Annexe A

Project overview

1.1 A successful application has been made to the European Commission's Executive Agency for Competitiveness & Innovation (EACI) for financial assistance to support the mobilisation of local energy investments in Greater Cambridge and Greater Peterborough.

1.2 The 2007-2013 Intelligent Energy – Europe (IEE) programme, worth €730 million, forms part of the EU's Competitiveness and Innovation framework Programme (CIP). Funding may cover up to 75% of the eligible costs of successful project applications. IEE's aim is to accelerate uptake of sustainable energy technologies, through increasing the level of investment in them and the demand for sustainable energy. One of the biggest challenges especially for small and 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 by EU financing facilities.

1.3 The *Mobilising Local Energy Investments in Greater Cambridge and Greater Peterborough* project responds to the challenge by bundling local initiatives together to reduce their risk and increase their attractiveness. The Partnership has proposed a project worth €1.2million (£1 million) to facilitate the delivery of an investment programme of approximately €23million (£20.3 million). The investment programme comprises approximately 10 projects split between energy efficiency of public sector buildings and council homes and low carbon energy generation.

1.4 The Partnership includes Cambridgeshire County Council, Peterborough City Council, Cambridge City Council, South Cambridgeshire District Council and Huntingdonshire District Council. The University of Cambridge is also engaged in the project, through its leadership of a Low Carbon Hub which is harnessing local assets to bring about transformational CO2 emissions reductions and stimulate the local low carbon economy.

2 The Key Objectives

2.1 The *Mobilising Local Energy Investments in Greater Cambridge and Greater Peterborough* project will prepare, mobilise financing and launch investments to deliver:

a. A finance model which aligns private and public sector investment to support low carbon infrastructure investment
The scale of infrastructure investment required to deliver a low carbon economy is significant. Taking renewable energy and energy efficiency as key investment areas it is estimated that to deliver 28% of our energy from renewables by 2031 will cost between £3-6billion of investment dependant on ambition and to deliver significant retrofit – for example in Cambridge, over £600million will be required. To make this happen a long term investment strategy is required. The project will identify which public

sector funding streams can be brought together with private finance to create a fund that can be invested in low carbon infrastructure. For example using Feed in Tariff, Renewable Obligation Certificates, Green Deal, Community Energy Funds, S106, Community Infrastructure Levy and other funding to develop a sustainable financial model for Cambridgeshire investing over the longer term.

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
With a financial model in place that can invest over the longer term, delivery vehicles are required to manage the finance, build, design and operation of retrofit and energy generating projects. Three possible vehicles are identified as b, c and d above. When the vehicles are set up, these can then be tested by the projects in the investment programme and fine tuned as lessons are learned.
e. Delivery of an investment programme comprising local projects
The Local Authorities will draw up OJEU contracts to procure the delivery of the projects. Currently, there are two retrofit projects and three energy efficiency projects in the investment programme. They include: the retrofit of the 10 worst energy-performing schools in Cambridgeshire, a retrofit project of 670 rural off-gas grid homes in South Cambridgeshire, the Cambridge city combined heat and power and district heating scheme (phase 1) and St Neots combined heat and power and district heating scheme (phase 1). The project will help to identify (through its financial model, investor networks and delivery vehicles) the funding mix for the projects including if the local authorities want to have long term financial stakes in the projects. The project supports the local authorities with the information to make investment decisions.

3 The existing position and contributions already made

3.1 The Cambridgeshire Renewables Infrastructure Framework (CRIF) has identified that delivery of 18% renewable electricity and 35% renewable heat for Cambridgeshire will realise investment of between £4-6billion into local energy generation. Cambridgeshire has sufficient renewable energy capacity to deliver this challenge but needs to work out how to attract the investment to make it happen and then to ensure that significant financial and economic benefits are retained locally.

3.2 Delivery of the current growth agenda in Cambridgeshire up to 2026 (from 2011) will provide a pot of funding of up to £60million for a Community Energy Fund. The Community Energy Fund will be administered by the local authorities and invest in local low carbon infrastructure.

3.3 The EU-funded project *Mobilising Local Energy Investments in Greater Cambridge and Greater Peterborough* will set up delivery vehicles to manage the scale of

infrastructure delivery including an energy services company that can commission, design, build and manage new energy generating schemes (community scale and larger) and a special purpose vehicle to support delivery of large scale retrofit in public assets. In addition, it will set up the Community Energy Fund as a mechanism for developers to deposit contributions from new development to deliver their zero carbon obligations from 2016.

3.4 The EU project provides technical assistance money to develop skills and capacity in the Local Authorities through piloting public sector projects to deliver energy generating schemes and retrofit projects. The University of Cambridge, with the EU project partners will work with investors and commercial sector to broker business relationships for delivering Cambridgeshire's potential.

3.5 This project will:

- make best use of market incentives e.g. Renewable Heat Incentive and Feed in Tariff, capturing this value for Cambridgeshire and providing a platform for the cleantech sector to develop and grow
- help unlock market failure in the potentially huge energy retrofit market where consumers lack information they need to make consumer decisions and trust in a highly fragmented supply side
- help support the development of the cleantech sector in our area, and creation of jobs as the money leverages a multiplier effect in terms of contracts awarded.

3.6 This project will enable us (and a range of partners) to:

- deliver projects sooner and cheaper than if partners proceeded without EU funding
- deliver long term energy savings year on year for the wider public estate.

3.7 To not proceed with this project will mean:

- Partners in the project lose the benefits of the work undertaken to date
- Partners lose the capacity in Cambridgeshire to make progress and lose the ability to develop a multibillion pound business opportunity – including the patriation and safeguarding of critical energy supplies for Cambridgeshire.