West Yorkshire Combined Authority

Appendix 2

DRAFT POLICY IN DEVELOPMENT: Encouraging businesses to tackle the climate emergency / promote clean growth outcomes using grant conditions

This note explores potential options regarding how grant conditions could be utilised to encourage businesses to tackle the climate emergency, beyond current provisions. This is very much policy in development work and should be seen as opening up a discussion on policy options, and therefore at this stage there are still a number of unanswered questions and undeveloped ideas which will require further detailed work.

Where are we now?

For business support grants offered by the LEP there are currently two types of conditions applied to business applications:

- Eligibility criteria – used to filter whether a project is eligible for a funding programme e.g. based on business size, sector and financial performance
- Grant conditions – applied to successful applicants as a requirement to receive the agreed funding e.g. inclusive growth conditions.

To date we have only included clean growth conditions where we have the capability to support a business to meet that condition:

- Offer more sustainable ‘green travel’ options to employees (through Travel Plan Network)
- Undertake an energy audit to identify ways to reduce energy consumption (through Resource Efficiency Fund)
- Undertake a supply chain audit to identify opportunities to buy more from local suppliers (through Huddersfield University)

Options to broaden the requirements/criteria

There is clearly a risk that, alongside inclusive growth criteria, further conditionality limits the appeal of the business support offer. Acknowledging this risk, a number of potential options of both eligibility criteria and grant conditions could be explored to broaden the clean growth impact of business support schemes.

Eligibility criteria (i.e. Making clean growth a pre-requisite for support)	Grant conditions (i.e. Make de-carbonising commitments a condition)
• **Restrictive** – e.g. make high carbon businesses ineligible for support • **Prescriptive** – e.g. only accept businesses with a certain standard (what would be the green equivalent of Living Wage be? Energy efficient buildings? A no-car travel policy? Sustainable drainage? Offer support/incentives for staff to travel to work sustainably?). • **Project specific** – e.g. supporting businesses or projects that are net beneficial for a business’ environmental impact (through carbon impact assessments)	• Assessments - travel/energy audit, Energy Performance Certificate (EPC), carbon footprint • Offsetting - commit to doing something that supports the G&B Strategy – plant trees (preferably in the White Rose / Northern Forest), install solar panels, help with natural flood management. • Energy efficiency investments - requiring zero carbon mission for buildings, energy retrofit or performance guarantees (Energy Strategy and Delivery Plan) Or

• **Enhanced intervention rate** – giving a preferential rate / additional funding to businesses undertaking projects with clear clean growth output/outcomes	could be smaller investments linked to an energy audit.

<u>Early recommendations</u>

Reviewing the options available, it is recommended that:

- **Grant conditions feel more attainable than eligibility criteria** – this is because at the current time it is not straightforward to define either what a restrictive or prescriptive set of criteria could be, and there is likely to be significant consequences that feel undesirable i.e. not supporting businesses to transition to lower carbon models. Grant conditions would be more inclusive, and build on existing approaches based on incentivising best practice take up (albeit not without its own risks). This does not mean that eligibility criteria could not be a future ambition.
- **Further work is required to understand the potential costs of grant conditions** – Costs will need to be proportionate to intervention rates and will vary greatly depending on a business' size or sector. It may require a two tier system with more costly conditions on higher value or support to larger businesses. This approach should also be applied to reviewing inclusive growth conditions, although it is suggested that clean growth conditions be an additional option for grant recipients rather than in addition to inclusive growth conditions.
- **Work on clean growth conditions needs to be aligned to existing inclusive growth criteria and the future of job creation conditions** – there is an opportunity, especially looking to programmes beyond existing ERDF funded support (which it may not be possible to attach new conditions to), to look more holistically at the "currencies" that are used to legitimise the use of public funding to support businesses in light of devolution/Shared Prosperity Fund and other funding avenues.
- **Before significant next steps work takes place, it would be advisable to begin business consultation** – whilst it is possible to draw up more definitive options for criteria, this should not take place before a proper consultation on the issues with business, understanding potential difficulties, restrictions and barriers as well as being open to additional ideas. This should also be extended to discuss with public and third sector partners who support businesses with clean growth interventions and understand the marketplace.