 5) Tax ordinance regulating the fee for granting first occupancy licences.

Article 2 “Taxable event” includes - as established by Law 6/2014 of the Regional Government, on Prevention, Quality and Control of Activities in the Valencian Region - new cases:

b) Environmental Licence (Title III articles 51 and following)

f) Environmental affidavit (Title IV articles 66 and following)

In accordance with Law 14/2010 of December 3 of the Regional Government of Public Shows, Recreational Activities and Public Establishments, and the Regulations for the development of the aforementioned Law, the cases of:

- a) Opening licence by affidavit
- b) Opening licence by authorisation
- c) Change of ownership
- d) Lease or temporary transfer of the activity
- e) Substantial modification
- f) Shows or activities held on public roads or outdoors
- g) Opening licence for temporary, portable and removable installations

And finally, according to Law 12/2012 on urgent measures for trade liberalisation and certain services, it includes:

- a) Affidavit of trade / services.
- b) Change of ownership for trade and service activities.

Article 3 of the new Ordinance includes the definition of taxpayers, who are natural or legal persons, as well as the entities -indicated in General Tax Law 58/2003 - that request or benefit from the services provided by the City Council.

In addition, the new Ordinance - unlike previous ordinances – includes in Article 7 the Environmental Licence and the Environmental Affidavit:

7.2.- Environmental Licence: public and private activities included in the Annex Law 6/2014 on Prevention, Quality and Environmental Control of Activities in the Valencian Region.

Depending on the area where the activity takes place, the payable tax rate can range between 300 euros and 1,200 euros.

7.5.- Environmental affidavit. For activities that are not subject to the integrated environmental authorisation or environmental licence regime and that cannot be considered harmless because they do not meet any of the conditions established in Annex III of Law 6/2014.

7.6.- Activities subject to communication of innocuous activities/ Affidavit for trade/ services. These are activities that have no environmental impact, considered as such those that meet the conditions established in Annex III of Law 6/2014.

Likewise, the new Ordinance includes the change of ownership (in article 7.9) not contemplated in the previous licence. The fee for communication of change of ownership of the licence will be 50% of the fee established for the activity object of the change of ownership, described in sections 7.2, 7.5, 7.6 (cited above), 7.7 (Activities subject to affidavit for public performances, recreational activities and public establishments) or 7.8 (Activities subject to opening licence by authorisation), as applicable.

IMPACT OF THE MEASURES

Since the beginning of the LOCAL4GREEN Project, in Altea a measure has been approved, namely the *Fiscal Ordinance Regulating the service provision fee for the granting of licences, authorisations, control and/ or inspection of prior communications and affidavits and other environmental actions.*

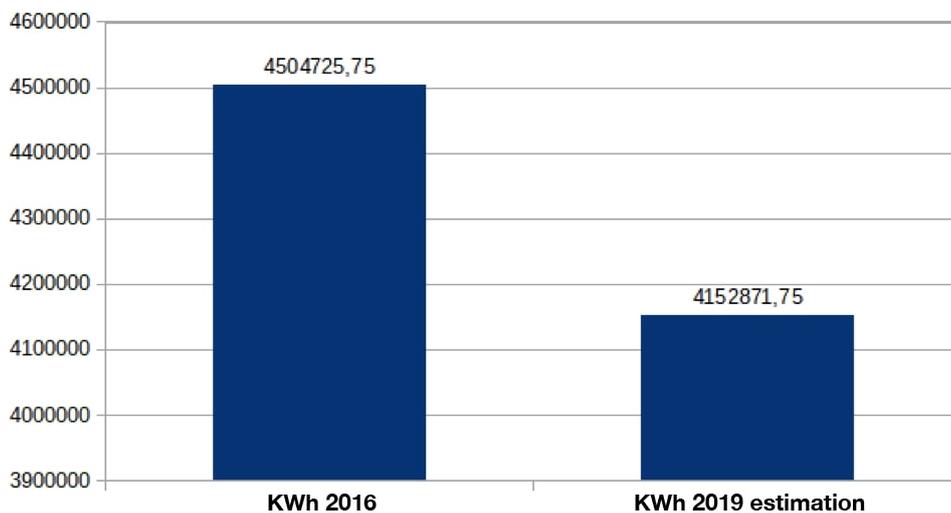
The aforementioned Fiscal Ordinance was approved in August 2018, and is currently being implemented by the local authority. However, due to the short time elapsed since its approval, it is impossible to quantify and measure the degree of progress of the mechanisms being developed by the municipality of Altea.

There are no values or quantitative data so, in order to calculate the impact, a series of estimates have been elaborated for the fiscal policy approved in Altea regarding the introduction of renewable energy sources and, therefore, in terms of reducing CO2 emissions.

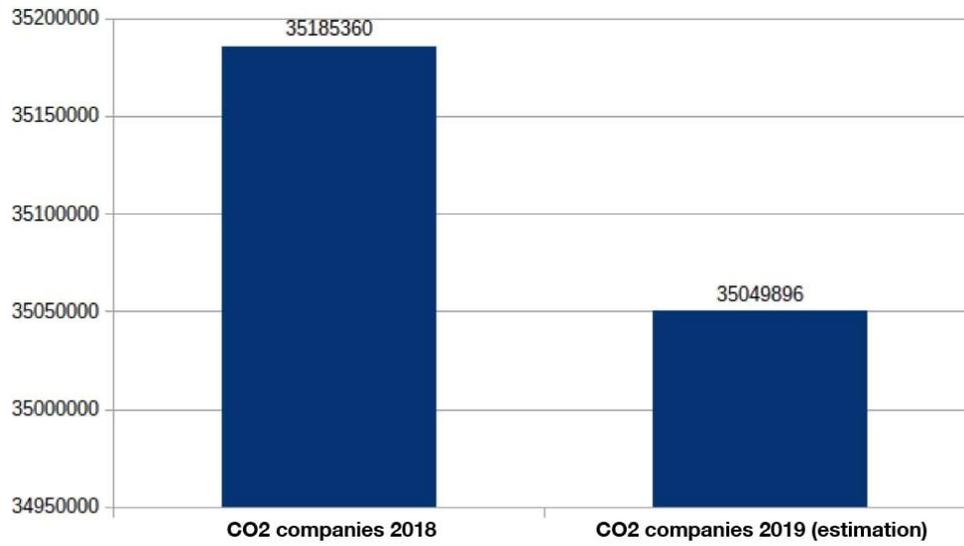
Taking into account that with the new Ordinance approved in Altea – unlike in previous ordinances - Article 7 includes the Environmental Licence and the Environmental Affidavit, a calculation has been made based on the assumption that 1% of the registered companies in Altea in the year 2018 would take advantage of the new Ordinance during the year 2019 and enjoy a 50% tax relief on the Tax on Economic Activities for promoting clean and renewable energies. This would mean that out of the 2,324 companies registered in Altea in 2018, a total of 23 companies - which corresponds to 1% - would be converted to generate renewable energy.

Following the logic of this estimate, this would mean that 23 Altea companies were converted to the use of renewable energy and, this way, reduced their pollution and CO2 emissions. According to the calculations made, 351,854 Kwh would become renewable, and 135,464 kg CO2 eq would no longer be emitted every year.

Estimated kWh reduction for 2019 with the conversion of companies to renewable energy in Altea



Reduction of estimated kg of CO2 eq for 2019 with the conversion of companies to renewable energy in Altea



3.1.2 CITY COUNCIL OF DOLORES

PILOT MUNICIPALITY IDENTIFICATION

Dolores is a municipality in the Valencian Region, Spain, located south of the province of Alicante in El Baix Segura county. It has 7,383 inhabitants (Natural Institute of Statistics 2018).

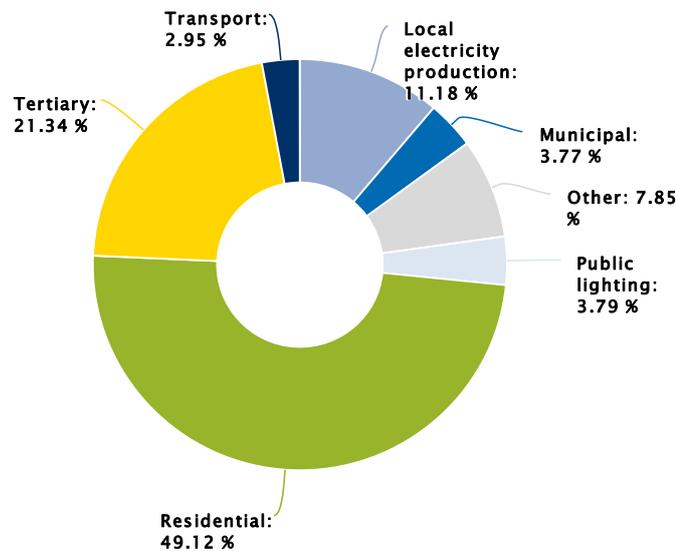
Its geographic location, both in Spain and the Valencian Region is the following:



The main economic activities of this town are services and construction. The development of new urban plans will allow the expansion and future growth of the municipality. Traditional activities, such as irrigated agriculture and footwear industry, are in decline due to low prices, lack of water for irrigation, and foreign competition.

PROPOSED AND APPROVED FISCAL POLICIES BY THE CITY COUNCIL OF DOLORES

The Dolores City Council adhered to the Covenant of Mayors on April 15, 2010, and its Sustainable Energy Action Plan (SEAP) was approved in December 2011. Its objective is to reduce CO₂ emissions by 20% for 2020, estimating a total reduction of 2,203.85 tons of CO₂. The following graph reflects the estimated reduction by sectors:



Source: Covenant of Mayors

In 2018, it renewed its commitment by joining the Covenant of Mayors for Climate and Energy, which implies the commitment to “take action to support the implementation of the European objective of reducing greenhouse gases by 40% by 2030 and the adoption of a common approach to promote mitigation and adaptation to climate change”.

Along these lines, the City Council started in 2018 the development of a Sustainable Urban Mobility Plan, with the support of European funds from the ERDF Operational Programme of the Valencian Region 2014-2020. The Sustainable Urban Mobility Plan is a strategic planning tool, at the municipal level, whose main objective is to improve urban and metropolitan mobility based on sustainability criteria. With this tool, the City Council will contribute to the fulfilment of the objectives set by the Covenant of Mayors for Climate and Energy.

Within the scope of the LOCAL4GREEN Project, the City Council undertook to participate as a pilot municipality in the Project from its inception, with the aim of designing and implementing fiscal policies that promote the use of renewable energy. After the study of the initial situation of the municipality, both of existing ordinances and the income chapter of the budget of its City Council, several meetings and conversations were held, and the Project finally put forward two proposals to initiate the approval process by the Plenary Council. Specifically, the implementation of green tax relief in the following Fiscal Ordinances was considered:

- FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTION, INSTALLATIONS AND WORKS
- FISCAL ORDINANCE REGULATING THE ROAD TAX

The current status of the proposals submitted to the Dolores City Council is detailed below.

1) FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS

After announcing the approval of the proposed modification of the fiscal ordinance regulating the Tax on Construction, Installations and Works in the Official Gazette of the Province of Alicante (BOP) nº 227, dated November 28, 2018, and after the end of the public information period, its final publication took place in the Official Gazette of the Province of Alicante (BOP) nº 12, dated January 17, 2019.

This ordinance was approved in an extraordinary session by the Plenary Council of Dolores held on November 16, 2018, and after following the procedure established in the Law Regulating Local Finances, it entered into force the day after its final publication.

It establishes, in terms of green policy incentives, the following tax benefits, which are incompatible with each other and only one of them can be applied:

- A 90% tax relief for constructions, installations or works that consist of the installation of systems for the thermal or electrical use of solar energy, as well as other renewable energy sources.

The application of this tax relief has the condition that heat production facilities include collectors with the corresponding approval from the competent Administration. This tax relief will not be granted when the installation of these solar energy use systems is mandatory according to the specific regulations on the matter.

- A 90% tax relief for constructions, installations or works to be carried out in existing buildings that promote energy eco-efficiency and sustainability, meeting the demands of a better quality of life and environmental, social and economic sustainability; other possible actions include the implementation or replacement of heating installations, insulation, changes of exterior carpentry, etc.

The granting of this tax relief will be conditioned to compliance with the above requirements duly accredited by providing the technical project or technical report, the assembly certificate, or where appropriate, the installation certificate duly completed by the authorised body. In both cases, an energy efficiency certificate duly registered with the Valencian Institute for Entrepreneurial Competitiveness (IVACE) or the body that replaces it must be provided.

This tax relief is applied to the fee corresponding to the constructions, installations and works strictly destined for said purpose. To benefit from the tax relief, a budget breakdown must be provided by the interested party in which the cost of the relevant construction, installation or work is reasonably determined.

2) FISCAL ORDINANCE REGULATING THE ROAD TAX

The final approval of the modification of the fiscal ordinance regulating the Road Tax, published in the Official Gazette of the Province of Alicante (BOP) No. 229, dated November 30, 2018, has been announced.

According to the provisions of article 17.4 of the Law Regulating Local Finances, the modification of the fiscal ordinance was published in full. This amendment was approved by the Plenary Council of Dolores on October 4, 2018 and published in the Official Gazette of the Province of Alicante (BOP) No. 196 for public information on October 15, 2018. No allegations or claims were received during the public exhibition period, so its approval is final, as established in Article 17.3 of the Law Regulating Local Finances.

The ordinance entered into force on January 1, 2019 and it establishes the following tax benefits:

1.- Based on the characteristics of the engines of the vehicles, the kind of fuel they use and their impact on the environment:

Engine characteristics	Tax relief %	Tax relief term
Hybrid vehicles (electric-petrol or electric-gas engine) factory approved, incorporating catalytic devices, appropriate to their class and model that minimise polluting emissions	50,00%	4 calendar years from the 1st registration
Electric engine vehicles and/ or zero emissions	75,00%	Unlimited

Vehicles that meet the above characteristics and are affiliated to municipal public services, will have a 50% tax relief while they are affiliated to said services. This tax relief is compatible with the one described in the table above, so it can be applied simultaneously. In any case, the limit is established that when, as a result of these tax benefits, a fee is lower than the one corresponding to a quarter, the tax rate is automatically increased to the amount thereof.

For the application of this tax relief, the following management rules are established:

. In the case of vehicles already registered, once the fiscal ordinance has entered into force, said tax relief may be enjoyed in the current year, upon previous request before the end of the voluntary payment period of the corresponding Fiscal Register. After said period the right will be lost and the tax relief will be applied starting the following year.

. In the case of newly registered vehicles, it must be expressly requested, due to the nature of the tax relief, within a maximum period of one month from the day after the registration of the vehicle, and after that period the right to enjoy the tax relief will be lost, and will take effect the following year.

In any case, to benefit from said tax benefits, it is necessary to present, together with the application for tax relief, a photocopy of the vehicle registration certificate and its technical information.

The advisory service by the external experts of the Project provided to the City of Dolores, in addition to the periodic meetings held, was carried out by email (sending relevant documentation) and by telephone (resolving enquiries).

Within the legal and economic advice, the different ordinances proposed for approval were studied, mainly the fulfilment and analysis of the regulations related to the Law on Local Finances, as well as the economic analysis of the implementation of new ordinances compared to existing ones.

IMPACT OF THE MEASURES

Although the ordinances are in force since 2019, the evaluation of their economic impact in the City Council of Dolores, for example, in the income chapter of the annual budget, is not yet quantifiable, since the tax period when they are paid has not finished yet.

Regarding the impact in terms of raising awareness about the use of renewable energies, there are no statistics on their request by citizens, but the City Council, taking into account the experience in other measures applied, has positive expectations for the next years.

With regard to the impact on the environment, projections have been made, based on the calculation system developed by the Local Authorities Development Agency of Eastern Thessaloniki, ANATOLIKI, partner of the LOCAL4GREEN Project in Greece. Based on this calculation system, the annual impacts for each of the approved ordinances have been estimated, as detailed in the following sections.

Fiscal Ordinance regulating the Tax on Constructions, Installations and Works

Based on data from the number of households in March 2018 (4,430), and a forecast that 0.5% of homes will benefit from the available tax relief (22), together with the number of companies in 2018 in the municipality (516), and a forecast that 0.5% of these benefit from the proposed tax relief (3), it is estimated that:

- the amount of KWh that will become renewable energy is 105,980 KWh (83,270 KWh in homes and 22,710 KWh in companies), and
- The total kg of CO2 that will not be emitted each year amounts to 40,802 kg (32,059 kg in homes and 8,743 kg in companies).

Fiscal Ordinance regulating the Road Tax

From the data of the average consumption of combustion engine vehicles, in parallel with the average consumption of an electric vehicle, and for a forecast that 2% of cars (out of a total of 4,060) will benefit from the proposed tax relief (81) it is estimated that the amount of t/ km of CO2 that will not be emitted is 81.

Total yearly impact

Based on the above, the total impact, in terms of KWh that are generated from renewable energy and of kg of CO2 no longer emitted, amounts to:

Description	Effect
KWh that become renewable	105.980,00
Kg of CO2 no longer emitted each year	121.802,00

3.1.3 CITY COUNCIL OF PEDREGUER

PILOT MUNICIPALITY IDENTIFICATION

Pedreguer is a municipality of the Valencian Region, Spain. Set 85 metres above sea level and close to the Mediterranean coast, it is located in the northeast of the province of Alicante, in La Marina Alta county. It has 7,490 inhabitants (National Institute of Statistics, 2018).

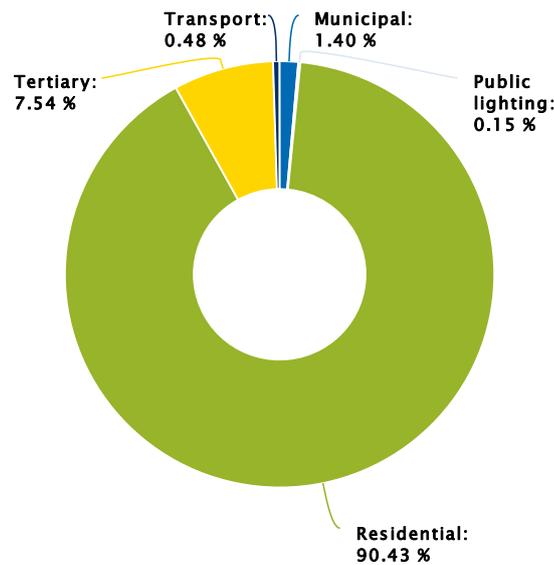
Its geographic location, both in Spain and the Valencian Region is the following:



Its industrial sector is small, although there is a large international company that makes shopping trolleys and there is a certain minor influence from rural tourism.

PROPOSED AND APPROVED FISCAL POLICIES BY THE CITY COUNCIL OF PEDREGUER

The Pedreguer City Council signed the Covenant of Mayors on March 26, 2010, and in November 2011 approved its Sustainable Energy Action Plan (SEAP) with the aim of reducing CO2 emissions by 2020 by 36%, which represents an estimated reduction of 16,829.41 tons of CO2. The following graph reflects the estimated reduction by sectors:



Source: Covenant of Mayors

In line with sustainable energy, the City Council has carried out a series of measures to promote energy efficiency, including:

- The installation of an electric vehicle charging point and the acquisition of green vehicles.
- The replacement of light fittings with LEDs in roads and public buildings.
- The execution of an energy audit and the implementation of free software that enables energy accounting.

The implementation of these measures in addition to improving environmental protection has contributed to the achievement of economic savings in energy consumption.

Within the scope of the LOCAL4GREEN Project, the City Council undertook to participate as a pilot municipality in the Project from its inception, with the aim of designing and implementing fiscal policies that promote the use of renewable energy. After the study of the initial situation of the municipality, both of existing ordinances and the income chapter of the budget of its City Council, several meetings and conversations were held. The project finally put forward four proposals to initiate the approval process by the Plenary Council. Specifically, the implementation of tax reliefs was proposed within the Green Fiscal Policies programme, in terms of measures:

- FISCAL ORDINANCE REGULATING PROPERTY TAX
- FISCAL ORDINANCE REGULATING THE ROAD TAX

- FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS
- FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

The current status of the proposals submitted to the Pedreguer City Council is detailed below.

1) FISCAL ORDINANCE REGULATING THE PROPERTY TAX

The Pedreguer City Council, after the announcement of the approval of the proposed amendment of the tax ordinance regulating the Property Tax in the Official Gazette of the Province of Alicante (BOP) No. 209, dated November 2, 2018, published as of December 20, 2018 its final approval in the Official Gazette of the Province of Alicante (BOP) No. 242.

This ordinance was approved in extraordinary session by the Plenary Council of Pedreguer held on October 29, 2018, and following the procedure established in the Law on Local Finances, it entered into force.

The ordinance entered into force on January 1, 2019 and it establishes a maximum tax relief of 50% in the tax rate during the 3 tax periods following completion of the installation of systems of thermal or electrical use of solar energy, and 25% in the following 2 tax periods. This tax relief is applied based on the cadastral value of the property, according to a fixed table, and if the following conditions are met:

- That they are residential properties
- That they have a minimum usable surface of solar collection of 4 m² or a minimum installed power of 1.5 kW per 100 m² of constructed area
- That the installation of the energy system in the home is not established as mandatory in the construction regulations (according to the Technical Building Code)

The set cadastral value table is the following:

Cadastral value of the property		Tax relief	
From	To	First 3 years	Following 2 years
0,00	75.000,00	50,00%	25,00%
75.000,01	110.000,00	40,00%	20,00%
110.000,01	130.000,00	30,00%	15,00%
130.000,01	150.000,00	20,00%	10,00%
150.000,01		10,00%	5,00%

This tax relief has the following limits:

- It can only be applied to a maximum of two homes per owner.
- Its granting will be conditioned to compliance with the above requirements duly accredited by providing the technical project or technical report, the assembly certificate, or where appropriate, the installation certificate duly completed by the authorised body.
- The tax relief request must be made every year.

The granting of this tax relief is not incompatible with other tax benefits, with a total maximum of 90% of the full tax rate.

2) FISCAL ORDINANCE REGULATING THE ROAD TAX

The final approval of the modification of the fiscal ordinance regulating the Road Tax, published in the Official Gazette of the Province of Alicante (BOP) No. 229, dated November 30, 2018, has According to the provisions of article 17.4 of the Law Regulating Local Finances, the modification of the fiscal ordinance was published in full. This amendment was approved by the Plenary Council of Pedreguer on October 4, 2018 and published in the Official Gazette of the Province of Alicante (BOP) for public information. No allegations or claims have been received during the public exhibition period, so its approval is final, as established in Article 17.3 of the Law Regulating Local Finances.

The ordinance entered into force on January 1, 2019 and it establishes the following tax reliefs:

1.- Tax fee relief, based on the characteristics of the engine of the vehicles and their impact on the environment, for holders of new registration vehicles according to the following table:

Emissions gr/Km of CO2	Term and % of tax relief		
	1st Year	2nd Year	3rd Year
≤ 100 gr/Km	10,00%	10,00%	10,00%
> 100 gr/Km and up to 120 gr/Km	7,50%	7,50%	7,50%

For the application of this tax relief it is necessary to provide a certified copy of the vehicle's technical information, in order to check the CO2 emissions in grams per kilometre.

2.- Tax relief based on the type of fuel used by the vehicle, according to the incidence of combustion of such fuel in the environment, as well as the characteristics of the energy used for the operation of the engines.

For these cases a tax relief is established in the tax rate for vehicle owners based on the following table:

Type of fuel	Tax relief term and percentage				
	1st Year	2nd Year	3rd Year	4th Year	5th Year
Electric fuel battery vehicles or zero direct emissions	75,00%	75,00%	75,00%	75,00%	75,00%
Bimodal or hybrid vehicles factory approved	50,00%	50,00%	50,00%	-	-

These benefits, limited in time, will be established per calendar year from the date of the first registration and for their granting, the application must be accompanied by the certified copy of the vehicle's technical information or the MOT certificate.

The fiscal ordinance also determines that these two benefits are not compatible, so they cannot be applied simultaneously.

3) FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS

The final approval of the fiscal ordinance regulating the Tax on Constructions, Installations and Works published in the Official Gazette of the Province of Alicante nº 131, dated July 11, 2018, has been announced.

According to the provisions of article 17.4 of the Law Regulating Local Finances, the modification of the fiscal ordinance was published in full. This amendment was approved by the Plenary Council of Pedreguer on March 29, 2018 and published in the Official Gazette of the Province of Alicante (BOP) for public information. No allegations or claims were received during the public exhibition period, so its approval is final, as established in Article 17.3 of the Law Regulating Local Finances.

The ordinance entered into force on January 1, 2019 and it establishes a 95% tax relief in the fee for constructions, installations or works consisting of the installation of systems for the thermal or electrical use of solar energy, specifically:

- Installations for the production of heat that include collectors with the corresponding approval from the competent administration.
- This tax relief will not be applicable when the specific regulations on the matter need the installation of these solar energy use systems.

The granting of this tax will be conditioned to providing the following supporting documentation:

- Technical project or technical report.
- Assembly certificate.
- Installation certificate.

Likewise, the interested party must provide a budget breakdown in which the cost of the relevant construction, installation or work is reasonably determined. This tax relief will be applied exclusively to the fee corresponding to the constructions, installations and works strictly intended for this purpose.

4) FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

The Pedreguer City Council has first announced the approval of this proposal to modify the fiscal ordinance regulating the Tax on Economic Activities in the Official Gazette of the Province of Alicante (BOP) No. 209, dated November 2, 2018. This announcement is the previous step for the final publication and subsequent entry into force, as established in Royal Legislative Decree 2/2004, of March 5, which approves the Consolidated Text of the Law on Local Finances.

This ordinance was approved in an extraordinary session of the Plenary Council of Pedreguer held on October 29, 2018 and its final approval has been announced, which was published in the Official Gazette of Alicante No. 242, dated December 20, 2018, with a subsequent modification that was published the next day in the Official Gazette of Alicante No. 243.

The ordinance entered into force on January 1, 2019 and it establishes a tax relief, during the first 5 years, of 50% in the corresponding fee for taxpayers who pay the municipal fee and who produce or use, for the development of their activities, energy obtained in facilities for the use of renewable energy (whether wind, solar, from biomass, etc.) or from cogeneration systems. To this end, the condition is established that the production is carried out in facilities located in the municipality and that devote the energy obtained to activities carried out in the municipality.

IMPACT OF THE MEASURES

Although the ordinances are in force since 2019, the evaluation of their economic impact in the City Council of Pedreguer, for example, in the income chapter of the annual budget, is not yet quantifiable, since the tax period when they are paid has not finished yet.

Regarding the impact in terms of raising awareness about the use of renewable energies, there are no statistics on their request by citizens, but the City Council, taking into account the experience in other measures applied, and with the objective of minimising environmental impact in the town and raising public awareness, has positive expectations for the next years.

With regard to the impact on the environment, projections have been made, based on the calculation system developed by the Local Authorities Development Agency of Eastern Thessaloniki, ANATOLIKI, partner of the LOCAL4GREEN Project in Greece. Based on this calculation system, the annual impacts for each of the approved ordinances have been estimated, as detailed in the following sections.

Fiscal ordinance regulating the Property Tax

Based on data on the number of households in 2017 (4,807), and a forecast that 1% of homes will benefit from the proposed tax relief (48), it is estimated that:

- the amount of KWh that will become renewable energy is 175,200 KWh, and
- the total kg of CO₂ that will no longer be emitted each year amounts to 67,452 kg.

Fiscal ordinance regulating the Road Tax

From the data on the average consumption of combustion engine vehicles, in parallel with the average consumption of an electric vehicle, and for a forecast that 2% of cars (out of a total of 4,891) will benefit from the proposed tax relief (98) it is estimated that the amount of t/ km of CO₂ that will no longer be emitted is 98.

Fiscal ordinance regulating the Tax on Constructions, Installations and Works

Based on data from the number of households in 2017 (4.807), and a forecast that 0.5% of homes will benefit from the available tax relief (24), together with the number of companies in 2018 in the municipality (699), and a forecast that 0.5% of these benefit from the proposed tax relief (3), it is estimated that:

- the amount of KWh that will become renewable energy is 113,550 KWh (90,840 KWh in homes and 22,710 KWh in companies), and
- the total kg of CO₂ that will not be emitted each year amounts to 43,717 kg (34,973 kg in homes and 8,743 kg in companies).

Fiscal ordinance regulating the Tax on Economic Activities

From the data of the number of companies in 2018 in the municipality (699), and a forecast that 1% of these will benefit from the proposed tax relief (7), it is estimated that:

- the amount of KWh that will become renewable energy is 105,980 KWh, and
- the total kg of CO2 that will not be emitted each year amounts to 40,802 kg.

Total yearly impact

Based on the above, the total impact, in terms of KWh that are generated from renewable energy and of kg of CO2 no longer emitted, amounts to:

Description	Effect
KWh that become renewable	394.730,00
Kg of CO2 no longer emitted each year	249.971,00

3.1.4 MUNICIPALITY OF QUART DE POBLET

PILOT MUNICIPALITY IDENTIFICATION

Quart de Poblet is part of L’Horta Sud county, with 24,491 inhabitants (11,963 men and 12,528 women), according to the Municipal Register of 2017, with an area of 19.64 km². The municipality borders the towns of Aldaia, Chirivella, Chiva, Manises, Mislata, Paterna, Ribarroja del Turia and Valencia. And it is located a few kilometres from the city of Valencia (5 km).



FISCAL POLICIES PROPOSED AND APPROVED BY THE CITY COUNCIL OF QUART DE POBLET

The municipality of Quart de Poblet signed the Covenant of Mayors for Climate and Energy on April 26, 2016. In this regard, the City Council has been showing in recent years a great awareness on renewable energy and environmental protection. It has stood out for its initiative in the implementation of Sustainable Urban Mobility Plans, whose purpose is to promote mobility within the framework of the greatest possible respect for safety, energy resources, quality of the urban area and the environment.

In line with raising awareness about the fight against climate change, the City Council of Quart de Poblet presented the Integrated Sustainable Urban Development Strategy (<http://feder-edusi.quartdepoblet.es/>) to the call published in the Order HAP / 2427/2015, of November 13, and was selected as one of the Strategies that are being co-financed through the ERDF Operational Programme for sustainable growth 2014-2020. The Integrated Sustainable Urban Development Strategy intends to turn Quart de Poblet into a city with low carbon emissions through the use of renewable energy, greater and better use of public transport and the limitation of private transport in the urban centre, favouring non-motorised travel.

At the moment, the City Council is considering how to introduce tax regulations, incentives, tax relief and other measures that lead taxable persons to use energy from renewable sources in their activities, to the detriment of non-renewable sources, thus contributing to reducing greenhouse effect gases (GHG). With this action, in addition, the City Council is aligned with European policies to reduce emissions, coherently, among other community initiatives, with the Covenant of Mayors for Climate and Energy, which implies the commitment to reduce CO2 emissions by at least 40% by 2030 and adopt a comprehensive approach to address climate change mitigation and adaptation.

Within the framework of the LOCAL4GREEN Project, in which Quart de Poblet has been a pilot municipality since the beginning of its execution in 2016, the partial modification of the following Fiscal Ordinances was submitted to the Plenary Council for approval, after providing the necessary legal and economic reports:

- FISCAL ORDINANCE REGULATING PROPERTY TAX
- FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES
- FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS
- FISCAL ORDINANCE REGULATING TAX ON THE INCREASE IN URBAN LAND VALUE

In the Plenary Council of October 30, 2018, it was agreed to provisionally approve the modification of the aforementioned Fiscal Ordinances, an agreement that was published in the Official Gazette of the province of Valencia on November 12, 2018. After a public exhibition period of 30 days, with no allegations or claims, the agreement was made final and published by means of an edict in the Official Gazette of the province of Valencia on December 31, 2018, according to which the Ordinances and their modifications entered into force on January 1, 2019.

The green fiscal policy proposals presented and approved by the City Council of Quart de Poblet are collected below as a summary of their complete content published in the Official Gazette of the province of Valencia on December 31, 2018.

1) FISCAL ORDINANCE REGULATING PROPERTY TAX

Modification of article 6, on tax relief, adding the fourth section, in the following terms:

4. TAX RELIEF FOR REAL ESTATE PROPERTIES WHERE ECONOMIC ACTIVITIES USING ENERGIES FROM RENEWABLE SOURCES ARE DEVELOPED.

Under the provisions of article 74 of the Consolidated Text of the Law Regulating Local Finances, a 5% tax relief is established (in 2019) on the full tax rate in favour of real estate in which economic activities are developed that are declared of special interest or municipal utility for

attending social, cultural, historical artistic or employment promotion circumstances that justify such declaration. And a 60% tax relief is applied to homes for social rent (in 2018). It must be requested by the taxpayer and said declaration will correspond to the Plenary Council.

For the purposes set forth in this section, and without prejudice to what the Plenary Council resolves in each case, circumstances that justify the declaration of interest or public utility that the activity uses energy from renewable sources are considered.

It is understood that energies from renewable sources are used, when the supply of electrical energy or other renewable energies has been contracted for all the activity declared of interest with an energy supply entity of this nature, or the renewable energy is generated by the owner himself in the amount allowed by the ordinary technique to meet the normal consumption of the activity.

The application must be accompanied by accreditation of signing the corresponding contract for the supply of electrical energy or other energy from renewable sources and, if it is generated by the owner himself, accreditation of its installation, as well as the generated power subscribed by the installer or other competent technician. Likewise, authorisation must be provided to obtain information about the signed contract from the supplying company. Once the interest or utility is declared, it will remain valid for the following 5 years.

2) FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

FIRST. - Modification of article 3, paragraph 2, adding section 2.2 in the following terms:

2.2. A tax relief of 5% of the corresponding fee for taxpayers who pay taxes by municipal fees and who have increased the average of their workforce with permanent contracts during the tax period immediately prior to the application of the tax relief in relation to the previous period.

The tax relief will be 10%, when the economic activity also uses energy from renewable sources for its operation under the terms established in this regulation.

The tax relief in this section may not exceed in any case the total amount of 2,000.00 euros.

SECOND. - Modification of article 3, section 2, point 2, which becomes section 2.3, in the following terms:

2.3.- A tax relief of the corresponding fee for taxpayers who pay taxes by municipal fees and who use or produce energy from facilities for the use of renewable energy or cogeneration systems, of 50% during the tax period following the implementation of facilities for the use of renewable energy and 5% during the following years, provided that the circumstances that motivated its granting are maintained.

For these purposes, facilities for the use of renewable energy will be those contemplated and defined as such in the Plan for the Promotion of Renewable Energies. Equipment and facilities that allow the joint production of electricity and useful thermal energy will be considered cogeneration systems.

The granting of the tax relief will not apply when the installation for the systems of thermal or electrical use of solar energy is obligatory in accordance with the specific regulations in the matter.

For the purposes set out in this section, it is considered that energies from renewable sources are used, in addition to when the aforementioned facilities are available, when a contract for the supply of renewable energy with a supply company has been signed, in the terms, form of accreditation and conditions established below, in which case the tax relief will be 5%, as long as the circumstances that motivated its granting are maintained.

THIRD. - Modification of article 3, paragraph 2, adding section 2.4 in the following terms:

2.4. A tax relief of 5% for taxpayers who pay by municipal fee when they establish a transport plan for workers aiming to reduce energy consumption and emissions caused by travel to the workplace and to promote the use of the most efficient means of transport such as collective or shared transport.

This tax relief will be applied to companies that prove having their own collective means of transport that use electric power, when used regularly by half their workforce and at least 25 people. When the means of transport is hybrid by consuming electrical energy and fossil fuels, the tax relief will be 2.5%.

FOURTH. - Modification of article 3, paragraph 3 in the following terms:

For the purposes set out in the previous sections, it is understood that energies from renewable sources are used, when the supply of electric energy or other renewable energies has been contracted for the corresponding activity, with an energy supply entity of this nature or when renewable energy is generated by the owner himself in the amount allowed by the ordinary technique to meet the normal consumption of the activity.

The types of tax relief regulated in section 2 of this article are compatible with each other, with the exception of that provided in section 2.1, which will exclude, during its term, the granting of the remaining ones; and they will be applied, as the case may be, in the order in which they are listed in the aforementioned provision, successively reducing the full tax rate.

3) FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS

Modification of article 4, SECOND section, and addition of section D, in the following terms:

SECOND. - Under the provisions of Article 103.2.a) of RDL 2/2004 of March 5, the following works of section D will enjoy a tax relief in the fee.

D. A tax relief of 10% of the corresponding fee when means that use energy from renewable sources are used in the execution of the works and in the transport of the material and facilities.

In order to obtain this tax relief, it will be required to apply to the Plenary Council and prove prior to the start of the works that energy from renewable sources will be used. For this purpose, a work plan must be prepared that proves the operations to be carried out, in which it will be possible to project that renewable energies are produced by the promoter or owner of the works or that energy comes from contracts signed with supplying companies of these energies The transport of the materials must be carried out with at least hybrid energy consumption vehicles.

4) FISCAL ORDINANCE REGULATING THE TAX ON THE INCREASE IN URBAN LAND VALUE

Modification of article 6, which introduces the following tax relief:

TAX RELIEF FOR THE USE OF RENEWABLE ENERGIES

Under the provisions of art. 108.5 of the Consolidated Text of the Law on Local Finances, a tax relief of 10% of the full tax rate will be applied, in land transfers, and in the transmission or constitution of real rights to enjoy land ownership, where economic activities are developed that are declared of special municipal interest or utility for concurring social, cultural, historical artistic or employment promotion circumstances that justify such declaration. This declaration will correspond to the Plenary Council of the Municipal Corporation and will be agreed, upon the taxpayer's request, by favourable vote of the simple majority of its members

For the purposes set forth in this section, and without prejudice to what the Plenary Council resolves in each case, the use of energy from renewable sources by the activity on the land or the taxable right will be considered a circumstance justifying the declaration of interest or public utility. As it has been shown, global warming is causing climate change with adverse effects for people, but it affects more seriously citizens with lower incomes, causing the widening of the social gap, as well as destroying sources of wealth and employment. Reducing CO2 emissions helps reduce and slow down these effects.

It is understood that energies from renewable sources are used, when the supply of electrical energy or other renewable energies has been contracted for all the activity declared of interest,

with an energy supply entity of this nature or the renewable energy is generated by the owner himself in the amount allowed by the ordinary technique to meet the normal consumption of the activity.

The tax relief established here must be applied for specifically and must be expressly requested by the taxpayer or his representative when submitting the tax declaration within the period established in article 20 of this Ordinance. The application will be accompanied by documents proving compliance with the requirements for its granting referred to in this article, its implementation will not be possible otherwise. In particular, accreditation of the validity of the corresponding contract for the supply of electrical energy or other energies from renewable sources and, if it is generated by the owner himself, accreditation of its installation, as well as of the generated power subscribed by the installer or other competent technician must be attached. Likewise, authorisation must be provided to obtain information about the signed contract from the supplying company.

Failure to comply with the legal deadlines for payment in the voluntary period or for the fractionation or deferral of the corresponding fee, where appropriate, will cause the revocation of the tax relief granted, and liquidation will be carried out for the fraction of the tax not paid as a result of the tax relief granted, plus interest in arrears.

IMPACT OF THE MEASURES

The City Council already planned to include in the new fiscal ordinances tax relief to encourage the use of energy from renewable energy, but these plans were consolidated with its participation in the LOCAL4GREEN Project.

This way, the City Council of Quart de Poblet has approved concrete measures to promote renewable energies, which have not negatively affected any of the existing measures in the municipality, on the contrary, they have contributed to the rest of the initiatives, such as some of the described above.

Therefore, the modification of these municipal ordinances is in keeping with all the work that has been generated from the City Council and totally coherent with the laws and regulations already existing in the municipality. The changes propose strategies that will establish guidelines to be followed by the rest of measures.

The Strategy being carried out by the City Council intends to turn Quart de Poblet into a city with low carbon emissions through the use of renewable energy, a greater and better use of public transport and the limitation of private transport in the urban centre, favouring non-motorised travel. To this end, it has established these Lines of Action:

1. Promotion of sustainable urban mobility: rationalisation of the use of private vehicles.
2. Increase of renewable energies in the urban area.
3. Urban regeneration: segregation of uses and functionalities.

Regarding the financial impact, the balance is positive, since the City Council has always considered these measures as an investment and it has been proved that the environmental impact is greater than the economic impact. Citizens of Quart de Poblet are seeing how the environment is improving through all the initiatives started up by the municipality.

And in terms of the impact of renewable energy development (MWh), and in terms of reducing greenhouse gases (CO₂eq), it is too early to have significant data, since the City Councils have just included these policies as actions within their Sustainable Energy Action Plans (SEAP).

There are no values or quantitative data so to calculate the impact a series of estimates have been considered for each of the fiscal policies regarding the introduction of renewable energy sources and therefore in terms of reducing the emissions of greenhouse gases (GHG).

To begin with, in the case of the property tax, an estimate has been made that 1% of households receive this tax relief, bearing in mind that in the case of Madrid, the number of homes that benefitted from this tax relief up to 2017 was nil. The hypothetical average installed power in each of the homes has been 2.5 kW. With these data, the results obtained are the following: 437,197 kWh come from renewable energies and thanks to this measure 168,321 kg of CO₂ eq are no longer emitted every year.

For the tax on economic activities, an estimate of 1% of the companies have been accounted for and, similarly, the hypothetical average installed power in each of these companies has been 10 kW. The results are as follows: 213,744 kWh come from renewable energies and 82,291 kg CO₂ eq are no longer emitted annually.

For the tax on constructions, installations and works, taking into account that it includes both homes and companies and that the tax relief is aimed at solar installations for self-consumption, the following values have been considered. It has been estimated that 0.5% of households in Quart de Poblet benefit from this tax relief, with an average installed capacity of 2.5 kW and that 0.5% of companies also benefit from the tax relief, with an average power of 5 kW (the installed capacity in companies that have self-consumption facilities is usually between 3 and 5 kW). The result obtained in total is that 272,436 kWh become renewable and 104,888 kg of CO₂ eq are no longer emitted every year.

The energy savings achieved by implementing these measures is quite difficult to quantify. In any case, during the implementation of the project, monitoring will be carried out to obtain more accurate results regarding the application of the measures.

3.2 LOCAL FISCAL POLICIES ANALYSED

3.2.1 CITY COUNCIL OF ALAQUÀS

PILOT MUNICIPALITY IDENTIFICATION

Alaquàs is a town and Spanish municipality located in the central part of the Huerta Oeste county, in the province of Valencia, Valencian Region. It belongs to the metropolitan area of Valencia. According to the latest data from the National Institute of Statistics Alaquàs had 29,474 inhabitants - 14,455 men and 15,019 women - in 2017 (the latest with an official record).



FISCAL POLICIES ANALYSED FOR THE ALAQUÀS CITY COUNCIL

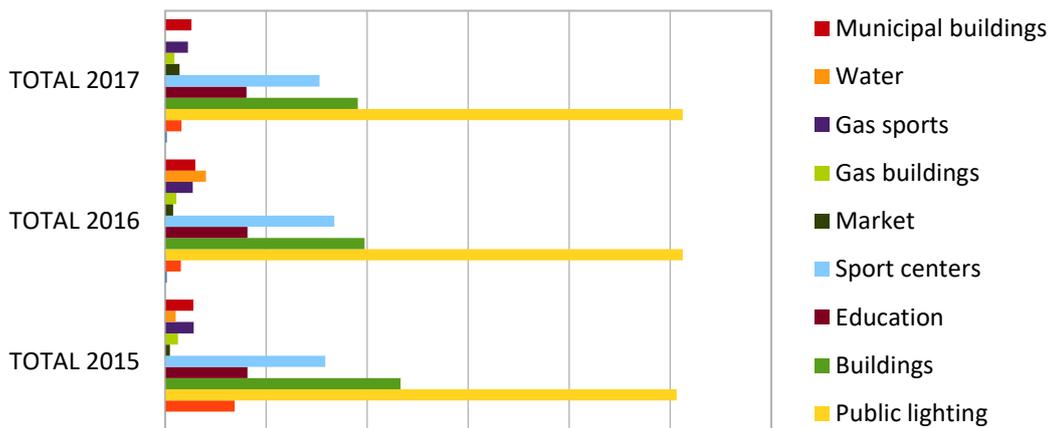
The municipality of Alaquàs signed the Covenant of Mayors for Climate and Energy on September 29, 2016, and this way the City Council committed to reduce CO₂ emissions by at least 40% by 2030. Thus, the City Council has aligned with European emission reduction policies, and is adopting a comprehensive approach to address climate change mitigation and adaptation.

However, the municipality of Alaquàs has not yet drawn up the Sustainable Energy Action Plan (SEAP), one of the commitments under the Covenant of Mayors for Climate and Energy and, as reflected on the website of the Pact for Alaquàs (https://www.pactodelosalcaldes.eu/sobre-nosotros/la-comunidad-del-pacto/firmantes/visi%C3%B3n-general.html?scity_id=9916), will be the next step to take and develop at the municipal level.

The following is a chart comparing data for 3 consecutive years - the latest with available data - of public consumption at the municipal level, broken down by sector. Unfortunately, no data have been obtained from the residential and private sectors, neither more updated data.

The water consumption data are expressed in cubic metres and there are no data for 2016. The data for Gas buildings and Gas sports are also in cubic metres, and the data for Lighting 2.0, Lighting, Buildings, Education, Sport Centres and Market, are in kW hour. It can be observed in the graph that in general terms, there has been no significant reduction during the period of time compared (2015-2017), although in Lighting 2.0 consumption has been significantly reduced by 76.5%, from 343,492 kW hour in 2015 to 80,796 kW hour in 2017.

Comparison of public consumption data years 2015-2017



Within the scope of the LOCAL4GREEN Project, the City Council undertook to participate as a pilot municipality in the Project since its inception in 2016, with the aim of introducing tax ordinances, incentives or other measures that would lead taxpayers to use energy from renewable sources in their activities, to the detriment of non-renewable sources, thus contributing to reducing greenhouse gases and consequently CO₂.

Although, within the framework of the LOCAL4GREEN Project, the City Council has not modified any tax ordinance to promote the use of renewable energy, the following Fiscal Ordinances with contents in this regard have been analysed:

- FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES
- FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS
- FISCAL ORDINANCE REGULATING THE ROAD TAX

The modifications of the first two ordinances to introduce green tax relief were approved in 2016 before the start of the Project. Within the framework of LOCAL4GREEN, the City Council has worked on the proposal to modify the Ordinance regulating the Road Tax. The content of these modifications is detailed below.

1) FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

Although in 2004 a fiscal ordinance regulating the tax on economic activities was approved, it was on January 1, 2016 when the following tax relief improving the previous ordinance, included in article 6, came into force:

11. They may benefit from a tax relief of 50% of the fee corresponding to the following tax year those taxpayers who pay by municipal fee and who establish a transportation plan for their workers aiming to reduce energy consumption and emissions caused by travel to the workplace and to encourage the occupation of the most efficient means of transportation, such as collective or shared transport. The transport plan must affect at least half of the company's workforce. The plan may be drawn up and affect more than one company jointly, in this case the bonus would be for each of the participating companies provided that it involves half of the workforce of each of the companies.

12. They may enjoy a 50 percent tax relief of the fee corresponding to the following tax year those taxpayers who pay by municipal fee and who use or produce energy from facilities for the use of renewable energies or cogeneration systems in fairly significant amounts that allow self-supply and even the production of surpluses, without being bound by urban planning regulations or municipal ordinances. For these purposes, they will be considered facilities for the use of renewable energy those contemplated and defined as such in the Plan for the Promotion of Renewable Energies.

For the Tax on Economic Activities, the Law Regulating Local Finances (Article 88.2.c) includes the possibility of regulating in the municipal ordinances of each City Council a tax relief of up to 50% of the corresponding fee for taxpayers who pay taxes by municipal fee and who use or produce energy from facilities for the use of renewable energy or cogeneration systems, based on the technologies defined in the Plan for the Promotion of Renewable Energies 2011-2020 (<http://www.idae.es/tecnologias/energias-renovables/plan-de-energias-renovables-2011-2020>).

This way, the Fiscal Ordinance regulating the tax on economic activities approved in Alaquàs, is in keeping with the current provisions set by the Law Regulating Local Finances.

2) FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS

In September 2001, the Fiscal Ordinance regulating the tax on constructions, installations and works entered into force, although it was in 2016, when the tax relief was approved for environmental issues, included in Article 5:

4. A 50% tax relief will be applied in favour of private constructions, installations or works in which systems for thermal or electrical use of solar energy are incorporated. The application of this tax relief will be conditioned to the heat production facilities including collectors with the corresponding approval from the competent Administration. This tax relief will not be granted when the installation of these solar energy utilisation systems is mandatory according to the specific regulations in the matter.

In this sense, the additional tax relief by City Councils on the tax on constructions, installations and works according to Royal Legislative Decree 2/2004, of March 5, which approves the Consolidated Text of the Law Regulating Local Finances (Article 103.2b), includes the possibility of regulating a tax relief of up to 95% in the municipal ordinances of each City Council. This tax is paid only once when a licence is requested for the work, so the duration is only one year in all cases.

3) FISCAL ORDINANCE REGULATING THE ROAD TAX

Currently, to move forward with the fiscal policies set forth in the LOCAL4GREEN Project, the City Council is working on a proposal for modifications in the Fiscal Ordinance regulating the Road Tax. Although as of March 31, 2019, the modifications of the aforementioned Ordinance had not entered into force, it is expected that they will be approved throughout the year 2019.

The modifications presented in that proposal are detailed below:

In accordance with the provisions of article 106 of Law 7/1985, of April 2, Regulator of the Bases of Local Regime, using the regulatory power it is attributed by article 15 of Royal Legislative Decree 2/2004, of March 5, which approves the Consolidated Text of the Law Regulating Local Finances, and in accordance with the provisions of the Fourth Additional Provision of Law 58/2003, on General Tax, it is proposed to modify Article 3 of the previous Fiscal Ordinance regulating the Road Tax (2017), to replace existing headings 5 and 6 and create a new heading 7 in the following terms:

5. Battery electric vehicles (BEV), range extended electric vehicle (REEV), plug-in hybrid electric vehicle (PHEV), hydrogen internal combustion engine vehicles (HICEV), with a minimum autonomy of 40 kilometres (NEDC cycle) or fuel cell vehicles will enjoy a tax relief in the fee of 75 percent (Equivalent to the Zero Emissions classification of the Spanish Directorate General for Traffic).

6. Plug-in hybrid vehicles with autonomy <40km (NEDC cycle), non-plug-in hybrid vehicles (HEV), vehicles powered by natural gas, vehicles powered by natural gas (CNG and LNG) or liquefied petroleum gas (LPG) will enjoy a tax relief of 50% the fee. This tax relief will take effect from

January 1, 2019 and will be applied to vehicles that already meet these requirements at this date, but will only be applicable during the first 6 years from the first registration of the vehicle.

7. Passenger cars that use unleaded gasoline as fuel, when the degree of CO₂ carbon emission is less than 100 gr / km (Worldwide Harmonised Light Vehicle Test Procedure (WLTP), will receive a tax relief in the fee of 30 per 100. This tax relief is projected to take effect as of January 1, 2019, and will be applied to vehicles that already meet these requirements as of this date, but will only be applicable during the first three years from the first registration of the vehicle.

In the case of registration or initial purchase of the vehicle, the reverse charge of the tax will be carried out. Notwithstanding the foregoing, the taxable person may request the tax relief within one month from the payment date of the reverse charge. If the tax relief is granted, the excess will be returned.

EVALUATION AND IMPACT OF THE MEASURES

In the line of work that has been carried out in the municipality of Alaquàs with the signing of the Covenant of Mayors in 2016 and with the modifications – described above - of the ordinances regulating the tax on economic activities and the tax on constructions, installations and works carried out also in 2016, the commitment to continue progressing in the work being developed within the framework of the LOCAL4GREEN Project is clear.

Since the beginning of the Project, no measures have been approved in Alaquàs, but it is true that we are walking in the right direction with the proposal the City Council is currently working on and negotiating, on the modification of the Fiscal Ordinance regulating the Road Tax.

After the evaluation of the policy proposed by the Project, no negative consequences of the possible application of the fiscal policy to be approved in the municipality have been detected. On the contrary, the approval of the proposed Fiscal Ordinance regulating the Road Tax would be a clear improvement at the municipal level to fulfil the commitments undertaken in 2016 by the City Council of Alaquàs with the signing of the Covenant of Mayors.

The main conclusion reached in this regard is that the existing regulatory framework in Alaquàs - as well as the approval in previous years of other municipal ordinances linked to fiscal policies such as the fiscal ordinances regulating the tax on constructions, installations and works and the Road Tax, with contents aimed at the promotion of renewable energies - indicate that the fiscal policy to be encouraged - through the proposed modification of the Fiscal Ordinance regulating the Road Tax - is fully consistent with the previous municipal laws and regulations, and deepens the promotion of environmental protection.

If we wonder whether it is an appropriate fiscal policy to work on renewable energies, the conclusion is clear, since the content of said fiscal policy -specified in the proposal of the fiscal ordinance regulating the Road Tax- undoubtedly favours concrete measures to promote renewable energies through a change from the previous ordinance, including tax relief for electric vehicles and less polluting vehicles.

The proposed modification of the fiscal Ordinance regulating the Road Tax is currently under negotiation by the different political groups in the municipality of Alaquàs, the aim being to approve it in the future, and for it to be implemented by the City Council. However, because its approval is still pending, it is impossible to account for and measure the degree of progress of the mechanisms that are being developed by the municipal authority.

Although there are no estimates or exact quantitative data that allow us to assess the impact of the policies, some indicative estimates have been made.

To estimate the impact of the Road Tax proposal, only passenger cars have been taken into account (vans, mopeds and motorcycles have been excluded). In Alaquàs there are 13,605 passenger cars with combustion engine. In this case, an estimate has been made that 2% of passenger cars would become electric, which would imply 272 vehicles of the total municipality. The result is that 271 t/ km of CO₂ per year would no longer be emitted with this measure.

For the Tax on Economic Activities, bearing in mind that the total number of existing companies in the municipality of Alaquàs is 1,823, according to data from the Epdata portal for the year 2018 (<https://www.epdata.es/datos/datos-graficos-estadisticas-municipio/52/alaquas/499>), it has been estimated that 1% of the total would apply for the tax relief proposed with the approved modification of the Tax on Economic Activities. This would mean that 266,158 kW/ hour would become renewable and 102,471 kq CO₂ eq would no longer be emitted each year.

Regarding the Tax on Constructions, Installations and Works, according to the estimates made, calculating that both households and companies would apply for the tax relief allowed as a result of the above-mentioned ordinance modification from 2016, there would be 280,941 kW hours that would become renewable, and 108,162 kq CO₂ eq that would no longer be emitted every year, with the relevant reduction of emissions.

The energy savings achieved by implementing these measures is quite difficult to quantify. At any rate, during the project implementation, monitoring actions will be carried out to obtain more accurate results regarding the application of the measures.

3.2.2 CITY COUNCIL OF L'ALFÀS DEL PI

PILOT MUNICIPALITY IDENTIFICATION

This municipality is located in the southeast area of the Marina Baja county (province of Alicante) in the Valencian Region. It has 18,394 inhabitants (National Institute of Statistics 2017), of which approximately 56% have a foreign nationality.

L'Alfàs del Pi borders the municipalities of Altea, La Nucia and Benidorm. The urban centre is about 3 km inland, on the slopes of the Sierra Helada, but the municipality has 4 km of coastline, featuring the Albir beach. The town is 49 km from Alicante, the capital of the province, and 142 km from Valencia, capital of the Valencian Region.

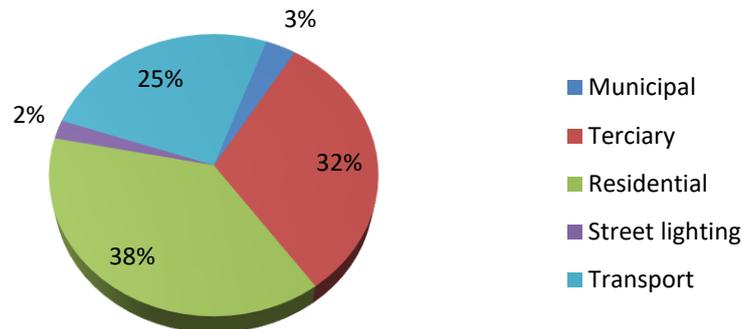


FISCAL POLICIES ANALYSED FOR THE CITY COUNCIL OF ALFÀS DEL PI

The municipality of l'Alfàs del Pi signed the Covenant of Mayors for Climate and Energy in April 2010, through a formal commitment to progress in achieving the proposed objective by implementing the Sustainable Energy Action Plan, approved in December 2011. Through this Plan, the City Council developed concrete actions and projects to carry out a series of measures agreed at a technical, political and, of course, citizen level, which were disclosed during the public participation process called "Energy Forum".

The scope of the Sustainable Energy Action Plan includes all energy consuming sectors: municipal, residential/ housing, tertiary/ services and transport sectors, as shown in the following graph. The Plan gives the option of including or not the industrial sector, due to its complexity, which is subject to the emission rights regulations.

Greenhouse gas emissions by sector



Source: Covenant of Mayors

The general objective of reducing CO₂ emissions by 2020 is expected to be 23%, with an estimated reduction of 1,474.4 tons.

Within the SEAP in l'Alfàs del Pi there are 4 main areas on which the municipality has decided to work:

1. Reduction of CO₂ emissions.
2. Improvement of municipal facilities (lighting, buildings, appliances, etc.) to make them more efficient.
3. Promotion of changing paper-based procedures for electronic procedures.
4. Awareness raising of municipal officials, companies and the general population.

Among the actions and measures carried out by the City Council of l'Alfàs del Pi to progress in its commitment with sustainable development and the environment, the actions to improve and guarantee energy supply of the municipality, such as thermal installations, should be highlighted. These actions will mean a direct reduction of 1,289.55 T of CO₂ in the municipality.

Within the Electricity Consumption Reduction Programme, the City Council has taken a series of measures such as the implementation of lighting savings systems in the Cultural Centre, the installation of LEDs in traffic lights, the replacement of air conditioners in municipal buildings or the installation of frequency inverters in drinking water supply pumps.

It is also important to underline some of the actions undertaken within the Awareness and Communication Programme, such as courses for public employees on energy efficiency in the workplace, the installation of light flow stabilisers-reducers, the information point on energy savings and efficiency, awareness raising among the general public on the savings that energy efficiency can offer homes or businesses, or the creation of a carbon sink in the municipality.

On the other hand, in the transport sector, the City Council of l'Alfàs del Pi has proposed to work on reducing the dependence on motorised private transport and on promoting attractive alternatives that are accessible to all people. Likewise, it will also work on: increasing the percentage of travel by public transport, bicycle and walking, promoting the change to low-emission vehicles, developing integrated sustainable urban mobility plans, and reducing the impact of transport on the environment and public health.

At the moment, the City Council has drafted the Strategy for Sustainable and Integrated Urban Development, a project with which it has had access to funds from the European Union to carry out actions aimed at improving the municipality and with it, the quality of life through an intelligent, sustainable and inclusive growth model. The Strategy for Sustainable and Integrated Urban Development in l'Alfàs del Pi has been based on three main axes: Inclusive City - Smart City - Sustainable City, and is also in keeping with the Urban Axis of the Sustainable Growth Operational Programme and, therefore, with the challenges and documents within the Cohesion Policy 2014-2020.

Within the scope of the LOCAL4GREEN Project, the City Council undertook to participate in the Project since its inception as a pilot municipality, with the aim of introducing tax regulations, incentives or other measures that would lead taxpayers to use in their activities energy from renewable sources, to the detriment of non-renewable sources, thus contributing to reducing greenhouse gases and consequently CO₂.

Although within the framework of the LOCAL4GREEN Project, the City Council has not modified any fiscal ordinance to encourage the use of renewable energy, the following Fiscal Ordinances (approved before the Project began) with contents in this regard have been analysed:

- FISCAL ORDINANCE REGULATING THE PROPERTY TAX
- FISCAL ORDINANCE REGULATING THE ROAD TAX

The contents of these ordinances are detailed below.

1) FISCAL ORDINANCE REGULATING THE PROPERTY TAX

Modification of article 4 section 4 of the Fiscal Ordinance regulating the Property Tax, whose full text was approved by means of a plenary agreement dated August 31, 2012 and published in the Official Gazette of the Province of Alicante on November 12, 2012, whose new wording reads:

4.- Systems for the thermal or electrical use of solar energy. As per article 74.5 of the Royal Legislative Decree 2/2004, this City Council establishes a 25% tax relief of the full fee for real estate in which systems have been installed for the thermal and electrical use of solar energy and

that have a sanitary use in more than 25% of the constructed area, according to data from the appropriate cadastral record.

The application of this tax relief will be subject to compliance with the following requirements:

- That the installations for heat production include collectors with the corresponding approval by the competent Administration.
- That the installation is both for thermal and electrical use.
- That the installation is not mandatory according to the specific regulations of the matter.

It will take effect in the tax period following the application, provided that the effective installation of the system is documented. The tax relief will be applicable for a maximum of six tax periods, which may be consecutive, following the presentation of the application or, where appropriate, alternately if for any circumstance any of those six subsequent tax periods have not had this tax relief. In both cases, the maximum subsidised tax periods cannot exceed six.

2) FISCAL ORDINANCE REGULATING THE ROAD TAX

In this case there is no modification, but there is a Fiscal Ordinance regulating the Road Tax from the year 2009.

It establishes a tax relief of 75% of the fee for vehicles powered exclusively by electric engines.

EVALUATION AND IMPACT OF THE MEASURES

For the time being, the City Council of l'Alfàs del Pi has not modified any fiscal ordinance to encourage the use of renewable energy within the framework of the LOCAL4GREEN Project. Although, as reflected in the previous section, it already had two fiscal ordinances in place before the Project, on the Property Tax and Road Tax, which do include green fiscal policies. As for the other three taxes addressed by the project (Tax on Constructions, Installations and Works, Tax on Economic Activities and Tax on the Increase of Urban Land Value), the City Council intends to modify them in the future. At the moment they are immersed in the Strategy for Sustainable and Integrated Urban Development and it is likely that modifications will be made in different ordinances so that this Strategy can be carried out. The lack of financial resources is one of the main reasons why measures have not been implemented yet.

The City Council has been working for a long time on a new sustainable economic and social model, based on knowledge and innovation, which has led to the city becoming a Smart City. The strategy of l'Alfàs del Pi Smart City tries to integrate all the services that the city needs, modernising to the maximum all the requirements for its public management, in order to create

a model for economic and political efficiency improvement, allowing social, cultural and urban development.

On the other hand, the City Council has proposed to promote the green infrastructure of the municipality by improving urban and non-urban connection systems and green corridors, thus allowing a homogeneous use and distribution between urban facilities and urban areas in the municipality.

As shown, the action lines of the City Council are closely linked to the policies within the framework of the LOCAL4GREEN Project.

Regarding the financial impact, the balance from the City Council is positive. They consider these measures an investment and they realise that the environmental impact is greater than the economic impact.

As for the impact in terms of renewable energy development (MWh), and in terms of reducing greenhouse gases (CO₂eq), it is too early to have significant data, since the City Council has only just included these policies as actions within their Sustainable Energy Action Plan.

There are no values or quantitative data, so to calculate the impact a series of estimates have been made for each of the fiscal policies regarding the introduction of renewable energy sources and therefore in terms of reducing GHG emissions.

For the Property Tax, an estimate has been made that 1% of households receive this tax relief, bearing in mind that in the case of Madrid, the number of homes that benefitted from this tax relief up to 2017 was nil. The hypothetical average installed power in each of the homes has been 2.5 kW. With these data, the results obtained are the following: 469,983 kWh come from renewable energies and thanks to this measure 180,944 kg of CO₂ eq are no longer emitted every year.

In the case of the Road Tax, only passenger cars have been taken into account (vans, mopeds, motorcycles and trucks have been excluded). In this municipality there are 11,212 passenger cars with combustion engines according to the data collected by the Directorate General for Traffic in 2015 ([http://www.dgt.es/informacion-municipal/2015/individuales/alicante/03011_Alfas del Pi I .pdf](http://www.dgt.es/informacion-municipal/2015/individuales/alicante/03011_Alfas_del_Pi_I_.pdf)). In this case, an estimate has been made that 2% of passenger cars would become electric. The result is that 223 t/ km of CO₂ per year would no longer be emitted with this measure.

The energy savings achieved by implementing these measures is quite difficult to quantify. At any rate, during the project implementation, monitoring actions will be carried out to obtain more accurate results regarding the application of the measures.

3.2.3 CITY COUNCIL OF ALMUSSAFES

PILOT MUNICIPALITY IDENTIFICATION

Almussafes is a municipality of the Valencian Region, Spain, located east of the province of Valencia, in the Ribera Baixa county. It has 8,932 inhabitants (National Institute of Statistics, 2018).

Its geographic location, both in Spain and the Valencian Region is the following:



The economic activity of Almussafes is concentrated around the Ford Motor Company factory. The origin of the factory goes back to 1973 when the American corporation, then directed by Henry Ford II, decided to acquire 636 orchards in the region with a total extension of 270 hectares.

The company asked to reduce the fee of national components from 90% to 50%, in exchange for committing to export 66% of the production to other European countries.

FISCAL POLICIES ANALYSED FOR THE CITY COUNCIL OF ALMUSSAFES

The City Council of Almussafes signed the Covenant of Mayors for Climate and Energy on September 8, 2016, committing to an objective of 40% CO₂ emission reduction and to increasing resilience to climate change. To date, it has not approved the Sustainable Energy and Climate Action Plan which will describe the measures to achieve these objectives.

In keeping with their work on sustainable energy, the Almussafes City Council committed to participate in the LOCAL4GREEN Project, with the intention of designing and implementing fiscal policies that promote the use of renewable energy in the municipality.

Within the LOCAL4GREEN framework, after the study of the initial situation of the municipality, both of the existing ordinances and the income chapter of the budget of its City Council, several meetings and conversations were held, and the Project finally put forward a proposal to initiate the approval process by the Plenary Council. Specifically, the implementation of tax relief for the promotion of Green Fiscal Policies, regarding the measure:

- FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

The proposed fiscal policy designed by the Project for this ordinance includes a tax relief and/ or exemption that can be applied by those citizens who use means or carry out activities with a lower impact on the environment, either by developing actions that involve less use of resources or have a lower emission of CO₂. Therefore, these measures help in the implementation of renewable energies in these municipalities and have a lower environmental impact.

The current situation of the proposal designed for the City Council of Almussafes is that it has not been approved by the Plenary Council, and therefore no fiscal measures have been carried out that encourage the use of renewable energy.

The fiscal policy proposed to the City Council of Almussafes is described below.

1) FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

Tax Relief

They will enjoy a tax relief of up to 50% in the Tax on Economic Activities corporate tax payers and civil companies with a net annual turnover greater than 2,000,000 euros and that:

- a) Use or produce energy from facilities for the use of renewable energy or cogeneration systems. Cogeneration systems are understood as the equipment and facilities that allow the joint production of electricity and useful thermal energy.
- b) Have established a transport plan whose vehicles are registered in the name of the taxpayer travelling to or from work or promote the use of more efficient means of transport, such as collective or shared transport.

For the purposes of this tax, it must be taken into account that they are exempt from paying the tax but subject to it (that is, they have to declare their activity but with a 0 fee), among others those taxpayers who have a volume of operations less than 1 million euros and those who start the activity during the first two tax periods.

EVALUATION AND IMPACT OF THE MEASURES

From the analysis of this ordinance, as well as its approval procedure and subsequent entry into force, no anomalies have been detected regarding compliance with legal requirements, in terms of limitations imposed by higher tax regulations, deadlines, procedures to be followed, etc., therefore, it is consistent and meets the requirements established by national regulations. Likewise, it follows that it is not contrary to nor negatively affects other ordinances or regulations.

During the process of analysis and evaluation of fiscal measures, which was carried out with the City Council staff, several proposals were obtained. These were sent to the Financial Control Department to be analysed and evaluated. Despite all this, it was finally decided to wait for their approval and implementation in the municipality of Almussafes, in order to analyse the evolution of similar measures in other municipalities, where they have already approved and implemented fiscal measures of this type, and thus be able to obtain more information and ideas for their future implementation in the municipality.

Since no ordinance has been approved under the Project, no fiscal measures have been implemented to encourage the use of renewable energy sources, so there are no impacts in terms of renewable energy production or reduction of CO2 emissions that can be measured for evaluation.

3.2.4 CITY COUNCIL OF CALLOSA D'EN SARRIÀ

PILOT MUNICIPALITY IDENTIFICATION

Callosa d'en Sarrià is a municipality located north in the province of Alicante and belongs to the Marina Baixa county. According to the latest data from the National Institute of Statistics, Callosa d'en Sarrià had 7,223 inhabitants -3,682 men and 3,541 women- in 2017 (the latest official record).



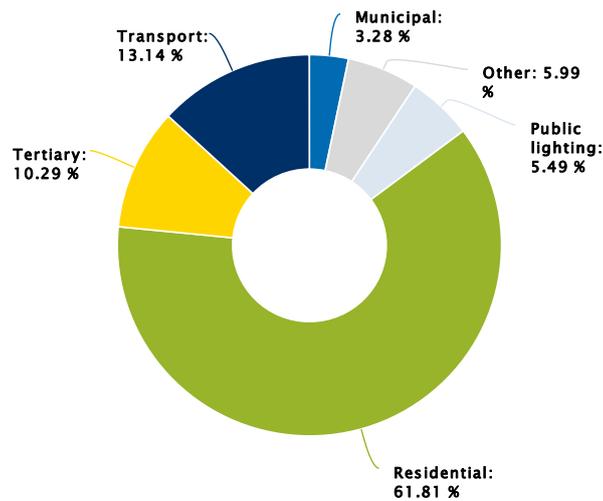
According to data from 2012, Callosa d'en Sarrià has an area of 34.24 km², its density of inhabitants per square kilometre is 230.55, and its density of inhabitants per dwelling is 2.32. There are 3,402 homes in the municipality.

FISCAL POLICIES ANALYSED FOR THE CITY COUNCIL OF CALLOSA D'EN SARRIÀ

The municipality of Callosa d'en Sarrià signed the Covenant of Mayors on October 25, 2012. The time frame set by said Covenant is 2020, as reflected in its Sustainable Energy Action Plan (SEAP), which was approved in September 2013. The objective of the Plan is to achieve a 21% reduction in greenhouse gas emissions by 2020, which will mean an estimated reduction of 2,583.96 tons of CO₂.

The City Council of Callosa d'en Sarrià as the competent local authority faces the challenge of reducing 21% of its total CO₂ emissions in its municipal district, in regards to the public, private (tertiary/ services) and residential sectors, as well as in the transport sector.

The estimated reduction by sectors is reflected in the following graph:

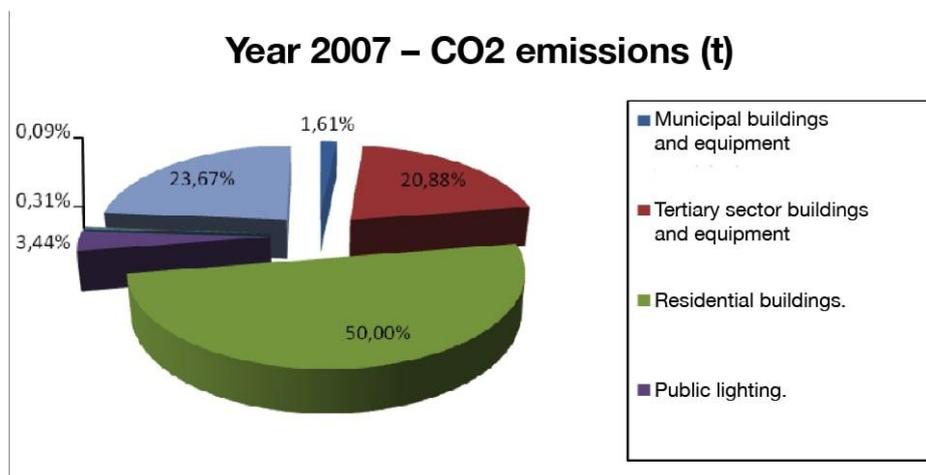


Source: Covenant of Mayors

The Sustainable Energy Action Plan (SEAP) is the starting point for the Callosa d'en Sarrià City Council to establish itself as a promoter of the implementation of sustainable and healthy energy policies for both citizens and the environment.

The SEAP defines the objectives proposed for 2020 and establishes the measures and actions for the fulfilment of said objectives. It is conceived as a dynamic instrument, which will be reviewed and updated. It seeks to assess the degree of execution of the projects and their effectiveness in relation to the objectives, as well as the viability of new projects aimed at making the municipality more sustainable.

According to the Baseline Emissions Inventory of Callosa d'en Sarrià carried out in 2007, the CO2 emissions data broken down by type of buildings and equipment were collected in the following graph:



Through the SEAP, the City Council proposes measures to reduce CO₂ emissions in the following sectors:

1. Municipal buildings and facilities (schools, library, cultural centres, fire stations, etc.): measures such as the adaptation of lighting levels, the installation of motion detectors, the thermal rehabilitation of buildings, or the monitoring of consumption and maintenance of air conditioning equipment are being implemented.
2. Tertiary buildings and facilities: implementation of measures such as the replacement campaign for low-consumption incandescent measures or the window replacement campaign.
3. Residential buildings: measures are being implemented such as improvements to buildings' thermal enclosure, renovation of appliances and air conditioning equipment, or information and awareness days on savings and efficiency in homes.
4. Public lighting: implementation of measures such as the replacement of mercury vapor lamps with sodium lamps, the revision and cleaning of electrical panels and wiring, or the adaptation of lighting levels.
5. Municipal urban transport: measures such as the replacement/ renewal of the municipal vehicle fleet are being carried out.
6. Public urban transport: as in the previous case, the replacement/ renewal of the transport fleet is being implemented.
7. Private and commercial urban transport: measures such as the Sustainable Urban Mobility Plan or the renewal of the passenger car park are being carried out.

In keeping with the promotion of renewable energies and the increase of sustainability at the municipal level, the City Council of Callosa d'en Sarrià committed to participating as a pilot municipality in the LOCAL4GREEN Project. Although since the Project began in 2016, the City Council has not approved any modification of the Fiscal Ordinances to include green tax relief, in previous years - between 2012 and 2013 - it did approve modifications to the Road Tax aimed at reducing pollution levels in the municipality.

These modifications approved for the Road Tax are detailed below.

- 6.2.2. By CO₂ emission.

A tax relief is established, as regulated in article 95.6.b) of Royal Legislative Decree 2/2004, of March 5, which approves the Consolidated Text of the Law Regulating Local Finances, in favour of vehicle owners depending on CO₂ emission levels, according to the following information:

- Emissions gr/ km of CO₂ Percentage (permanent) <120 gr/ km: 75%

- A certified copy of the vehicle's technical specifications containing the CO2 emissions in grams per kilometre will be attached to the application.

- 6.2.3. By type of fuel.

Tax relief depending on the type of fuel consumed by the vehicle, as regulated in article 95.6.a) of Royal Legislative Decree 2/2004, of March 5, which approves the Consolidated Text of the Law Regulating Local Finances, due to the incidence of combustion of said fuel in the environment. A tax relief on the fee is established in favour of owners of these motor vehicles: passenger cars, trucks, vans, wagons, adaptable mixed vehicles, motorcycles, mopeds, buses and coaches, depending on the fuel class and the following requirements:

a) Electric and/ or zero emission vehicles.

b) Bimodal or hybrid vehicles (electric-petrol, electric-diesel or electric-gas engine) that are factory approved, incorporating catalytic devices, appropriate to their class and model, that minimise polluting emissions.

c) Vehicles that use some type of gas as fuel, that are factory approved or adapted for the use of gas as fuel with a certificate from the Technical Vehicle Inspection (MOT), incorporating catalytic devices appropriate to their class and model, that minimise polluting emissions

In accordance with the provisions of the previous section, the vehicles referred to will enjoy a tax relief in the fee, in the following terms:

- The type of permanent fuel used by such vehicles
- Hybrid or bimodal vehicles: 75%
- Gas engine vehicles: 75%
- Electric vehicles and/ or zero emissions: 75%

A certified copy of the technical specifications of the vehicle or, alternatively, a certificate of the Technical Vehicle Inspection (MOT) will be attached to the application. Also, to apply for the tax relief in this article, the vehicle owner must be up to date with the payment of all taxes and municipal sanctions.

EVALUATION AND IMPACT OF THE MEASURES

Since the beginning of the LOCAL4GREEN Project, in Callosa d'en Sarrià no measures have been approved, but it is true that they are moving in the right direction with the modification of the previously analysed Fiscal Ordinance Regulating the Road Tax.

After the evaluation of the green policies proposed by the Project, no negative consequences of the possible application of the different fiscal policies to work on in the municipality have been detected. On the contrary, the approval of the proposal for a Fiscal Ordinance Regulating the Property Tax, the Tax on Economic Activities, the Tax on Constructions, Installations and Works or the Tax on the Increase in Urban Land Value would be an incontestable breakthrough at the municipal level to fulfil the commitments undertaken by the City Council of Callosa d'en Sarrià in 2012 with its adhesion to the Covenant of Mayors.

The main conclusion we reached in this regard is that the existing regulatory framework in Callosa d'en Sarrià is fully consistent with the previous municipal laws and regulations, and strengthens the promotion of environmental protection. This is also the case of the approval in previous years of other municipal ordinances linked to fiscal policies proposed in the LOCAL4GREEN Project - such as the Fiscal Ordinance Regulating the Road Tax, which included tax relief based on the reduction of emissions, among others, for electric cars.

If we wonder whether it is an appropriate fiscal policy to work on renewable energies, the conclusion is clear, since the content of said fiscal policy -specified in the proposal of the fiscal ordinance regulating the Road Tax- undoubtedly favours concrete measures to promote renewable energies through a change from the previous ordinance, including tax relief for electric vehicles and less polluting vehicles.

The fiscal policy related to the modifications of the Fiscal Ordinance Regulating the Road Tax was approved in 2013. However, because municipal work in this regard has been paralysed by a political crisis that has stopped any progress in the negotiation and processing of other Municipal Ordinances related to the Property Tax and the Tax on Economic Activities, it is impossible to account for and measure the degree of progress of the mechanisms that are being developed by the municipal authority.

Although there are no estimates or exact quantitative data that allow us to assess the impact of the policies, some indicative estimates have been made for the Road Tax. For this estimation, only passenger cars have been taken into account (vans, mopeds and motorcycles have been excluded). In Callosa d'en Sarrià there are 3,169 cars with combustion engine. In this case, an estimate has been made that 2% of passenger cars would become electric, which would imply

63 vehicles of the total municipality. The result is that 63 t/ km of CO₂ per year would no longer be emitted with this measure.

The energy savings achieved by implementing these measures is quite difficult to quantify. At any rate, during the project implementation, monitoring actions will be carried out to obtain more accurate results regarding the application of the measures.

3.2.5 CITY COUNCIL OF GODELLA

PILOT MUNICIPALITY IDENTIFICATION

Godella is a municipality of the Valencian Region, Spain, which belongs to the province of Valencia. It is located in L'Horta Nord county. It has 13.058 inhabitants (National Institute of Statistics, 2018)

Its geographic location, both in Spain and the Valencian Region is the following:



The main features of Godella are the various existing estates in its municipal area that have produced a strong immigration flow of upper-middle class from other municipalities in the county.

There are nine schools in the municipality, and its economy is mainly focused on agriculture.

FISCAL POLICIES ANALYSED FOR THE CITY COUNCIL OF GODELLA

The Godella City Council joined the Covenant of Mayors for Climate and Energy on September 29, 2016, committing to a 40% CO2 emission reduction and to increasing resilience towards climate change. For the time being, it has not approved the Sustainable Energy and Climate Action Plan which will include the measures to achieve these objectives.

In keeping with its work for sustainable energy, the Godella City Council undertook to participating in the LOCAL4GREEN Project, with the intention of designing and implementing fiscal policies that promote the use of renewable energy in the municipality.

Within the LOCAL4GREEN framework, after the study of the initial situation of the municipality, both of existing ordinances and the income chapter of the budget of its City Council, several

meetings and conversations were held. The project finally put forward four proposals to initiate the approval process by the Plenary Council. Specifically, the implementation of tax benefits was proposed for the promotion of Green Fiscal Policies programme, in terms of measures:

- FISCAL ORDINANCE REGULATING THE PROPERTY TAX
- FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS
- FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES
- FISCAL ORDINANCE REGULATING THE ROAD TAX

These ordinances include a tax relief and/ or exemption that can be applied by those citizens who use means or carry out activities with a lower impact on the environment, either by developing actions that involve less use of resources or have a lower emission of CO₂. Therefore, these measures help in the implementation of renewable energies in these municipalities and have a lower environmental impact.

The current situation of the proposals designed for the Godella City Council is that none has been approved by the Plenary Council, and therefore no fiscal measures have been carried out that encourage the use of renewable energy.

The green fiscal policies proposed to the City Council of Godella are described below.

1) FISCAL ORDINANCE REGULATING THE PROPERTY TAX

Tax Relief

1st.- Buildings where systems have been installed for the thermal or electrical use of solar energy will enjoy a reduction of up to 50% in the Property Tax during the three tax periods following the end of their installation and 25% in the next two periods, provided they meet the following conditions:

- a) Properties for housing.
- b) The house is the habitual residence of the family unit.
- c) The property has a minimum useful area for collecting solar energy of 4m² and a minimum installed power of 5 kW per 100 m² of constructed area.
- d) The installation of the energy system in the house is not regulated as mandatory in the construction regulations (Technical Building Code).

The granting of this tax relief will be conditioned to compliance with the above requirements duly accredited by providing the technical project or technical report, the assembly certificate, or where appropriate, the installation certificate duly completed by the authorised body.

The granting of this tax relief will not be incompatible with that of other tax benefits, with a total maximum of 90% of the full fee.

The tax relief request must be applied for every year.

2nd. - They will enjoy a tax relief of 20% in the fee, Properties that meet conditions a) and b) of the previous section that consume only renewable energies.

The granting of this tax relief will be conditioned to compliance with the above requirements being accredited by providing electricity bills for January, April, July and October.

FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS

Tax Relief

1.- A 50% tax relief for constructions, installations or works in which systems for thermal or electrical use of solar energy are incorporated, as well as the installation of other renewable energy sources. The application of this tax relief will be conditioned to the heat production facilities including collectors with the corresponding approval from the competent Administration. This tax relief will not be granted when the installation of these solar energy utilisation systems is mandatory according to the specific regulations in the matter.

2.- 50% tax relief for constructions, installations or works to be carried out in existing buildings that promote energy eco-efficiency and sustainability, meeting the demands of a better quality of life and environmental, social and economic sustainability; other possible actions include the implementation or replacement of heating installations, insulation, changes of exterior carpentry, etc.

The granting of this tax relief will be conditioned to compliance with the above requirements duly accredited by providing the technical project or technical report, the assembly certificate, or where appropriate, the installation certificate duly completed by the authorised body. In both cases, an energy efficiency certificate duly registered with the Valencian Institute for Entrepreneurial Competitiveness (IVACE) or the body that replaces it must be provided.

3.- Tax relief for constructions, installations or works to be carried out in new buildings or existing buildings that promote and obtain the category of buildings with zero energy consumption (nZEB or equivalent certifications):

Certificate obtained by the building	Tax relief %
Passivhaus Classic	60%
Passivhaus Plus	75%
Passivhaus Premium	100%

The granting of this tax relief will be conditional to the fulfilment of the above requirements being accredited by providing the corresponding Passivhaus certificate issued and/ or registered by the authorised body.

Tax relief 1, 2 and 3 are incompatible with each other, so only one of them can be granted.

The tax relief will be applied for within the deadline to submit the reverse-charge, when submitting the application for works or at the time of receiving the settlement.

2) FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

Tax Relief

They will enjoy a tax relief of up to 50% in the Tax on Economic Activities corporate tax payers and civil companies with a net annual turnover greater than 2,000,000 euros and that:

- a) Use or produce energy from facilities for the use of renewable energy or cogeneration systems. Cogeneration systems are understood as the equipment and facilities that allow the joint production of electricity and useful thermal energy.
- b) Have established a transport plan whose vehicles are registered in the name of the taxpayer travelling to or from work or promote the use of more efficient means of transport, such as collective or shared transport.

For the purposes of this tax, it must be taken into account that they are exempt from paying the tax but subject to it (that is, they have to declare their activity but with a 0 fee), among others those taxpayers who have a volume of operations less than 1 million euros and those who start the activity during the first two tax periods.

3) FISCAL ORDINANCE REGULATING THE ROAD TAX

The tax period will coincide with the calendar year, except in the case of initial purchase of vehicles. In this case the tax period will begin the day on which said purchase occurs.

Tax Relief

1. Based on the characteristics of the engines, type of fuel used by the vehicle, and the incidence of combustion in the environment, the following tax relief is established:

Engine characteristics	Tax relief %	Tax relief term
Hybrid vehicles (electric-petrol or electric-gas engine) factory approved, incorporating catalytic devices, appropriate to their class and model that minimise polluting emissions	50%	4 calendar years from the 1st registration
Electric engine vehicles and/ or zero emissions	75%	Unlimited

2. Vehicles classed as passenger cars or assimilated, newly registered as of 2012, will enjoy a tax relief based on the degree of carbon dioxide (CO₂) emissions, provided they meet the following requirements:

Class	CO ₂ Emissions	Tax relief %	Tax relief term
Passenger car	Less than 100 g/Km	40%	First year
		20%	Second year
		10%	Third year
		10%	Fourth year
		5%	Fifth year
		5%	Sixth year

Tax relief in sections 1 and 2 cannot be applied simultaneously.

Vehicles in any of the cases provided for in sections 1 and 2 above, assigned to municipal public services, will enjoy a 75% tax relief while they are assigned to such services.

In order to enjoy the tax relief referred to in paragraphs 1, 2 and 3 above, the interested parties must apply for them.

For these purposes, the interested parties may request the tax relief in writing in the General Registry of the Corporation.

If the tax relief is to take effect in the same tax period in which the registration occurs, the application must be submitted before making such registration. In the event that the application is submitted after registration, the tax relief will take effect during the tax period following the date of filing said application, and it will not be applicable to fees accrued previously.

When, as a result of the application of a tax relief, a fee is lower than that equivalent to a calendar quarter, it will automatically be raised.

EVALUATION AND IMPACT OF THE MEASURES

From the analysis of these ordinances, as well as their approval procedure and subsequent entry into force, no anomalies have been detected regarding compliance with legal requirements, in terms of limitations imposed by higher tax regulations, deadlines, procedures to be followed, etc., so they are consistent and meet the requirements established by national regulations. Also, it follows that these ordinances are not contrary to nor negatively affect other ordinances or regulations.

Following the analysis and evaluation process of the proposed policies, the City Council of Godella did not proceed to their approval. The main reason why the Godella City Council did not proceed with the approval and implementation of the proposed measures was the limitations to which it was subject due to an economic-financial plan or adjustment plan that was being carried out during the process developed. This adjustment plan, governed by Law 27/2013, of December 27, on rationalisation and sustainability of the Local Administration, in article 116 bis states:

"2. In addition to the provisions of article 21 of Organic Law 2/2012, of April 27, on Budget Stability and Financial Sustainability, the aforementioned plan will include at least the following measures: [...]

b) Integrated or coordinated management of the mandatory services provided by the Local Entity to reduce its costs.

c) Increase of income to finance the mandatory services provided by the Local Entity.

d) Organisational rationalisation. [...]"

Therefore, this adjustment plan forced the City Council to monitor its income and expenses in order to reduce its indebtedness, and since the implementation of green tax measures could cause a reduction in its income, it was decided not continue with this process.

Since no ordinance has been approved under the Project, no fiscal measures have been implemented to encourage the use of renewable energy sources, so there are no impacts in terms of renewable energy production or reduction of CO₂ emissions that can be measured for evaluation.

3.2.6 CITY COUNCIL OF MURO DE ALCOY

PILOT MUNICIPALITY IDENTIFICATION

Muro de Alcoy is a municipality in the Valencian Region, Spain. It is located in the north of the province of Alicante, in the main depression of the pre-Hispanic valleys of Alcoy, and belongs to Condado de Cocentaina county, whose capital is Cocentaina. The population of this municipality was 9,328 inhabitants in 2018.

Its geographic location, both in Spain and the Valencian Region is the following:

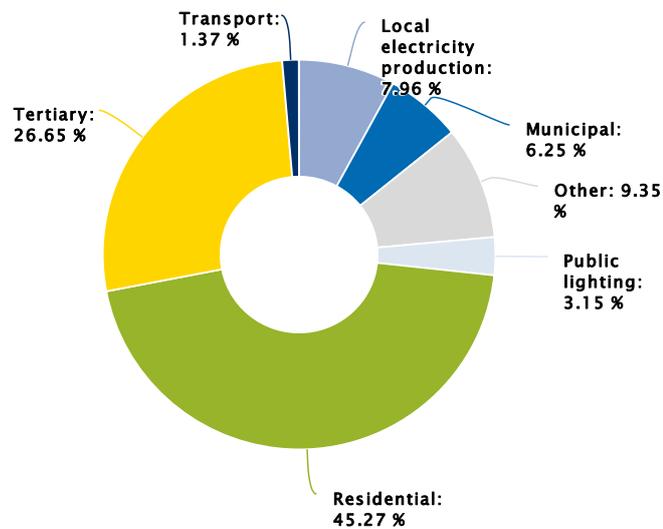


The work activity of this municipality is not only based on agriculture. Due to the influence from Alcoy and Cocentaina, it has always been characterised by maintaining a basically textile business activity that has grown rapidly in the last two decades.

Thus, the main economic activity of the village is textile along with the manufacturing of handmade guitars and also frames and mouldings.

FISCAL POLICIES ANALYSED FOR THE CITY COUNCIL OF MURO DE ALCOY

The City of Muro de Alcoy signed the Covenant of Mayors on March 4, 2010, and its Sustainable Energy Action Plan (SEAP) was approved in December 2011. Its objective is to reduce CO2 emissions by 20% for the year 2020, estimating a total reduction of 7,262.21 tons of CO2. The following graph reflects the estimated reduction by sectors:



Source: Covenant of Mayors

It subsequently renewed its commitment by joining the Covenant of Mayors for Climate and Energy, which implies the commitment to “take action to support the implementation of the European objective of reducing greenhouse gases by 40% by 2030 and the adoption of a common approach to promote mitigation and adaptation to climate change”.

Within the framework of its Sustainable Energy Action Plan, the City Council of Muro de Alcoy has carried out actions such as the following:

- Installation of solar heating in residential buildings.
- Replacement of light fittings with LEDs in municipal buildings.
- Monitoring of consumption and maintenance of air conditioning equipment in municipal buildings.

In keeping with its work for sustainable energy, the City of Muro de Alcoy undertook to participating in the LOCAL4GREEN Project, with the intention of designing and implementing fiscal policies that promote the use of renewable energy in the municipality.

Within the framework of LOCAL4GREEN, after the study of the initial situation of the municipality, both of the existing ordinances and the income chapter of the budget of its City Council, several meetings and conversations were held, and the Project finally put forward two proposals to initiate the approval process by the Plenary Council. Specifically, the implementation of tax benefits for the promotion of Green Fiscal Policies, regarding measures:

- FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES
- FISCAL ORDINANCE REGULATING THE ROAD TAX

These ordinances include a tax relief and/ or exemption that can be applied by those citizens who use means or carry out activities with a lower impact on the environment, either by developing actions that involve less use of resources or have a lower emission of CO₂. Therefore, these measures help in the implementation of renewable energies in these municipalities and have a lower environmental impact.

The current situation of the proposals designed for the City Council of Muro de Alcoy is that none has been approved by the Plenary Council, and therefore no fiscal measures have been carried out that encourage the use of renewable energy.

The fiscal policies proposed to the City Council of Muro de Alcoy are described below.

1) FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

Tax Relief

They will enjoy a tax relief of up to 50% in the Tax on Economic Activities corporate tax payers and civil companies with a net annual turnover greater than 2,000,000 euros and that:

- a) Use or produce energy from facilities for the use of renewable energy or cogeneration systems. Cogeneration systems are understood as the equipment and facilities that allow the joint production of electricity and useful thermal energy.
- b) Have established a transport plan whose vehicles are registered in the name of the taxpayer travelling to or from work or promote the use of more efficient means of transport, such as collective or shared transport.

For the purposes of this tax, it must be taken into account that they are exempt from paying the tax but subject to it (that is, they have to declare their activity but with a 0 fee), among others those taxpayers who have a volume of operations less than 1 million euros and those who start the activity during the first two tax periods.

2) FISCAL ORDINANCE REGULATING THE ROAD TAX

The tax period will coincide with the calendar year, except in the case of initial purchase of vehicles. In this case the tax period will begin the day on which said purchase occurs.

Tax Relief

1.- They will enjoy a 75% bonus on the tax rate:

- a) Pure electric vehicles powered exclusively from externally rechargeable batteries and with a minimum autonomy in electric mode of at least 20 km.

b) Plug-in and electric hybrid vehicles with extended autonomy (with range extender), provided they have 100% electric traction capacity by means of batteries.

c) Vehicles whose emissions are equal to or under 120 g of CO₂/ km.

Those vehicles whose engine uses only renewable energy sources will also enjoy a 75% tax relief on the fee.

EVALUATION AND IMPACT OF THE MEASURES

From the analysis of these ordinances, as well as their approval procedure and subsequent entry into force, no anomalies have been detected regarding compliance with legal requirements, in terms of limitations imposed by higher tax regulations, deadlines, procedures to be followed, etc., therefore, they are consistent and meet the requirements established by national regulations. Also, it follows that these ordinances are not contrary to nor negatively affect other ordinances or regulations.

After the analysis and evaluation process of the proposed policies the City Council of Muro de Alcoy did not proceed to their approval. Although progress was made in the development of one of the proposed ordinances, during the process there was a political dispute between the parties that constituted the municipal government, which caused the cessation of the political leader who had been the contact person in the design and implementation of the policies. This caused the existing government to be in minority, and as they believed the measures proposed would not be approved by the Plenary Council, the implementation process was dropped.

Since no ordinance has been approved under the Project, no fiscal measures have been implemented to encourage the use of renewable energy sources, so there are no impacts in terms of renewable energy production or reduction of CO₂ emissions that can be measured for evaluation.

3.2.7 CITY COUNCIL OF XERESA

PILOT MUNICIPALITY IDENTIFICATION

Xeresa is a municipality of the Valencian Region, Spain. Located in La Safor county. It has 2,145 inhabitants (National Institute of Statistics, 2018).

Its geographic location, both in Spain and the Valencian Region is the following:



The main economic activity of Xeresa is agriculture, focusing on irrigated farming, which is dedicated to orange trees. Its industry is reduced to the storage and export of oranges. National tourism is also being encouraged.

FISCAL POLICIES ANALYSED FOR THE CITY COUNCIL OF XERESA

The City Council of Xeresa joined the Covenant of Mayors for Climate and Energy on May 26, 2016, committing to a 40% CO₂ emission reduction objective and to increasing resilience to climate change. To date, it has not approved the Sustainable Energy and Climate Action Plan where the measures to achieve these objectives will be collected.

In keeping with its work for sustainable energy, the Xeresa City Council undertook to participating in the LOCAL4GREEN Project, with the intention of designing and implementing fiscal policies that promote the use of renewable energy in the municipality.

Within the framework of LOCAL4GREEN, after the study of the initial situation of the municipality, both of the existing ordinances and the income chapter of the budget of its City Council, several meetings and conversations were held, and the Project finally put forward two proposals to

initiate the approval process by the Plenary Council. Specifically, the implementation of tax benefits for the promotion of Green Fiscal Policies, regarding measures:

- FISCAL ORDINANCE REGULATING THE PROPERTY TAX
- FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTION, INSTALLATIONS AND WORKS
- FISCAL ORDINANCE REGULATING THE ROAD TAX
- FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

These ordinances include a tax relief and/ or exemption that can be applied by those citizens who use means or carry out activities with a lower impact on the environment, either by developing actions that involve less use of resources or have a lower emission of CO₂. Therefore, these measures help in the implementation of renewable energies in these municipalities and have a lower environmental impact.

The current situation of the proposals designed for the City Council of Xeresa is that none has been approved by the Plenary Council, and therefore no fiscal measures have been carried out that encourage the use of renewable energy.

The fiscal policies proposed to the City Council of Xeresa are described below.

1) FISCAL ORDINANCE REGULATING THE PROPERTY TAX

Tax Relief

1st.- Buildings where systems have been installed for the thermal or electrical use of solar energy will enjoy a reduction of up to 50% in the Property Tax during the three tax periods following the end of their installation and 25% in the next two periods, provided they meet the following conditions:

- e) Properties for housing.
- f) The house is the habitual residence of the family unit.
- g) The property has a minimum useful area for collecting solar energy of 4m² and a minimum installed power of 5 kW per 100 m² of constructed area.
- h) The installation of the energy system in the house is not regulated as mandatory in the construction regulations (Technical Building Code).

The granting of this tax relief will be conditioned to compliance with the above requirements duly accredited by providing the technical project or technical report, the assembly certificate, or where appropriate, the installation certificate duly completed by the authorised body.

The granting of this tax relief will not be incompatible with that of other tax benefits, with a total maximum of 90% of the full fee.

The tax relief request must be applied for every year.

2nd. - They will enjoy a tax relief of 20% in the fee, Properties that meet conditions a) and b) of the previous section that consume only renewable energies.

The granting of this tax relief will be conditioned to compliance with the above requirements being accredited by providing electricity bills for January, April, July and October.

2) FISCAL ORDINANCE REGULATING THE TAX ON CONSTRUCTIONS, INSTALLATIONS AND WORKS

Tax Relief

They will enjoy a tax relief of 39% in fee of the Tax on Constructions, Installations and Works, the premises that meet the following conditions:

- c) The works and installations carried out in the real estate intended as main residence of taxable persons that incorporate systems for the thermal and electrical use of solar energy for self-consumption, as long as said incorporation has been carried out voluntarily and does not respond to obligations included in current regulations.
- d) That the installations for heat production include collectors with the corresponding approval of the competent Administration.
- e) That the systems for thermal use have a minimum useful solar collection surface of 4m² and a minimum installed power of 5 kW per 100 m² of constructed area.

The granting of this tax relief will be conditioned to compliance with the above requirements duly accredited by providing the technical project or technical report, the assembly certificate, or where appropriate, the installation certificate duly completed by the authorised body.

The tax relief will be applied for within the deadline to submit the reverse-charge, when submitting the application for works or at the time of receiving the settlement.

3) FISCAL ORDINANCE REGULATING THE TAX ON ECONOMIC ACTIVITIES

Tax Relief

They will enjoy a tax relief of up to 50% in the Tax on Economic Activities corporate tax payers and civil companies with a net annual turnover greater than 2,000,000 euros and that:

- a) Use or produce energy from facilities for the use of renewable energy or cogeneration systems. Cogeneration systems are understood as the equipment and facilities that allow the joint production of electricity and useful thermal energy.
- b) Have established a transport plan whose vehicles are registered in the name of the taxpayer travelling to or from work or promote the use of more efficient means of transport, such as collective or shared transport.

For the purposes of this tax, it must be taken into account that they are exempt from paying the tax but subject to it (that is, they have to declare their activity but with a 0 fee), among others those taxpayers who have a volume of operations less than 1 million euros and those who start the activity during the first two tax periods.

4) FISCAL ORDINANCE REGULATING THE ROAD TAX

The tax period will coincide with the calendar year, except in the case of initial purchase of vehicles. In this case the tax period will begin the day on which said purchase occurs.

Tax Relief

1.- They will enjoy a 75% bonus on the tax rate:

- a) Pure electric vehicles powered exclusively from externally rechargeable batteries and with a minimum autonomy in electric mode of at least 20 km.
- b) Plug-in and electric hybrid vehicles with extended autonomy (with range extender), provided they have 100% electric traction capacity by means of batteries.
- c) Vehicles whose emissions are equal to or under 120 g of CO₂/ km.

Those vehicles whose engine uses only renewable energy sources will also enjoy a 75% tax relief on the fee.

EVALUATION AND IMPACT OF THE MEASURES

From the analysis of these ordinances, as well as their approval procedure and subsequent entry into force, no anomalies have been detected regarding compliance with legal requirements, in terms of limitations imposed by higher tax regulations, deadlines, procedures to be followed, etc., so they are consistent and meet the requirements established by national regulations. Also, it follows that these ordinances are not contrary to nor negatively affect other ordinances or regulations.

After the analysis and evaluation process of the proposed policies, the City Council of Xeresa did not proceed to their approval. It was considered more appropriate to wait for its implementation in order to analyse the evolution of similar measures in other municipalities, where they have

already approved and implemented fiscal measures of this type, and thus be able to obtain more information and ideas for its future implementation in the municipality.

Since no ordinance has been approved under the Project, no fiscal measures have been implemented to encourage the use of renewable energy sources, so there are no impacts in terms of renewable energy production or reduction of CO2 emissions that can be measured for evaluation.

4. NECESSARY REFORMS TO ALLOW LOCAL AUTHORITIES THE IMPLEMENTATION OF IMPROVED FISCAL POLICIES THAT PROMOTE RENEWABLE ENERGY SOURCES

The legislative reforms that can be carried out in the national regulations, in order to offer a wider range of possibilities to the different Local Entities regarding the implementation of fiscal policies to promote renewable energies, could include the following aspects:

- To include a greater number of cases to apply tax relief for taxpayers who use and implement renewable energy or with little effect on the environment.
- To include exemptions for taxpayers and/ or taxable events that involve greater use or implementation of renewable energies or with little effect on the environment.
- The possibility of penalising or increasing the amount of tax rates in those cases where the taxable event has a greater environmental impact, so that certain events with a negative effect on the environment are discouraged.

In some cases, national regulations are somewhat restrictive in that they must meet the requirements to guarantee the financial sufficiency of Local Corporations, since local taxes constitute an important source of income for these entities. The collection from local fees, special contributions and taxes provides most of the resources available to local entities.

The Constitution attributes to the state legislator the primary competence to establish taxes while pointing out that any benefit must be authorised by law, and this is reiterated by the Law Regulating Local Finances.

In any case, the national regulations already establish several cases related to the use of renewable energies in the main local taxes, in terms of liable taxpayers and fees:

MANDATORY LOCAL TAXES

- Property Tax
- Tax on Economic Activities
- Road Tax

OPTIONAL LOCAL TAXES

- Tax on Constructions, Installations and Works

As mentioned, in national regulations, especially in Royal Legislative Decree 2/2004, of 5 March, which approves the Consolidated Text of the Law Regulating Local Finances, the possibility that local entities establish tax relief in their fiscal ordinances, with obvious regulatory character, is

explicitly noted. All this provided that the tax relief has been expressly laid down by the law, which for almost all local taxes, creates the distinction between two types of tax relief. The "mandatory" tax relief must necessarily be acknowledged by a law, or in particular by the Consolidated Text of the Law Regulating Local Finances. The "optional" tax relief, being provided for in a rule with the status of a law, only establishes the possibility of its recognition, so the local entity, through its own tax ordinance, will decide or not on its effective application in its respective field.

Despite this possibility of tax relief established "on an optional basis", the material content of local autonomy "for the management of their own interests" recognised by the municipalities and provinces in article 137 of the Spanish Constitution, justifies to many authors, the need for an extension of the exercise of local tax power, and especially in relation to tax relief, proposing a framework law, similar to Organic Law 8/1980, of September 22, on Financing of the Autonomous Regions (LOFCA, in Spanish), to limit the taxable matters on which the municipality can exercise its tax power, allowing the municipality the concretion of the tax configuration elements, including exemptions and tax relief.

In any case, we must insist on the importance of exercising the local tax authority, in regards to the establishment of tax relief through tax ordinances, always with the appropriate legal cover, especially taking into account that the law, according to the various cases, may admit, within the limits established - and required by the principle of tax legality - that the specific conditions of enjoyment of these tax benefits are regulated in the ordinances themselves. Thus, and in general, the second paragraph of article 9.1 of the Consolidated Text of the Law Regulating Local Finances, after referring to the possible recognition of tax benefits in tax ordinances, adds that "in particular, and under the conditions in such ordinances, they may establish a tax relief of up to five percent of the fee in favour of taxpayers who set up a direct debit in a financial entity for their periodically due debts, advance payments or carry out actions that involve collaboration in the collection of income."

Precisely, given the application of the principle of legal reserve in terms of tax benefits, as well as the need to guarantee the obtaining of the necessary resources for the effectiveness of the constitutional principles of autonomy and financial sufficiency, Article 9.2 of the Consolidated Text of the Law Regulating Local Finances establishes that "The laws establishing tax benefits in the area of local taxes will determine the appropriate compensation formulas; these formulas will take into account the possibilities of future growth of Local Entities' resources from taxes in respect of which the aforementioned tax benefits are established".

Therefore, the measures to be applied by the City Councils against climate change are considerably reduced, which contradicts the commitment they have made to curb global warming, adapting both their own activities and generating environmental culture in their citizens and in their responsibilities.

At any rate, one of the main instruments with which the municipalities, through their mayors, are facing the problem of climate change since 2008, is their adherence to the COVENANT OF MAYORS, committing to meet the climate and energy objectives of the European Union. Over time this initiative has acquired a more ambitious and broad scope, with the creation in 2015 of the COVENANT OF MAYORS FOR CLIMATE AND ENERGY, which merged the Covenant of Mayors with the Mayors for Adaptation initiative and encompassed both mitigation and adaptation to climate change.

In June 2016, the Covenant of Mayors began an important new phase in its history by choosing to join forces with another initiative at the local level: The Mayors Coalition. The result, the Global Covenant of Mayors for Climate and Energy, is the largest movement of local governments committed to overcoming their own national climate and energy objectives. Fully in line with the UN Sustainable Development Goals and the principles of climate justice, the Global Covenant of Mayors will address three main problems: climate change mitigation, adaptation to the adverse effects of climate change and universal access to safe, clean and affordable energy.

Thus, the Covenant of Mayors for Climate and Energy is the world's largest movement of cities for local action on climate and energy, which many of the municipalities in our country have signed.

The Covenant of Mayors for Climate and Energy encourages learning and the exchange of good practices between European countries, reinforcing collaboration between local European entities. Currently, the European Union has embarked on an ambitious process for the Covenant of Mayors for Climate and Energy to be implemented in other regions of the world. The Covenant of Mayors for Climate and Energy has become the leading European initiative, to promote the involvement of local authorities worldwide, not only in Europe. This process turns the Covenant of Mayors for Climate and Energy into an EU flagship to strengthen its global leadership in climate policy.

Once the agreement is signed, each municipality must approve the Sustainable Energy and Climate Action Plan (SECAP) in which it has to define and plan its strategic objectives. Every two years a new evaluation must be carried out to measure progress and, where appropriate, adapt the measures.

The commitment undertaken by the mayors is to implement local climate actions, in order to achieve the European Union's objective of reducing 20% of emissions by 2020 with respect to 1990 and reaching a 40% reduction in 2030.

On the other hand, the United Nations resolution of September 25, 2015 “Transforming our world: The 2030 Agenda for Sustainable Development”, approves this agenda that both in its text, and in the 17 objectives and 169 goals that it seeks to achieve by 2030, involves the

municipalities, not only because it refers to matters within their competence but also because it quotes them and assigns tasks to them, expressly.

Municipalities have an important role to play in achieving the 17 objectives of the 2030 Agenda and those of other international declarations such as the Quito Declaration at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), and the Paris Agreement on climate change. Although all these objectives are intertwined, two are clearly the sustainable development goals referred to in this Handbook:

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 13. Take urgent action to combat climate change and its impacts

The assumption of all the challenges, but particularly the climate challenge, has led to the emergence of new interests in the municipalities. If the constitutionally recognised autonomy is for the management of their interests, if the laws assign functions under those interests and if it is declared that the municipalities' resources must be sufficient to meet those functions, the emergence of new interests must imply the increase of powers and new instruments and resources to address, among others, these challenges.

Therefore, with the aim of improving the capacity of Local Entities to implement green taxation measures, **the adoption of the following agreement is proposed to City Councils:**

FIRST. – To declare the commitment of this municipality with the objectives set forth in the Covenant of Mayors for Climate and Energy, the 2030 Agenda for sustainable development, and the Paris Agreement, as well as the rest of international declarations to face climate change.

SECOND. –To declare the need to provide municipalities and other local authorities with greater autonomy to manage their interests. Especially for them to be given new powers and resources, for the adoption of the increasingly urgent measures to combat climate change and its effects and for the establishment of a broad framework that, through taxes, allows for the establishment of increases, tax relief, reductions or surcharges to all local taxes.

THIRD. -To ask the competent bodies to elaborate the corresponding bills or draft laws in which, in addition to what is described in the previous section, legislative and all other measures are established that include:

- a) The legislative modification allowing for the costs from the implementation of the measures established in the SECAP of the Covenant of Mayors for each municipality, to be distributed among the real estate and activities carried out within the municipality. In the case of real estate, by applying surcharges on the Property Tax and in the case of activities, by contemplating in the fee for opening and operation, the actual or potential

GHG emission according to the activity. In both cases, weighted according to the use or not of energy from renewable sources, it will be understood that the use of these energies occurs in real estate if there is a contract with a company that supplies this energy during each fiscal year.

- b) Modification of the regulation of municipal fees, both in the occupation of public domain and in the provision of services, eliminating for the latter the limitation of the cost of the service and setting up, in both cases, surcharges or tax relief depending on the type of energy consumed, establishing that a renewable energy supply contract with a supplier of this nature accredits the use of energy from renewable sources. The fees, prices or compensations regarding the occupation of the municipal public domain, particularly the sidewalks, by terraces, kiosks, etc. should contemplate a notable increase, if the businesses do not use renewable energy sources for their lighting, air conditioning, installations, engines, etc., including the actual premises.
- c) Amendment of the legislation so that, among the criteria established for the distribution of the Participation of local entities in the State's income, provided for in article 111 and following of the Consolidated Text of the Law Regulating Local Finances, approved by Royal Legislative Decree 2/2004, of March 5, for the calculation of the participation in the State taxes a set coefficient is contemplated, for all municipalities, whatever their population, based on the following:
 - c.1) The degree of reduction of all GHG emissions originating in the municipal district, with reference to a zero year for which data are available.
 - c.2) The percentage increase in the use of energy from renewable sources, also throughout the municipal district, in relation to the same year taken as a reference to compute the reduction in GHG emissions.
 - c.3) The existence and compliance of municipal climate change mitigation plans, such as the Sustainable Energy and Climate Action Plans within the framework of the Covenant of Mayors or equivalent.

FOURTH. – To provide a certificate of this agreement to the appropriate effects in each case:

TO THE SPANISH CONGRESS

TO THE SENATE

TO THE MINISTRY OF FINANCE

TO THE PRESIDENCY OF THE GOVERNMENT

TO THE SPANISH FEDERATION OF MUNICIPALITIES AND PROVINCES

TO ALL POLITICAL GROUPS REPRESENTED IN THE PARLIAMENT

TO THE NEIGHBOURHOOD ASSOCIATIONS ENROLLED IN THE MUNICIPAL REGISTRY

FIFTH. – To disseminate this agreement in the municipality, by including it in the website, in the bulletin board and in the usual informational places for the City Council.

5. CONTACTS LOCAL4GREEN PROJECT

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