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Report to: Green Economy Panel

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Subject: Clean Growth Strategy

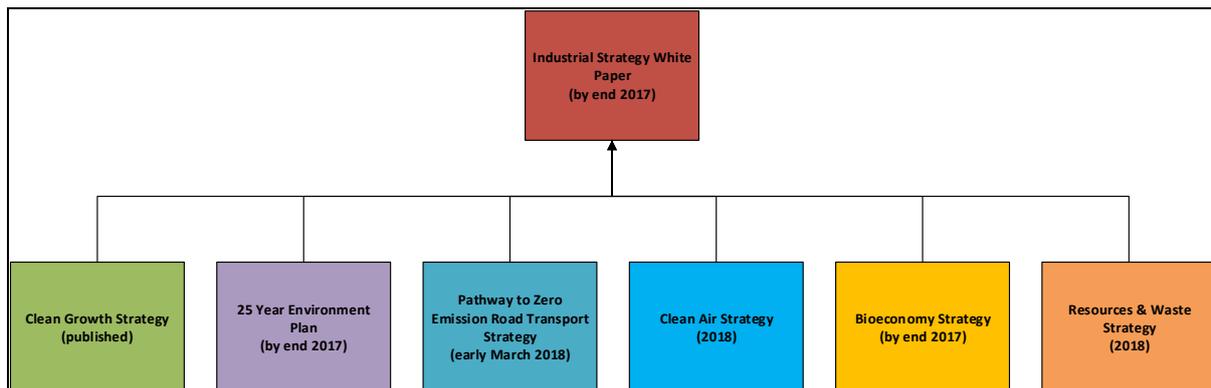
1 Purpose

- 1.1 To outline and inform the Panel of the opportunities presented by the government's new Clean Growth Strategy and seek views on the priority areas for action.

2 Information

- 2.1 The commitments made by governments when signing up to the Paris Climate Agreement present a huge potential economic opportunity. It has been estimated that £13.5 trillion of investment in the global energy sector alone will be required if all national targets are to be met.
- 2.2 The UK government recognises the opportunities that accessing a proportion of the global value which the Paris Climate Agreement will present and how this could provide a real national economic boost. For example estimates suggest that the UK low carbon economy could grow by an estimated 11% per year between 2015 and 2030 and deliver between £60 billion and £170 billion of export sales of goods and services by 2030.
- 2.3 The UK is well placed to take advantage of the opportunities that will be presented through this transition to clean growth having demonstrated over the last 25 years an ability to reduce emissions while continuing to grow the economy. Between 1990 and 2016 the UK economy grew by 67% with emissions reducing by 42% over the same time period.
- 2.4 Given the immense value accessing the opportunities presented by the Paris Climate Agreement could bring to the UK, the government has acknowledged that clean growth must play a central part in their Industrial Strategy. As a result the Clean Growth Strategy (CGS), for which this briefing relates, sets out proposals which will contribute to the UK meeting its ambitions that will be set out in the forthcoming Industrial Strategy White Paper.
- 2.5 The CGS is one of a number of documents that provide further details on the implementation of the Industrial Strategy White Paper in relation to achieving clean growth. The other documents are set out in Figure 1 below.

Figure 1: Clean growth documents that feed into the Industrial Strategy White Paper



2.6 The CGS sets out the interventions that will be implemented to meet the fourth and fifth carbon budgets of the Climate Change Act spanning 2023-2027 and 2028-2032, which equates to a 57% reduction in greenhouse gas emissions below 1990 levels.

2.7 Policies and proposals in the CGS have been set in eight key areas reflecting the areas where the government considers the greatest progress is needed. These are:-

- Accelerating clean growth;
- Improving business and industry efficiency;
- Improving our homes;
- Accelerating the shift to low carbon transport;
- Delivering clean, smart and flexible power;
- Enhancing the benefits and value of our natural resources;
- Leading in the public sector; and
- Government leadership in driving clean growth.

2.8 A summary of the key benefits / opportunities and implications for WYCA and the wider LCR LEP is set out below. For an initial assessment of the opportunities / implications to WYCA / wider LEP of all the policies and proposals set out in the CGS please see Appendix 1 (please note this is an initial assessments only. It requires in-depth analysis to determine the full benefits / implications).

3 Accelerating Clean Growth

3.1 This area focuses on developing the expertise and exploiting the opportunity from new green finance solutions. The key proposal for WYCA / LEP under this strand is the provision of 'up to' £20m to support a new clean technology early stage investment fund. At publication limited details were provided on the proposal and further announcements will need to be monitored to determine how the fund aligns with other WYCA projects and programmes.

4 Improving business and industry energy efficiency

4.1 The focus here is in assisting businesses improve their productivity and competitiveness through lower energy bills. The CGS sets out an ambition for

businesses and industry to have improved energy efficiency by at least 20% by 2030. A package of measures to enable businesses to reach this target will be consulted on in 2018 and WYCA should be prepared to respond to this consultation to ensure it is appropriate, sufficiently challenging and not overly burdensome for LCR businesses.

- 4.2 The key proposals for WYCA / LEP under the strand is the plans to simplify the requirements for businesses to report on energy use and the implementation of the industrial decarbonisation and energy efficiency action plans. Information on these proposals was published alongside the CGS. These proposals are significant to WYCA due to the impact they could have on the organisation itself and more widely businesses in the LCR, and WYCA should look to scrutinise the details of each document to ensure they will not have a significant impact on businesses in the LCR.
- 4.3 The government expects to invest around £162m of innovation funding out to 2021 in research, development and demonstration of energy, resource and process efficiency, alongside better low carbon fuels and carbon capture utilisation and storage (CCUS). The largest proportion of this funding is earmarked for CCUS with 'up to' £100m to support industry and CCUS innovation and deployment in the UK. This includes £20m to invest in new innovative technologies that capture and utilise carbon dioxide. This could help support the decarbonisation of heat networks including the Northern Gas Network's H21 Leeds City Gate programme.

5 Improving our homes

- 5.1 Improving our homes focusses on reducing emissions while ensuring everyone has a home that is comfortable, healthy and affordable. Headline ambitions set out within this area include for all fuel poor homes to have an EPC rating of C by 2030 with as many homes as practicable following in 2035, and for all new homes off the gas grid being heated by low carbon technologies by the mid-2020s.
- 5.2 A number of policies and proposals are directly relevant to WYCA's Better Homes Yorkshire programme. These include:-
- An additional £3.6 billion of investment through the Energy Company Obligation (ECO).
 - All fuel poor homes by 2030, as many homes as possible by 2035, to be upgraded to Energy Performance Certificate (EPC) Band C.
 - Phasing out the installation of high carbon fossil fuel heating in new and existing homes off the gas grid.
- 5.3 There is a lack of detail within the CGS on how the policies and proposals outlined above will be delivered, however it will be important for WYCA to monitor announcements related to these areas and be able to respond at speed to ensure Better Homes Yorkshire is at the forefront of delivery in the LCR.
- 5.4 The CGS reiterates the governments' commitment to district heat networks through the funding allocated as part of the autumn 2015 spending review. WYCA, through its District Heat Programme, is overseeing the development of a pipeline of 11 unique

heat network opportunities in the LCR. This support should be continued in light of the announcement in the CGS and WYCA / GEP should consider the ways it can assist in increasing the likelihood of schemes in the LCR from being able to access the capital support on offer for heat networks.

- 5.5 Around £184m is allocated in the CGS for research, development and deployment of innovative energy efficiency and heating technologies, and the gas network. The funding represents an opportunity for businesses and universities in the LCR to collaborate on new products and technologies, this is especially true in relation to the H21 project. WYCA should monitor further announcements related to the fund to ensure it is well placed to react and coordinate any applications for funding support.

6 Accelerating the shift to low carbon transport

- 6.1 This area focuses on the transition to a more modern transport system that is clean, affordable and easy to use.
- 6.2 Significant amounts of funding (in excess of £2 billion) are announced or reiterated in the CGS, including:-
- £80m to support charging infrastructure.
 - £50m for the Plug-in Taxi programme.
 - £100m for retrofitting and new low emission buses.
 - £1.2 billion for cycling and walking.
- 6.3. Given WYCA's position as the passenger transport executive for West Yorkshire it should look to secure a proportion of the funding on offer, building on the existing projects and programmes it is delivering e.g. West Yorkshire Transport Plus Fund, EV Strategy. WYCA should also look to secure a proportion of the funding given the issues experienced in the LCR in relation to air quality.

7 Delivering clean, smart, flexible power

- 7.1 The focus here is on delivering a diverse electricity system that supplies our homes and businesses with secure, affordable and clean power.
- 7.2 The CGS announces a government expectation to invest around £900m in research and innovation in the power sector between 2015 and 2021. Of specific interest to WYCA / LEP is the funding allocated for smart systems. It will be important for WYCA to monitor further announcements in these areas to understand how the businesses and universities in the LCR with specialisms in this field could be assisted in accessing the funding.

8 Enhancing the benefits and value of our natural resources

- 8.1 The aspiration for this area of the CGS is for low emission, highly productive land while ensuring the environment is passed on to the next generation in a better state than currently.

- 8.2 There are clear synergies with the policies and proposals set out in the CGS around this strand and the City Region's Green and Blue Infrastructure (GBI) Refresh being developed by WYCA for the LCR, including:-
- Designing a new system of future agricultural support.
 - Establishing a new network of forests in England.
 - £10m fund for peatland restoration.
- 8.3 WYCA will need to ensure alignment with the policies and proposals set out in the CGS and include where possible in the GBI Refresh Delivery Plan. Further announcements should be monitored to ensure the LCR, both WYCA and its partners, can respond to opportunities that arise as a result of the proposals documented. It is likely that more details will be forthcoming when the government publishes the 25 Year Environment Plan (a sister document to the CGS).
- 8.4 The CGS sets out the intention to publish a new Resources and Waste Strategy. WYCA should monitor the publication of this document closely and when published look to understand how the existing Resource Efficiency Fund (REF) can be broadened to respond to the opportunities and / or new schemes developed.
- 8.5 There is also a proposal to explore how data can support the development of a network of resource efficiency clusters led by LEPs. Given the experience in delivering the REF and links to LCR universities e.g. University of Bradford and its circular economy work, WYCA / LEP could look to position itself as lead for one of the clusters when more detail is available.

9 Leading in the public sector

- 9.1 This area focusses on the governments' ambition for the public sector to be a leader in reducing carbon emissions. For WYCA this means potentially needing to establish a programme dedicated to reducing and reporting on the emissions of its activities, with a voluntary target to reduce carbon emissions by 30% set out in the CGS. Funding of £225m is announced in the CGS to assist public sector bodies to make the emission savings and is a potential source to access when delivering WYCA's accommodation review project and other major projects.

10 Government leadership in driving clean growth

- 10.1 The focus for this strand is the monitoring of progress against the CGS and to show leadership both nationally and internationally. The policies and proposals are primarily for central government to advance, however there is a commitment to establish a Green Great Britain week and WYCA should look to take part in this week when dates and more information are announced.
- 10.2 Furthermore, given the links between the CGS and forthcoming Industrial Strategy White Paper, WYCA and the wider LEP should look to embed clean growth and the

proposals within the CGS into the Region’s Strategic Economic Plan (SEP) and emerging work to develop a local Industrial Strategy (including inclusive growth).

11 Devolution

- 11.1 The CGS reiterates and announces a wide number of funding opportunities of which these can roughly be split between energy and the natural environment.
- 11.2 To support devolution discussions, WYCA has been developing its devolution ask to central government on energy. The funding streams outlined in the CGS provide WYCA with potential opportunities in which it could ask for devolution funding and these could be worked into any future work to develop an ask of government.
- 11.3 In addition the funding announced both in the CGS and are likely to arise in the future e.g. agricultural subsidy regime post Brexit, could form part of an additional devolution ask to government. No timescales are set out within the CGS relating to proposals for a new regime, however it will be important for WYCA / LEP and its partners to develop its own thinking on the issue if it wants to take the lead in the LCR
- 11.4 Please note the views on devolution are that of the Economic Policy Team and are not reflective of the views of BEIS and / or as a result of conversations that have been had with BEIS or any other government department

12 Immediate benefits / implications

- 12.1 Based on the initial key benefits / implications highlighted in the CGS and summarised above (and in **Appendix 1**) the following are suggested areas for the GEP to initially explore with WYCA in more detail in the short - medium term. Some might be re-announcements of existing funding streams so this will also need to be worked through:

Policy / proposal	Priority Rating
1c. Provide up to £20 million to support a new clean technology early stage investment fund.	TBC
2d. Simplify the requirements for businesses to measure and report on energy use, to help them identify where they can cut bills.	2019
4. Publish joint industrial decarbonisation and energy efficiency action plans with seven of the most energy intensive industrial sectors.	Live
11. Support around £3.6 billion of investment to upgrade around a million homes through the Energy Company Obligation (ECO), and extend support for home energy efficiency improvements until 2028 at the current level of ECO funding.	Up to 2028
17. Build and extend heat networks across the country, underpinned with public funding (allocated in the Spending Review 2015) out to 2021	Up to 2021
21. Invest around £184 million of public funds, including two new £10 million innovation programmes to develop new energy efficiency and heating technologies to enable lower cost low carbon homes.	Up to 2021

24a. Invest an additional £80 million, alongside £15 million from Highways England, to support charging infrastructure deployment	2017-2021
25a. Provide £50 million for the Plug-in Taxi programme, which gives taxi drivers up to £7,500 off the purchase price of a new ULEV taxi, alongside £14 million to support 10 local areas to deliver dedicated charge points for taxis.	High
25b. Provide £100 million for a national programme of support for retrofitting and new low emission buses in England and Wales.	High
28. Invest £1.2 billion to make cycling and walking the natural choice for shorter journeys.	2020
37a. £265 million in smart systems to reduce the cost of electricity storage, advance innovative demand response technologies and develop new ways of balancing the grid.	Up to 2021
38. Design a new system of future agricultural support to focus on delivering better environmental outcomes, including addressing climate change more directly	Up to 2021
39. Establish a new network of forests in England including new woodland on farmland, and fund larger-scale woodland and forest creation, in support of our commitment to plant 11 million trees, and increase the amount of UK timber used in construction.	2017 onwards
41. Publish a new Resources and Waste Strategy to make the UK a world leader in terms of competitiveness, resource productivity and resource efficiency.	2018
43. Support peatland through a £10 million capital grant scheme for peat restoration.	2018
46. Introduce a voluntary public sector target of a 30 per cent reduction in carbon emissions by 2020-21 for the wider public sector.	2018
47. Provide £255 million of funding for energy efficiency improvements in England and help public bodies' access sources of funding.	On going

12.2 In addition to the above, various innovation related proposals and existing funding opportunities within the CGS need to be fully explored in the short – medium term.

13 Recommendations

3.1 The Panel are recommended to:-

- Provide comments on which of the proposals outlined in the CGS should be an immediate priority for the GEP and WYCA to explore further.
- Advise WYCA to develop a proposal to embed core elements of the CGS within the organisation's work, including the Local Inclusive Industrial Strategy, Innovation Strategy and Energy Strategy and Delivery Plan / others where appropriate.
- Provide comments on the proposals within the CGS that could form part of a devolution ask to government, and advise WYCA that these should be developed sufficiently, and where appropriate, incorporated into the overall devolution ask.