Agenda Item 7

Draft Minutes of the Scrutiny Panel Meeting on 6th December 2010

Present: Dr Adrian Smith (Chair), Cllr Pete West and Cllr Warren Morgan

Also present: Thurstan Crockett (Head of Sustainability), Giles Rossington (Senior Scrutiny Officer, Karen Amsden (Scrutiny Officer) and Jonathan Barton (Scrutiny Intern)

1. Procedural Business

There were no declarations of interest.

David Watkins sent his apologies. No substitutes are allowed at ad-hoc panel meetings.

No party whip.

2. Chairman's communications

The Chair opened the meeting by stating that the aim of the Panel was to learn how to develop renewable energy in the city and consider its ambitions for the future. The witnesses today all have relevant experience of this issue. The Panel was interested in a wide range of issues, including both renewable energy for electricity and heating, and wished to hear from both private and public sector stakeholders.

3. Witnesses

Councillor Ayas Fallon-Khan introduced himself as the Cabinet Member for Enterprise, Employment and Major Projects, who also has the lead for Sustainability.

He told the Panel that sustainability was at the heart of the Administration's programme. The city was keen to retain its status in the sustainable cities index. It was the only city whose reputation and performance was good enough to remain in the top 3 of the index. Pro-active work was taking place to attract inward investment, including environmental industries and renewable technologies.

Q: Can a general ambition for sustainability be developed into active support for renewable energy in Brighton & Hove?

AF-K: We are pro-actively seeking investment in areas such as Shoreham Harbour which needed employment opportunities rather than housing. This would be a perfect area for renewables. Businesses like SeaRoc (who have grown from 15-50 people, E.ON and SInC (including Elektromotive who have a large contract to install electrical charging points in London).

Q: How can these examples be built upon?

AF-K: The key issue to address is office accommodation to enable companies to expand.

Q: The opportunities from the Feed in Tariff (FIT) are leading many German manufacturers of solar PV to think of relocating? How is this city preparing to attract them?

AF-K: The main opportunities are solar PV and hot water. We are offering grants to owner occupiers and leaseholders. A desktop survey is assessing roof space and loading up space.

Q: How do these actions link up with the vision for renewables and the 20% target?

AF-K: Want as much renewable energy as possible as it will mean people paying less for fuel. This will include helping with advertising and communications, to increase householders' understanding of the issue. We are part of 10:10 and renewable energy is going to be a small part of sustainability. Not keen on targets as they may fall prey to the broader economic situation e.g. the recession.

Q: What do you think is the added value of having organisations such as E.ON in the city (apart from education and training) - as was concerned by their recent presentation?

AF-K: The 2 universities and City College are key players and have met with them all about aligning their courses to match up the needs of companies coming into the town. The city is losing graduates to other places such as Bristol. E.ON is brilliant news in terms of supply chain and will help local businesses and retain graduates. It is a city wide strategy to work with such people and retain them for the next 20-30 years.

Q: Do you think that flagship projects are important?

AF-K: One can put local authority money into flagship projects. E.ON means so much more than token projects such as plans to put wind turbines on Kings House. This would have cost £60,000 and taken about

30 years to repay. Such token projects are a waste of taxpayers' money.

Q: Is the recently announced energy co-op for the housing stock a flagship project?

AF-K: The aim is to be a pioneer in the city and minimise the impact of rising fuel prices. Will be using the Architect and Design team and would welcome a recommendation from this Panel about how to speed up this process. Such projects are valid when they bring a benefit to the community.

Q: Are you seeking to learn from other cities such as Birmingham and Bristol?

AF-K: The Sustainability team is very well networked to gain advice and good practice. This year they hosted a conference on the Evolving Seas attended by 250 organisations and welcome other opportunities for networking.

The Chair then thanked Cllr Fallon-Khan for coming to give evidence to the Panel.

Geoff Raw introduced himself as the new Strategic Director of Place. The services he was responsible for included Planning, Regulatory Services, Waste, City Parks, the natural environment, housing and enterprise. The issue of renewable energy in terms of Council assets was the responsibility of Charlie Stewart who was the Strategic Director of Resources.

He was not a conventional Executive Director in that his role was not primarily about direct line management of service delivery but rather the intelligent commissioning of Council services alongside other public agencies. Service Heads reported directly to the Chief Executive. Intelligent Commissioning was intended to achieve better specified public services that effectively deliver for residents and businesses, currently in a period of financial constraints. He had been in post for four weeks.

His key areas of interest in relation to renewable energy were:

- Return on public investment
- Appropriate technologies
- Effective procurement

He referred to the national target for renewable energy and the citywide CO_2 target. To date the focus had been on demand reduction e.g. through energy efficiency programmes. Expanding

renewable energy generation and use was a significant ambition for the city and was highlighted in the Sustainability Community Strategy.

He then went on to outline some of the Council's current initiatives and ambitions:

- The Planning Service were exploring the use of heat mapping to understand the potential for district heating systems, biomass or use of waste heat – for example that from Shoreham Power Station.
- There was further scope to work in partnership with main Energy Companies
- There was further scope to explore the potential of an Energy Services Company (ESCO)
- Installing solar heating and photo voltaics was a tried and tested technology and there was greater scope for the city to take advantage of Feed in Tariffs (FIT).
- Some work had been undertaken to assess the value of on-site wind energy. Off site wind energy was more likely to generate greater benefits but the siting of this could be controversial. Further work might be undertaken to explore opportunities

In its 2008-11Corporate Plan, the Council has outlined a commitment to reduce the city's carbon footprint. This would be measured as a success if, by 2011:

- $C0_2$ emissions per head and $C0_2$ emissions from council activities had reduced
- More wind, solar and other sustainable energy is installed locally

Leadership from the Council was also evident in the 10:10 initiative. The Council's Carbon Management Programme also set an ambitious initial target to generate 5% of our energy from renewables by 2012. As the Council had an energy bill of £4-5m per year, there was a good business case for scrutinising the energy bill and assessing the scope to use renewable energy to reduce the Council's carbon footprint and reduce costs. The authority also had a good record, through the Architecture and Design team, of integrating renewables into existing buildings.

He highlighted a couple of good practice examples in the city. Firstly the Westergate Business Centre which was a joint regeneration project in Moulescombe. Thurstan Crockett then explained that this was an outdated industrial estate, where a detailed project plan to convert it into a sustainable industrial centre was developed using funding from the Single Regeneration Budget (SRB) and EB4U. The specifications included solar pipes, a wind turbine and ground source heat pumps

(GSHP). At that time many renewable technologies were in their infancy, in particular difficulties with GSHP and solar, but they went the extra mile to make them work. The aim was to incorporate renewable energy technology wherever possible. The other example was at Downsview Link College.

Geoff Raw told the Panel that the energy efficiency of the existing housing stock had been improved, including loft insulation and cavity wall insulation. Solar water heating systems had been installed in 141 homes. This addressed both fuel poverty and reduced carbon emissions. There would be further opportunities in the future, subject to the business case stacking up.

The key roles of the Council were:

- Supporter: both in purchasing and backing schemes. The Council had bought electricity produced from renewables in its main supply contract, which represented a multi-million pound investment in the sector.
- Facilitator e.g. backed EON in building a major new windfarm off the Sussex coast
- Developer: taking forward a vast array of projects and development initiatives. Strategic Directors were carrying out a review of major projects and this would include an assessment of the potential for renewable energy as part of this review. Renewables potentially could offer the City a way of future proofing its energy supply and affording a competitive advantage to business.

Questions to Geoff Raw (GR) and Thurstan Crockett (TC)

Q: How strong a role will the Council take on renewables, or will it be left to the private sector to develop them?

GR: We intend to review the asset management strategy to get wins from our existing facilities and become more cost effective, while reducing $C0_2$ emissions at the same time. In our review of major projects, we will consider what the scope is for including renewable energy as part of the criteria for evaluating schemes. The Council will seek to invest wisely e.g. based on which are the best technologies and the longevity of the schemes. This will avoid setting up pilots with untested technology which then do not perform.

Q: Wind turbines were given as an example, are the current ones effective and how does the Planning process respond when the proposed turbine is not wanted by the community?

TC: The majority of these wind turbines were installed 5 years ago. Recent evidence shows that urban micro-geneneration only works if the site is very high. Other sites, such as Whitehawk have not performed well. Larger turbines are needed but may not be popular in the suggested area.

GR: Based on some of the expert feedback previously seen, micro generation wind turbines seem to be of very limited benefit. In terms of larger wind turbines, the community need to consider this issue with Members, for example whether to situate them on the South Downs and/or offshore. Offshore wind seems to be the best option given the government's policy focus. The Council will need to feed its views to central government.

Q: How can the Council make best use of the Feed in Tariff (FIT) opportunities?

GR: By:

- Reviewing major Council projects (and exploring renewable energy opportunities)
- Ensuring politicians are provided with the financial modelling to support them in making investment decisions
- Modelling FIT rate scenarios

TC: Detailed work is being carried out by Housing and Property Services on the potential of both the Council's housing stock and its own property. This will be used to develop financial options and feed into the procurement process.

Q: Will the Council take forward the issue of renewable energy if it considers it to be for the well-being of the community, rather than just for financial reasons?

GR: Well being does come into the equation, but projects need to be viable particularly when public investment resources are scarce.

Q: Isn't there also a need to be innovative?

GR: There is a duty to find out what resources are available to fund these schemes and report them to Members. There is a strong appetite in the city to explore ways of increasing energy efficiency. The Council also has a role in keeping the public informed about renewables e.g. providing Planning advice & information on our website, such as funding opportunities.

Patrick Allcorn told the Panel he had worked at DECC for the past 12 months. His focus was the community ownership of renewable energy. The FIT can have an important role in encouraging community scale projects. The view of DECC is that the city needs a mix of commercial and small scale projects. The Council needs an overall local strategy, which links demand and capacity. Energy efficiency work is the first step and the Green Deal can be used to support householders.

As part of the localism agenda, the Government is keen on community empowerment. Communities can be empowered to design and develop their own commissioning. The FIT can provide small returns for the community to reinvest in local projects.

The Government has created the framework e.g. the Carbon Reduction Commitment scheme (CRC) and the ability of authorities to sell their own energy. Having set the direction of travel for local authorities to develop renewables, Members need to decide if they want to tell the electorate that they had not taken advantage of the opportunities. But by 2020 want 1/3 of electricity to be renewable and 1/8 of heat.

It is important to look for returns over a relatively long period. These will need to be commercial prospects, as grant funding will not be available. A broad strategy is needed, instead of focussing on new developments, because the existing stock (80%) is not going to all change by 2020.

Asset management work should look beyond one's own properties, for example if installing a District Heating System or Combined Heat & Power (CHP) one should consider if it could be scaled up to provide heating to surrounding buildings, such as from schools or leisure centres to nearby homes.

A council has 2 roles in relation to renewable energy:

- Commissioning projects
- Facilitating other projects – even if it does not want to invest in the project e.g. can assist in forward planning (indicating where a scheme could go ahead)

The TCPA has just issued best practice guidance 'Planning for Climate Change' which draws on the work of PPS on climate and energy.
http://www.tcpa.org.uk/data/files/pccc_guidance_web.pdf
This is not government advice, which will be in the Localism Bill.

An important role for the Council would be to map where technologies, e.g. wind and solar, would be viable in the city. This information could be disseminated to communities to enable them to

develop their own schemes and to the Local Strategic Partnership (LSP). The LSP could act as a co-ordinator, broker and influencer. Councillors have a role as community leaders, putting forward the business case and opportunities for the community. This can also counteract the feeling of not wanting renewables in their own areas.

One should be maximising the energy from waste, unlike at Shoreham where the majority of the heat ends up offshore.

Examples of good practice can be found from:

- 'Compare Renewables' section on the website of Local Government Improvement and Development http://www.idea.gov.uk/idk/core/page.do?pageId=23051802
- Community Energy Online on the DECC website thttp://ceo.decc.gov.uk/
- Homes and Communities Agency http://www.homesandcommunities.co.uk/low-carbon-infrastructure

Renewable energy does not need to be expensive, for example the aim of FIT is to make it commercially viable. The Renewable Heat Incentive (RHI) is currently being looked at for all forms of heating, including large scale. Rather than seeking to meet the needs of a specific building, a wider range of opportunities come with the scaling up of projects e.g. selling the additional electricity.

Green jobs are key, including:
- Manufacturing
- Installing
- Maintenance

It is important to upskill the existing relevant workforce in the city, e.g. plumbers, and ensure they are trained and accredited to work with renewables.

The added benefits that come with community energy are hard to measure but include:
- Increased engagement
- Better understanding of their neighbourhood

Questions to Patrick Allcorn

Q: How is the sector regulated to protect the community?

PA: We are working with Co-ops UK to develop a potential model. This could involve the community setting up the organisation and gaining

planning permission, then selling on the organisation. This is due to the complexity of taking projects further, but it has been estimated that planning permission is worth £1m per MW. The community needs to understand its rights and the importance of getting legal representation when drawing up contracts. For example Carbon Leapfrog which offers free legal advice http://carbonleapfrog.org/, for carbon offsetting. A co-op offers the strongest model for achieving reinvestment of money in the community.

Q: How can one incentivise private sector landlords?

PA: It is about communicating the financial opportunities, e.g. from FITS, through engagement and information sharing. There is still 40 years to meet the target, although the 2020 target is more difficult and for this need to focus on early adopters and near market opportunities.

Q: What about accreditation and training?

PA: The Government is releasing a microgeneration strategy this month. The FIT can only be claimed if one has used an installer accredited by the Microgeneration Certificate Scheme (MCS)
http://www.microgenerationcertification.org/
This still needs to be determined for large scale projects.

David Payne explained to the Panel that he used to be a Planning Manager at the Regional Assembly. He had led on the regional strategy for Renewables, and had recently finalised a review of renewable energy and combined heat and power potential in the South East (using DECC funding) which was intended as a resource for local authorities to use. The regional heat mapping identified key potential sites for CHP including Shoreham.

He was currently working with Hampshire to assess the potential of:

- Installing large scale Photovoltaic (PV) panels on all public sector estate
- Improving the energy efficiency of public sector estate
- Domestic retrofit scheme using invest to save

The Hampshire Partnership is looking at different models for delivery, and the risks and advantages of different approaches including legal, financial, procurement, and technical issues. This includes assessing the pros and cons of investing its own money v. outsourcing . While other Council's have opted to lease roof space for installation of PV, such as Winchester, this misses out on 25 years of revenue from Feed in Tariffs - for only 8-10 years pay back. Hampshire County Council is also looking to work with other pubic sector partners to ensure they do not miss the opportunities that come with scale.

FITs and local authorities' ability to sell energy have been very important drivers making renewables, especially PV particularly attractive at the moment. There was a danger of taking too much time undertaking too many studies and missing out the financial opportunities presented. The key opportunities in the city are in PV (given quality and quantity of solar energy), but also wind and biomass from waste. It was important to look beyond the city boundaries.

Q: Are there problems with maintaining PV in coastal areas?

DP was not sure whether there were problems.

He highlighted guidance (for example PPS22) on the development of renewables in national parks meaning some development such as commercial wind would probably be difficult to accommodate. Isle of Wight had a good renewables policy http://www.iwight.com/living_here/planning/images/2ProposedSubmissionCoreStrategy.pdf

This has included setting out targets and making clear their expectations and ambitions which is very useful for developers (including a map of where they do not want developments).

Q: What opportunities should be looked for at the regional level?

DP: One should look for both economies of scale, beyond the city boundaries and working with others including ensuring departments within the City Council are working together. The Local Economic Partnerships (LEPs) may have a role in promoting low carbon.

Q: Given the uncertainties around FIT, is it possible to future proof schemes?

DP: This is a reason to move quickly as it is known that the rate will go down. Each day you are not investing, you are not getting a return. If one has the cash or can borrow prudentially, then should get on with it.

Q: Are there capacity issues e.g. sufficient people to install?

DP: The information is anecdotal e.g. China looking to double its production of PV which would decrease the price. Accreditation presents a massive opportunity, e.g. to upskill, which will continue while the FIT remains - even if the tariff rate drops.

PA confirmed that the FIT review would be based on reduced costs of installing and maintaining renewables. This is to ensure that people not

making big profits from renewables. He wanted to highlight the work of Exmoor on renewable energy, led by the National Park. One could look to them for best practice in this area.

DP: Most ESCOs have used district or community heating, which can be expensive. The Localism Bill will present a big opportunity for neighbourhood investment.

Q: When local authorities are developing investment plans, do you think that the focus needs to be on capacity? For example if training and accreditation are the weak links – should the solutions include financial support and a confident pathway?

DP: The market for this industry is being stimulated.

Q: Although the demand may be being stimulated, do you think there is the capacity to respond?

TC: A bottleneck next year in installing, could mean missing out on maximising opportunities. The longer term goal of FIT is the establishment of energy companies which would mean that the treasury did not need to underpin this sector.

PA: The diminished FIT in Spain has led to reduced demand in both Spain and Germany and the benefits have not been felt there in the local community. One needs to consider the European capacity for renewables. Get on with it quickly.

Will Cottrell introduced himself as the Chair of the Brighton Energy Co-op which was a community funded scheme for renewable energy. He observed that he could hardly see any pioneering renewables in the city. In contrast to Cllr Fallon-Khan, he felt that flagship projects were good. Despite 97% of businesses failing in the first 2 years, one needs to look for the projects that work and take them forward.

He felt that the local authority could take on an enabling role in the following ways:

- Supporting through the Planning process
- Locating office space
- Showing its support for the sector

For example, a developer of renewables visiting potential sites with a view to entering a 25 year lease, could find it very useful to have some official sanction (e.g. support from the Council) to assist in their negotiations.

He felt that setting targets led to setting ambitions.

The main barriers the Co-op had encountered in relation to solar, was that of identifying and securing sites to install. One needs to enter into a contract for 25 years. It would be good to have model contracts to call upon, as otherwise one is heavily dependent upon solicitors due to the complexity. In their experience, the bottleneck is in securing sites, not installing the technology. This is not just true of community based schemes. For example, if BHCC took a collective decision on roof spaces this would release a large number of sites. One could set a target of 10% in 5 years and this could raise £1m pa.

Q: What demand do you think there will be to join your co-op?

WC: We have secured 350 members without significant marketing. There are currently a limited number of investment opportunities, for example the state of the housing market. People are interested in the rate of return offered.

Q: This form of action can bring double carbon benefits and its community roots can result in the seeding of other projects. What further projects and partnerships do you intend to develop?

WC: We are looking to learn from Low Carbon West Oxford. http://www.lowcarbonwestoxford.org.uk/index.php who are mentoring the Co-op.

AS: One of the benefits of co-ops is the local multiplier effect.

Q: Do you anticipate that the Co-op will have a difficulty in establishing its credibility?

WC: We are establishing our organisation and have set up a board with 3 directors including an accountant and a solicitor. It would be easier if the Co-op had an installation under its belt. However it is talking to the widest possible group of people to increase its credibility. In Denmark had been set of 20% of renewable to be community owned. The cost of installation has reduced by 10% in the last 6 months, primarily due to lower office costs for installers as their numbers increase. One could decide to install renewable energy later in order to get it cheaper but at the same rate of return. However, this could be risky due to capacity issues.

Public Question: The council owns a number of industrial buildings, could one install solar panels on? What about tidal energy?

AS: This scrutiny is interested in near term opportunities.

The Panel meeting finished at 14.20pm