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**Report to:** Green Economy Panel

**Date:** 22 October 2019

**Subject:** Energy Accelerator

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## 1. Purpose of this report

- 1.1. To update the Green Economy Panel on the Energy Accelerator (EA) programme including progress on development of the pipeline.

## 2. Information

- 2.1. The EA is a key initiative under Priority 3 of the Strategic Economic Plan (Clean Energy & Environmental Resilience). A shortage of project development funding and expertise were identified as preventing investment in low carbon capital projects in the Leeds City Region. The EA programme is providing a new project development support service that will remove these barriers by bridging the current market failure and by providing robust technical and commercial advice that will enable projects to develop and proceed to implementation.
- 2.2. The EA will provide a service to the public, private, academic and community sectors to develop projects around three key themes:
- Energy efficiency and renewable energy (new and retrofitted)
  - District heat networks
  - Street lighting
- 2.3. The EA will not in itself deliver capital programmes, instead it will enable ~£128M of capital investment in low carbon projects to progress across the Leeds City Region.
- 2.4. As reported in October 2018, the Contract for Funding with the European Investment Bank was signed in July 2018 and came into force on 1 August 2018 for a period of 3 years delivery (until 31 July 2021). The value of the ELENA funding is EUR 3.513 million.

- 2.5. Following an in-depth review of the initial pipeline of projects and active engagement with potential Project Sponsors to further develop this, the refreshed pipeline currently contains 13 projects. The total forecasted capital investment leveraged is £128.197 million.
- 2.6. The projects on the refreshed pipeline are expected to result in the following outcomes:

| <b>Expected outcomes</b>  |        |
|---|--------|
| Estimated annual final energy saved for EE projects [in GWh] <sup>1</sup> | 21.3   |
| Estimated annual final energy production by RES [in GWh]                  | 7.3    |
| Estimated annual reduction of CO <sub>2</sub> eq <sup>2</sup> [in tonnes] | 14,481 |
| Estimated employment  | 373    |

- 2.7. The Energy Accelerator is a flagship programme that supports Leeds City Region’s ambition to become a zero carbon city region by 2038 and will contribute an estimated annual reduction of 14,481 tonnes of CO<sub>2</sub> equivalent.
- 2.8. Appendix 1, 2 & 3 outlines case studies of projects currently being supported by the Energy Accelerator Programme.
- 2.9. Since the last report there have been slight adjustments in the way the time of the Sector Leads<sup>3</sup> is allocated to the EA programme. Many street lighting projects have been procured or delivered prior to the launch of the EA programme and there is limited demand now for street lighting across the region. As a way to develop the pipeline and increase the number of successful projects through the EA, additional technical resources have been brought to the Programme Delivery Team to increase focus on potential domestic and commercial retrofit projects.
- 2.10. The Project Manager is monitoring spend to ensure the adjustment in resources will not negatively impact on the overall spend for the project development services outlined in the Contract with the European Investment Bank. The change is driven by both strategic need as well as assisting with contractual European Investment Bank targets.

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<sup>1</sup> Gigawatt hours, abbreviated as GWh, is a unit of energy representing one billion (1 000 000 000) watt hours and is equivalent to one million kilowatt hours.

<sup>2</sup> Carbon dioxide equivalent (CO<sub>2</sub>eq) stands for a unit based on the global warming potential (GWP) of different greenhouse gases. The CO<sub>2</sub>eq unit measures the environmental impact of one tonne of these greenhouse gases in comparison to the impact of one tonne of CO<sub>2</sub>.

<sup>3</sup> External expert advisors who are procured through OJEU procurement and are a part of the Programme Delivery Team

| Sector                               | Estimated Investment Programme (£) | Estimated Investment Programme (€)* | EIB Target (€)*      | Variance            |
|--------------------------------------|------------------------------------|-------------------------------------|----------------------|---------------------|
| Commercial & Domestic Retrofit       | £9,925,000                         | € 11,139,820                        | € 49,200,000         | -€ 38,060,180       |
| PV and renewables in Buildings       | £250,000                           | € 280,600                           | € 3,600,000          | -€ 3,319,400        |
| Street lighting & UTMC               | £45,000,000                        | € 50,508,000                        | € 37,500,000         | € 13,008,000        |
| District Heat Programme              | £73,022,025                        | € 81,959,921                        | € 24,800,000         | € 57,159,921        |
| <b>Total</b>                         | <b>£128,197,025</b>                | <b>€ 143,888,341</b>                | <b>€ 115,100,000</b> | <b>€ 28,788,341</b> |
| <i>Interim report (month 18 KPI)</i> | <i>£ 1,240,168</i>                 | <i>€ 1,391,965</i>                  | <i>€ 983,877</i>     | <i>€ 408,088</i>    |

Fig. 1 Total planned investment programme

\* ECB Exchange rate of 13.09.2019 (1 GBP =1.1224 EUR)

2.11. From the start of the programme ten projects have passed the Gateway 1 stage i.e. the project appraisal was undertaken and the project was recommended to move into the EA programme:

- 3 retrofit projects;
- 6 district heat projects;
- 1 street lighting project.

2.12. Out of 10 projects that passed Gateway 1, five projects have passed Gateway 2 stage i.e. projects have been accepted and have signed Project Sponsor Agreements with the Combined Authority to confirm their commitment to delivery:

- 1 retrofit project;
- 3 district heat projects;
- 1 street lighting project.

2.13. The remaining 5 projects are in various stages of engagement and are working towards submitting Gateway 1 documentation in the forthcoming period.

### 3. Financial Implications

3.1. The EA programme funding is estimated at £3.950m funded by:

- EUR 3.513m (£3.131m) European Investment Bank ELENA funding.<sup>4</sup>
- £0.820m Local Growth Fund (of which some is allocated as match funding towards the ELENA grant).

3.2. Under the terms of the Contract with the European Investment Bank, the programme is required to spend no less than 70% of in the initial payment in the

<sup>4</sup> At the point of Combined Authority's approval of the project the value of the ELENA funding was £2.997m (1 GBP = EUR 1.17261; Info Euro exchange rate March 2017). The value of the contract was updated as European Central Bank exchange rate of 13.09.2019 (1 GBP =1.1224 EUR).

first 18 months i.e. by 31 January 2020. The costs of project development services estimated on the value of refreshed pipeline of projects is predicted to satisfy the requirements of the Contract for Funding with the European Investment Bank and allow for the changes in the exchange rate.

- 3.3. This Programme's funding is also exposed to the risk of the changes in the currency exchange rate and any weakening of the GBP could negatively impact the project and forecasting of the 18 month spend target.
- 3.4. The relevant foreign exchange rates applied by the European Central Bank is used for continuous tracking of the impact of the exchange rate on the overall spend, and the spend of the first 18 months, in order to flag any early warning indicators.

#### **4. Legal Implications**

- 4.1. There are no implications associated with this paper.

#### **5. Staffing Implications**

- 5.1. There are no implications associated with this paper.

#### **6. External Consultees**

- 6.1. There are no implications associated with this paper.

#### **7. Recommendations**

- 7.1. The Panel is asked to note the progress being made to deliver the Energy Accelerator Programme and provide any comments.

#### **8. Background Documents**

- 8.1. None

#### **9. Appendices**

**Appendix 1 – Case Study of a District Heat Network Project**

**Appendix 2 – Case Study of Photo Voltaic Project**

**Appendix 3 – Case Study of Street Lighting Project**