

Report to: Climate, Energy and Environment Committee

Date: 19 October 2021

Subject: **Energy Accelerator: End of Programme Review**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this report

- 1.1 To provide an end of programme review of the delivery of The Energy Accelerator programme, funded by the European Investment Bank (EIB) European Local ENergy Assistance (ELENA) fund and, with match funding from Leeds City Region Growth Deal, following the programme closure on 31st July 2021.

2. Information

Programme Background:

- 2.1 The Energy Accelerator programme began on 1st August 2018 and closed at the end of July 2021.
- 2.2 The initial funding allocation from the European Investment Bank ELENA fund was £2.996 million, matched by £0.820 million from the Leeds City Region Growth Deal.

- 2.3 The aims and objectives of the Programme, as defined in the legal agreement, were to, 'provide a new project development support service (PDS) ... to remove the barriers relating to lack of project development funding and expertise that are currently preventing investment in low carbon capital projects in the Leeds City Region. ...[and to]... provide technical, commercial, and legal services to the public, private, academic and community sectors to develop low carbon projects'.
- 2.4 Works were delivered by a consortium of consultants, and comprised investment in four key sectors:
- 1 Commercial & Domestic Retrofit
 - 2 Photovoltaics (PV) in Buildings
 - 3 Street Lighting and Urban Traffic Management and Control
 - 4 District Heat Programme
- 2.5 Three key performance indicators were set out in the contract with the EIB, the most significant of which was the requirement to achieve an Accelerator Leverage Factor of at least 1:20, meaning that every £1 of ELENA support needs to result in at least £20 capital expenditure (Capex) pulled in through other sources, e.g., the private sector.

Delivery Success:

- 2.6 By the end of the contract the programme has achieved the three key performance indicators listed at point 2.5.
- 2.7 Despite operating within a challenging economic climate, including the impacts of Brexit and COVID-19, a total of 45 projects were considered for investment. Of these, 22 projects received full Energy Accelerator feasibility support, of which six projects reached the required development stage within the Energy Accelerator timeframe. These are:
1. Leeds City Centre South Bank Phase 2 Extension Heat Network (IP011: Leeds City Council)
 2. Schools Energy Efficiency Renewables (IP020: Beckfoot Trust)
 3. Bradford City Council Street Lighting (IP031: Bradford Metropolitan District Council)
 4. Building Portfolio Energy Efficiency Measures (IP035: Leeds City Council)
 5. EV Charging, City of York (IP041: City of York Council)
 6. Calderdale Heat Pump Project (IP045: Calderdale Council)
- The Energy Accelerator will lead to the creation of 247 new jobs (16.2 permanent and 230.4 temporary jobs).
- 2.8 The capital expenditure and project development services are lower than forecast due to the combined impacts of the COVID-19 crisis, Brexit, and the complex funding landscape for the larger district heating network projects. However, despite these factors, the programme achieved a 1:28 Accelerator Leverage Factor, exceeding the EIB requirement of 1:20.
- 2.9 When the projects are fully constructed and operational, the programme will have delivered 7785 tonnes annual reduction in CO₂, annual savings of 22.15

GWh for energy efficiency (EE) projects, and annual production of 15.592 GWh energy production as a result of low carbon solutions and renewable energy sources (RES) projects.

- 2.10 The figures presented above are still undergoing verification by the EIB as part of the closure process. A Final Report, supported by an external audit, to close the programme was submitted to the EIB on 31st August 2021 and the outcome is pending.

Legacy of the Energy Accelerator:

- 2.11 Clean growth continues to be a high priority for the West Yorkshire Combined Authority since it declared a climate emergency on Thursday, 27 June 2019 and set an objective to support the Leeds City Region to become a net zero carbon economy by 2038. Moreover, one of the Mayor of West Yorkshire's ten pledges is to tackle the climate emergency and protect the environment.
- 2.12 More recently, at its meeting of 8th June 2021, the Combined Authority approved a Full Business Case for the Net Zero Region Accelerator which is intended to, 'influence the achievement of a net-zero carbon West Yorkshire by 2038, and the economic recovery post COVID-19.'
- 2.13 Lessons learned from the delivery of the Energy Accelerator programme have informed the design of the Net Zero Region Accelerator. In addition, projects that were not able to come forward as part of the Energy Accelerator, such as Halifax District Heating Network, are being referred to this new programme in the hope they will benefit from future rounds of funding, thereby creating a legacy for the Energy Accelerator programme.
- 2.14 It is worth noting that the Energy Accelerator programme has experienced a number of challenges throughout its lifetime. These included a longlist of provisional projects which were not deemed suitable to progress for various reasons and others needed to be established; challenges in procurement, which may have been better addressed by establishing a framework to spread the risk. As a result the level of effort required to oversee the programme to ensure that it achieved its objectives and that the EIB leverage targets were met, far outweighed what was anticipated at 'bid stage'. These challenges, together with recommendations for change have been captured in a lessons learned log and, as mentioned above, it is intended that these will inform the future work of the Net Zero Region Accelerator programme.

3. Tackling the Climate Emergency Implications

- 3.1 The Programme has reported as delivered 7785 tonnes annual reduction in CO₂, annual savings of 22.15 GWh for energy efficiency (EE) projects, and annual production of 15.592 GWh energy production because of renewable energy sources (RES) projects. These figures are still undergoing verification by the EIB as part of the closure process.

4. Inclusive Growth Implications

- 4.1 **Responding to high levels of unemployment** The Leeds City Region is home to an expanding green technologies industry, and so investment in this area contributes to the levelling up agenda in West Yorkshire generally. 247 full time jobs have been created across West Yorkshire as a result of the Energy Accelerator Programme, which responds to the fact that Yorkshire and the Humber have a higher rate of unemployment (5% in April 2021).
- 4.2 **Levelling up in Schools** The energy saving measures delivered by the Energy Accelerator Programme for Project IP020 Beckfoot Trust will reduce annual expenditure on energy consumption, reducing the cost of bills for the school, allowing the funding to be invested into pupils and other works to improve the school buildings.
- 4.3 **Tackling Fuel Poverty:** The IP025 Leeds Pipes DHN Project is set to result in energy bill savings of 10-25% per year, providing almost 800 homes with affordable and sustainable heat. Whilst this is of benefit for the Net Zero Agenda, this has the added benefit of responding to poverty, allowing residents to save money each month (with reports of savings up to £150 per month per home connected to the DHN).

5. Equality and Diversity Implications

- 5.1 **Green energy as environmental/racial justice** In 2019, the UK government released a report which found a higher risk of exposure of black British children to air pollution than white British children. As West Yorkshire is a diverse region, with varying levels of economic inequalities, air pollution has the potential to become an area of racial disparity, exacerbating existing inequalities. The projects supported and delivered by the Energy Accelerator respond to this risk and help to work towards a cleaner environment for all residents. E.g., Project IP031 Bradford Street Lighting will reduce Bradford Council's energy consumption by 65% per year, with a reduction of 6,000 tonnes of CO2 emissions per year.
- 5.2 **Responding to vulnerable populations and improving access to public transport** Project IP031 Bradford Street Lighting responds to a need to improve personal safety in West Yorkshire by providing well-lit streets, removing barriers to public transport access, e.g., a perceived lack of personal safety, which might prevent someone from using public transport with the consequence of limiting their employment/economic prospects. The upgraded street lighting is expected to save approximately £2 million annually, and £189 million over 50 years.
- 5.3 **Responding to inequalities in access to arts and heritage** Projects delivered also helped to respond to national inequalities in access to arts and heritage opportunities including museums, a position exacerbated by the pandemic and a funding package which was insufficient for projected needs. Project IP045 Calderdale Heat Pumps has allowed Calderdale Council to invest in measures which will reduce expenditure on heating and water across an ageing estate of heritage buildings, helping to ensure the viability of heritage buildings used by the public including museums and libraries.

6. Financial Implications

- 6.1 The total EIB spend was £2.052 million of the £2.996 million allocation, therefore the full grant allocation will not be utilised and drawn down. The full allocation was not required due to the combined impacts of the COVID-19 crisis and Brexit, with several larger projects experiencing delays outside of their control and being placed on the pipeline for future investment.
- 6.2 The total Leeds City Region Growth Deal spend was £0.510 million of the £0.820 allocation.
- 6.3 The Energy Accelerator has received two instalments of funding from the EIB that total 70% of the EIB contribution to the Programme. The third payment will not be required and a repayment of the unspent grant of ~€ 0.427 million is expected to be made to the EIB subject to approval of the figures in the Final Report.
- 6.4 The programme was required to undergo an external audit, which has been successfully completed and submitted to the EIB, along with the Final Report.

7. Legal Implications

- 7.1 Records must be maintained for a period of seven years post programme closure in the event of audit by the European Investment Bank.
- 7.2 State Aid implications will be monitored for a period of 15 years.

8. Staffing Implications

- 8.1 Resource is in place until 31st October 2021 to lead programme closure, including responding to queries from the European Investment Bank, and producing the Project Closure Report.

9. External Consultees

- 9.1 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the members of the Climate, Energy and Environment Committee note, subject to Final Report approval by the EIB:
 - a) That the programme has achieved its three primary KPIs, most notably securing an Accelerator Leverage Factor of 1:28, exceeding the EIB requirement of 1:20.
 - b) That the programme has contributed significantly to the Tackling the Climate Emergency agenda by delivering 7785 tonnes annual reduction in CO₂, annual savings of 22.15 GWh for energy efficiency (EE) projects, and annual production of 15.592 GWh energy production because of renewable energy sources (RES) projects.

- c) That a return of unspent grant of ~€ 0.427 million will be made to the EIB subject to approval of the figures in the Final Report.
- d) That projects unable to come forward within Energy Accelerator timescales have been referred to the Net Zero Region Accelerator, creating a legacy for this programme.

11. Background Documents

None.

12. Appendices

None.