

Policy and Sustainability Committee

10.00am, Tuesday, 17 January 2023

Energy for Edinburgh

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 It is recommended that Policy and Sustainability Committee:
 - 1.1.1 Note the background to establishing Energy for Edinburgh in 2016 and the changing context of the energy market;
 - 1.1.2 Agree to utilise up to £0.05m of funding to begin to develop an options appraisal for the future of Energy for Edinburgh and to take forward a feasibility assessment on the potential for Energy for Edinburgh to provide a platform for the Council to lever additional funding, as set out in paragraph 4.6;
 - 1.1.3 Agree to the distribution of up to £0.15m to local partners and stakeholders to deliver advice, guidance, support and small scale energy improvements for residents and businesses; and
 - 1.1.4 Delegate authority to the Executive Director of Place, in consultation with the Board of Energy for Edinburgh, to award grant funding totalling up to the value of £0.15m in accordance with the Council's grant standing orders.

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Executive Director of Place

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Report

Energy for Edinburgh

2. Executive Summary

- 2.1 This report outlines an approach to utilising £0.2m of funding which was allocated to Energy for Edinburgh by the Council in 2022/23.

3. Background

- 3.1 Energy for Edinburgh Limited (EFE) is the arm's length energy services company (ESCo) of Edinburgh.
- 3.2 Proposals to create an ESCo for Edinburgh were initially presented to the Council's Economy Committee in [May 2014](#).
- 3.3 In [September 2015](#), the Council approved the first stage of establishing an ESCo for Edinburgh as a wholly Council-owned body. This report identified four prospective areas of activity for the ESCo:
- 3.3.1 District heating – providing coherence and a clear delivery model in developing district heating schemes across Edinburgh, ensuring that best practice is made available, that the technologies used are scalable and compatible and that economies of scale are utilised.
 - 3.3.2 Solar farms – taking forward the development of land to house large numbers of photovoltaic solar panels.
 - 3.3.3 Smart cities – accelerating the roll-out of integrated, scalable, sustainable smart city technologies and services to deliver energy efficiency.
 - 3.3.4 Community energy – providing advice and expertise to community energy schemes in Edinburgh, assisting in getting new schemes established, helping to access funds, and potentially providing a 'one stop shop' for energy advice.
- 3.4 In [March 2016](#), the Council approved the establishment of an ESCo (to be named Energy for Edinburgh), including its articles of association, shareholders agreement, and draft business plan.

- 3.5 The report set out a vision for EFE of “*delivering the Council’s energy aspirations, supporting Edinburgh’s citizens and businesses in becoming more sustainable by reducing energy demand and encouraging local energy generation.*” The report identified the objectives of EFE as being to:
- 3.5.1 Reduce carbon emissions;
 - 3.5.2 Deliver affordable energy (with a particular focus on alleviating fuel poverty);
 - 3.5.3 Generate income;
 - 3.5.4 Encourage wider community benefits; and
 - 3.5.5 Access and leverage the use of private sector finance where appropriate and where its use meets the above objectives.

Context – Energy Market Conditions

- 3.6 The UK energy market is currently experiencing significant challenges, primarily due to a sharp rise in global wholesale gas prices. Following a decade of stable or falling prices, gas prices began to rapidly increase towards the end of 2021, driven by factors such as rising demand, depleted reserves, breakdowns and maintenance at key facilities, and various supply pressures associated with Russia’s invasion of Ukraine. Rising gas prices have in turn driven up electricity prices.
- 3.7 The UK energy price cap – which places a ceiling on how much suppliers can charge residential consumers for standard variable tariffs for gas and electricity – was increased from £1,277 in August 2021 to £4,279 in January 2023: a rise of £3,002 (235%). Notwithstanding that the actual prices levied on consumers have been capped at a lower ceiling by the UK Government’s Energy Price Guarantee, the last 18 months have seen unprecedented increases in energy prices, resulting in significant pressures for both residential and non-residential energy consumers.
- 3.8 In August 2022, the University of York forecast that 61.5% of Scottish households (3.655m people) would be in fuel poverty as of January 2023.¹ These pressures have been exacerbated by high levels of inflation in the UK economy generally, with the Consumer Prices Index, including owner occupiers’ housing costs (CPIH), rate standing at 9.3% in the year ending 30 November 2022.
- 3.9 One impact of energy market volatility has been the failure of multiple energy companies. From July 2021 to June 2022, 29 UK energy companies, with a total of approximately four million customers, collapsed. These included Bulb Energy Ltd, at the time the UK’s seventh largest energy supplier with 1.6 million customers, which was placed into special administration by the UK Government before being acquired by Octopus Energy. The failure of these companies was due to a range of factors including an inability to pass increases in wholesale costs on to consumers due to the energy price cap and fixed deals, making their financial positions untenable.

¹ Fuel poverty here refers to a situation in which a household spends over 10% of its net income on fuel.

EFE Funding Allocation

3.10 In [February 2022](#), the Council allocated one-off investment of £0.2m in EFE.

4. Main report

- 4.1 Since EFE was established, the Council has placed an even greater focus on becoming a net zero city by 2030, which is one of the three core priorities of the draft Council Business Plan 2023-2027. The approach to delivering this is underpinned by Edinburgh's [2030 Climate Strategy](#) (city-wide strategy) and the Council's [Emissions Reduction Plan \(focussing on corporate emissions\)](#).
- 4.2 As noted above, energy market conditions have also changed significantly in the past 18 months.
- 4.3 Throughout 2022, the Council has recognised the challenges faced by residents, community groups and businesses as a result of the current cost of living crisis. On [15 December 2022](#), the Council agreed to seek to establish an Energy Efficiency Task Force to work alongside partners and stakeholders to give information about insulation and energy efficiency.
- 4.4 In advance of the requested report on the Energy Efficiency Task Force, approval is sought to utilise the £0.15m of investment in EFE to set up a grant funding programme which would seek to distribute one-off funding to partners and stakeholders across the city to support the provision of, for example, information, advice, support and small-scale energy efficiency interventions to reduce energy costs. It is proposed that the grant funding is capped at £0.025m per project.
- 4.5 The programme would be launched via an open call publicised through existing programmes supported by the Council. The application will be accompanied by supporting information which will explain the criteria and assessment approach for applications. This guidance is currently being developed.
- 4.6 In addition, it is proposed to utilise up to £0.05m to begin to develop an options appraisal for the future role of EFE and to take forward a feasibility assessment on the potential for EFE to provide a platform for the Council to lever additional funding for projects from sources which are currently unavailable to the Council (e.g. crowdfunding, share offers and grant funds reserved for the private sector).

5. Next Steps

- 5.1 If the recommendations in this report are approved, officers will work with partners and stakeholders to identify suitable activities which could be supported through the funding which the Council has allocated for EFE in 2022/23.

- 5.2 Alongside the grant funding approach proposed in this report for individuals and businesses, [Edinburgh Community Climate Fund](#) will shortly launch. This fund has been set up to support communities to develop ideas and projects aimed at making Edinburgh a greener city. Within the fund, up to £20,000 of grant funding will be available to community projects that can be delivered within 12 months which achieve one or more climate change outcome (as outlined in the published information). Ideas are due to be submitted in January 2023, before being determined by a public vote to determine which projects will receive funding.
- 5.3 Recognising the changing strategic context, officers will work with the Board of EFE to review and update the objectives of the company and to identify a future programme of work which aligns to the new objectives. This will include reviewing the objectives and governance of other ESCos set up by local authorities.
- 5.4 Officers will also consider the potential role of EFE in terms of the Energy Efficiency Task Force, the emerging Local Heat and Energy Efficiency Strategy (LHEES) for Edinburgh, and other relevant ongoing initiatives.
- 5.5 In November 2022, Finance and Resources Committee requested an update on progress made on the investigation of local heat and energy solutions by June 2023. Also in November 2022, Committee requested that this report should include a thorough options appraisal of opportunities for energy generation partnerships in the city and an evaluation of how best to make EFE an active enterprise (including consideration of options for alternative and joint ventures with learning from other ESCOs and Local Authorities). If the recommendations of this report are approved, some of the funding available in 2022/23 would be utilised to begin development of the options appraisal and assist in the delivery of this committee decision.

6. Financial impact

- 6.1 In February 2022, as part of the budget setting process, the Council allocated one-off funding of £0.2m to Energy for Edinburgh.
- 6.2 The approach set out in this report would aim to utilise this funding within financial year 2022/23.
- 6.3 Any further bids for funding would depend on additional funding being made available and would be based on an evaluation of the programmes supported in 2022/23.

7. Stakeholder/Community Impact

- 7.1 It is proposed to contact a number of local organisations to invite applications to the open call for grant funding, up to a value of £0.025m, for projects which align with the objectives set out in this report.

- 7.2 The grant funding would enable stakeholders to support the reduction of energy demand, which is key to reduce greenhouse gas emissions associated with building usage and is in line with the Council's sustainability objectives.

8. Background reading/external references

- 8.1 Energy for Edinburgh - Board of Directors Appointment – report to the City of Edinburgh Council, [22 September 2016](#)

9. Appendices

None.