

**CAMBRIDGESHIRE RENEWABLES INFRASTRUCTURE FRAMEWORK
(CRIF) AND CAMBRIDGESHIRE COMMUNITY ENERGY FUND (CEF)
(Report by the Head of Environmental Management and Head of Planning)**

1. INTRODUCTION

- 1.1 The purpose of this paper is to inform, update and gain formal HDC endorsement of the technical work and approach signed off on 27 January 2012 (by a District and County leader/representative led member steering group) on the Cambridgeshire Renewables Infrastructure Framework (CRIF) and Cambridgeshire Community Energy Fund (CEF)

2. SUPPORTING/BACKGROUND INFORMATION

- 2.1 **The CRIF Project** led by Cambridgeshire Horizons and overseen from late 2011 by a member led steering group covers the County of Cambridgeshire. It ***aims to provide a robust evidence base to promote and increase the implementation of renewable energy projects for the benefit of the public sector, community and business.*** A second project, the ***CEF looked at the potential to set up an innovative locally led fund which could channel developer investment into low carbon infrastructure projects*** (as distinct from CIL and S 106) required as a result of zero carbon policy into locally driven and beneficial projects guided by local officers and endorsed by District and County members.
- 2.2 **This paper firstly looks at why a framework (the CRIF) at a County/District level is needed to effectively deliver renewable projects, the magnitude of the business opportunity and summarises the potential pathways that members and officers can choose in order to deliver this ambitious agenda to meet Government targets and get the right projects in the right places.** It also highlights, that 'doing nothing' is not an option and that without a considered local approach major business opportunities will be lost, Government and local targets not met.
- 2.3 **Secondly recommendations are made for member and officers to consider setting up a CEF in the County as an effective way of keeping local developer contributions in the County (as opposed to being captured by Central Government and used elsewhere in the rest of the Country).** To do this will require local project lists to be drawn up, Local Plans to have a mechanism for approving projects and a managing mechanism (e.g. a Company Limited by Guarantee) to be set up to allocate funds, expected to be up to circa £60 Million between 2016 and 2030.
- 2.4 **The CRIF is needed to provide a 'framework for delivery' for implementation of renewable projects on the ground which meet the needs of policy, planning and economic drivers.** These drivers include: rising energy prices, energy security and The Climate

Change Act which places legally binding obligations on the UK to reduce its CO₂ emissions by 80% by 2050 over 1990 levels.

- 2.4.1 There is also an expanding the market for renewable energy development across all technologies which provide a **major business opportunity for the District and County**. A series of market mechanisms have been introduced to stimulate investment into clean energy to meet these targets. These include the Renewables Obligation, the Feed in Tariff and the Renewable Heat Incentive.
- 2.4.2 The Government is also launching the Green Deal, its flagship policy on energy efficiency. This will introduce a 'pay-as-you-save' financing mechanism for investment into homes, businesses and public sector buildings and will be show cased locally through Huntingdonshire's innovative Greenhouse Project.
- 2.4.3 The development of renewable projects in the Clean Tech sector has the potential to create up to 11,500 jobs in Cambridgeshire. The renewable energy investment opportunity is at least £2.3bn but could be as great as £6bn to 2031.
- 2.4.4 Additional investment will be required to deliver energy efficiency, district heating and gas CHP infrastructure which are viewed as essential enabling technologies.

The CRIF **document is divided into several sections including:**

- **Introduction: Why the CRIF is needed**
- **The business opportunity/how to create a favourable investment framework**
- **The delivery pathways: Public Sector, Business and Community**
- **Conclusions and key recommendations**

A detailed paper and the associated technical documents were presented to the CRIF/CEF member steering group on 27 January 2012. These are available as an Annex A and the detailed documents themselves at www.crif.citizenscape.net

- 2.5 The Cambridgeshire CEF project commissioned work to look at what is a CEF, why would we at District level need one, what it could look like and how it would work.

The Community Energy Fund (CEF) is a mechanism to support developers to achieve their zero carbon obligations. Zero Carbon Policy identifies that new homes must be zero carbon by 2016 on all regulated emissions.

- 2.5.1 For some developments either due to their size or their location delivering zero carbon on site is technically difficult and/or too costly. The Community Energy Fund is a mechanism to help developers, especially small and medium sized developments to deliver their obligations. Developers can offset the balance of their emissions by

contributing into a Fund. A Community Energy Fund then invests this money in low carbon infrastructure projects to deliver the carbon emissions savings. Developer contributions would be made to the CEF with the level of payment determined on the basis of the amount of CO₂ to be offset and a set price for carbon reduction (£/tonne CO₂).

- 2.5.2 A Community Energy Fund is not the only option for Developers to deliver their carbon compliance. Under the Government's current Allowable Solutions framework proposals, developers will be able to (a) choose to deliver their own allowable solutions projects, (b) make contributions to a local CEF or (c) offset via private third-party allowable solution providers.
- 2.5.3 Allowable Solutions is the term used to describe the range of carbon reduction initiatives that developers might invest in to meet their remaining carbon reduction obligation under zero carbon policy once the target for on-site CO₂ reduction (known as the Carbon Compliance level) has been met. These Allowable Solutions could include further measures taken on-site, near to the site or off-site (i.e. further removed from the development).
- 2.5.4 **The key features of the proposed framework that have implications for the development of a CEF in Cambridgeshire (and elsewhere) are summarised below:**

- ***Districts have the opportunity to develop Allowable Solutions policies in their Local Plan. The existence of such policies will ensure that Allowable Solutions investment is directed to local projects identified in the Local Plan.***
- Developers have the opportunity to seek out the best value Allowable Solutions, via the Community Energy Fund or third-party private Allowable Solutions providers. If the local authority has appropriate policy in place, Allowable Solutions projects will have to be selected from the Local Plan, even if delivered by a third-party provider.
- ***If a local authority does not develop Allowable Solutions policies, it is envisaged that there will be a market of private energy funds vying for the contracts to provide Allowable Solutions to developers. The private energy fund will not be restricted to developing projects in the local area and it is likely that investment will flow outward to projects identified in the national list.***

The CEF report looked at the following key areas:

- ***Collection mechanisms***
- ***Structure and governance***
- ***Scale of potential funds and investments***
- ***Carbon accounting***
- ***The benefits of a local fund***
- ***What policy a District needs to put in place and processes are required to direct cash to selected local projects.***

Further details of the paper presented and signed off by the leader/member group on CEF as well as the officer Horizons led detailed project report are available in Annex B and at www.crif.citizenscape.net

3. IMPLICATIONS

- 3.1 **In order to make the transformation in approach required to deliver the challenges of the renewable agenda, all stakeholders; public sector, communities and businesses need to do their bit.** Doing nothing is not an option but there are different scenarios to consider. **The CRIF provides the basis and leadership for localism in action with the public sector playing a central role to make this happen.** It is anticipated that this will be through member and senior officer support for the CRIF Framework and the development of a supporting CEF to channel developer contributions into shaping the District's aspirations for the low carbon agenda.
- 3.2 The CRIF framework can help to attract funding and coordinate efforts. There are a series of project development risks that need to be managed. The role of the framework is to mitigate risk for the various stakeholders by providing information, co-ordinating effort and helping to attract funding to support project development activities.
- 3.3 The CRIF project process brings together a broad range of information to help Cambridgeshire make choices on how to deliver increased renewable energy.

The proposed development of a Cambridgeshire Community Energy Fund(s) compliments the CRIF in that it would go one step further by creating the financial mechanism for investing developer's funding into local projects.

- 3.4 *Whilst three delivery pathways have been examined –*

- *public,*
- *commercial*
- *community.*

the series of draft delivery frameworks presented in the appendices in the CRIF technical reports will need to be shaped and developed by members and officers to ensure projects meet local need. This will enable the District to consider their options to meet renewable targets appropriate to their localities.

4. CONCLUSION

- 4.1 **In conclusion, the CRIF report has presented a number of potential scenarios to move the renewable agenda forward in the County. It identified that a wide range of renewable energy technologies are available, thereby creating the opportunity for Cambridgeshire to be a leading County for clean energy projects, goods and services. The CEF work presents recommendations as to the potential way forward to channel developer contributions into local renewable and carbon reduction projects.**

- 4.2 The analysis has demonstrated that there is significant renewable potential across each of the Cambridgeshire Districts with the greatest in Huntingdonshire. The breakdown by district is:
- Cambridge City: 9%
 - East Cambridgeshire: 20%
 - Fenland: 16%
 - **Huntingdonshire: 29%**
 - South Cambridgeshire: 26%
- 4.3 **An evidence base has been established based on technical potential, economic considerations and deployment rates.** This has demonstrated that these levels of RE could be viable, albeit challenging to deliver.
- 4.4 **The scale of investment is significant – over £2.3bn and up to £6bn in projects giving a return on investment over 7%.** The employment opportunities associated with this level of deployment are also great; up to 11,500. This supports an argument for developing a major CleanTech cluster in Cambridgeshire. These could include Alconbury and St Neots.
- 4.5 **The challenge is now to endorse the framework for delivery and develop delivery plans through the 3 pathways identified, underpinning them with sound financial planning.**
- 4.6 CRIF provides a sound evidence base upon which informed decisions on renewables projects can be made, appropriate to their locality.
- 4.7 **The points below summarise the actions that the District needs to consider in moving forward from the CRIF and CEF projects:**

The CRIF report concluded that the District:

- **Should develop planning policies as part of the development of Local Plans / LDFs. to support continued development of appropriately sized and located renewable energy projects.**
- **Consider public sector intervention to help de-risk and bring about investment in CHP and district heating infrastructure.**
- **Public sector assets should be used to help establish a market for renewable energy and then used to stimulate community/business interest in developing their own projects at a range of scales, including refurbishment applications associated with Green Deal.**

- **A range of financial products and mechanisms that can support renewable energy deployment across all the sectors should be developed and supported.**
- **Ensure the draft delivery frameworks that have been developed to guide stakeholders are reviewed, updated and further developed.**

The CEF project concluded the way forward for Districts was:

- **To identify projects that will support the CEF in a local project list**
- **Introduce an Allowable Solution policy to LA Local Plans plus provide a mechanism for approving local projects for inclusion.**
- **Consider setting up a Company Limited by Guarantee to manage the fund/process**

5. RECOMMENDATION(S)

5.1 Cabinet is recommended to:

- **To note the work undertaken, formally sign off the CRIF / CEF projects and endorse the future approach to energy and renewables outlined.**
- **To delegate authority to the Managing Directors to carry forward work on energy and renewables in the District, to deliver the best possible outcomes for Business, the Community and Public Sector, within the Framework of the CRIF.**
- **To note the Managing Directors will consider the merits of setting up a CEF as outlined above.**

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