

EU PROJECT - MOBILISING LOCAL ENERGY INVESTMENTS (MLEI)

(Report by Head of Environmental Management)

1. INTRODUCTION

- 1.1 One of the biggest challenges especially for small to medium-sized local authorities is to prepare sustainable energy projects which are big enough to be considered 'bankable' by financing institutions and/or suitable for grant funding, the *Mobilising Local Energy Investments (MLEI) in greater Cambridgeshire and Greater Peterborough* project responds to this challenge by bundling local initiatives to reduce their risk and increase their attractiveness.
- 1.2 A successful application has been made jointly by five Cambridgeshire local authorities and Cambridge University to the European Commission's Executive Agency for Competitiveness & Innovation (EACI) for 'Intelligent Energy Europe (IEE) financial assistance totalling €1.2M (£1M). The project will support the delivery of projects across the county comprising energy efficiency and energy generation schemes using public assets as the focus for delivery. Three local authorities (Cambridgeshire County Council, Cambridgeshire City Council and South Cambridgeshire District Council) will shortly receive Member approval to participate in the project.
- 1.3 Under the project Huntingdonshire District Council stands to benefit from €157,000 grant funding for staff time and overheads to support the delivery of two projects in the district.
 - St Neots District Heating Network - Ongoing work into the viability of developing a combined heat and power network in the Cromwell road area of the town.
 - The retro-fitting of commercial and industrial units in the district - to improve energy efficiency, reduce bills for tenants and lower carbon emissions.
- 1.4 The project will also enable work to be undertaken to provide a framework for the delivery of other District/Countywide energy infrastructure projects through the development of the Community Energy Fund (CEF) and other projects listed in 2.3 below.
- 1.5 For the Council to participate in the project it will be necessary to sign a Heads of Terms document, a consortium agreement governing joint working arrangements and agree the financial management of the project before the funding is released.

2. BACKGROUND

- 2.1 In January 2011 Professor Ian White of Cambridge University proposed to the Local Enterprise Partnership (LEP) Board the set up a business driven Low Carbon Hub for Greater Cambridge and Greater Peterborough. The Low Carbon Hub will be the central place for co-ordinating and demonstrating how to create a low carbon

economy by using the assets within the LEP area, such as the businesses, the universities, the public sector, and others to bridge the current implementation gap.

- 2.2 A Regional Growth Fund bid was submitted by the LEP but was unsuccessful. The ambition to set up the Low Carbon Hub remains and efforts to secure other sources of funding to help deliver the ambitions of the Hub are now underway.
- 2.3 Through a series of defined work packages the MLEI project will prepare, mobilise financing and launch investments to deliver:
 - a. A finance model which aligns private and public sector investment to support the low carbon infrastructure investment
 - b. A Community Energy Fund (CEF) to collect developer contributions from the delivery of new housing
 - c. An Energy services company (ESCO) (or appropriate mechanism) to deliver investments and infrastructure
 - d. A mechanism to deliver retrofit schemes for housing
 - e. Delivery of an investment programme comprising 10 local projects
- 2.4 An overview of the project including key objectives and deliverables is included as Annexe A.

3. FINANCIAL IMPLICATIONS

- 3.1 The overall project requires that a €1.2M grant generates at least 15 times its value of projects going to tender, equating to €18M. Failure to collectively deliver the desired leverage will mean the grant provided will have to be paid back but only on a pro rata basis. To date, a portfolio projects worth at least €23M has been identified and partners are confident the necessary targets will be comfortably met even if some projects do not reach tender stage. Risk is further reduced by the opportunity to substitute projects during the course of the initiative.
- 3.2 In addition to the individual HDC projects there will be €290,000 of shared grant to be used to assist project delivery across the County e.g. CEF/CRIF related work. Cambridgeshire CC has advised that there is shared liability for these costs with the maximum liability for HDC if no projects are delivered being €50,000. Should this unlikely scenario arise then the liability will be met from the Council's existing Environmental Management revenue budgets in line with the current Medium Term Plan.
- 3.3 The Intelligent Energy Europe (IEE) funding programme presents an opportunity for the Council to obtain €157,000 towards the costs of developing two significant business driven energy infrastructure projects in the district. The intention is that the funding will pay for existing and potentially additional staff over the three year period of the project to enable schemes to be brought to the tender stage prior to implementation.
- 3.4 To alleviate any risk of having to pay back staff costs, a decision to draw down the European funding will only be taken when the Council is certain that the two HDC projects will deliver as required. Should these projects not prove viable, the Council has been advised by the project lead (Cambridgeshire CC) that it will be able to withdraw them from the scheme without any financial penalty.

4. CONCLUSIONS

- 4.1 The Intelligent Energy Europe (IEE) project provides an opportunity for Huntingdonshire District Council to receive €157,000 funding to provide technical assistance towards the development of two significant schemes within the District. The first of which will enable the council to upgrade its commercial/industrial units by retro-fitting energy efficiency measures and the second will support an innovative proposal for a District Heating Network in the town of St Neots. It will also provide a framework for the delivery of other District/County wide projects through the development of the CEF and appropriate delivery vehicles e.g. ESCOs.
- 4.2 The Scheme requires that the technical assistance provided will generate leverage of at least 15 times the original grant. A portfolio of investment projects has been identified within the County and if all are successful investment in excess of €23M will be forthcoming. Failure to generate this leverage will result in pro-rata claw back of the grant funding, with a maximum liability for HDC of €50,000 resulting from shared project costs. Should this unlikely situation arise the liability will be met for the Council's existing Environmental Management revenue budgets.

5. RECOMMENDATIONS

- 5.1 Cabinet is recommended to:
- (a) Agree in principle to participate in Cambridgeshire's Intelligent Energy Europe (IEE) project to provide a much needed source of funding/capacity for developing energy infrastructure initiatives.
 - (b) Delegate authority to the Managing Director (Communities, Partnerships and Projects) and the Head of Legal and Democratic Services, to negotiate a Heads of Terms document, a consortium agreement governing joint working and the completion of the final form of documentation needed for the Countywide application to the EU's IEE fund for technical assistance, subject to consultation with the Executive Councillor for the Environment on the proposed governance arrangements and full financial details.

BACKGROUND INFORMATION

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