

**OUTLINE APPLICATION FOR EUROPEAN REGIONAL DEVELOPMENT FUNDS
FOR ENERGY INVESTMENT**

To: **Economy and Environment Committee**

Meeting Date: **21st April 2015**

From: **Graham Hughes, Executive Director, Economy Transport
and Environment.**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **To agree the potential scope and outline the timetable for
the submission of a European Regional Development
Fund (ERDF) bid.**

Recommendation: **Committee is asked to agree:**

**a) The submission of an outline application for European
Regional Development Funds (ERDF) to the Department of
Communities and Local Government (DCLG)) by 20th May
2015.**

**b) The scope and ambition of the bid, including that of the
Cambridgeshire Energy Company.**

**c) To use the profits from the Energy Performance
Contracting Project to match fund the ERDF bid, if invited
to submit a full application.**

<i>Officer contact:</i>	
Name:	Sheryl French
Post:	Project Director
Email:	Sheryl.french@cambridgeshire.gov.uk
Tel:	01223 728552

1 BACKGROUND

- 1.1 Economy and Environment Committee on 10th March 2015 agreed to continue to support the development and investment into energy projects using the profits from the Energy performance Contracting Project and to build the scale and ambition of the Council's energy investments. This included supporting the development of an ERDF bid and the scoping of a Cambridgeshire Energy Company.

2 Project progress

- 2.1 The first call for European Regional Development Fund (ERDF) bids was launched on the 20th March 2015 by the Department for Communities and Local Government (DCLG) supported in our Local Enterprise Partnership (LEP) area by the Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP). The deadline for outline applications is 20th May 2015.
- 2.2 Developing an ERDF bid will provide the opportunity to draw down revenue and low cost capital to match fund our investments into energy projects and to grow this area of work more quickly and broadly than the Council could otherwise.
- 2.3 The ERDF operational programme 2014-2020 includes key areas for project investment. The relevant one for this project is theme four: Supporting the shift towards a low carbon economy. It encourages project bids around energy investment and the expectation is that projects will help deliver one or more of the following priorities:
- Promoting the production and distribution of energy from renewable sources and increasing the number of small scale renewable energy schemes
 - Promoting energy efficiency and renewable energy use in enterprises
 - Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure including public buildings and the housing sector
 - Promoting low carbon strategies for all types of areas especially urban areas including decentralised energy measures and including sustainable transport
 - Promoting research, innovation and adoption of low carbon technologies
- 2.4 In addition, project bids need to demonstrate delivery of local GCGP LEP priorities as set out in the local European Structural Investment Fund Strategy (ESIF). GCGP LEP has allocated £8.08 million for theme 4: Supporting the shift towards a low carbon economy. Local priorities include:
- Support sectoral growth in Clean tech – a priority sector for the GCGP LEP area through placing investment and procuring services
 - Develop and test new financing mechanisms that are exportable
 - Support demand for the commercialisation of new low carbon technologies

- Invest future energy spend into the local economy to benefit local businesses and communities rather than the global economy
 - Low carbon financial instruments to deliver whole place solutions
 - Building retrofit and energy efficiency, especially whole building solutions exemplifying next phase technologies which are near to market
 - Adoption of low carbon technologies to build the low carbon market and supply chain
 - Generate inward investment into GCGP LEP area infrastructure to support housing
- 2.5 The process and timescales for applying for funds is described in Appendix A. It is estimated that from the time of submission of the outline application to signing a funding agreement will be approximately six months.
- 2.6 It is proposed that the County Council submits a bid for revenue and low cost capital to match-fund investments into energy projects and to set up a Cambridgeshire Energy Company, if this is the best way to deliver those projects. This will help pay for the skills and expertise needed to support project delivery and to grow this area of work more quickly than just relying on the revenues from Energy Performance Contracting (although if the ERDF bid is unsuccessful, these revenues would be sufficient to fund a small unit to develop further energy projects).
- 2.7 The total project size is approximately £6.4 million, of which ERDF grant contributions of £3.2 million will be requested as part of the application process as ERDF grant is awarded on a 50% match basis. It is anticipated that the profits from the energy performance contracting project along with further energy investments can draw down the ERDF grant. This funding commitment will need to be formalised by 29th July 2015 if the project proposal is given the green light to submit a full application.

3 Scope of an outline Application

- 3.1 The initial energy project pipeline will focus on public sector projects such as the energy performance contracting work for schools and public buildings and the feasibility of developing larger scale projects such as additional solar parks and waste to energy schemes on public sector assets.
- 3.2 Discussions with Cambridge Cleantech and other stakeholders suggest that it is also worth assessing the feasibility of projects to tackle demand and supply side energy management; to support group purchasing of energy and in the longer term, projects to sell locally generated power and heat through the development of decentralised energy and new energy networks. The ERDF capital grant will support projects where financial returns are currently marginal, bring forward projects more quickly and test new low carbon technologies than otherwise achievable.
- 3.3 These energy projects may be best delivered through an energy company, using the County Council's Power to Trade. Work undertaken last year identified the role a company could play bringing forward investments into energy projects and the potential company structures. Please see in Appendix B an infographic describing the ambition of this work and the organising structure which can bring this work together.

- 3.4 For Cambridgeshire County Council a company will bring broader freedoms and flexibilities to operate commercially (including making a profit), coordinate investments into energy projects and provide greater clarity and centralisation of risk. This will provide opportunity to manage the performance of a company in a different way than if simply a unit within the County Council. The Energy Unit or potentially the Company will also look to set up processes to attract investments e.g. European Investment Bank finance and housing developers investment from 2016, keen to meet their carbon obligations. The decision to set up a company would, of course, be for Members and would need to be undertaken early in the project.

4. ALIGNMENT WITH CORPORATE PRIORITIES

4.1 Developing the local economy for the benefit of all

The transition from a fossil fuel dependent economy to a low carbon economy requires leadership and innovation and presents significant business opportunities.

A precondition for a thriving local economy is secure energy supplies. Supporting businesses and our communities to become more energy efficient and self sufficient will provide greater resilience to future price volatility. The MLEI Project started building the organisational framework to facilitate this change and ERDF funding will continue to build on this legacy and help businesses and communities to help themselves.

4.2 Helping people live healthy and independent lives

Fuel poverty is a significant issue, despite recent falls in energy prices. With the doubling of energy prices predicted in the next 10 years, despite current low oil prices, evidence suggests that cold homes will bring greater health risks impacting negatively on health budgets and services. Collective purchasing of energy could help save vulnerable residents money on their energy bills along side local mechanisms to improve energy efficiency and generate local energy to reduce the impact of fuel poverty and potentially costs to the National Health Service (NHS).

4.3 Supporting and protecting vulnerable people

See above. Fuel poverty impacts most on the vulnerable in our society. There is a link between fuel poverty and the relationship between cold homes, respiratory and cardio-vascular diseases and excess winter deaths.

5. SIGNIFICANT IMPLICATIONS

5.1 Resource Implications

This report sets out the resource implications for accessing ERDF grant in section 2.4. The key issue is that the ERDF money will help facilitate greater investment and returns than we could without grant.

5.2 Statutory, Risk and Legal Implications

A contract, if offered, will be signed with DCLG. This will include delivery targets demonstrating Government's delivery of its operational programme 2014-2020. Some of these targets could be stretching and there is a risk that not all targets will be achievable, with consequent financial risks.

There is a risk that the company makes a loss but if investment decisions are made on good business cases and a balanced portfolio of projects is developed, spreading the risk, this can be managed.

5.3 Equality and Diversity Implications

There are no significant implications.

5.4 Engagement and Consultation Implications

There are no significant implications.

5.5 Public Health Implications

There are public health issues associated with fuel poverty. There is a strong relationship between cold temperatures and cardio-vascular and respiratory diseases. Countries which have more energy efficient housing have lower Excess Winter Deaths (EWDs). There is a relationship between EWDs, low thermal efficiency of housing and low indoor temperature.

Source Documents	Location
Cabinet Report, Mobilising Local Energy Investment 9MLEI), 28 th January 2014	MLEI Project Team CCC Website
Economy and Environment Committee Report, MLEI Project Risks, 8 th July 2014	CCC Website
Economy and Environment Committee Report, Forward Strategy, 10 th March 2015	
Greater Cambridge and Greater Peterborough European Structural Investment Funds Strategy	GCGP LEP website
The National ERDF Operational Programme 2014-2020	DCLG website

Appendix A:

Outline applications to be submitted by 20th May 2015

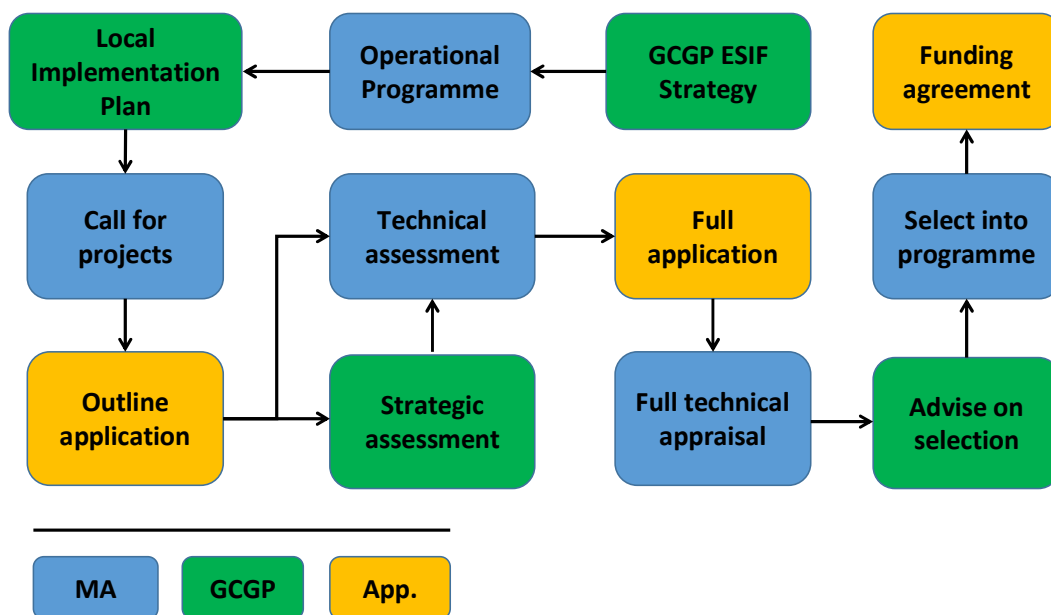
Assessment decision 11th June 2015 and invitation to submit a full application

Full application to be submitted by 29th July 2015

Full application assessment by 17th September 2015 and funding agreement in place by November 2015



ERDF application process



MA = Managing Authority – Department for Communities and Local Government

GCGP = Greater Cambridge and Greater Peterborough

App = ERDF Application

Appendix B: A Cambridgeshire Energy Company - Bringing this work together into an organising framework

CAMBRIDGESHIRE LOW CARBON INVESTMENT UNIT

FINANCE

The Cambridge Low Carbon Investment Unit (LCIU) is a not-for-profit organisation that will be established to manage and invest the £30-50m fund. The LCIU will be a limited liability company, with a board of directors. The LCIU will be responsible for the day-to-day management of the fund, including the selection and monitoring of investments. The LCIU will also be responsible for the overall strategic direction of the fund, including the selection of the types of investments to be made. The LCIU will be a key part of the Cambridge Low Carbon Development Unit (CLCDU), which will be responsible for the overall development and delivery of the Cambridge Low Carbon Strategy.

DEVELOPMENT

The Cambridge Low Carbon Development Unit (CLCDU) is a not-for-profit organisation that will be established to manage and deliver the Cambridge Low Carbon Strategy. The CLCDU will be responsible for the overall development and delivery of the Cambridge Low Carbon Strategy, including the selection and monitoring of investments. The CLCDU will also be responsible for the overall strategic direction of the fund, including the selection of the types of investments to be made. The CLCDU will be a key part of the Cambridge Low Carbon Investment Unit (LCIU), which will be responsible for the day-to-day management of the fund.

PROJECTS

The Cambridge Low Carbon Investment Unit (LCIU) will be responsible for the day-to-day management of the fund, including the selection and monitoring of investments. The LCIU will also be responsible for the overall strategic direction of the fund, including the selection of the types of investments to be made. The LCIU will be a key part of the Cambridge Low Carbon Development Unit (CLCDU), which will be responsible for the overall development and delivery of the Cambridge Low Carbon Strategy.

