

Cambridgeshire Renewables Infrastructure Framework and  
Community Energy Fund

*To:* **Horizons Board**  
*Date:* **12<sup>th</sup> September 2011**  
*From:* **Sheryl French**

*Purpose:*

- To update progress on the Community Energy Fund & Cambridgeshire Renewable Energy Framework (CRIF)
- To share the Event Programme for the CRIF Sep-November 2011
- To identify future Governance arrangements for the CRIF and CEF Project
- Provide update on the EU Project bid, Mobilising Local Energy Investment

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

GPB is invited to:

- Support the process for taking the draft CEF report through the Local Authority committee structures October/November for comment and feedback;
- Agree a joint response to the CLG consultation on the Allowable Solutions Framework due to start Nov/Dec
- Note the reason for delaying completion of the CEF Report until early 2012;
- Advise on the approach to any further constraint mapping work and whether this should feed into the CRIF Project early;
- Note the engagement programme for the CRIF project Sept-November 2011;
- Advise on the suggested governance arrangements for the CRIF and CEF projects; and
- Note the resource requirements from September to support the EU bid negotiation.

**Contact:** Name: Sheryl French  
Job Title: Delivery Manager  
E-mail address: Sheryl.French@cambridgeshirehorizons.co.uk  
Telephone No: 01223 714052

## **1.0 Purpose**

- To update progress on the Community Energy Fund (CEF) and Cambridgeshire Renewable Energy Framework (CRIF);
- Identify key issues for the CEF and CRIF;
- To consider the next stage of constraint mapping that is needed to ensure the CRIF provides an appropriate evidence base for local policy development;
- To share the Event Programme for the CRIF Sep- November 2011;
- To identify future Governance options for the CRIF and CEF Project; and
- Provide update on the EU Project bid, Mobilising Local Energy Investment.

## **2.0 Background - Community Energy Fund**

2.1 Cambridgeshire Horizons and its Local Authority partners appointed Element Energy and its consultant team in May 2011 to develop the proposals for a Cambridgeshire Community Energy Fund (CEF) building on the scoping report produced in September 2010.

The Community Energy Fund (CEF) is a mechanism to channel funds from development projects into local low carbon infrastructure and carbon emissions reduction projects. All new homes should achieve zero carbon standards by 2016, as required through Building Regulations. Under zero carbon policy, developers will be required to take measures, through energy efficient design and the installation of on-site low carbon energy, to ensure that the carbon dioxide emitted by their developments is within certain limits. If 'zero carbon' is not achieved by these measures, they will then be required to either invest directly in further measures to mitigate the remaining emissions or to make a payment into a National Fund, a local Community Energy Fund or a third party private fund which will invest in projects to deliver the carbon emission reductions.

It is important to note that the Community Energy Fund is not an additional cost on developers over the cost of Zero Carbon Policy. If developers do not make a payment into the CEF, they will be required to make investments in other eligible measures or 'allowable solutions' that deliver the same carbon reduction. While Zero Carbon Policy is likely to increase the cost of development, the CEF has the benefit to developers that it provides certainty in what the cost of allowable solutions will be.

## **2.2 Progress on the Community Energy Fund**

CLG commissioned the Zero Carbon Hub to propose a framework for 'allowable solutions' as part of the zero carbon new homes policy. This framework was presented to CLG in May 2011 including the option to set up Community Energy Funds. CLG are currently scrutinising the allowable solutions framework with a view to consult on the framework November/December 2011.

The framework identifies that to set up a Community Energy Fund, a local plan policy is needed which identifies a Local CEF as an allowable solution and an infrastructure plan is adopted that identifies potential projects for the CEF to invest in.

The draft allowable solutions framework proposes three options for developers:

- A National Fund - developers pay into a national fund which in turn invests in low carbon infrastructure projects where it can achieve the best CO2 reduction per £ spent. For Cambridgeshire this means that a potential pot of approximately £40-50million based on the growth agenda that could have been invested locally in low carbon infrastructure schemes will be lost to a national pot with no guarantee of it coming back to Cambridgeshire.
- Third part private fund – the developer chooses to invest in a third party private fund. If there is no adopted low carbon infrastructure plan by the Local Authorities, the third party fund can deliver national fund projects. If there is an adopted local low carbon infrastructure plan, the private fund must deliver from the locally adopted plan. The issue here is that the projects that have higher rates of return will be chosen and the projects that may have wider public benefits e.g. district heating schemes for affordable warmth but are more risky are not delivered.
- Community Energy Fund – the developer chooses to invest in the CEF. The pot of money is used to deliver low carbon infrastructure according to the adopted low carbon infrastructure plan. It provides the Local Authorities control over the infrastructure investments and the ability for Local Authorities to deliver wider public policy benefits such as affordable warmth, reduced energy bills.

2.2.1. Cambridgeshire Horizons, LA Partners and the consultant team met with CLG on 26<sup>th</sup> July 2011, to discuss the proposed allowable solutions framework, the developer options and how the system could work. As a result of this meeting, CLG put forward two further areas for discussion (see below) and we have provided a technical response from the CEF Steering Group to the issues below.

- a) What would the ideal mechanism look like for the collection of zero carbon homes obligations post-2016 for the medium/longer term? How could existing mechanisms be used in the short term and what adaptations would be required? How would you regulate for these mechanisms?
- b) What are the extra environmental and social benefits that Local Authority Community Energy Funds will provide through their investments as opposed to the third party private funds? How can a level playing field be created to allow Local Authority community energy funds to compete with private sector funds?

2.2.2 It is important that the work commissioned on the Cambridgeshire Community Energy Fund(s) can influence the allowable solutions framework consultation document but also be adaptable to the feedback coming from CLG. The Community Energy Fund draft report will be ready October 2011. It is proposed that the draft report is taken through the Local Authority committee structures for comment and feedback and to aid the Local Authorities in their response on the CLG consultation in Nov/Dec 2011. After this, we will look to finalise the report early 2012 when greater certainty is available.

The decision to set up a Community Energy Fund or Funds will then to be taken by the Local Authorities and a policy and low carbon infrastructure plan adopted in Local Plans. The EU Bid, Mobilising Local Energy Investment can provide the

technical assistance (legal and financial) to the local authorities to set up a Fund(s) and more details on this in section 5.

## **2.3 Cambridgeshire Renewables Infrastructure Framework**

The Cambridgeshire Renewables Infrastructure Framework (CRIF) will map energy demand up to 2031, assess the energy generating potential for Cambridgeshire and identify a menu of opportunities to generate more electricity and heat locally across a range of different technologies. A key part of the CRIF will be the development of a robust evidence base and identifying the delivery pathways for the community, commercial and public sectors as these will be critical to the successful delivery of new schemes and ultimately bridge the energy gap predicted for 2019 and beyond.

In addition, the CRIF can form part of (along with other infrastructure plans) the low carbon infrastructure plan needed for the Community Energy Fund investments. It will provide a menu of opportunities available in Cambridgeshire for the Local Authorities to then decide their priorities.

## **2.4 Progress to date on the CRIF**

Since the CRIF was commissioned, the Draft National Planning Policy Framework has been published for comment. Very relevant to the CRIF will be the requirement for opportunity areas for renewable and low-carbon energy to be mapped in plans (see section 3.1 below for further details on the NPPF).

### **2.4.1 Assessing the baseline and opportunity areas**

A first draft of the baseline energy assessment and areas of opportunity will be available end of August for discussion during September and feedback provided to Camco by the end of September 2011. The draft report focuses on the technical capacity for different renewable energy technologies. For wind technologies there are particular issues that affect suitability of locations in particular the broad landscape character of the County as well as detailed local landscape issues. The constraint mapping to date has been based on absolute physical constraints e.g. such as roads, development sites; lakes etc. Some planning constraints where information is available and capable of plotting include listed buildings and SSSI's. However, these and wider planning considerations have not been included in the study but would be relevant in considering the suitability of different forms of renewables provision across the County. Without including the wider assessment of planning constraints, the report will not be able to identify areas where renewables provision may be suitable in planning terms, only where it could physically be provided. A key issue to raise is whether the study should include consideration of landscape character which would refine the locations with potential for wind but still not include local site specific considerations.

This issue is important and there is debate with Officers on whether and at what stage it is most appropriate to undertake this work, particularly in relation to the CRIF project. This issue primarily arises from the wind resource capacity in Cambridgeshire which the East of England Renewable Energy Capacity Study identified in May 2011.

There are two approaches that could be taken to the study:

- i) to complete it as a purely technical study of opportunities for renewables provision, identifying broad opportunity areas where provision could physically be made, and make clear that this doesn't include assessment of other planning constraints including landscape impact. This would leave the Local Authorities through their individual plan making processes; to consider the approach they wish to take to their plans, e.g. whether to undertake assessment of planning constraints and refinement of potential opportunity areas
- ii) extend the CRIF study to include an assessment of appropriate planning constraints, including strategic landscape character assessment, so that the published report takes account of wider constraints on the delivery of renewables in sensitive locations.

The risks are that option (i) could include many areas and locations where assessment of planning constraints would conclude that provision was not appropriate. Given the sensitivity of provision of some types of renewables this could raise significant concerns in local communities in locations that may be ruled out when planning constraints are taken into account. However, as a technical study identifying significant areas of the County as having potential, this risk may be mitigated. Option (ii) on the other hand would take the study beyond a technical assessment of what could be provided and move into planning judgements, which are the responsibility of individual local authorities through their plan making processes and would therefore need to have clear local authority support and involvement in steering the work and manage the risk of suitable locations for wind taking all constraints into account.

So there are outstanding questions about whether the further work should be undertaken jointly or not and the timing. If the principle of a joint approach is agreed, consideration needs to be given to practical arrangements of how it would be managed and funded. To undertake this work collaboratively would be more resource efficient and provide a level playing field across the County as opposed to each individual authority undertaking their own studies. It will also provide a more sophisticated early analysis to enable and refine the identification of opportunity areas on a cross boundary basis reducing the risks associated with a fragmented approach.

Option (i) would not provide a clear message to the energy industry where there may be opportunities in Cambridgeshire and the industry would have to take the risk that their individual projects might not all be supported locally; Option (ii) would send a message that subject to very site specific considerations, e.g. noise, detailed landscape impacts, flicker etc effecting individual properties that applications would have a reasonable possibility of being approved. Given the sensitivities around some forms of renewable energy generation, a steer from Growth Partnership Board and Horizons Board is welcomed.

#### **2.4.2 Developing the three delivery pathways**

This work has started and is building on the early findings identified in the baseline assessment and the East of England Study. It is assessing the financial viability of different technologies and scale of delivery across the different delivery pathways. For example, current total energy demand in Cambridgeshire is 8880GWhr for 2011

rising by 2% by 2020. Dependent on ambition, 20% of this can be generated through low carbon energy schemes locally. This work will look to identify how much the community can look to deliver through individual, community and school schemes and what type of projects would work for communities including governance structures, funding opportunities etc. The commercial pathway will look to identify larger schemes such as CHP and district heating, or waste to energy schemes, how much they can deliver and the investment potential. The public sector pathway will identify how much its assets can deliver but also what it needs to do to create the policy context and leadership for the delivery across all three pathways.

### **2.4.3 Dialogue and engagement with stakeholders**

Already a number of community, business and public sector events have taken place May – July 2011 alongside the digital engagement strategy. During September – November 2011 there are a range of further events with communities, businesses and public sector organisations to help inform and develop the delivery pathways. See attached schedule appendix A.

- The community events are about promoting the CRIF project, generating ideas for the community delivery pathway and building up case studies and database of local projects already happening or ideas to take forward.
- The business events include workshops with the Clean Tech Networks (10<sup>th</sup> October) and the Developers Forum (Sept 2011) as well as one to one telephone conversations with commercial investment companies.
- The Public Sector workshops will include local authorities and public sector partners including Environment Agency, Health Authorities, Fire, Police etc and parish councils to draft a plan of action as well as an event for councillors on 28<sup>th</sup> September to share project progress

To bring this work together, an event is currently being planned for 22<sup>nd</sup> November to share the draft delivery pathways across the three stakeholder groups, community, commercial and public sector. This event will look to get feedback and input on the draft delivery pathways.

### **2.4.4 What will you get when the CRIF project completes?**

A key purpose of the CRIF is to enable the local planning authorities take the leadership role intended by national policy to facilitate the development of renewable energy projects in Cambridgeshire. The CRIF will provide:

- A robust evidence base to support and inform your planning process
- A menu of opportunity areas across the range of different technologies to inform Local Authorities in their planning policy choices
- More practically, three project plans: Community, Commercial and Public Sector identifying projects that are already happening or are in early idea stages, the opportunity areas for each pathway; the policy context that will support the delivery of each pathway; the financial models for investment; the community benefits that can be generated and overall the potential energy generation each pathway can deliver over the next 20 years dependent on ambition.

### **3.0 Issues arising**

#### **3.1 National Planning Framework**

The coalition government's consultation draft on the National Planning Policy Framework was released on 25<sup>th</sup> July and can be found here:

<http://www.communities.gov.uk/publications/planningandbuilding/draftframework>

The most significant change from the perspective of renewable energy and low carbon is the presumption in favour of sustainable development, a key government planning reform. The implication is that in the absence of an up-to-date plan refusing a planning application will only be possible when, 'the adverse impacts of allowing development would significantly and demonstrably outweigh the benefits, when assessed against the policies in the Framework taken as a whole.'

In order to have weight, local plans will need to be based on objectively assessed needs, requiring proportionate and integrated evidence. This requirement strengthens the need for data on renewable energy, both in terms of energy demand, suitable technologies, and potentially suitable sites.

In addition to the general presumption in favour of sustainable development, the draft framework also includes policies specific to renewable energy: 'local planning authorities should...'

- recognise the responsibility on all communities to contribute to energy generation from renewable or low-carbon sources;
- have a positive strategy to promote energy from renewable and low carbon sources;
- When determining planning applications, local planning authorities should apply the presumption in favour of sustainable development;
- not require applicants for energy development to demonstrate the overall need for renewable or low-carbon energy and also recognise that even small-scale projects provide a valuable contribution to cutting greenhouse gas emissions;
- approve the application if its impacts are (or can be made) acceptable. Once opportunity areas for renewable and low-carbon energy have been mapped in plans, local planning authorities should also expect subsequent applications for commercial scale projects outside these areas to demonstrate that the proposed location meets the criteria used in identifying opportunity areas.'

This emphasises the importance of planning pro-actively for renewables, to set out the most appropriate areas and technologies. If there are no such policies in the local plan, the presumption in favour of sustainable development would apply. With a plan in place, the presumption in favour of sustainable development would be balanced against local policies.

The CRIF Project will help provide local authorities and communities with the evidence base needed pro-actively to plan for renewable energy. Without evidence-based local policies, local authorities and communities could potentially be put on the back foot by the presumption in favour of sustainable development.

#### **3.2 Governance**

The CRIF and CEF projects are not due to complete until end of January 2012 and will need ongoing high-level governance arrangements.

As the Horizons Board has steered the project at a high level from inception to now, it would make sense for this arrangement to continue until the project is completed, in five months time. It is proposed that this high-level steering arrangement would not involve all current Board members, but only the local authority representatives and the RSL, developer and Environment Agency representatives currently on the Board. It is likely that this high level Steering Group will need to meet once or twice.

#### **4.0 EU Project bid, Mobilising Local Energy Investment**

In May 2011, an EU bid was submitted for £1million technical assistance, to set up a Low Carbon Hub for Cambridgeshire and Peterborough, develop a low carbon investment fund and deliver investment programme of £20million. The investment programme includes retrofit of key social housing schemes in Cambridge and South Cambridgeshire and to deliver renewable energy generating schemes across the County such as schools, public sector assets and including district heating in St. Neots and Cambridge City.

As part of the EU bid application, the legal and financial costs to support the set up of Community Energy Fund, the set up of an ESCo (Energy Services Company) and support for retrofit delivery mechanisms as well developing a secure finance model for investment in low carbon infrastructure.

The Intelligent Energy Europe Programme received 384 bid submissions across Europe. The good news is that we have been shortlisted to negotiate a contract with the EU with a view to starting the EU project in January 2012 provided we can fulfil their requirements and agree amendments to the bid. The negotiation is due to start in September and will require resources from within the Local Authorities involved in the bid to help with the bid negotiation.

#### **5.0 Recommendations**

See front cover.

## **Appendix A: CRIF DRAFT Events Programme**

### **Cambridgeshire Renewables Infrastructure Framework (CRIF)**

Events are planned around the county to engage with areas and groups that are harder to reach through social media conversations. Events that the CRIF is currently planned to engage at are listed below:

#### Community Events to share information on the CRIF

- Low Carbon Trust Event (Cambridge, 21<sup>st</sup> September).
- Gamlingay Environmental Action Group (SCDC, 21<sup>st</sup> September).
- Histon and Impington Event (SCDC, date to be confirmed).
- Sustainable Parish Energy Partnership Workshop (SCDC, 21<sup>st</sup> September).
- Ely Market (ECDC, date to be confirmed).
- Community meeting (ECDC, date to be confirmed).
- Alconbury community meeting (HDC, 24<sup>th</sup> September 2011).
- St Neots focus group (HDC, date to be confirmed).
- St Ives community meeting (HDC, date to be confirmed).
- Warboys community meeting (HDC, 24<sup>th</sup> October 2011)
- Whittlesey Summer Festival (FDC, 11<sup>th</sup> September).
- Parsons Drove community meeting (FDC, date to be confirmed)

#### Community Pathway Planning

October event being planned

#### Commerical Pathway - Business events

- Developers Forum, end September/early October 2011
- Clean Tech and Energy Network Event, 10<sup>th</sup> October 2011, 4-6.30 Sagentia, Harston
- Telephone 1:1s during Sept/October 2011

#### Public Sector events

Councillors Event, 28<sup>th</sup> September 2011, 4-6pm, confirmed

Public Sector Organisation event, w/c 17<sup>th</sup> October 2011

22<sup>nd</sup> November 2011 -Presentation of the three Delivery Pathways – Bringing it all Together – Event for businesses, community and public sector.