

Attracting Investment

Andy Deacon

Director of Local Delivery



Changing Incentive Structures

- Feed in Tariffs
- Renewable Heat Incentive
- Selling electricity to the grid
- CRC (and impending deadlines)
- Green Deal
- Green Investment Bank
- Land use planning framework

Novel sources of funding



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Zero Carbon Hub proposes way for builders to pay in lieu of cutting emissions

Carbon payments could raise £1.1 bn

08/07/2011 | By Chloë Stothart

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Local authorities could set up multi-million pound funds to pay for carbon reduction measures using contributions from developing associations and house builders, under proposals unveiled this week.

The Zero Carbon Hub, a group of house builders and government representatives which co-ordinates the delivery of zero carbon homes, outlined the idea in a report published on Tuesday.

The funds would be paid by developers to offset any carbon emissions they could not eliminate through the building process when building zero carbon homes. All new homes must be zero carbon by 2016.

The report, based on research by Cooperative Financial Services and accountancy firm Grant Thornton, estimated that £200 million of developer contributions could be borrowed against to raise a total of £1.1 billion.

Novel Funding Vehicles

london.gov.uk

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This Week

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Mayor announces £70m+ green fund 'open for business'

21 MARCH 2011

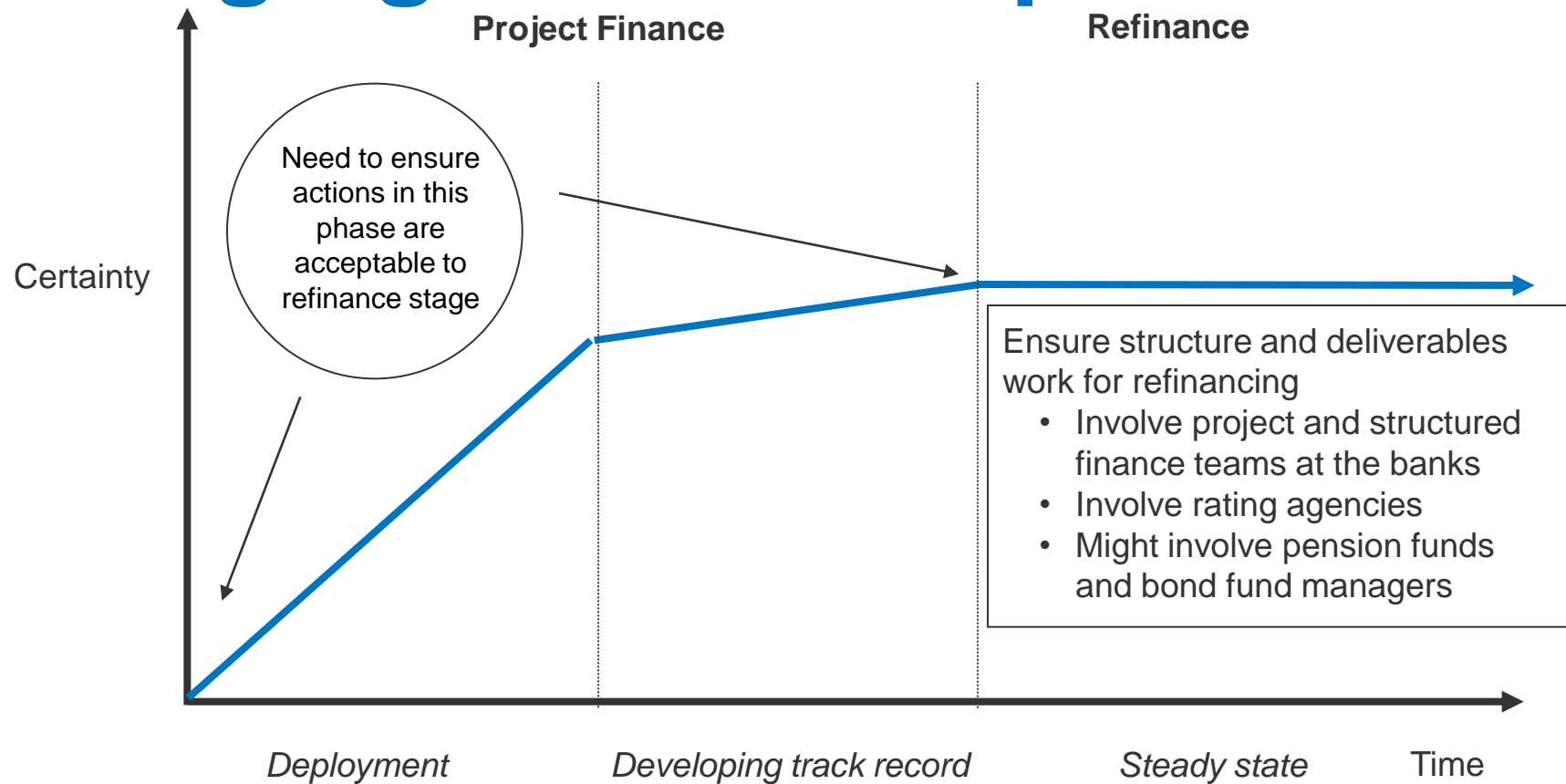
The Mayor of London, [Boris Johnson](#), today (Monday, 21 March) declared 'open for business' an innovative fund totalling at least £70 million which will finance low carbon waste and recycling infrastructure. This will help make London a world leader in finding new ways to exploit the cash value of waste, use it to generate green energy whilst creating jobs and developing valuable exportable skills.

Addressing an influential audience of senior financiers at the London Stock Exchange, the Mayor announced that Foresight Group, a leading sustainable asset manager, will manage the waste and recycling fund on behalf of and as part of the London Green Fund. The Foresight Environmental Fund as it will be known, includes £35 million investment from the London Green Fund which Foresight has doubled with commitments for a further £35 million from local authority pension funds and a range of other investors; Foresight seeks to leverage in an overall total of £200 million from pension funds and other private sector investors. The London Green Fund is a trailblazing initiative – the first UK fund to combine European, public and private finance to invest in environmental infrastructure.

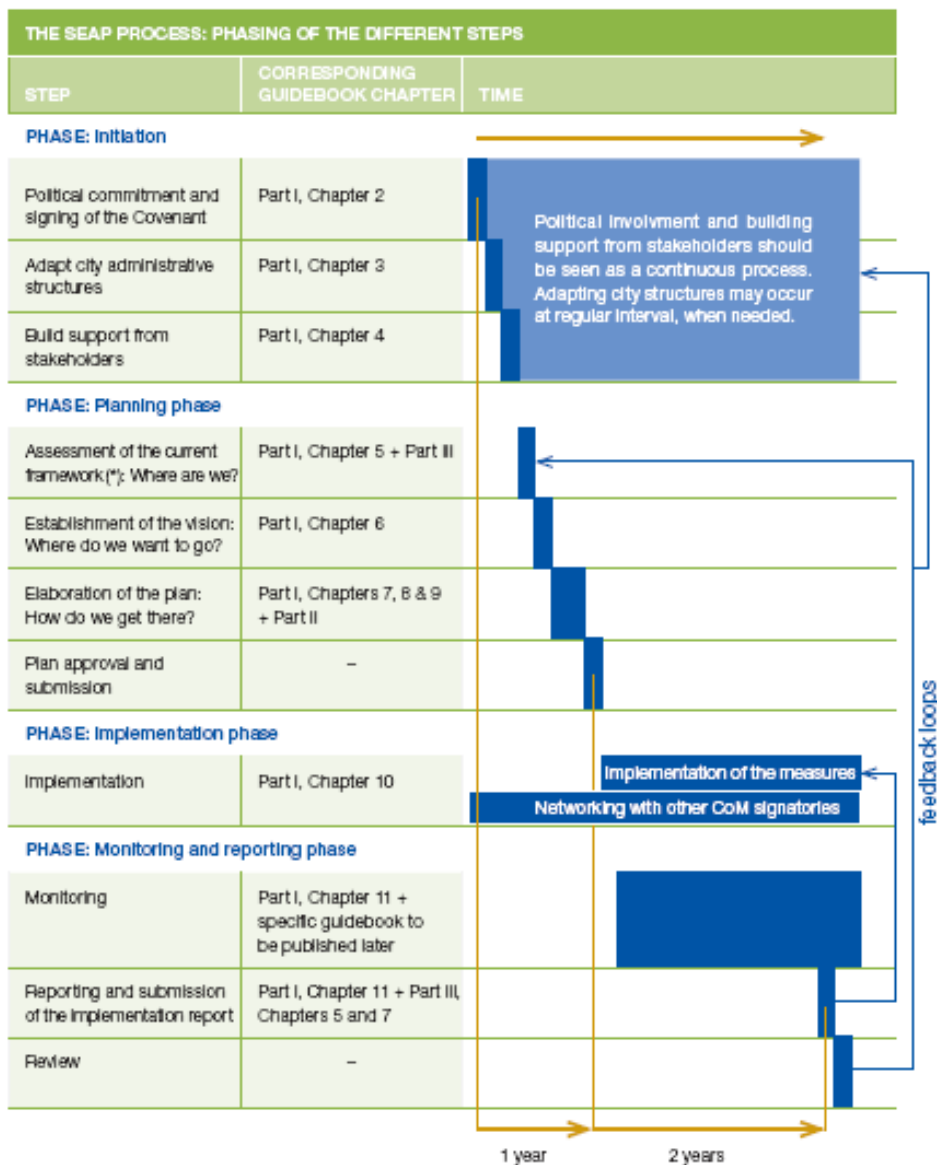


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Financing Programme – bridging finance requirement



SEAP Process



SEAP Template


http://10.10.7.52:8080/ProgressMessages/template_en.xls?proxy=10.10.7.52&action=complete&index= - Microsoft Internet Explorer

File Edit View Insert Format Tools Data Go To Favorites Help

Address http://10.10.7.52:8080/ProgressMessages/template_en.xls?proxy=10.10.7.52&action=complete&index=61&id=660700788&filename=template_en.xls

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Sustainable Energy Action Plan (SEAP) template

SUSTAINABLE ENERGY ACTION PLAN

1) Title of your Sustainable Energy Action Plan

? Instructions

Date of formal approval Authority approving the plan

2) Key elements of your Sustainable Energy Action Plan

Green cells are compulsory fields Grey fields are non editable

SECTORS & fields of action	KEY actions/measures per field of action	Responsible department, person or company (in case of involvement of 3rd parties)	Implementation [start & end time]	Estimated costs per action/measure	Expected energy saving per measure [MWh/a]	Expected renewable energy production per measure [MWh/a]	Expected CO2 reduction per measure [t/a]	Energy saving target per sector [MWh] in 2020	Local renewable energy production target per sector [MWh] in 2020	CO2 reduction target per sector [t] in 2020
BUILDINGS, EQUIPMENT / FACILITIES & INDUSTRIES:										
Municipal buildings, equipment/facilities	Action 1: _____ Action 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...			
Tertiary (non municipal) buildings, equipment/facilities										
Residential buildings										
Municipal public lighting										
Industries (excluding industries involved in the EU Emission trading scheme - ETS) & Small and Medium Sized Enterprises										
Other - please specify: _____										
TRANSPORT:										
Municipal fleet	Action 1: _____ Action 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...	1: _____ 2: _____ ...			
Public transport										
Private and commercial transport										
Other - please specify: _____										

Overall Strategy / Baseline Emission Inventory (1) / Baseline Emission Inventory (2) / Sustainable Energy Action Plan /

Newcastle City Council

Sustainable Energy Action Plan summary

INTERVENTION	UNIT	2005-2010	2010-2020
CHP Biomass	MWe	0	0
CHP Large Gas	MWe	0	0
CHP Buildings Gas	MWe	0	15
Heat from Power Station	MWth	0	0
PV Domestic	Homes	50	3000
PV Non Domestic	MWe	0	0
Wind Large	MWe	0	0
Wind Medium	MWe	0	3
Wind Domestic	Homes	0	100
Solar Thermal Domestic	Homes	100	5,000
Biomass Boilers Domestic	Homes	50	500
Biomass Boilers Non Domestic	MWth	0.1	1
Ground Source Heat Pump Domestic	Homes	10	500
Cavity Wall Insulation Domestic	Homes	17,000	27,000
Loft Insulation Domestic	Homes	26,000	41,000
Double Glazing Domestic	Homes	10,000	20,000
Solid Wall Insulation Domestic	Homes	20	10,000
Energy Efficient Lighting Commercial	000's m2	0	0
Double Glazing Commercial	000's m2	0	0
Street Lighting Efficient Lamps	Lamps	0	0
Domestic gas use reduction by behavioural change	%	5	10
Domestic electricity use reduction by behavioural change	%	0	10
Non-domestic gas use reduction by behavioural change	%	5	20
Non-domestic electricity use reduction by behavioural change	%	0	10
Transport fuel use reduction by behavioural change	%	1	4
Road transport efficiency improvements	%	2	12
Replace road transport fuels with biofuels	000's litres	3,000	13079
Replace road transport fuels with electricity	000's litres	0	4844
Greening Grid	%	0	20

Covenant of Mayors Support



INSPIRATIONAL FINANCING SCHEMES

Food for Thought for Covenant Signatories

DELFT (NETHERLANDS): Cooperation with local energy utility

OBJECTIVE

Meeting ambitious climate goals through the establishment of a new local district heating network.

PROJECT IN A NUTSHELL

- The District Heating Company - Eneco Delft Ltd, is a new special-purpose company that has built, run and maintained the new district heating system initiated by the Municipality of Delft.
- This company supplies an estimated 20,000 homes with space heating and hot tap water. Heat is produced by means of cogeneration and the use of low-temperature industrial residual heat.
- The energy utility Eneco New Energy is the mother company of the District Heating Company, owning 97 % of the shares. Eneco will build and operate the system.
- Shareholders owning 3 % of priority shares include: Municipality of Delft, Municipality of Midden Delfland, Eneco and three housing associations.

RESULTS

- Investment costs: about €120 million (production and distribution).
- Expected CO₂ emissions reduction compared to 2008 levels: min. 18,500t.
- Return on investment for the District Heating Company: min. 7.4 % including tax measures and a national grant for the residual heat pump station.

The project was implemented in the framework of the European SESAC project and co-financed by the CONCERTO programme.

➕ More info (EN): www.concerto-sesac.eu



ELENA (European Local ENergy Assistance)

Overview

- *Spend* = €15m/year - NO call - first come first served until the end of 2011
- *Support* = for additional personal, technical studies, preparation for tender calls & financial structuring. Investment programmes don't need to be fully defined
- *Mechanism* = grant which can be combined with other EU or national grants

Criteria

- *Beneficiaries* = local authorities, grouping of public entities including Covenant of Mayors signatories
- *Level* = up to 90% of the TA costs but require 20:1 leverage
- *Size of investment programme* = > €50 m 1st requirement = identified investment programme contributing to EU energy & climate change objs.
- Selection process ~ 3 mths

Anything else?

- EIB financing it is not a prerequisite to be receiving ELENA and vice versa
- BUT ELENA assistance may facilitate access to financing from the EIB or other banks

EIB energy investment



Overview

- *Spend* = 2010 (€8.5bn) and 2011 expected increase
- *Support* = making Europe's energy supplies more sustainable, competitive and secure.
- *Mechanisms* = loans, equity/carbon funds & technical assistance
- Works through intermediaries in banking sector, specialised energy agencies or ESCOs.

Loan criteria

- *Clients* = public and private sector bodies and enterprises
- *Level* = lends up to 50% of capital (can be combined with other bank loans & EU grants)
- *Coverage* = energy efficiency projects cover both supply (i.e. district heating) and demand (public & private buildings). Majority of lending for renewable projects on solar and wind

Anything else?

- ELENA good start (everything necessary to make cities' energy projects ready for EIB funding)



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European Energy Efficiency Facility (EEE-F)

Overview

- *Spend* = €205million – available May 2011
- *Support* = new finance instrument for providing technical assistance and investment in energy efficiency and renewable energy projects.
- *Mechanism* = investment vehicle
- *Fund manager* = Deutsche Bank

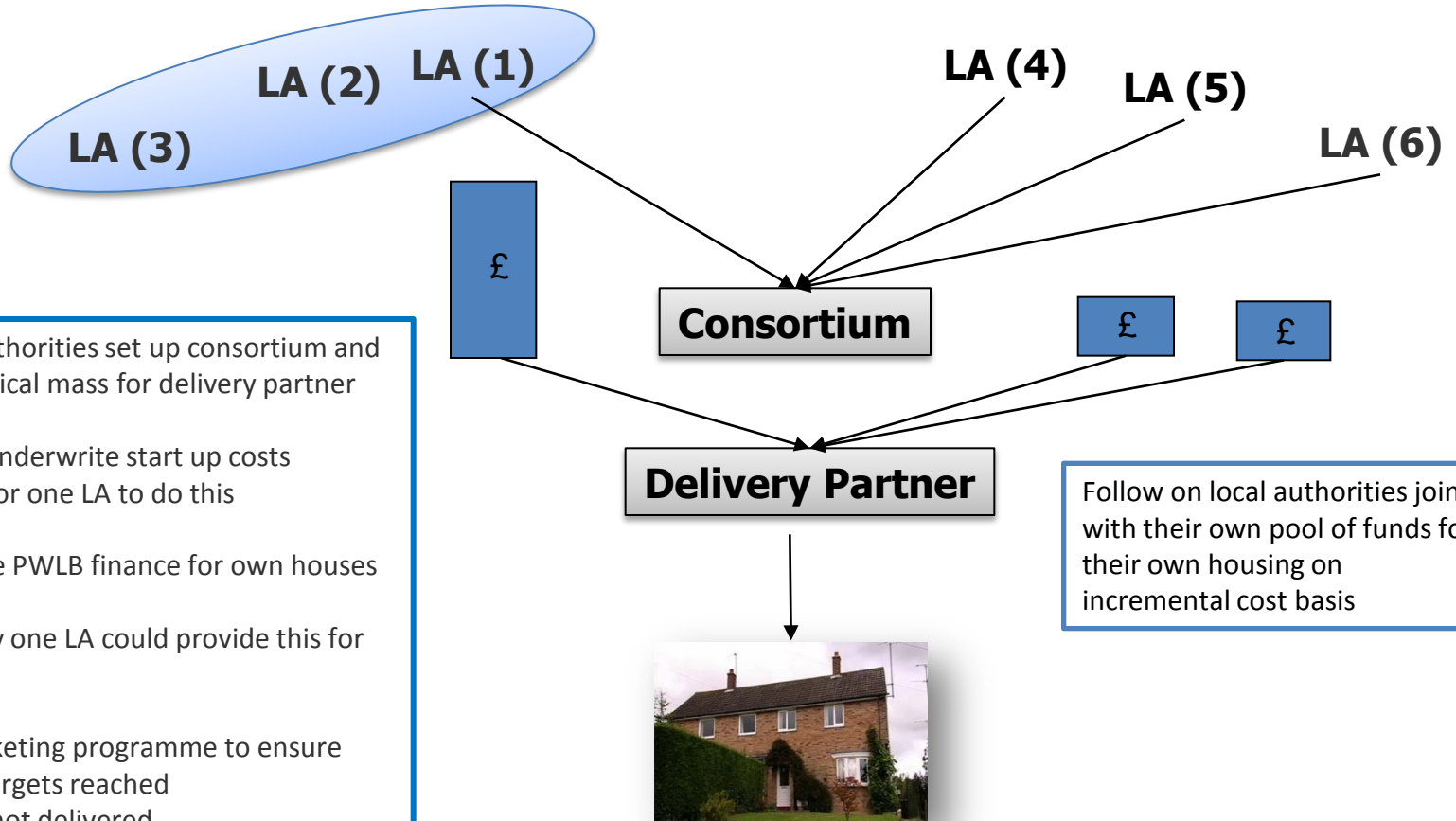
Criteria

- minimum of 20% primary energy saving (higher for building sector)
- *Technologies* = must use proven technologies
- *Payback* = 2-5 years

Anything else?

- Difference to ELENA - EEE-F investment vehicle whereas ELENA project preparation
- EEE-F could be used along side ELENA.
- Fund should be used to enhance the role of ESCOs providing guaranteed energy savings
- Aims to encourage biomass technologies

Local Authority Consortia

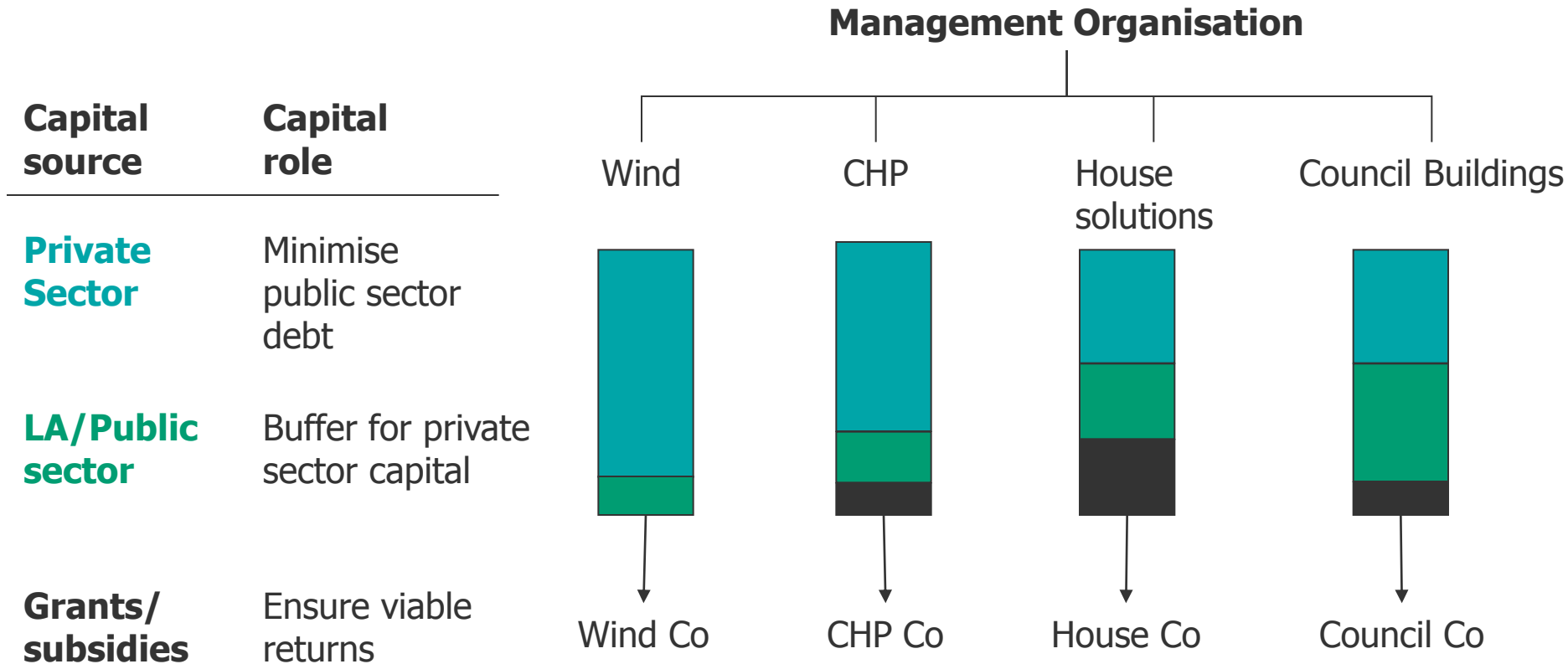


Initial local authorities set up consortium and commit to critical mass for delivery partner

- Finance or underwrite start up costs
 - Simplest is for one LA to do this
- Each provide PWLB finance for own houses as required
 - Alternatively one LA could provide this for all
- Deliver marketing programme to ensure programme targets reached
 - Penalties if not delivered

Follow on local authorities join with their own pool of funds for their own housing on incremental cost basis

Multi programme structure – Illustration



Home Economics Report



Home economics

Cutting carbon and creating jobs, by nation and region



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North West

Level 1:

Number of jobs supported

Cavity-wall insulation: 6,300

Loft insulation: 5,000

Total jobs: 11,300

Gross value added

Cavity-wall insulation: £245m

Loft insulation: £285m

Total gross value added: £530m

Savings on fuel bills

Loft and cavity-wall insulation: £126.8m

Level 2:

Number of jobs supported

Cavity-wall insulation: 6,300

Loft insulation: 5,000

G-rated boiler replacement: 5,000

Total jobs: 16,300

Gross value added

Cavity-wall insulation: £245m

Loft insulation: £285m

G-rated boiler replacement: £259m

Total gross value added: £789m

Savings on fuel bills

Loft and cavity-wall insulation: £126.8m

G-rated boiler replacement: £69m