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**Report to:** Green Economy Panel

**Date:** 17 April 2018

**Subject:** **Energy Accelerator Update**

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## **1 Purpose of this report**

- 1.1 To update the Green Economy Panel on the Energy Accelerator (Accelerator) programme.

## **2 Information**

- 2.1 The Accelerator is a key initiative under priority three of the Strategic Economic Plan (SEP) which aims to create a zero carbon energy economy by 2036. It is a new innovative programme. It will provide a project development support service to remove current barriers relating to a lack of project development funding and expertise. This current lack of support is preventing investment in low carbon capital projects across the Leeds City Region (City region). It will provide a service to the public, private, academic and community sectors to develop projects around three key themes:

- Commercial and domestic retrofit including integration of renewable energy into the built environment.
- District heat networks.
- Street lighting.

- 2.2 The Panel received an update on the Accelerator at their previous meeting on 20 February 2018. Subject to a positive refresh of the indicative pipeline of projects that will be supported by the Accelerator, it was agreed that the Panel recommend to the Local Enterprise Partnership (LEP) Board that the West Yorkshire Combined Authority (Combined Authority) consider and sign the European Investment Bank (EIB) ELENA contract for funding.

- 2.3 This will allow the Combined Authority to access EUR 3.513 million of EIB ELENA funding (a fund for technical assistance focused on the

implementation of energy efficiency, distributed renewable energy projects and programmes).

- 2.4 A refresh of the Accelerator’s indicative pipeline of projects was undertaken in March 2018. A summary of the refreshed pipeline is below:

	2017 pipeline	<b>2018 refreshed pipeline</b>
No. of projects	21	<b>11</b>
Capex	£65,871,154	<b>£66,379,282</b>
Overall Leverage Factor (1:20 is the overall target)	1:33	<b>1:34</b>

- 2.5. 11 projects remain in the refreshed pipeline. Some new projects have come forward. Some projects have developed without the Accelerator’s support and therefore removed from the pipeline. A few have also been removed as the project sponsors no longer wanted to develop the project. Over the entirety of the 3 year programme, it is estimated that these projects will achieve an estimated 1:34 leverage factor<sup>1</sup>, which is above the 1:20 EIB target. The improved capital leverage comes via the inclusion of two new district heating projects.
- 2.6 As articulated in the previous Panel report (20 February 2018) there is a risk that the EIB could reduce their second payment of funding at the 18 month period, if less than 70 percent of the first payment has been spent. Based on the refreshed pipeline, as it currently stands, the anticipated spend at 18 months point is estimated to be over €1.6 million. This is well in excess of €980,000 (70 percent) spend target.
- 2.7 It will be the Accelerator’s new delivery team’s role to develop this indicative pipeline further and to devise and secure more projects. This is part of the innovative nature of the Accelerator. The current pipeline is meant to help deliver the programme, but is in no way a finalised, definitive list. The new team, when in place (subject to Combined Authority approval on 5 April 2018), will use their expertise to develop these projects and a wider pipeline of projects (keeping within the overall funding envelop for the programme as a whole). The procured advisors will be contracted to deliver projects within the 3 year period and to achieve as a minimum the 1:20 leverage requirement.
- 2.8 Based on the positive outcome of the refreshed pipeline, the GEP recommended to the LEP Board that they consider recommending to the Combined Authority that they sign the EIB contract. The LEP Board met on 27

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<sup>1</sup> The EIB contract requires an investment programme to deliver investment (either actual investment in a project or a published procurement for a forthcoming investment) that is at least 20 times the bank’s contribution. This 1:20 leverage requirement translates into the Accelerator delivering EUR 70.276m (£59.93m) of capital investment over three years.

March 2018 and endorsed the recommendation to sign the EIB contract. Subsequently the Combined Authority Board met on 5 April 2018 and approved the signing of the EIB contract in light of the recommendations from the GEP and LEP Board. A full verbal update will be provided to the Panel at this meeting.

- 2.9 Post Combined Authority approval there are a range of actions that will need to be taken in order to establish the Accelerator by September 2018. The table below summarises the major activity and indicative milestones / timescales.

<b>Activity</b>	<b>Timescales</b>
1. Recruitment of 2 Combined Authority staff (1 – Programme Manager and Programme Assistant)	April – June 2018
2. Procure external Advisors	April – June 2018
3. Commence engagement with Project Sponsors and refresh the pipeline of projects for support	February 2018 – onwards
4. Final approvals through the Combined Authority’s assurance process to establish the EA	End of June 2018
5. Sign EIB Contract	End of April 2018
6. EIB and Combined Authority contract comes into force	August 2018
7. Launch	September 2018

- 2.10 There will also need to be a review of the current Advisory Group (made up of 3 Panel members) that has been supporting the development of the Accelerator. As the Accelerator enters into the implementation phases, new members with different skills sets may be needed. A further update on this will be provided to the Panel.

### **3 Financial Implications**

- 3.1 There are no new implications associated to this paper.

### **4 Legal Implications**

- 4.1 There are no new implications associated to this paper.

### **5 Staffing Implications**

- 5.1 There are no new implications associated to this paper.

### **6 External Consultees**

- 6.1 No external consultations have been undertaken.

## **7 Recommendations**

7.1 The Panel are asked to note progress.

## **8 Background Documents**

Green Economy Panel – 20 February 2018 - Item 8 Energy Accelerator

## **9 Appendices**