

## **Carbon reduction and sustainability**

### **Purpose**

1. The Environment and Housing Board's agreed objective is to champion local action on fuel poverty, energy efficiency and reducing the cost of energy, giving councils the flexibility and access to the resources they need to support local initiatives.
2. In meeting this objective, the Board is aiming to proactively lead the agenda on carbon reduction and energy. This will involve building on existing relationships with Ministers to ensure continued influence at senior level, including regular meetings with Greg Barker, Minister for Energy, Department for Energy and Climate Change (DECC), who has also agreed to attend a future Board meeting.
3. The projects proposed to deliver the objective are outlined in the report. Members are asked to comment on whether these provide the right substance for future conversations with DECC Ministers, and also to suggest further ideas for proposals to take to Ministers.

### **Summary**

This paper provides further detail on the key issues and planned projects which will address the Board's agreed priority on carbon reduction and sustainability.

### **Recommendations**

That the Board:

1. **Comment** on the proposed projects;
2. **Suggest** further ideas for proposals to take to ministers.

### **Action**

As directed by the Board.

**Contact officer:** Abigail Burridge  
**Position:** Senior Adviser  
**Phone no:** 0207 664 3060  
**E-mail:** [Abigail.burridge@local.gov.uk](mailto:Abigail.burridge@local.gov.uk)

## **Carbon reduction and sustainability**

### **Background**

1. The proposed focus for the Board's work programme in this area is twofold:
  - 1.1 To develop a clear narrative and a strong evidence base which demonstrates that councils' action on energy efficiency and carbon reduction is central to delivering Government's energy agenda and delivers significant economic, social and environmental benefits to local communities.
  - 1.2 To use this evidence to present a series of offers to Ministers that will deliver shared objectives on energy and influence the design of future policy initiatives.

### **Issues to be addressed**

2. Taking action on energy efficiency and reducing the costs of energy is a key issue for councils and Government as a result of the impact of increasing costs of energy on communities, local economies and on council services, which include:
  - 2.1 Householders, businesses and councils facing continuing increases in energy prices. Five of the six major energy suppliers have announced price increases this year adding between £80 and £112 to a typical household's annual bill;
  - 2.2 Increasing energy costs put additional costs on businesses which in turn constrains local economies. They also reduce the amount of disposable income householders have to spend to support their local economy;
  - 2.3 Price increases are also putting more people on lower incomes, particularly those in energy inefficient homes, in fuel poverty. In 2010 there were 3.5 million households in England in fuel poverty, compared with 1 million in 2004; and
  - 2.4 Councils having to spend more to power their own buildings and services - money that is being diverted from other essential and statutory services. Southampton City Council currently spends over £9 million pa on energy and has publically stated that "continuing cost rises mean that energy...puts at risk other important services".
3. There are a number of policy initiatives and programmes designed to address these issues at both central and local level.

### **How councils have been addressing these issues**

4. Councils are addressing these issues in a number of ways including energy efficiency programmes, fuel poverty and health programmes, reducing the energy demands of their own buildings, installing renewable energy, providing renewable energy and heat to their local residents and businesses and helping to stimulate and support the creation of jobs.
5. Examples of locally led solutions include:
  - 5.1 In 2010, councils provided (solely or in partnership) over 50 per cent of the available energy efficiency programmes in England. These council-led schemes were named as the most popular with customers (Energy Saving Trust 2010);
  - 5.2 Councils are using their knowledge about their local housing to target energy efficiency programmes where they will have most effect and deliver economies of scale. The LGA has estimated that if a local approach to energy efficiency, similar to that used by Kirklees Council, was scaled up for every home in the country, it would have saved £2 billion compared with the energy company delivered schemes;
  - 5.3 Councils can bring together funding and partners to target initiatives where they are needed most. Walsall Metropolitan Borough Council has a partnership with NPower and Walsall NHS, to tackle fuel poverty, cold related illnesses and excess winter deaths. The scheme trains a wide range of workers, who visit people in their homes, to establish whether the clients they are visiting are suffering ill health as a result of living in a cold damp home. They are then offered energy efficiency improvements and new boilers;
  - 5.4 Councils are tackling energy efficiency of their own estate to reduce their own energy bills. Since 2008/09, Reigate and Banstead Borough Council have reduced their energy bill by £260,000 a year;
  - 5.5 Councils are installing new renewable and local sources of energy for their own buildings and their residents' and businesses'. Islington council is launching a local energy centre and district heating network in the Bunhill Ward on 29 November. It aims to provide cheaper, greener heat to 700 homes on several estates in the area; and
  - 5.6 Councils are also using energy initiatives to support private sector growth. Bristol City Council secured £2.5 million investment from the European Investment Bank in 2011 to invest in renewable energy schemes across the city, which they estimate will create up to 1,500 jobs.

### **Central Government solutions**

6. The Government has a statutory target to reduce CO2 emissions by 80% by 2050. To achieve this they have developed a number of initiatives designed to improve the energy efficiency of buildings in the UK:

- 6.1 The **Green Deal** is the Government's proposal for providing funding and a new system for householders and businesses to improve the energy efficiency of their properties. It has been recognised that councils are key to the successful realisation of the Green Deal, and the LGA has been lobbying on its development since the concept was first presented;
  - 6.2 The **Energy Company Obligation (ECO)** is an obligation on the Energy Suppliers to reduce carbon emissions from domestic properties and to reduce the energy bills of householders in receipt of multiple qualifying benefits through energy efficiency improvements and heating upgrades. The Energy Suppliers must reduce carbon emissions by 27.7 million tonnes of life CO<sup>2</sup> by 31 March 2015 and £4.2bn of cost savings by 31 March 2015. The obligation includes a specific requirement to deliver 30 per cent of the carbon reductions through locally-led initiatives. Several wins have been achieved by the LGA, including securing an element of the Energy Company Obligation (ECO) specifically for locally-based projects;
  - 6.3 DECC have revised statutory guidance on the **Home Energy Conservation Act 1995 (HECA)**, which is designed to improve the energy efficiency of domestic properties by requiring councils to set out local energy efficiency delivery plans; and
  - 6.4 The **Renewable Heat Incentive** is a new publically-funded incentive scheme to encourage householders to install renewable heating solutions. This will benefit rural communities that do not have access to electricity or gas infrastructure.
7. DECC also have a **statutory responsibility to eradicate, as far as reasonably practicable, fuel poverty by 2016**. Initiatives to tackle fuel poverty have included Warm Front, which was a Government-funded heating upgrade and energy efficiency scheme for private and privately-rented homes (to be replaced by ECO), and the Warm Home Discount Scheme, where energy suppliers give householders claiming pension credit £120 rebate on their bills. However current trends are that numbers of householders in fuel poverty are increasing. DECC are seeking to revise their definition of fuel poverty and will be developing a new fuel poverty strategy in 2013.

#### **Presenting the case for how Local Government can deliver these policy objectives**

8. The Board could develop an offer in each of the key areas covered by Government initiatives with a view to ensuring the Government's objectives can be effectively met whilst delivering maximum local benefits.

#### **Delivering the Green Deal and Energy Company Obligation:**

9. The LGA has already successfully made the case to Government that councils are integral to making the Green Deal a success. Most notably, seven 'Pioneer Cities' have been given £12 million to develop local Green Deal projects and

DECC have just released £10 million for Green Deal 'pioneer' projects for councils in England.

10. The LGA has been helping councils understand and consider their options under the Green Deal, including:
  - 10.1 A community on the Knowledge Hub for the LGA to share information and facilitate council knowledge sharing, with nearly 100 members already subscribed;
  - 10.2 Two LGA Green Deal conferences in 2011 and 2012 that were over-subscribed;
  - 10.3 Joint events with DECC on the Green Deal, including an event on finance for the Green Deal; and
  - 10.4 Outreach events with DECC to groups of councils to explain and discuss the opportunities under the Green Deal.
11. There is scope for the LGA to do more to support councils on the Green Deal.
12. Implementation of the Green Deal has been delayed nationally until April 2013 as financing and billing arrangements are finalised. It is challenging for the Green Deal to attract the levels of finance needed to loan householders money at a low rate of interest. DECC and the DECC-supported 'Green Deal Finance Company' are looking to councils to use their own money and prudential borrowing to kick start Green Deal finance. Birmingham City Council is considering prudentially borrowing £75million for their 'Birmingham Energy Savers' Green Deal scheme.

#### **Proposed LGA deliverables**

13. There are a number of ways in which the LGA could work with councils and with DECC to help councils and government make the Green Deal and ECO a success, including:
  - 13.1 Responding to feedback from councils, provide support for developing business cases for the Green Deal and ECO;
  - 13.2 Share good practice on engaging council tenants;
  - 13.3 Share good practice on how to reach 'hard to reach' residents;
  - 13.4 Set out how councils can and are using the Green Deal to make links with colleges and schools, giving young people the skills to gain employment in green industries;
  - 13.5 Set out how councils can and are using the green deal to create local jobs and support local contractors;
  - 13.6 Negotiate with Energy UK (the organisation that represents the interests of energy companies) to secure agreement that councils should have the ability to place their projects on the ECO Brokerage without having to become full Green Deal Providers; and
  - 13.7 Working with DECC to clearly set out how the ECO Brokerage will work for councils

**Potential areas for further Local Government offers**

14. In addition to the proposals above, the Board could develop further offers for Local Government including:

**Fuel Poverty;**

- 14.1 Demonstrating how locally-led solutions for addressing fuel poverty are more effective to help the development of the new national Fuel Poverty Strategy and associated delivery programmes.

**Green energy generation;**

- 14.2 Working with councils that are developing decentralised and district heating projects to share their knowledge to help DECC and other councils meet their green energy generation objectives
- 14.3 Negotiating with Ofgem to develop a new way for councils to sell the renewable electricity they generate, as no councils have been able to meet the standards imposed under the current licensing regime.

**Collective switching and collective purchasing;**

- 14.4 The LGA is exploring opportunities to jointly promote councils' existing Collective Energy Switching Schemes, which are designed to enable customers to access the correct energy tariff, and enable savings of up to £200 per annum on a dual-fuel switch. The scheme involves 16 councils so far.
- 14.5 The LGA is also working with DCLG to organise an 'Energy Summit' with Councils in the New Year, which will look at consortia purchasing, demand management measures, and collective switching.

**Reducing energy consumption in public assets and fleet.**

- 14.6 Support DECC through Local Partnerships in the development of a national energy services procurement scheme for the public sector, building on the Greater London Authority's 'Re:FIT' project, that allows councils to save on their energy bills and have energy efficiency improvements installed at low cost.
15. Members are asked to comment on these and other suggestions on which officers could develop proposals for future work.

**Financial implications**

16. The programme team has sufficient budget to fund these proposed projects.