

CAMBRIDGESHIRE HORIZONS

Agenda Item No: 12

Carbon Offset Fund

To: **Cambridgeshire Horizons Board**

Date: **29th September 2010**

From: **Sheryl French**

Purpose:

- To share members' key issues with the Carbon Offset Fund expressed at the Briefing Session on 27th July 2010
- To identify the next steps for the Carbon Offset Fund work

Recommendation: Board to note and comment on next steps and recommendations identified in section 4.0 to take forward the work on the Carbon Offset Fund.

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1.0 Background

1.1 In September 2009, Horizons Board approved a proposal to investigate a sub-regional or Cambridgeshire Carbon Offset Fund to offset residual Carbon dioxide savings from new developments.

1.2 The key reasons for considering a Carbon Offset Fund are:

(a) to support developers to deliver their CO₂ reduction targets as required by the Code for Sustainable Homes as cost effectively as possible and;

(b) to secure investment in local carbon infrastructure in Cambridgeshire.

1.3 The first phase of the Carbon Offset Fund work has focussed on the feasibility of setting up a fund including planning, legal, financial and structural issues. It has also identified a delivery plan for progressing work to the next stage.

2.0 Progress to date

2.1 The consultancy team led by Element Energy has produced a draft report, which the project group discussed and commented on. An updated draft has subsequently been issued and tested with Members at a briefing on 27th July 2010.

2.2 The 2nd draft report sets out:

- The current policy context for reducing carbon dioxide emissions in the UK, including the Climate Change Act 2008, the commitment to zero carbon new homes from 2016 and how allowable solutions will help to deliver this;
- How a Carbon Offset Fund could help to meet emissions targets in Cambridgeshire, summarising the scale of growth proposed in the county and the emissions impact this could have, then estimating the difference in cost of reaching zero carbon in new homes either entirely through onsite renewable energy or with some carbon offsetting through allowable solutions;
- Possible mechanisms for collecting monies into a COF, specifically Section 106, the Community Infrastructure Levy and Allowable Solutions;
- How a COF could be introduced, noting the steps required to embed it in local planning policy across the county;
- Options for structuring a COF with a comparison of their advantages and disadvantages, concluding that a company limited by guarantee or a community interest company appears preferable;
- Scale and impact of a COF, exploring areas that the fund could invest in (such as district heating & efficiency improvements in existing housing stock);

- A chapter described the opportunities for private sector investment in the fund, over the longer term.
- A section setting out the implications of new policy developments since the coalition government came to power.
- Next steps required should the project gain support, such as producing appropriate planning policies and low carbon infrastructure plans;
- Examples of existing carbon offset mechanisms elsewhere in the country, such as Milton Keynes, Ashford and Aberdeen.

2.3 On 27th July, a briefing on the Carbon Offset Fund was held for Local Authority members and key stakeholders. All Local Authorities were represented and in addition representatives from the University of Cambridge, Addenbrooke's, CHS Group, EEDA, and the Environment Agency joined the session.

2.4 Members identified key issues/concerns to inform the development of the Carbon Offset Fund Report. Please see table 1 below. As a result, the COF report has been updated and the recommendations includes further detailed work.

3.0 Key Issues

3.1 The development industry is showing strong interest in the work on a Cambridgeshire Carbon Offset Fund. The key reasons for this include:

- Cost effective delivery of carbon reduction obligations presented by the Code for Sustainable Homes;
- Economies of scale through investing in larger infrastructure programmes;
- Overcoming high costs to deliver zero carbon on small development sites which technically and financially would struggle to deliver

3.2 There is also a do-nothing scenario in which a COF is not implemented. This is not included in the next steps as work to date indicates that without a structure to manage the offsite element of zero carbon, the ability of Cambridgeshire to meet the obligatory building standard in 2016 would be severely impaired and the sustainability aspirations for the growth agenda would have to be scaled back.

3.3 Discussions regarding 'allowable solutions' as part of the definition for zero carbon continue at a national level. The focus now is on whether a greater percentage (than the currently proposed 30%) of carbon reduction can or should be delivered off-site. These discussions further strengthen the case for setting up a Cambridgeshire COF, which could deliver offsite solutions.

4.0 Next Steps and recommendation

- 4.1 Horizons Board has approved the development of a Cambridgeshire Renewables Infrastructure Framework (CRIF) (Horizons Board, July 2010). It is important that this work specifically includes opportunities presented by a Carbon Offset Fund and is a key piece of evidence base work to support its set up.
- 4.2 Continue to support the Low Carbon Development Initiative (LCDI) and its work to develop a pipeline of renewable energy infrastructure projects attracting private finance to invest in low carbon infrastructure delivery. This project pipeline can provide opportunities for Carbon Offset Investments.

4.3 Recommendation

Board notes the following key areas of work to be progressed as a phase 2 of the Carbon Offset Fund work:

- To identify the most appropriate approach for the implementation of a Cambridgeshire Carbon Offset Fund to support the higher levels of the Code for Sustainable Homes
- More detailed work on the supporting structure and governance arrangements for a Carbon Offset Fund
- Continue to seek to influence government policies on zero carbon as appropriate.

TABLE 1: Summary of key issues raised at a Member Briefing Session 27/02/2010

Key issue	Further work needed	Inclusion in COF Report	Inclusion in the Next Steps
Ensuring accountability of the COF	<ul style="list-style-type: none"> Carbon accounting – how to measure the emissions savings from fund investments. 	Chapter on carbon accounting to be included	More detailed work will be required
	<ul style="list-style-type: none"> Financial accountability – how to ensure scrutiny of fund investments when investments is undertaken by a Partner organisation. 	Identify governance models currently working or under discussion in Cambridgeshire working at this scale	Further detailed work will be required to develop the structures and accountability systems.
	<ul style="list-style-type: none"> Member representation/ democratic accountability – how to ensure member involvement in investment decisions. 		
Understanding the appropriate scale of the fund	Analysing the lessons learnt from current Carbon Offset Funds	To be included in the Report.	More detailed work will be required
	Implications of the Code for Sustainable Homes on the size of the Fund	For inclusion in the report.	
	The business case for a county-wide fund	More explicit reference to the benefits at a county scale, as opposed to a district level	
Identify the links between Allowable Solutions, S106, the Community Infrastructure Levy and Carbon Reduction Commitment	Clearer descriptions on the different elements and their linkages.	Make clear that the COF does not impact on section 106 or Community Infrastructure Levy monies – it is a separate pot.	
	Clear indication of the cost to developers of the Code for Sustainable Homes.		