Investing in Local Energy
Survey: North East, Yorkshire and Humber

February 2020
UK100 is a highly ambitious network of local government leaders, which seeks to devise and implement plans for the transition to clean energy that are ambitious, cost effective and take the public and business with them.
It supports decision-makers in UK towns and cities in their transition to 100% clean energy by 2050. It is the only network for UK cities focused solely on climate and clean energy policy.
UK100 – Who is here?

- Local Authorities
- Investors
- LEPs
- Financiers
- Developers
- Technical consultants
- Researchers
- Local Energy Hub
UK100 – Local Authorities

“Low carbon projects are a priority for our authority/LEP”
What is the investment potential of your pipeline of low carbon projects over the next 5 years?
At what stage are the majority of these projects? Choose the one which makes up the majority.

95% at conceptual or feasibility stage
UK100 – Local Authorities

“We are aware of the different low carbon opportunities there are (transport, heat storage, renewables)”
UK100 – Local Authorities

“We have worked with developers and third party funders on low carbon projects in the past.”
UK100 – Local Authorities

Priorities for assessing low-carbon projects

- 67.5% Return on investment
- 60% Satisfying broader political goals
- 52.5% Potential for income generation
UK100 – Local Authorities

“What challenges do you face when trying to develop projects?

- 63% Concerned about value will flow out of local economy
- 55% Low carbon is not a priority
- 47.5% Investment decisions tend to be made on political grounds
- 44% We lack the confidence to know what to do and how
“What kind of central government support would help you to develop projects?”

- 85% Development capital
- 70% A single gateway to all support
- 68% Support in developing a business case
- 63% ‘Critical Friend’ advice
- 61% Financial support for construction costs
- 45% A more proactive local DNO
“Investors will always expect a degree of risk, whether its low/medium or high. Focus is needed on how to mitigate that risk.

“Long term cash-flows with benchmarking examples goes a long way to make investments attractive.”

“Deal size is too small”

“Projects are mostly conceptual or poorly formed.”

“There is certainly a growing demand from the public for green projects, coupled with an increase in investor requests for these type of investments. One of the main issues is the lack of knowledge on how to assess the risks accordingly and unfair expectation on investment returns.”

“Inexperienced in dealing with project investment appraisal.”

“Post-subsidy environment brings great certainty to the market.”

“We have been unable to form a relationship or get LA support, which is needed to access grant funding on large infrastructure and social projects.”
UK100 – Investors: what makes a project attractive?

- Technological familiarity
- Regulatory certainty
- Long term cash flows
UK100 – Investors: challenges working with local authorities

- Bureaucracy and slow decision-making
- Public procurement stymies innovative projects
- Projects are mostly conceptual and poorly formed
- Suspicion of the private sector
UK100 – Investors: central government support

- 96% Development capital to help fund technical and commercial studies
- 82% A single gateway to understand and apply for all support
- 82% Financial support for the construction cost of projects
- 64% Advice on public sector procurement models that support innovation
Clean Energy Action Partnerships

CITIES:
- EXPRESS INTEREST
- IDENTIFY POTENTIAL
- BUILD PROJECT
- EXECUTE ROLL OUT

FINANCE

CRACK CENTRAL TEAM

LOCAL AUTHORITY LED PROJECTS

ASK

OFFER
Clean Energy Action Partnerships

CRACK CENTRAL TEAM + REGIONAL OUTREACH

- Expertise: Development, Commercial, Financing
- Role: Energy networks, Technical, Regulation
- Critical friend support, Manage funding support, Liaison with financing community
- Remove centrally driven barriers (e.g. regulatory changes), Policy development from experience

LOCAL AUTHORITY LED PROJECTS

- Integrated Projects that can be scaled for national impact | Credible plan for gaining public consent & support | Local delivery team with necessary expertise
- Potential Partners:
  - Industry (Systems integrators), Academic/research institutions/catalysts, Energy Companies
  - Land developers, Local Enterprise Partnerships, DNOs, House builders
- Potential Outcomes:
  - Local energy resilience, Robust income streams, Affordable energy supply
  - Local grid rebalancing, New industries and global exports
  - Renewable energy deployment, City-scale transformation, Clean transport, Demand reduction

CITIES:

1. EXPRESS INTEREST
   - Expression of interest from cities (EoIs)
2. IDENTIFY POTENTIAL
   - EoIs selected that offer the greatest potential to accelerate Clean transition
3. BUILD PROJECT
   - Clean Energy Action Cities supported by a crack team of experts develop and deliver integrated projects
4. EXECUTE ROLL OUT
   - National roll out: successful approaches are applied at the national scale & supported into applicable export markets

OFFER
- Integrated projects
- Scaleable
- Replicable
- Delivery
- Feedback

ASK
- Technical & Commercial Support
- Access to finance

OFGEM • Grid capacity
HNDU • District Heating
HCA • Domestic retrofit
SALIX • Building retrofit
Research programmes
OLEV • Electric vehicles
National Productivity Investment Fund • £23bn