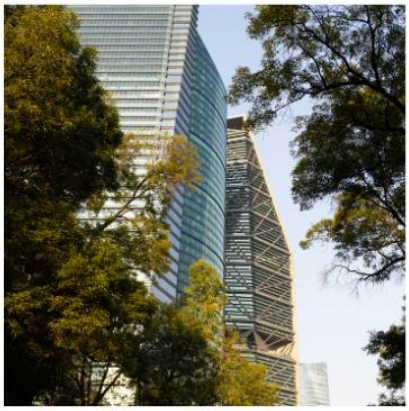
PROSPECT





Internal Contracting (Intracting) – Learning Handbook at a Glance

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About the project

PROSPECT aims to strengthen the capacity of local and regional authorities (LRAs) across Europe to implement sustainable energy and climate actions by reducing reliance on public funding and increasing the use of innovative financing schemes (e.g., one-stop-shops, energy agencies, energy communities). The project offers a peer-to-peer Capacity Building Programme (CBP) tailored to the needs and time constraints of LRAs, available in multiple languages and structured in adaptable learning modules. Through large-scale outreach, including very small and remote LRAs, PROSPECT CUBE acts as an entry point to EU programmes and financing opportunities for authorities with limited experience in the field.

PROSPECT CUBE builds upon two successful Horizon 2020 initiatives: PROSPECT (2017–2020) and PROSPECT+ (2022–2025).

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1. About this guide

This concise guide highlights the key concepts, applications and takeaways of the full PROSPECT CUBE Learning Handbook on Internal Contracting (Intracting), introducing an internally financed approach to sustainable energy and climate investments. It explores how local and regional authorities (LRAs) can use internal financing and revolving mechanisms to reinvest verified savings, strengthen financial autonomy and support long-term investment planning.

Drawing on the experience of the PROSPECT initiative and broader European practices, the publication outlines the organisational models, governance arrangements and operational considerations involved in establishing and managing effective intracting schemes.

1.1. What the full learning handbook covers?

The full learning handbook is structured as a modular reference and learning resource covering:

- The fundamentals of internal contracting and how it works
- Internal contracting arrangements, models and governance structures
- The relationship between internal contracting and revolving funds
- Benefits and added value of internal contracting for LRAs
- Sector-wide applications of internal contracting schemes
- Key stakeholders and management responsibilities
- A step-by-step implementation guide
- Critical success factors, barriers and risks

The publication also highlights lessons learned and implementation insights from the PROSPECT initiative and the broader European intracting practice.

1.2. Who should use the full learning handbook?

The full learning handbook is designed for both newcomers and experienced practitioners involved in planning, financing, managing or implementing energy-related investments. Developed within the framework of the PROSPECT initiative, it primarily targets LRAs, municipal departments and energy agencies seeking to understand internal contracting and its role in supporting long-term energy and climate action.

The publication combines conceptual guidance, implementation steps and real-life case studies to help readers navigate the internal contracting process from strategic preparation and governance setup to implementation, monitoring and reinvestment.

2. What is internal contracting?

Internal contracting (also referred to as intracting) is an internal financing and organisational model through which LRAs finance and implement energy efficiency and climate-related investments using their own internal resources and repayment mechanisms. Rooted in the logic of revolving funds, it links upfront investments to verified cost savings, allowing recovered resources to be reinvested over time in a continuous and self-reinforcing cycle.

Under an internal contracting scheme:

- Investments are financed internally by the LRA.
- Repayments are made through verified savings generated by implemented measures.
- Financial flows, decision-making and responsibilities remain within the authority.
- Recovered savings are reinvested into new projects over time.

Internal contracting is increasingly recognised as an effective mechanism for supporting long-term energy and climate investments while strengthening institutional learning, internal coordination and financial resilience.

2.1. How does internal contracting work in practice?

At its core, internal contracting operates through a closed internal financing and repayment cycle linked to verified savings. Typically, projects are identified and assessed based on expected savings potential, implementation costs and payback periods. Once approved, measures are financed upfront through internal resources, often supported by an internal revolving fund.

Following implementation, the resulting savings - typically from reduced energy consumption or operating costs - are used to repay the initial investment over an agreed period.

The two most common organisational approaches to internal contracting are:

- Centralised models, where a single coordinating unit manages the revolving mechanism and oversees investments across departments.
- Decentralised models, where individual departments propose and implement projects within a shared internal financing framework.

Across both models, the common principle remains the same: savings generated by implemented measures are reinvested into new actions, enabling a continuous investment cycle over time.

2.2. Where can internal contracting be applied?

Internal contracting is particularly suitable for sectors and assets under direct LRA ownership or operational control, where savings can be clearly measured and reinvested. Typical applications include:

- Public buildings and municipal infrastructure
- Heating, cooling and ventilation (HVAC) systems
- Public lighting and LED upgrades
- Building renovation and insulation measures
- Energy management systems and smart controls
- Water efficiency and operational optimisation measures
- Cross-departmental sustainability and resource-efficiency actions

The scheme is especially effective for combining smaller-scale measures with longer-term investment programmes, enabling LRAs to gradually expand climate and energy actions across multiple departments and sectors.

2.3. Why does internal contracting matter?

Internal contracting offers LRAs a practical and self-reinforcing way to finance energy and climate investments while reducing dependence on external financing and complex procurement structures.

By linking investments directly to verified savings and reinvesting recovered resources into new projects, internal contracting helps authorities strengthen long-term financial resilience, improve budgetary efficiency and progressively scale up local climate action. At the same time, keeping financial flows, technical expertise and decision-making processes within the organisation supports institutional learning, cross-departmental collaboration and stronger ownership of energy and climate strategies.

When supported by clear governance arrangements, realistic savings assumptions, robust monitoring systems and sustained political commitment, internal contracting can become a flexible and scalable mechanism for delivering long-term public value and accelerating the local energy transition.

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