

Report of Director of Environment & Neighbourhoods

Report to Executive Board

Date: 7th March 2012

Subject: Leeds Climate Action Coalition Deputation To Council Regarding The Impact Of The Feed In Tariff Review On Jobs, Fuel Poverty And Carbon Reduction In Leeds

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report provides a response to the issues raised by a deputation to Council on 18 January 2012 by Leeds Climate Action Coalition regarding the impact of the feed in tariff review on jobs, fuel poverty and carbon reduction in Leeds.
2. The government's Phase 2 Feed in Tariff Consultation proposes a series of further significant reduction in solar PV payment rates from July 2012.
3. The deputation also highlighted opportunities presented by the Green Deal/Energy Company Obligation, Renewable Heat Incentive and mini Stern (Economics of Low Carbon Cities report).
4. The issues raised by the Leeds Climate Action Coalition are important to the Council and requests for action are broadly in-line with existing and emerging Council policy as outlined above.

Recommendations

5. Delegate responsibility to the Director of Environment and Neighbourhoods to oversee the formal response to Phase 2 of the Department of Energy and Climate Change's consultation on Feed-In Tariffs.

6. Continue to coordinate the Council's low carbon programmes through the Environment Programme Board.
7. Delegate authority to the Director of Environment and Neighbourhoods to engage with the PV market to seek competitive proposals from potential PV installers and appoint the installer that can deliver best value, which is cost neutral or better for the Council.

1 Purpose of this report

- 1.1 This report is in response to the deputation to Council made by Leeds Climate Action Coalition on 18 January 2012 regarding the impact of the feed in tariff review on jobs, fuel poverty and carbon reduction in Leeds and the opportunities presented by the Green Deal and Energy Company Obligation (ECO), Renewable Heat Incentive (RHI) and mini Stern (Economics of Low Carbon Cities report).

2 Background information

- 2.1 The deputation requested, in summary, that:
- 2.2 The Executive, together with other councils across the city region, increases dialogue with central government to press the case for a higher community feed-in tariff;
- 2.3 Leeds City Council investigates all potential sources of funding from the Green Deal, Energy Company Obligation and the Renewable Heat Incentive and acts with urgency to use them to reduce energy use, bills, and carbon across the city; and
- 2.4 Leeds City Council's Corporate Leadership Team owns this opportunity as a strategic initiative, and ensures all departments fully participate in making it happen.
- 2.5 In the course of their speech they also requested that:
- 2.6 Executive Board require Leeds City Council to resurrect the (Solar PV) scheme, should further tariff changes or funding opportunities enable this to be done as a cost neutral scheme.
- 2.7 Leeds City Council closely examine the clear business case of mini Stern and move quickly to realise the opportunities for the people and businesses of Leeds.

3 Main issues

- 3.1 With regards to 2.2 above, dialogue with central government is ongoing at both City Region and City Council level. In November 2011, via the Leeds City Region (LCR) office, the Council responded to a request from the Department for Energy and Climate Change for informal feedback on a range of detailed questions regarding the potential impact of their proposals on the social housing stock. In December 2011 Executive Board approved a formal response to DECC's consultation on proposed changes to the Feed-In Tariff (FIT) regime. Both responses stressed the need for a higher level of FIT than that proposed to make community schemes financially viable.
- 3.2 Formal consultation on Phase 2 of the governments proposed changes to FITs was announced on February 9th 2012. This consultation is in two parts: Part A covers proposals for solar PV generation tariffs from 1 July 2012 and how tariffs will reduce thereafter; Part B covers all other FIT eligible technologies, together

with broader scheme administration issues. Key proposals related to Solar PV include:

- 3.2.1 Further reduction in generation tariffs in July and October 2012 and half-yearly thereafter, with reductions triggered earlier if greater capacity than anticipated is installed;
- 3.2.2 To pay commercial multi-installations (private sector roof-rental schemes) schemes a 'stand alone' tariff starting at 4.5p/kWh in October 2012 and dropping to 2.7p/kWh by April 2015;
- 3.2.3 To define multi-installation 'community' projects and allow them to claim 80% of the standard tariff.
- 3.3 This will result in the following rates being available (p/kWh) for installations from the following dates:

	Tariff Pt 1	Tariff Pt 2	Tariff Pt 3	Tariff Pt 4	Tariff Pt 5	Tariff Pt 6	Tariff Pt 7	Tariff Pt 8
	Apr-12	Jul-12	Oct-12	Apr-13	Oct-13	Apr-14	Oct-14	Apr-15
Worst case	21	13.6	12.9	11.6	10.4	9.4	8.5	7.7
Best case	21	16.5	15.7	14.1	12.7	11.4	10.3	9.3
Community - worst case	16.8	10.9	10.3	9.3	8.3	7.5	6.8	6.2
Community - best case	16.8	13.2	12.6	11.3	10.2	9.1	8.2	7.4

- 3.4 A consultation response is being drafted on behalf of the Council and, in summary, our key points are:
 - That we believe that the cost of equipment is unlikely to fall much further and to note our concern that the proposed degression mechanism is not flexible enough to address this. We would prefer to see lower degression rates if less capacity is installed than anticipated.
 - That we believe that the proposed 20% cut in generation tariff rates for multiple installation social housing schemes will make them unaffordable where free electricity is provided to the tenant. This is a missed opportunity to address fuel poverty in the social housing sector.
- 3.5 The two previous consultations that this government has run regarding FITs for solar PV have largely ignored formal responses and instead implemented the proposals put forward in the consultation documents. We have no reason to believe that the approach will be significantly different this time.
- 3.6 We have undertaken some initial market sounding and a small number of companies still claim to be able to run fully funded social housing schemes, even with the revised April 2012 rate. However, with the likelihood that rates will drop dramatically in future, we appear to have a small window of opportunity when a scheme for ALMO properties may still work.

- 3.7 We have continued to engage with the market and are now actively pursuing this with the aim of appointing a contractor before future depressions make this unaffordable. In order to facilitate this, it is proposed to delegate authority to the Director of Environment and Neighbourhoods to formally engage with the PV market to seek competitive proposals from potential PV installers and appoint the installer that can deliver best value.
- 3.8 With regard to 2.3, the Council's recent work on Wrap Up Leeds and the solar PV schemes for ALMOs and corporate buildings demonstrates our commitment to develop funded programmes to reduce energy use and carbon emissions.
- 3.9 The Council is working closely with LCR to develop a collective approach to the Green Deal and ECO. LCR Chief Executives and Leaders have supported the appointment of a full-time officer specifically to develop and deliver a business case to establish a LCR relevant Green Deal/ECO programme. The Council is actively supporting this work and has already led the initial work to get the officer in place. We are also working with housing associations, landlords and third sector organisations to design a suitable approach for Leeds and are in regular dialogue with government to provide local evidence from this work to improve the Green Deal.
- 3.10 The RHI offers fixed payments for heat generated from renewable energy sources, in the same way that FITs does for renewable electricity. It supports a range of technologies including biomass, ground source heat pumps, solar thermal and biomethane. Payments vary by technology and by installation size, again in the same way as for FITs. The highest tariffs are for solar thermal (8.5p/kWh) and small biomass (7.9p/kWh). Phase 1 of the RHI targets big heat users such as industry, business and the public sector. Phase 2 will see it expanded to include more technologies and provide support for households.
- 3.11 Whilst installing technologies under the RHI is more technically complex than FIT technologies (they must either replace or supplement an existing heating system) there appear to be good opportunities for cost-effective installations, particularly for biomass and solar thermal. The Council is actively investigating biomass opportunities in several buildings across our portfolio (including Homes for Older People, visitor attractions and schools) and is considering solar thermal in several buildings, particularly leisure centres.
- 3.12 In regard to 2.4, we would recommend that the Council's Environment Programme Board is more appropriately placed to oversee all the low carbon initiatives across the city. The Director of Environment and Neighbourhoods chairs the group and both the Director of Resources and Director of City Development are attendees, with a remit to coordinate activities across the Council. Specific opportunities emerging from this group will be developed through the normal channels, including both Corporate Leadership Team and Executive Board.
- 3.13 Examples of the type of work that the Environment Programme Board contributes to include:

- 3.13.4 **Wrap Up Leeds.** Launched on the 3rd January, Wrap Up Leeds will provide free loft insulation and cavity wall insulation to 15,000 private sector residents by the end of October. It is managed by a local social enterprise, Yorkshire Energy Services, delivered by local contractors and funded by EDF and the Council. Over 2,000 enquiries have been received in the first 6 weeks.
- 3.13.5 **Aire Valley Eco settlement.** The Aire Valley provides a hugely exciting opportunity to develop a truly sustainable neighbourhood in Leeds. A recent housing development was built to Code 5 using CHP and the Recycling and Energy Recovery Facility will be sited there. Plans for an area wide district heating network are under development, as are plans for an innovative biomethane refuelling network.
- 3.14 In respect to 2.6, Executive Board resolved in December 2011:
- 3.15 'That officers be requested to continue to investigate the development of cost-neutral renewable schemes for council housing and the private sector (including PV), funded via FITs and the Renewable Heat Incentive, once further details of FITs for community schemes are announced'.
- 3.16 The Council is in dialogue with a number of solar installers and other local authorities and is determined to progress genuine cost-neutral opportunities where they arise.
- 3.17 With respect to 2.7, Prof Andy Gouldson, the author of the Economics of Low Carbon Cities report, has already presented findings to the Leeds Climate Change Partnership. The Council has invited him to discuss findings with a small group of senior officers and members and he is due to present at the Sustainable Economy and Culture Board later in the year. The forthcoming refresh of the Leeds Climate Change Strategy has been slightly delayed in order to allow the findings of the report to be properly reflected.
- 3.18 In addition, the Leeds City Region's recently established Green Economy Partnership is focussing their early work on interpreting the report and taking the opportunities that it presents.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.6 As discussed above, the Economics of Low Carbon Cities report and work on the Green Deal/ECO for LCR are being progressed in partnership with many organisations across the city and wider city region.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An Equality, Diversity, Cohesion and Integration Impact Assessment (EDCI) was carried out in August 2011 on the Council's proposed solar PV project. This concluded that a full impact assessment was not required as inclusion/exclusion is based entirely on property characteristics rather than any personal or group characteristics.

- 4.2.2 An equality screening has been completed to accompany this report and concluded that there were no concerns with the overall policy direction. Instead, EDCIs will be completed for each specific opportunity as they are developed.

4.3 Council policies and City Priorities

- 4.3.3 Installing solar PV and other renewable technologies, together with whole-house retrofit opportunities under the Green Deal/ECO will have direct impact on the Housing and Regeneration City Priority Plan, specifically the priority to 'Improve housing conditions and energy efficiency' and the headline indicator to 'Increase the number of properties improved with energy efficiency measures'.

- 4.3.4 They will also, in turn, contribute to the Vision for Leeds' aim to reduce the city's carbon emissions.

4.4 Resources and value for money

- 4.4.1 The utilisation of FITs, Green Deal, ECO and/or RHI to finance or subsidise the installation of energy efficiency and renewable technologies will reduce the levels of capital investment required from the Council and/or private sector building owners. The installation of these technologies on corporate buildings will reduce the fuel bills and carbon taxes paid by the Council.

- 4.4.2 The recent Economics of Low Carbon Cities report (commissioned by Leeds City Region) identified the potential to reduce emissions by c40% across the Leeds City Region by 2022. This would require a local investment of over £11bn over 10 years, but every £1bn invested would reduce energy costs by £220m pa and generate 1,000 new jobs and £50m of additional economic benefits.

- 4.4.3 The Council is not expected to make this level of investment. Instead, the Council has the opportunity to use planning powers, regeneration programmes, strategic investments and community leadership to attract private sector investment.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 There are no specific legal implications.

- 4.5.2 This report is open for Call In.

4.6 Risk Management

- 4.6.1 Each individual programme of work has its own risk profile and these risks will be managed through the normal project management processes.

- 4.6.2 However, the much larger risk is the risk of doing nothing. Rising energy prices, rising carbon taxes and increased competition for resources will punish cities that fail to develop a low carbon economy. The city may also miss out on significant inward investment if businesses perceive that the city is not open for low carbon business.

5 Conclusions

- 5.1 The issues raised by the Leeds Climate Action Coalition are important and many of their views are shared by the Council. Their requests for action are broadly in-line with existing and emerging Council policy as outlined above.

6 Recommendations

- 6.1 It is recommended that Executive Board:
- 6.1.3 Delegate responsibility to the Director of Environment and Neighbourhoods to oversee the formal response to Phase 2 of the Department of Energy and Climate Change's consultation on Feed-In Tariffs.
- 6.1.4 Continue to coordinate the Council's low carbon programmes through the Environment Programme Board.
- 6.1.5 Delegate authority to the Director of Environment and Neighbourhoods to engage with the PV market to seek competitive proposals from potential PV installers and appoint the installer that can deliver best value, which is cost neutral or better for the Council.

7 Background documents¹

- 7.1 Solar PV Executive Board Report – 15 December 2010
- 7.2 Solar PV Executive Board Report – 30 March 2011
- 7.3 Solar PV Initiative Executive Board Report – 14 December 2011
- 7.4 The Economics of Low Carbon Cities (Centre for Low Carbon Futures, 2012)

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.