

GREATER MANCHESTER GREEN CITY REGION PARTNERSHIP

Date: **16th October 2020**

Subject: **COMPREHENSIVE SPENDING REVIEW & FUNDING BIDS**

Report of: **Mark Atherton, Director Environment, GMCA**

PURPOSE OF REPORT:

The purpose of this paper is to provide an overview of Greater Manchester's low carbon ambition to develop a Smart Energy Transition Region as part of our submission to Government as part of the Comprehensive Spending Review.

The paper also outlines related funding bids that Greater Manchester has either secured or, subject to approval, intends to bid for.

RECOMMENDATIONS:

The Partnership is recommended to:

- Note and comment upon the Smart Energy Transition Region concept submitted as part of Greater Manchester's Comprehensive Spending Review proposals (Annex 01)
- Note that Greater Manchester has been successful in attaining £4.7m for delivery of Phase 1 of the Green Homes Grant (Local Authority Delivery) and,
- Note that, subject to approval, GM intends to bid for funding under the Public Buildings Decarbonisation Fund and will consider a bid into the Social Landlords Demonstration Fund if requested to do so by GM Social Landlords.

CONTACT OFFICERS:

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1. BACKGROUND

1.1 Greater Manchester submitted ambitious plans to Treasury, ahead of the Comprehensive Spending Review, which included five priorities:

- Delivering a London-style transport system in Greater Manchester within this Parliament, including radically improved bus services, investment to support our Clean Air plans, and local control of rail stations.
- A GM Learning and Work Budget, a distinctive new approach to work and skills which improves value-for-money, aligns disjointed Government initiatives and helps people get into, and on in, work.
- Our 'Living Well at Home' model for social care reform; which could be the basis of a new national settlement and which delivers true integration with the NHS and a 'new deal' for users and staff.
- Innovation GM; our plan for achieving a big uplift in investment in innovation and R&D (especially translational R&D) which levels us up to the golden triangle.
- A GM Infrastructure Programme (GMIP) which delivers an extensive pipeline of transport, housing, digital and low-carbon infrastructure which will create liveable, sustainable and well-connected places.

1.2 Embedded throughout these proposals, like a golden thread, is the concept of developing a Smart Energy Transition Region to deliver the carbon neutrality ambitions within the GM 5 Year Environment Plan.

2. SMART ENERGY TRANSITION CONCEPT

2.1 The Smart Energy Transition Region proposal forms part of Greater Manchester's CSR2020 submission to Government. It is predicated on the knowledge that, to achieve our city region's carbon neutral by 2038 targets, we need to:

- Rapidly scale up the systemic decarbonization of our buildings, energy and transport systems using best available technologies
- Accelerate the development, testing and commercialization of energy innovations of next generation technologies, finance mechanisms and processes to overcome the barriers to adoption.

2.2 We need to transition our energy system as a whole towards greater decentralization, decarbonization and digitization within a regulatory sandbox/testbed. Local Area Energy Planning will be essential to delivering this transition efficiently, working intensively with energy network providers, regulators, academics and asset owners to balance future energy supply and demand and co-design our future local energy system.

- 2.3 The concept proposes the establishment of a strategic regional energy body for Greater Manchester, convening the diverse energy system operators, regulators, innovators and infrastructure assets owners to address the market failures in delivering a carbon neutral local energy system. It is only at the local level that a future decentralized energy system can be effectively co-designed and delivered to optimize the generation, storage, distribution and use of low carbon energy.
- 2.4 The concept has arisen from the work undertaken by the Green City Region Challenge Groups. Some of the initiatives proposed have already been developed and launched (Energy Innovation Agency) but require scaling; others are still in development (Retrofit Accelerator). Underpinning the CSR submission is the utilization of Government Funding which has already been announced to stimulate initial activity whilst seeking longer term finance to establish a robust pipeline of projects to give confidence the businesses to invest in upskilling their workforce.

Details of the Smart Energy Transition Region Concept are provided at Annex 01.

3. GOVERNMENT FUNDING ANNOUNCEMENTS

3.1 As part of the Government's summer fiscal announcements, the Chancellor announced a £3bn package of investment to support retrofit of buildings:

- Green Homes Grant – £2bn will be spent on grants for homeowners and landlords to spend on energy efficiency and low carbon heating measures
- Public Sector Decarbonisation Scheme (schools, hospitals, prisons, MoD) – primary focus is on decarbonizing heat £900m
- Social Housing Decarbonisation Fund Demonstrator - £50m to pilot new approaches to retrofitting social homes

3.2 Green Homes Grant - £1.5bn of this will be distributed by a voucher scheme and £0.5bn would be delivered through a Green Homes Grant to be delivered by English Local Authorities in two phases:

- Phase 1 – bids for a share of £200m to be submitted by 1st September and delivered by 31st March 2021
- Phase 2 – bids for a share of £300m – from April 2021, procurement mechanism to be determined later

GMCA has successfully bid for £4.7m of Phase 1 funding to be delivered by March 2021.

3.3 Public Sector Decarbonisation Scheme - The scheme aims to halve carbon emissions from the Public Estate by 2032, through the deployment of energy efficiency and heating measures, excluding gas powered boilers and Combined Heat and Power (CHP).

Greater Manchester is likely to submit a significant proposal to this scheme, based on the decarbonizing public estate work conducted with Districts, GM Police, Fire and NHS over the last 6 months.

- 3.4 Social Housing Decarbonisation Fund Demonstrator (SHDF Demonstrator)- to start the decarbonisation of social housing over 2020/21, and to support green jobs as part of the COVID-19 Economic Recovery Plan. This £50 million programme will support social landlords to demonstrate innovative approaches to retrofitting social housing at scale. It will mean warmer and more energy efficient homes, a reduction in households' energy bills, and lower carbon emissions.

GMCA has held discussions with GM Social Landlords about the opportunity to bid into this scheme and begun to collect data on what the scope and scale of such a bid would be. GMCA will consider a bid into the Social Landlords Demonstration Fund if requested to do so by GM Social Landlords.

4. RECOMMENDATIONS

4.1 The Partnership is recommended to:

- Note and comment upon the Smart Energy Transition Region concept submitted as part of Greater Manchester's Comprehensive Spending Review proposals (Annex 01)
- Note that Greater Manchester has been successful in attaining £4.7m for delivery of Phase 1 of the Green Homes Grant (Local Authority Delivery) and,
- Note that subject to approval, GM intends to bid for funding under the Public Buildings Decarbonisation Fund and will consider a bid into the Social Landlords Demonstration Fund if requested to do so by GM Social Landlords.

ANNEX 01

Greater Manchester – Smart Energy Transition Region Proposal for CSR 2020

The Concept

The Smart Energy Transition Region proposal forms part of Greater Manchester's CSR2020 submission to Government. It is predicated on the knowledge that, to achieve our city region's carbon neutral by 2038 targets, we need to:

- Rapidly scale up the systemic decarbonization of our buildings, energy and transport systems using best available technologies
- Accelerate the development, testing and commercialization of energy innovations of next generation technologies, finance mechanisms and processes to overcome the barriers to adoption.

We need to transition our energy system as a whole towards greater decentralization, decarbonization and digitization within a regulatory sandbox/testbed. Local Area Energy Planning will be essential to delivering this transition efficiently, working intensively with energy network providers, regulators, academics and asset owners to balance future energy supply and demand and co-design our future local energy system.

Greater Manchester has the scale to deliver systemic change and is the most appropriate level to take a multi-infrastructure approach to investment, linked through to skills and supply chain development and translating R&D excellence into economic growth. We are known for our innovative culture and the strength, depth and longevity of our partnerships, exemplified by the unique 'Mission Based Approach' to achieving our carbon neutrality targets.

Achieving net zero emissions is challenging for any global conurbation. In the lead up to UK's shared presidency of COP26 in 2021, it is essential that UK cities can demonstrate viable pathways, supporting both the levelling up of our economy and our ambitions to make the UK a scientific superpower.

The Proposal

We want to establish a strategic regional energy body for Greater Manchester, convening the diverse energy system operators, regulators, innovators and infrastructure assets owners to address the market failures in delivering a carbon neutral local energy system. It is only at the local level that a future decentralized energy system can be effectively co-designed and delivered to optimize the generation, storage, distribution and use of low carbon energy. We will utilise existing Innovate UK funding, under our Local Energy Market project, to deliver 10 Local Authority Area Energy Plans over the next 18 months.

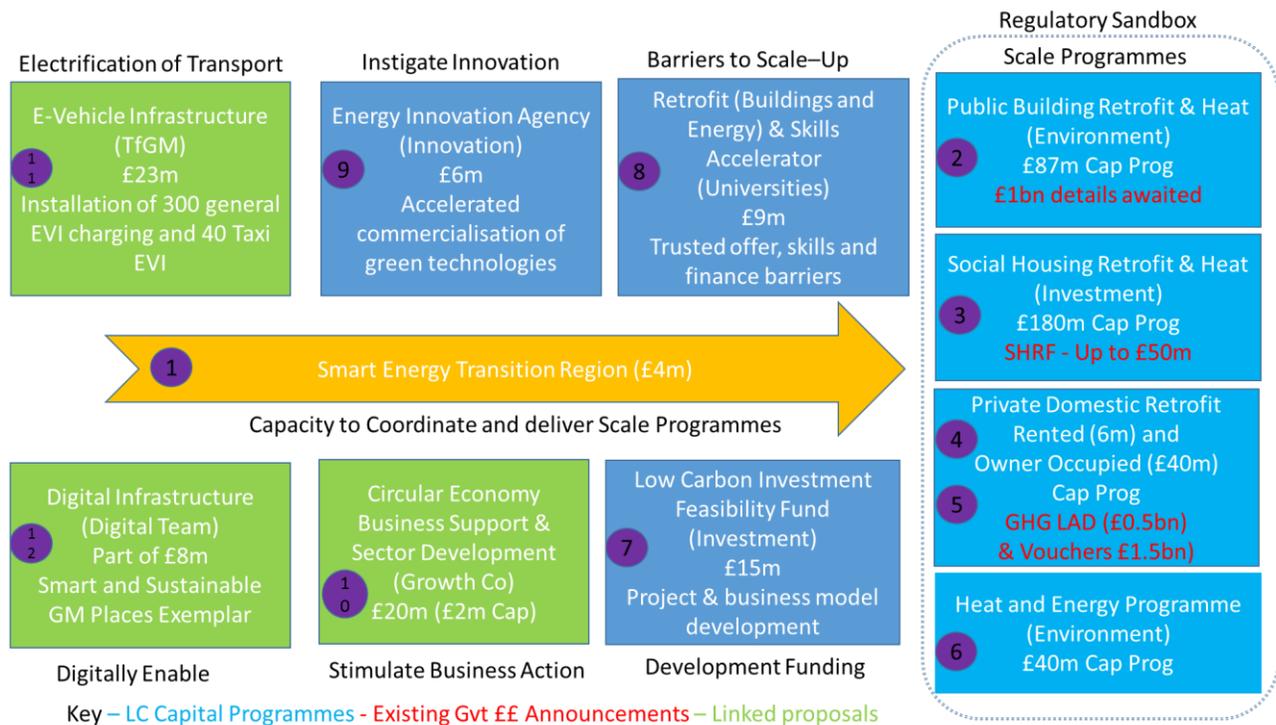
Greater Manchester has many existing demonstrator projects, delivered with commercial partners and academic expertise, that address the twin challenges of increasing energy efficiency and innovating local generation and storage. It is clear that we need to adopt a more systemic approach to scaling up our demonstrators and bring them together. New, innovative systems and technologies and may require regulatory pilots. Working with our 3 universities and private sector partners we have already established an Energy Innovation Agency with seedcorn funding. Our aim is to establish a singular test bed/ sandbox which will enable innovation, service design and deployment to be accelerated at scale.

Additionally, we would welcome working with the proposed Centre for Zero Carbon metrology (National Physical Laboratory) to create the measurement skills and innovation capabilities needed by industry, academia and government to realise disruptive, sustainable and green economic growth.

We will initially seek to utilize existing Government funding pots to stimulate change, using the levers under local authority control (transport, public buildings and social homes) before broadening our approach to include wider infrastructure types. However, local supply chain businesses require confidence to invest in training and expanding their workforce that only comes from the surety of sustained decarbonisation policy and funding. We are also proposing an expansion to our existing business support offer to stimulate eco-innovation in their products and services and ensure they are ready to capitalise on GM's accelerated transition to a net zero carbon economy.

Our proposal envisions a focus on overcoming the existing barriers to decarbonisation including: upskilling of the supply chain, creating innovative finance mechanisms and creating trusted services and propositions which are attractive to consumers. We will work with our universities and private sector partners to accelerate skills development (linked to 'Retrain to Retrofit') to address the local skills deficit, including: skills levels 1-6, quality/technical assurance, new propositions and tools as part of a wider retrofit and skills academy approach (co-ordinated by Energy Systems Catapult). This would ensure GM is one of 5 regional hubs under a national approach.

The Model



Detailed Proposals – all of these proposals are contained within our overall submission to the Comprehensive Spending Review

Ref.	Programme	Description
1	Smart Energy Transition Region	Establishing a role for GMCA as a strategic regional energy body, with a role in addressing market failure in energy systems through engagement with regulators, network operators and providers. A model which establishes a systemic approach to managing local energy supply and demand, supports the accelerated deployment of best in class technologies with scaled up programmes of energy generation and buildings retrofit programmes into one singular test bed /sandbox, enabling innovation, service design & deployment to be accelerated at scale.
2	Public Building Retrofit	Part of our wider GM Infrastructure Programme, bidding for existing Government funding to establish delivery mechanisms before sustaining four longer term retrofit programmes to catalyse the market and drive the deployment of energy efficiency and local generation (incl solar PV, Thermal Heat Pumps, Community Storage, Smart Controls, BEMs etc) in: <ul style="list-style-type: none"> • The top 100 energy consuming public buildings. • c.15,000 social homes • c.12,000 PRS homes • c.3,000 privately-owned homes in a pilot to demonstrate an innovative funding/delivery model
3	Social Housing	
4	Domestic (Rented)	
5	Domestic (Owner Occupied)	
6	Heat and Energy Programme	
7	Low Carbon Investment Feasibility Fund	This includes a Low Carbon Investment Fund feasibility pilot. Building on GM's experience of running similar funds, establish a new Low Carbon GM fund which seeks to learn from the past experiences of investing in low carbon initiatives and develop a framework which is truly innovative with the focus as much on delivering and catching savings, as investing funds. The primary focus is on development and feasibility finance to de-risk projects and potentially seek wider investment opportunities.
8	Retrofit and Skills Accelerator	This will overcome barriers to scale up of retrofit and energy generation, including a sustained revenue programme to create trusted delivery and finance models for local consumers to drive local retrofit market uptake,
9	Energy Innovation Agency	Working with 3 GM Universities and private sector partners to establish a vehicle to accelerate the trialing and adoption of emerging clean growth technologies, responding to innovation gaps/needs of local customers.
10	Circular Economy Business Support	Widen and extend the current net zero circular economy business support offer to ensure all businesses, (incl. in foundational economy), have the ability to benefit directly from and contribute to GM's accelerated transition to a net zero carbon economy by 2038.This will help companies reduce their carbon emissions, avoid costs and access new markets, increasing resilience and productivity.
11	Electric Vehicle Infrastructure	Initially establishing the role of increased electrification of transport for the local energy system, including the scale up of charging infrastructure. Wider activity linked to our Clean Air Plan delivery includes infrastructure and funds to support upgrade and replacement of buses, commercial vehicles, taxis and PHVs.
12	Digital Infrastructure	Having invested £28M in a city region wide full fibre network, this will leverage the 1,500+ full fibre connected end points -including urban traffic control signals and other assets -to develop a smart technology platform. This has three immediate elements: to enable improved traffic and people movement, to provide free public connectivity & enabling intelligent energy management across the public estate using smart technology embedded in public buildings.