

**CAMBRIDGESHIRE HORIZONS**

**Agenda Item No: 14**

**Cambridgeshire Renewables Infrastructure Framework and  
Community Energy Fund**

*To:* **Cambridgeshire Horizons Board**

*Date:* **27th June 2011**

*From:* **Sheryl French**

*Purpose:* **FOR DECISION (FD)**

**Cambridgeshire Renewables Infrastructure  
Framework (CRIF) and Cambridgeshire Community  
Energy Fund (s)(CEF) (formerly known as Carbon  
Offset Fund).**

*Recommendation:* **Cambridgeshire Horizons Board to:**

**i) note progress on the projects and the risks to  
delivery by September 2011;**

**ii) agree that £25K Housing Growth Funds already  
allocated to the CRIF project is used to support the  
completion of the CEF and CRIF work during Oct 2011  
to January 2012, the work to be coordinated through  
Cambridgeshire County Council;**

**iii) to be aware of the development of EU funding bids  
to secure finance for the proposed Low Carbon Hub  
and its role in supporting the ongoing delivery of the  
CRIF and CEF; and**

**iv) attend an event on 20th July 2011, 4-7pm to provide  
feedback to the consultants on the early findings of  
the CRIF project and guide the next phase of technical  
work.**

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## 1.0 Purpose

- To update on progress on the Community Energy Fund (formerly known as the Carbon Offset Fund)
- To set out progress on the Cambridgeshire Renewable Energy Framework (CRIF) and key project risks
- To describe what will be delivered by the projects at end of September 2011
- To identify options for taking forward the Projects beyond September 2011

## 2.0 Background and Context

- 2.1 Recommendations from the Carbon Appraisal of the Long Term Delivery Plan (June 2008) identified the need to develop a Carbon Offset Mechanism and Renewable Energy Infrastructure Plan to aid the delivery of low carbon growth.

A scoping report for a Community Energy Fund (CEF) was presented to members in July 2010. This identified key areas for more work including a detailed study on the governance and management of a Community Energy Fund (CEF) and a renewables infrastructure plan in which the CEF can invest.

Cambridgeshire Horizons Board in September 2010 agreed to develop the CEF and CRIF projects. Funding for these projects is provided by the Regional Improvement and Efficiency Programme (RIEP), Climate Change Skills Fund (managed by Climate East on behalf of Improvement East) and Housing Growth Funds.

### 2.2 Community Energy Fund

Key to taking forward a Community Energy Fund has been the ability to influence the emerging zero carbon homes policy. The definition of 'zero carbon' has been subject to significant debate and change during the last year but is now closer to being tied down with an anticipated deadline of October 2011. Allowable Solutions is the element of zero carbon policy that is relevant to the Community Energy Fund. CLG has commissioned \*zero carbon hub to develop framework options in consultation with the construction industry and stakeholders and recommendations will be presented to CLG on 13<sup>th</sup> June 2011.

As part of this process, Cambridgeshire Horizons has been invited to sit on the stakeholder group and input to an emerging framework. Community Energy Funds are being identified as a key aspect of the Allowable Solutions Framework. This is an opportunity for Local Authorities to set up Community Energy Fund(s) linked to Local Plans and to receive payments from developers through the offset of carbon from new development to invest in local carbon abatement schemes.

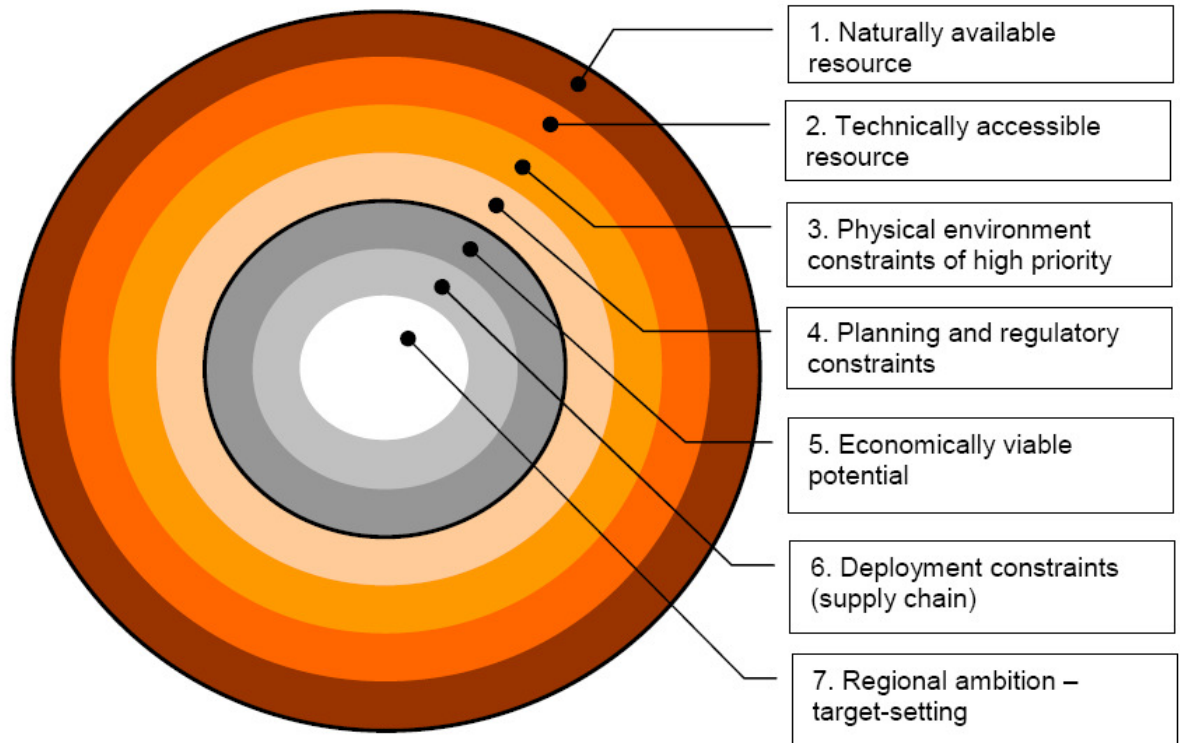
\* Zero Carbon Hub is commissioned by the Coalition Government to identify with the industry, a framework for allowable solutions and to present this to CLG for their consideration.

### 2.3 CRIF

The draft report of the East of England Renewable Energy Capacity Study, commissioned by DECC is now complete. This identifies the resource potential for renewable energy across the East of England across a range of technologies for each of the Local Authority areas. It considers constraints at a high level but does not drill down to the local level in detail.

Figure 1 below shows the stages for developing a Renewable Energy Capacity Study (Source: Renewable and Low Carbon Energy Capacity Methodology for the English Regions, SQW Energy, January 2010). The East of England Study follows method statements for stages 1 to 4, and sets out assumptions for stage 5 onwards.

The Cambridgeshire Renewable Infrastructure Framework (CRIF) takes this work to a detailed local level, learning from and building on the experience of Decarbonising Cambridge (Sept 2010). It will identify greater detail across stages 3-4 and 5-6 at the local level to provide a coordinated delivery plan for Cambridgeshire. The Regional Improvement and Efficiency Programme provided Climate Change Skills Funding contributing to the costs of this work with a view to identifying a blueprint or model at the local level that can be replicated across the region and nationally.



In summary, the draft report identifies:

- A rise in energy demand by 2% from 2011 baseline with energy efficiency improvements partially offsetting increased demand from growth.
- The East of England currently delivers 2.5% of its total regional energy demand from renewables. If we include all consented capacity this rises to 3.4% of total regional demand and a significant gap to producing 20% of total regional energy demand by 2020
- Largest predicted uptake for low carbon heat and renewable energy in the EoE is energy from waste and wind. Norfolk, Suffolk and Cambridgeshire identified as the greatest potential for large scale wind.
- For Cambridgeshire it identifies a variety of technologies and resources including energy from waste, large scale wind, biomass (waste wood and straw), heat pumps, building scale solar thermal and PVs to help deliver approximately 10% of the 2020 total energy demand.

### 3.0 Progress with the Projects

**3.1 CRIF** The CRIF is made up of five workstreams described in appendix A. To date, consultants *Camco* have been appointed to deliver workstream 1 to establish the baseline energy demand across Cambridgeshire and identify the opportunities for renewable energy delivery. **The findings from this work will be reported at an event scheduled for 20<sup>th</sup> July 2011, 4-7pm. Members and the community will be invited to attend. This work will then inform the financial and delivery pathways.**

*Public*—I have been appointed to undertake the engagement work, workstream 4, on the project and a first event took place on 25<sup>th</sup> May to bring the key stakeholders (community, commercial and public sector) together. A second event for members was held on 15<sup>th</sup> June 2011 to engage members in the CRIF project and to share the engagement work that will be delivered in their communities during July/August.

An invitation to tender is on-line for workstreams 2 and 3 and interviews scheduled for 29<sup>th</sup> June 2011. This work will consider financial assessment and delivery pathways for the community, commercial and public sectors. See appendix B for the scope of works.

3.2 By end of September 2011 the intention is to deliver the following:

A draft coordinating plan which includes:

- An evidence base to support (alongside other evidence) local planning policy development
- Three delivery pathways: community, public sector and commercial pathways. Please note that in the public sector pathway a public policy timetable will need to be identified to provide the community and commercial sectors the stability to attract private sector investment
- Project plans for each pathway which identify the ambition for that sector and the steps to support deployment

3.3 The risks to delivery of the project include:

- **Timescales.** This is a very tight timescale requiring substantial inputs from the Local Authorities at a time of significant change. Collection of relevant data has already set the project timescale back by 1 month.
- **Resources.** There is significant risk that resources within the LAs are too stretched to provide the inputs required according to the demanding timetable. Realistically to get the quality inputs from Local Authorities the timescale will need to stretch as the summer months will be difficult to get member and officer inputs.
- **Quality.** The quality of the work must not be compromised due to speed or resource commitments. It is important that a robust platform/evidence base is developed and that members are engaged in this process. The evidence base will inform Local authorities policy development process and look to create stability for future inward investment.
- **Sensitivity.** The technical work will identify data that is open to interpretation in a number of ways. In addition the technical work will identify opportunities that need careful management and debate. Significant ground work with communities and local members sharing and interpreting data will be required before describing in a coordinating plan
- **Engagement and Communications:** It is key that the engagement process can provide the inputs from the community, private sector and public sector to ensure the work is grounded in reality and reflects the inputs of key stakeholders; as well as to manage the sensitivities of this work. The short timescales may reduce the effectiveness of this process.

### 3.4 Cambridgeshire Community Energy Fund(s) (CEF)

Consultants, Element Energy, were appointed in May 2011, to provide a more detailed analysis of the governance, management and scale of a potential CEF building on the scoping report completed in September 2010. This work will need to be closely aligned to the Allowable Solutions Framework and takes its lead from emerging discussions. The output of the project will be a technical report including an implementation plan to set up a Cambridgeshire Community Fund or Fund(s).

In addition, Local Authority planners are identifying the most appropriate planning pathway during May/June 2011 for a Community Energy Fund(s) to complement the work above. This planning pathway will need to be discussed and tested with partners as part of this process. It is anticipated that the planning pathway and the project report will provide the way forward for implementation of a Cambridgeshire Community Energy Fund(s).

The key risks to delivering the project include:

- **Policy change:** It is important over the next few months as CLG considers the Allowable Solutions Framework to keep up to date with changes. These will directly influence the work. Substantial change to the Allowable Solutions Framework will impact on the delivery of the detailed report.
- **Timescales:** the timescale is very tight especially as there will be key areas of the work that will require a steer from members. In addition, CLG will be reporting in October 2011 the allowables solutions framework so it will be

worth waiting until this is published to ensure that the CEF work is working in tandem.

- **Engagement:** The project needs strong engagement with members to ensure they can steer the work at key decision points. The current timescales are very challenging to ensure this is a robust process supported by members.

#### **4.0 Options for taking forward the CRIF and CEF post- September 2011**

4.1 It is unlikely that the CRIF and CEF project reports will be complete at the end of September 2011. Additional time will be required to ensure the quality of the inputs and agreement of the reports. Once complete, how to take this work forward will need to be identified and implemented. Completion of the reports and implementation post September 2011 will be required if the benefits from the funding investments made to date are to be realised.

4.2 For the CRIF the following key areas of work will need to be progressed:

- The coordinating plan will need to be agreed by the Local Authorities and other stakeholders
- Adoption of the CRIF by the Local Authorities as an evidence base
- Local Authorities develop local plan policies to support the delivery of the CRIF
- Set up the processes for taking forward the three delivery pathways
- Identify implementation process for public sector pathway
- Secure resource and investment in the three delivery pathways

4.3 CEF

- The planning process for taking forward a CEF is agreed with partners
- The structure and governance of a Cambridgeshire Community Energy Fund(s) is agreed by the Local Authorities
- Set up of a Community Energy Fund (should members wish to move forward) is taken forward
- Developer contributions are collected and invested in local low carbon infrastructure projects, identified in the CRIF and other plans such as Local Investment Frameworks to reduce CO2 emissions.

4.4 There are three areas of support required for the short, medium and longer term.

- Completion of CEF and CRIF project Reports. (short term 3/4months)  
It is likely that not all the work will be complete by end of September 2011. Realistically an additional 3/4 months work will be required liaising with the local Authorities and key stakeholders to finalise technical information and agree the final reports.
- Setting up the processes to support implementation e.g. Set up of a Low Carbon Hub to support and guide the strategic implementation of projects; identify financial model for supporting projects; coordinate planning processes for CEF and set up a CEF; development of Local Plan policies; delivery of project plans for CRIF pathways, ( short - medium term up to 2years)

- Secure continued investment via the Low Carbon Hub in delivering the CRIF and CEF and other low carbon infrastructure (medium- longer term over 3 years)

#### 4.5 How can these areas be supported?

**Completion of CEF and CRIF.** The Housing Growth Fund allocation for CRIF is £80K of which £55K will have been spent within the project by the end of September. The remaining £25K could be used to fund ongoing project management to complete the CEF and CRIF projects through to January 2012 and to initiate early discussions on funding bids to support implementation. The current project management resource moves from Horizons into the County Council once Horizons closes its offices.

**Setting up the processes for implementation.** In January 2011, the LEP supported a Regional Growth Fund bid for a Low Carbon Hub to coordinate delivery and investment in low carbon infrastructure in Cambridgeshire and Peterborough. The bid was not successful but the will to set up a Low Carbon Hub remains.

An EU bid was submitted in May 2011 to aid the set up of the Low Carbon Hub. This bid requests Technical Assistance of approximately £1million to deliver an investment programme of £20million in low carbon infrastructure (retrofit and energy generation). If this bid is successful then resources to support implementation of CEF and CRIF work will become available. The outcome of the bid should be known in November 2011 but in the interim the Low Carbon Hub, lead by the University with partners will look to be set up.

**Securing continued investment in delivering the CRIF** and other low carbon infrastructure. The Low Carbon Hub will work to develop an ELENA (European Local Energy Assistance) bid (or similar) with the European Investment Bank (and UK's Green investment Bank if appropriate) to secure finance/loans for low carbon infrastructure investment.

#### 5.0 Recommendations

Cambridgeshire Horizons Board is invited to:

- i) note progress on the projects and the risks to delivery by September 2011;
- ii) agree that £25K Housing Growth Funds already allocated to the CRIF project is used to support the completion of the CEF and CRIF work during Oct 2011-January 2012, the work to be coordinated through Cambridgeshire County Council;
- iii) to be aware of the development of EU funding bids to secure finance for the proposed Low Carbon Hub and its role in supporting the ongoing delivery of the CRIF and CEF; and
- iv) encourage members to attend the event on 20<sup>th</sup> July 2011 to share early findings on the CRIF project and guide the next phase of technical work.

## **Appendix A: CRIF WORKSTREAMS**

Workstream 1: Establishing a baseline for power and heat demand across Cambridgeshire building on the East of England Renewables Capacity Study (May 2011) . The geographical dispersion of this energy demand will identify where district heating schemes may be appropriate. A key challenge is providing low carbon heat for our communities and businesses. In addition, this work will identify opportunities for renewable energy delivery through an assessment of growth and existing sites. Consultants CAMCO have been appointed, April 2011, to progress this work and will report early findings in July 2011 for guidance on opportunities to be considered in further detail.

Workstream 2 and 3: An invitation to tender has been developed and issued (Friday 27<sup>th</sup> May 2011). This work will consider opportunities identified in workstream 1 and the East of England Study and model the financial viability. Three delivery pathways will be identified for the community, public sector partners and commercial sector and will include project plans to take forward this work. See Appendix C for the scope of works.

Workstream 4. Public-I have been commissioned to develop dialogue with the three target audiences – community, commercial and public sector to inform and shape the development of the coordinating plan/framework. A first event took place on 25<sup>th</sup> May 2011 bringing together the three sectors to explain the CRIF and the process to participate. The engagement work is a combination of social media and face to face work. A workshop for members took place on 15<sup>th</sup> June 2011, in the afternoon and a further event planned for 20<sup>th</sup> July 2011, 4-7pm.

Workstream 5 is not yet commissioned. This will be the pulling together of the workstreams to provide a coordinating plan and model for sharing with other local authorities.

## **Appendix B: Scope of works for Workstreams 2 and 3, CRIF**

### **Financial analysis and Delivery Pathways**

The scope of work will:

1. Identify options for financing renewable energy generating schemes in Cambridgeshire. This is to include an assessment of:
  - i. Specific opportunities from incentives such as Feed In Tariffs, the Renewable Heat Incentive, Renewables Obligations Certificates etc,
  - ii. Mechanisms such as Community Infrastructure Levy, S106 and Community Energy Fund (s) as being promoted by the emerging Allowable Solutions Framework,
  - iii. Other initiatives including ground rent, Green Deal, Tax Increment Finance and rolling fund (Not an exhaustive list).
2. Identify the applicability of these finance options at different scales (a) small (b) medium (or community scale) (c) large and how they can be bundled together to build financial business cases. Note: the scales to be agreed with the project group and will be dependent on the work coming out of workpackage 1.
3. Identify what impact the barriers and constraints, identified as part of workpackage 1 for key opportunity sites, will have on financial viability of renewable energy schemes and how these can be overcome. This is likely to include supply chain development, air quality management zones and local plan constraints. The focus here is on a can do approach and how Cambridgeshire can unblock its barriers to delivery.
4. Identify how the current policy landscape can incentivise investment and how future policy scenarios such as the price of carbon may influence investment. Please identify how Cambridgeshire can develop stability for the renewable energy market to encourage inward investment.
5. Provide three delivery pathways, tailored to the needs of the following groups to support delivery of renewable energy schemes in Cambridgeshire:

#### **A) Community**

A delivery pathway for interested members of the community, whole communities or groups of communities. It will need to identify:

- Delivery options.
- Financial models including share issues, equity funds, incentives etc.
- Provide local case study examples, to demonstrate what communities can achieve and how. Include in this some analysis of the energy savings, the carbon savings and the cost savings to householders and their bills.
- Identify interested communities that want to progress schemes in the short/medium and longer term including types and size of schemes.
- Identify specific mechanisms for how local authorities and other partners can incentivise community delivery of renewable energy schemes
- Identify governance arrangement for Community Energy Projects
- Examine how a Community Energy Fund, (informed by separate consultancy work being undertaken on this project) can invest in local schemes and what will be required from the community to access funding of this type

- Provide a project plan which includes a projection of renewable energy generation, carbon savings, potential cost savings on energy bills that the community can deliver.

### **B) Public sector delivery pathway**

The public sector pathway will need to identify:

- How existing or new buildings could be used as anchor loads to support new schemes coming forward (identified in workpackage 1).
- How public sector assets could be used to generate renewable energy. This element will need to consider the Making Assets Count project, which is currently considering how public sector assets can be more effectively used, and the Cambridgeshire Public Asset Management Strategy, Feb 2011.
- How third sector, particularly Registered Provider, assets could also support renewable energy schemes through this pathway.
- How the public sector might facilitate and invest in bringing commercial schemes forward (for example through a joint venture ESCO or public sector ESCO). It is well documented that for decentralised energy the investment in heat pipes require public sector investment and a longer term view on pay back.
- How investment in renewable energy can have wider benefits for the public sector and meet multiple policy objectives, for example reducing fuel poverty and providing an income stream as well as Carbon Reduction Commitments.
- A public policy pathway for the Local Authorities that is supportive to the delivery of renewable energy for the Local Authorities to consider.
- Provide a project plan identifying how the local authorities, public sector and other partners progress this work including projections for renewable energy generation, carbon savings, finance required.

### **c) Commercial Delivery pathway**

The commercial pathway will need to identify:

- Cambridgeshire's viable, commercially investable renewable energy capacity, using the work in workpackage 1 (as well as any other commercial opportunities).
- The conditions that the private sector require in order to invest.
- How the private sector considers schemes at different scales. E.g. small, community/medium, larger
- How Cambridgeshire's growth agenda will/can facilitate renewable energy schemes?
- Opportunities for existing low carbon energy schemes to be extended and enhanced
- How the private sector can partner with the Local Authorities and the communities to develop new schemes?
- how the public sector can help commercial sector to overcome barriers to delivery. It will be important to provide case studies on how this can work e.g. Public/private partnerships such as Woking Borough Council's Independent Local Scheme

The delivery pathway will need to

- Provides sufficient stability and confidence to allow investment;
- Supports and/or is supported by the pathways for the community and public sector;
- Identify a project plan to attract private sector investment and delivery

