



Accelerating the Rate of Investment in Local Energy Projects

**Polly Billington
Charles Abel Smith
Malcolm Ball**

Summary Report

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Scope

The report is the outcome of an 18 month programme of 5 workshops held across England (Bristol, Cambridge, Leeds, Leicester and Manchester) and expert interviews sponsored by the Department for Business, Energy and Industrial Strategy (BEIS) and Siemens bringing together 327 experts from local authorities, business, academia, NGOs and local economic partnerships (LEPs) to discuss green financing.

The report will be published in full later this Summer but a summary of the major recommendations and an interim draft report has been released ahead of a possible economic recovery package to be announced by the Chancellor, Rishi Sunak.

About UK100

UK100 is a network of over 100 highly ambitious local government leaders, who have pledged to secure the future for their communities by shifting to 100% clean energy by 2050. This is not just good for the planet but for the people and communities they serve, be they in villages, towns or cities. Local leaders are working together to create flourishing communities, seizing the opportunities of technology to create jobs and establishing a nationwide project of renewal, focussed on local needs and ambitions.

UK100 is the only network for UK local authorities, urban, suburban and rural, focused climate and clean energy policy. We connect local leaders to each other, to business and to national government, enabling them to showcase their achievements, learn from each other and speak collectively to accelerate the transition to clean energy.

We work closely with elected representatives, policy experts and grassroots campaigners to make the clean energy transition a reality. This involves developing solutions to challenges faced by each and all of our local leaders, whatever their geography, history or makeup, so as to influence national government and building public support for clean energy solutions.

Summary

Our transition to a Net Zero economy requires a fundamental change in the way our energy system operates. Our switch to renewable generation requires us to develop a balanced energy system, which combines a mix of large-scale power generation with local decentralised energy systems.

The opportunity is now. At a time when we are considering how to build back our economy after the Covid-19 pandemic, the need to do this now becomes more pressing, to avoid locking in dependence on fossil fuels, which pose significant risks to our economy through their contribution to climate change.

Local energy systems will involve energy consumers becoming generators themselves. To be cost effective they will use local generation, smart technology and storage solutions to balance demand and supply. The closer the energy is generated to where it is used, the less will be lost through transmission. Investing in energy efficiency measures which reduce the amount of energy we demand and consume will help to reduce the size and cost of these systems.

Local authorities are uniquely placed to help in this process. Their democratic accountability requires them to engage with their populations and encourages them to establish political consensus to bring about long term change. They have significant powers and responsibilities and control large budgets which they can use to help underpin investment in new infrastructure. They think across the whole economy. By adopting integrated systems-thinking they can solve more than one problem at a time, such as facilitating job creation, reskilling and economic growth, saving money for residents, generating income to support public services, designing public space and tackling air quality.

The solutions won't be the same everywhere. We will need to design our local energy systems to take advantage of the different resources available across the country to support our energy demands, such as solar and wind energy which varies in intensity across the UK, and warm water in old mine shafts in our former mining regions to heat our homes.

Government has a role to play in shaping markets to unlock investment. We have identified the potential to unlock over £100 billion of investment in local energy systems by 2030 through partnership approaches, which would enable industry and private capital to work with the UK's local authorities to scale up investment initiatives, delivering the transition to Net Zero that is now being demanded by our population and now enshrined in law.

Our researchers, Charles Abel Smith and Malcolm Ball each have over 30 years of experience in finance and industry with a focus on developing low carbon projects, having worked together at Arup and the Green Investment Bank.

This report includes the evidence that they have gathered from the following sources

- Five regional workshops which brought together over two hundred people involved in developing and financing local energy projects

- Interviews with individuals from the public and private sectors involved in developing large scale low carbon investment programmes in Bristol, Greater Manchester, Nottingham and Warrington
- Interviews with other experts, including financiers, who are active in promoting the development of local energy investment
- Desktop review of relevant reports
- A challenge session with over 20 leading industry participants across the public and private sectors who considered our emerging findings

The results of this work confirmed the strong potential for local energy investment and the key role that local authorities have to play in working with the private sector to deliver this.

But to achieve this we need to address key barriers.

Participants in the local energy market are confused and frustrated by inconsistent policy and regulation as government and regulators grapple with evolving technology and the changing energy market. There is confusion about what investment is really needed, when it needs to be made, and uncertainty about how the revenue needed to support this investment will be generated.

£100 billion of capital investment requires initial development funding of the order of £5 billion. Government already recognises the need for support with a range of programmes currently in place, but much more is needed.

The private sector can provide much of the development capital needed, but only if there is sufficient market clarity to provide confidence that it can generate an appropriate return for the risks it is asked to take. Regulatory constraints and inconsistent government policy do not yet provide the necessary level of market clarity.

Local authorities lack the development capacity to support local energy investment and deliver the Net Zero transition that their populations are demanding, despite being keen to do so. Their constrained resources are focussed on delivering their statutory obligations in other sectors and the current Covid-19 crisis has exacerbated this position.

Government support, provided in a coherent and consistent manner, could help to provide the necessary market certainty and stability to address the problem of the poorly developed supply chains which are needed to deliver this investment, thereby creating a large number of new jobs across the country, with the associated health and social benefits that our transition to net-zero offers.

UK 100 believes that government support for local energy Net Zero investment would be delivered most effectively through a new Net Zero Development Bank, working in partnership with UK local authorities, to mobilise private investment by:

- becoming a centre of excellence for developing, procuring and delivering Net Zero project investment;
- scaling up investment opportunities to make them more attractive to institutional investors; and
- engaging with regulators and central government to ensure the necessary support for market development.