

Heart of the South West local enterprise partnership

LEP Board Paper 6.4

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Report title: **Clean Energy**

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Purpose of Report

This report provides a brief for the Board on the work to date on the energy agenda in the context of the HotSW Local Industrial Strategy, Productivity Strategy and Government's Clean Growth Strategy. It also outlines the way forward for continued collaborative working to support the achievement of the potential benefits to be gained from clean growth in the HotSW and wider South West region.

Recommendation

The Board endorses the approach outlined to the clean energy agenda, including recognising the joint strategy work undertaken with Cornwall and Isles of Scilly and Dorset LEPs and the intention to develop a delivery plan for the agenda with these neighbouring LEPs as part of our "Great South West" activity.

Background

Government launched the Clean Growth Strategy¹ in October 2017 with the aim being to achieve economic growth whilst cutting greenhouse gas emissions. In so doing, the Government's objective is to meet the legally binding target to reduce emissions by at least 80% by 2050, as set out in the 2008 Climate Change Act². The achievement of clean growth with an affordable energy supply for businesses and consumers, is central to the UK's Industrial Strategy³, specifically through the "Clean Growth" Grand Challenge and key policies such as the support for the uptake of electric vehicles.

Consistent with these national strategies and building from the evidence base that was established for the HotSW Productivity Strategy⁴, the work to develop the Local Industrial Strategy (LIS) for the HotSW region⁵ & ⁶ has identified clean energy (e.g. nuclear and offshore renewables) as one of the "areas for future emphasis" for the HotSW. As such, clean energy could represent an important element of regional distinctiveness whilst acting as a significant driver for the region's productivity growth aspirations.

¹ <https://www.gov.uk/government/publications/clean-growth-strategy>

² <https://www.legislation.gov.uk/ukpga/2008/27/contents>

³ <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>

⁴ <https://heartofswlep.co.uk/wp-content/uploads/2018/04/HeartoftheSouthWestProductivityStrategy.pdf>

⁵ <https://heartofswlep.co.uk/wp-content/uploads/2019/02/HotSW-LIS-Progress-Statement-web.pdf>

⁶ <https://heartofswlep.co.uk/wp-content/uploads/2019/02/190213-HotSW-LIS-Command-Paper-Final.pdf>

In 2017, BEIS provided HotSW LEP, jointly with CloS and Dorset, funding to consider a joint energy strategy⁷ (see Annex for executive summary). This work has concluded that some of the best renewable energy resources in the UK are to be found in the South West, but that the region is not benefiting from these resources as it imports almost all (88%) of its energy. The transformation of the national energy system to meet Government's clean energy goals therefore represents a unique opportunity for the South West due to the region's abundant renewable energy resources. Realising this transformation represents a significant challenge and opportunity which could leverage capital investment of over £100bn by 2030 and over £275bn by 2050. This could generate a maximum potential Gross Value Added (GVA) of over £10bn by 2030 and over £25bn by 2050, supporting up to 175,000 jobs by 2030, and up to 450,000 jobs by 2050.

Consistent with the Productivity Strategy and LIS Command Paper, the joint energy strategy recommends that the LEPs should make energy a strategic priority and that LEPs have important roles to play to overcome barriers including leadership and influence, fund administration and knowledge sharing.

Subsequently, in 2018, BEIS enabled the establishment of five Local Energy Capacity Hubs. HotSW LEP is a partner in the Local Energy Capacity Hub in the South West. The Hub covers the geography of the seven regional LEPs (CloS; Dorset; GFirst; HotSW; Solent; Swindon & Wiltshire; West of England). The Hub will provide capacity resources in the form of a Regional Manager, three Regional Project Managers, a Technical manager and a Funding Manager. One of the Regional project Managers will be shared between the HotSW, CloS and Dorset LEP area. Part of the role of the Hub is to provide "pump priming" funding for business case development and to support joint strategic working.

Next steps

The next steps for this work are as follows:

- To develop the clean energy content in the Local Industrial Strategy
- The continued participation in the South West Local Energy Capacity Hub
- Working with CloS and Dorset LEPs based on shared opportunities and the experience of the initial strategy work to develop a delivery plan. This will focus on how we address barriers (such as energy grid infrastructure issues) and how to unlock opportunities. There is particular value working with CloS given the availability of shared resource and their work on this agenda to date.
- To engage key partners such as the Distribution Network Operators in ongoing work.
- This area will be a key part of the Place theme's work in the forthcoming period.

Recommendation

The Board endorses the approach outlined to the clean energy agenda, including recognising the joint strategy work undertaken with Cornwall and Isles of Scilly and Dorset LEPs and the intention to develop a delivery plan for the agenda with these neighbouring LEPs as part of our "Great South West" activity.

⁷ <https://heartofswlep.co.uk/wp-content/uploads/2018/02/5.-Joint-LEP-Energy-Strategy-Delivery-Plan-v4.2-02.01.19-FINAL-converted.pdf>

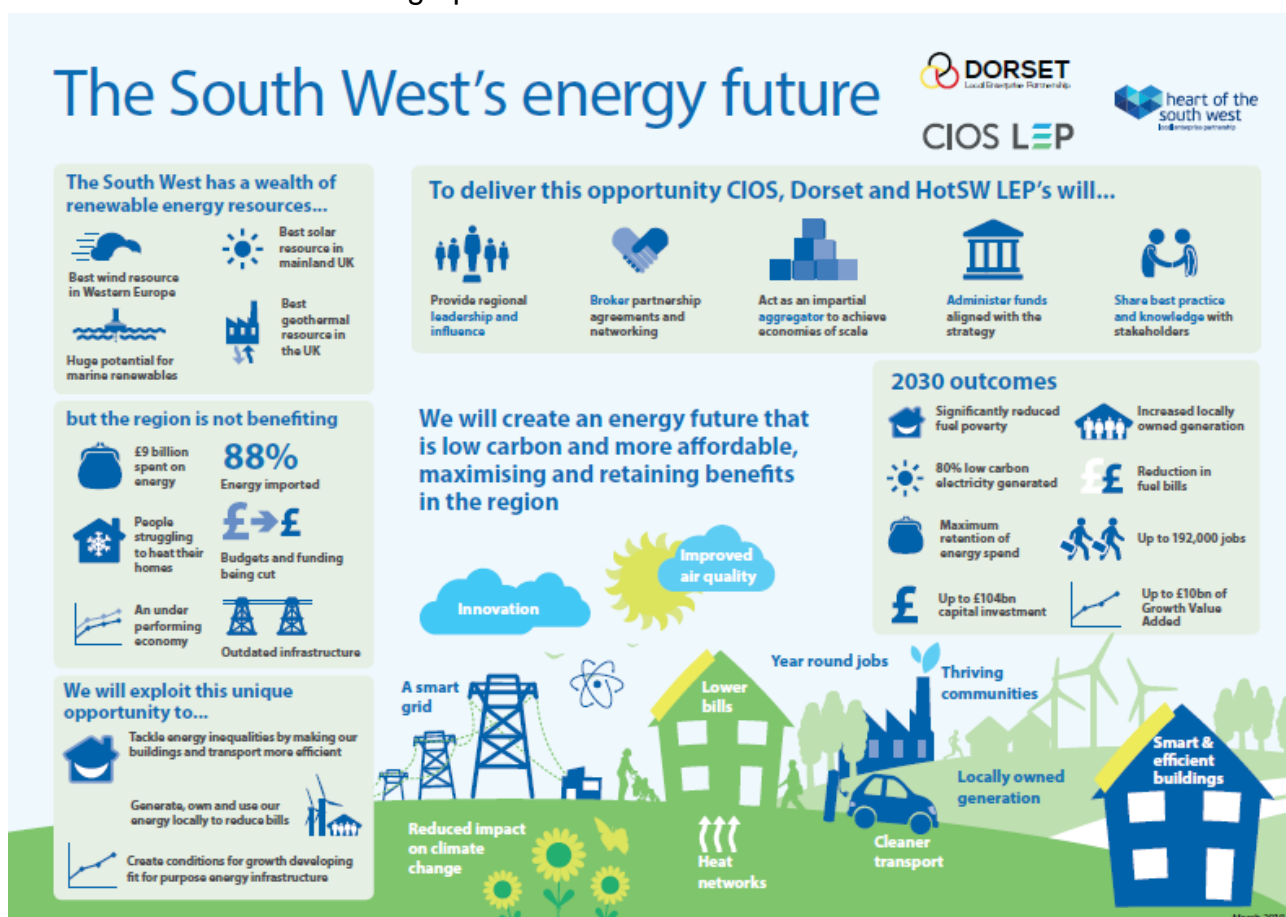
Annex A – Joint LEP Energy Strategy Executive Summary

Vision

The Cornwall and Isles of Scilly, Dorset, and Heart of the South West LEPs have developed a common vision for the South West's energy future:

We will create an energy future that is low carbon and more affordable, maximising and retaining benefits in the region.

This vision is outlined in the infographic below:



Key Findings

Some of the best renewable energy resources in the UK are located within the South West. The region is home to the best wind resource in Western Europe, the best solar and geothermal resource in mainland the UK and has huge resource potential for marine renewables.

However, currently the region is not benefiting from these resources. The region imports almost all (88%) of its energy, spending £9 billion in the process. These costs come in the context of an underperforming economy, public-sector budget cuts, outdated infrastructure, and people struggling to heat their homes.

The energy system needs to transform. The UK is committed to reduce its greenhouse gas emissions by at least 80% by 2050. This is enshrined in law. It is also committed to tackling fuel poverty and ensuring the security of the energy supply. This “energy trilemma” implies transforming our aging energy infrastructure over the next decade.

This transformation represents a unique opportunity for the South West due to the region’s abundant renewable energy resources and can broadly be summarized by the four points below:

- **Electricity: the South West has the potential to be self-sufficient or even a net exporter of electricity by 2030.**
- **Transport: a rapid increase in electric vehicles over the next two decades with the potential for a longer-term transition to a hydrogen economy.**
- **Heat: an opportunity to tackle energy inequalities with more efficient buildings; deployment of heat pumps and heat networks.**
- **Infrastructure: investment into bigger and smarter transmission and distribution grids to unlock the above.**

Massive capital investment would flow into the region. Realising the transformation outlined above could leverage capital investment of over £100bn by 2030 and over £275bn by 2050. This could generate a maximum potential Gross Value Added (GVA) of over £10bn by 2030 and over £25bn by 2050, supporting up to 175,000 jobs by 2030, and up to 450,000 jobs by 2050.

Industry is primed to realise this vision. Through the development of the strategy and consultation, a number of pipeline projects were identified for example: the two Distribution Network Operators (DNOs) planning their transition to Distribution System Operators (DSOs) and planned investment in generation and storage capacity, EV charging points and heat networks.

Recommendations

The LEP's Role

The LEPs have six critical roles to play. We have identified six roles in which the LEPs can provide critical support to businesses and the broader communities; these will help address the barriers to realising the low carbon economy as illustrated in Table 1 below. The barriers are further discussed in the main body of the strategy report.

Table 1 Mapping of Common Energy Sector Barriers to the Proposed LEP Roles

Barriers	Leadership & influence	Brokerage	Aggregation	Fund administration	Knowledge sharing	Pipeline monitoring & signposting
Insufficient returns		x		x		
Capital intensity				x		
Fragmentation	x		x			x
Lack of information					x	x
Resistance to change	x				x	
Policy, regulation & planning	x				x	
Skills	x			x	x	

Leadership & influence: the LEPs should set out and help realise the vision in this strategy, leveraging their unique position as a nexus across key stakeholder groups.

Brokerage: as impartial bodies, the LEPs can play the “honest broker” role in bringing together different stakeholder groups.

Aggregation: the LEPs are uniquely placed to act as an impartial regional aggregator in order to achieve economies of scale and maximise bargaining power.

Fund administration: the LEPs should administer regional funds, including the UK Shared Prosperity Fund, which is due to replace the European Structural Investment Fund.

Knowledge sharing: the LEPs or the SW Energy Hub can provide a regional nucleus around which knowledge can be built and shared.

Pipeline monitoring & signposting: the LEPs can play a useful role in building a pipeline database of local energy projects, sharing it with the SW Energy Hub for aggregation across the region and signposting individual projects to LEP and Local Authority support.

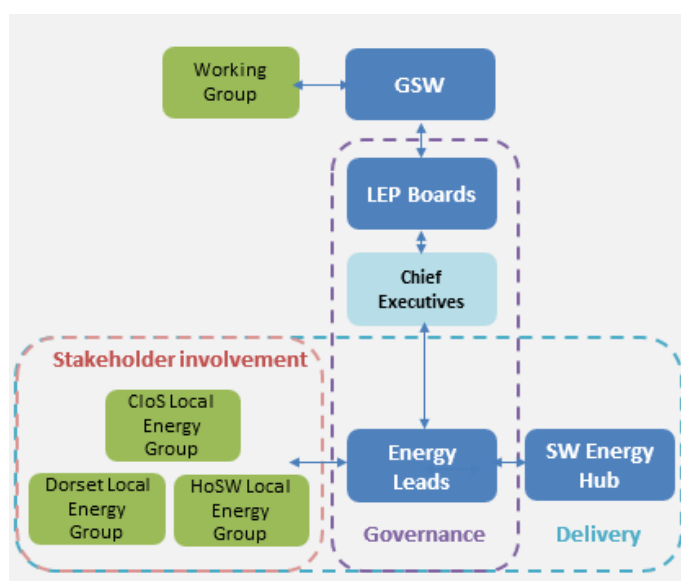
Governance

The LEPs should make energy a strategic priority. Local Enterprise Partnerships play a vital role in supporting businesses and innovation across England, developing skills, delivering infrastructure, and securing investment. LEPs are already focused on housing and transport, each of which are critical elements of the energy system.

Each LEP Board should have an energy champion. This mirrors existing champions for transport and buildings. This will create a sense of ownership at all levels of hierarchy and provide senior leadership on energy matters.

New governance structures are required. Figure 1 outlines the proposed governance structure to realise the strategy above.

Figure 1 Proposed New LEP Governance Structure for the Energy Strategy



Delivery Plan and Funding

Delivery Plan – develop and implement the five step plan. The strategy outlines a five step Delivery Plan for the LEPs to realise the strategy:



The Delivery plan is a separate, living document further developed collaboratively by the LEPs to reflect the dynamic, changing environment of the energy sector in the region and establishment of the SW Energy Hub.

Funding Strategy - develop and implement funding solutions. A database of the funding sources and financing options will be made available and kept up to date on the LEP websites.

Secure dedicated Energy Resource in each LEP. The LEPs should provide a dedicated energy lead in each LEP. At the moment, resource is spread across multiple areas and does not necessary have a background/expertise in energy.

Local Energy Groups: each LEP should set up new Local Energy Groups. They should initially be focused on the local electricity system and in particular on engaging with the two DNOs and championing local investment. They can provide particular value by incorporating engagement with the local businesses, community and experts.

Work closely with the SW Energy Hub and Bristol ELENA funded Project Development Unit to identify delivery support.

Develop energy project portals on each LEP website to learn about local energy projects requiring support from the LEPs.