
Subject: Revised Climate Change Strategy
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Report to: Board
Report of: Peter Bishop, Group Director – Design, Development,
Environment
Key Theme: Growth

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1. Purpose

- 1.1. This report provides Board members with further details and recommendations regarding the LDA's proposed climate change strategy as requested at February Board.

2. Recommendations

- 2.1. That the Board **approves** the revised climate change strategy including the addition of investment in a home retrofit scheme.

3. Summary

- 3.1. The proposed climate change strategy was presented to February Board (see Appendix 1) and following discussion, the decision to approve the strategy was deferred to March pending further information on the following areas;
 - 3.1.1. The deliverables, outcomes and performance indicators for the 4 proposed areas of investment;
 - 3.1.2. The potential to include home retrofit as part of the strategy.
- 3.2. Deliverables, Outcomes, Performance Indicators: the 4 areas of intervention are set out overleaf and in some areas specific projects are either already underway or being developed. In other areas the projects are yet to be developed or are less well defined. In most cases the outcome measure is CO2 saved (and this = the final project deliverable). In addition to the outcomes and deliverables set out below ***we are also in the process of carrying out detailed economic modeling to estimate the number of jobs created and overall economic benefit of the entire programme which is due to report back by the end of March and these numbers will be built into the final deliverables/ outcomes framework.***

Intervention & Projects identified / existing	Performance Indicators	Deliverables / Outcomes
<p>1. <i>Commercial & public buildings retrofit:</i></p> <ul style="list-style-type: none"> • Better Buildings Partnership (BBP) • Green 500 (G500) • Buildings Energy Efficiency Pilot (BEEP) 	<ul style="list-style-type: none"> • Cost/ tonne CO2 saved • £ saved from lower energy bills • % target audience floor space covered • Number of organizations covered • Jobs created 	<ol style="list-style-type: none"> 1. Target is £1/ tonne 2. TBD 3. 20% of London's commercial property covered by BBP by end March 2012 and 828,000 m² public sector space retrofitted by end March 2015 (% of total to be calculated). 4. 500 organisations joining the Green 500 by end March 2010 5. TBD 6. In total, 3m tonnes CO2 saved by April 2015 broken down as follows: <ul style="list-style-type: none"> • 0.5m tonnes CO2 saved by March 2012 (BBP) • 2m tonnes CO2 saved by end March 2013 (G500) • 0.5m tonnes CO2 saved by end March 2015 (BEEP)
<p>2. <i>Waste Infrastructure</i></p> <p>Projects yet to be identified by the London Waste and Recycling Board.</p>	<ul style="list-style-type: none"> • Tonnes waste diverted from landfill per year • Tonnes of waste recycled/ reused 	<p>NB: these are proposed deliverables not yet accepted and agreed with the London Waste and Recycling Board.</p> <p>600,000 tonnes waste diverted from landfill p.a of which;</p> <p>410,00 tonnes waste recycled/ reused</p>

	<ul style="list-style-type: none"> per year • Tonnes CO2 saved per year • Private/ public sector £ levered • MWhr energy generated from waste per year • £/ tonne CO2 saved 	<ul style="list-style-type: none"> 280,000 tonnes CO2 saved per year £240m levered 350,000 MWhr energy from waste p.a TBD
<p><i>3. Decentralised energy</i></p> <p>Projects currently being identified to meet the outcomes and deliverables sought.</p>	<ul style="list-style-type: none"> • MWhr energy capacity created • Cost per tonne CO2 saved • Private/ public £ levered 	<ul style="list-style-type: none"> • To deliver 0.25% of decentralized energy capacity in London by 2025 i.e: <ul style="list-style-type: none"> ○ 100 MWhr by 2025 ○ 20MWhr by 2013 • 110,000 tonnes CO2 saved per annum by 2025 • Cost per tonne TDB • TBD
<p><i>7. Policy support, training, awareness raising:</i></p> <p>Projects for 09/10 currently being identified but may include e.g.: supporting the Prince of Wales business summit on climate change; exhibiting the Green Show House; extending the training for local authority planners that ran in 2008/9</p>	<ul style="list-style-type: none"> • Number of professionals trained/ cost per person trained • % awareness in target audience • Number of businesses/ organizations attending event and; cost per person 	TBD.

- 3.3. Home Retrofit: Following detailed discussions with the Mayor's Adviser and the GLA it is proposed that an additional priority be added to the LDA's climate change strategy to address CO2 reductions from residential property. Details of a home retrofit scheme that would address this priority are currently being worked up into a prospectus for Boroughs and the basic features of the scheme are summarized below.

The scheme will offer "ten easy measures" free to all London households (3m total). This includes; hot water tank insulation, draught proofing, radiator panels, low energy lightbulbs, standby switches etc. The anticipated take up of the 10 easy measures is 1.3m homes and this should generate CO2 savings of 1.4m tonnes per annum.

- 3.3.1. Installation of more major measures is anticipated in 800,000 homes (including loft and cavity wall insulation, heating controls upgrade etc) and should yield a further 720,000 tonnes per annum. The average cash saving to householders taking part in the scheme is estimated at £230 per annum.
- 3.3.2. The procurement model is likely to take the form of a framework agreement between a selected utility/ consortium and a Borough/ collection of Boroughs with the GLA/ LDA acting as the broker (i.e.: defining the scheme, setting out the specification and procuring the framework agreement, bringing together suppliers and Boroughs etc) and promoter of the scheme under a uniform brand across London.
- 3.3.3. The key differences between this new scheme and the existing green homes programme are;
- The new scheme is intended to be free to all Londoners whereas the green homes concierge service costs £200 for the initial home audit plus costs of installing the measures and this is considered to be the main barrier to widespread take up;
 - The new scheme will put the Boroughs at the heart of the procurement model and will bring together all existing schemes whereas currently the green homes service is an addition to Borough initiatives and procured separately;
 - The new scheme is delivered via a street by street, door knocking approach which has proved to be very effective (e.g.: Kirklees Borough Council) whereas the green homes concierge service is marketed by traditional advertising and promotion and is not geographically targeted.
- 3.3.4. Initial analysis and comparison with schemes outside London suggests that 2,200 additional jobs will be created as a result of the scheme and a major training programme is likely to be needed to ensure the availability of skilled labour from year 1. ***This is the basis for the concept of establishing a***

retrofit academy which the Mayor announced earlier in the month, hence the two initiatives (the home retrofit scheme and the retrofit academy) are co-dependent and will run hand in hand. A significant proportion of this labour could be met by bringing long term unemployed individuals into work and the remainder by short term unemployed. Hence, the scheme has the potential to address the LDA's worklessness agenda as well as the climate change agenda.

- 3.3.5. The viability of the scheme is dependent on securing significant funding (in the order of £200m/ year for 3 years) from a number of external sources. These include; London Boroughs, the utility companies, the HCA. In addition to these major funding sources, there is likely to be a requirement of approximately £4m / year to seed fund, promote and resource the pan London scheme plus a further funding package in the order of £1.3m for training (noting that this need not come from the LDA – the LSC, Boroughs, Jobcentre Plus and employers should all put in resources).
- 3.3.6. The total funding gap that the LDA could meet is therefore approximately **£13.3m over 3 years** and this is likely to generate 2.1m tonnes CO2 savings per year plus 2,200 jobs.
- 3.4. Legal Advice: Given our previous approach to the Green Homes programme was to seek a Mayoral Direction to provide funding, LDA legal has revisited the relevant statutory powers to determine whether or not a scheme of this nature would be within the LDA's vires. The LDA has a statutory purpose of contributing to the achievement of sustainable development in the UK where it is relevant to London. LDA legal view is that this would seem to apply to the home retrofit scheme, since it seeks to reduce domestic energy consumption, reduce CO2 emissions and increase recycling. The legal basis for this position is discussed further in section [8] below.
- 3.5. Recommendation: Given the contribution this scheme will make to achieving the LDA's objectives of reducing CO2 emissions and, potentially, tackling worklessness, ***we recommend that – subject to the GLA securing major funding from Boroughs, utilities and the HCA - the LDA invest in the Mayor's home retrofit scheme through a combination of funding from the climate change programme (£12m over 3 years) and the skills programme (maximum £1.3m total).***
- 3.6. Revised strategy and budget allocation: assuming the recommendation to invest in a home retrofit scheme is accepted by the Board, the LDA's strategy would be amended as follows:

- 3.7. To contribute to achieving the Mayor's target of a 60% reduction in CO2 emissions by 2025 by addressing 5 priorities and allocating budget as follows for the next financial year (NB: Green spaces is included in the £18m budget allocated to environment work but is not part of the strategy to address climate change) :

Intervention	% Budget
Decentralised energy	23% (previously 40%)
Commercial/ public sector buildings	16%
Waste	33%
Advice, training, awareness	1%
Home retrofit	22%
[green spaces work - included in the budget but not part of the climate change strategy]	5% (previously 10%)

- 3.7.1. Hence, the budget allocation for home retrofit will be taken from decentralized energy and – to a lesser extent – the green spaces work. In terms of the decentralized energy programme, we anticipate the major costs to be born in years 3 and 4 **hence, in making budget available for home retrofit we are assuming significant funding for decentralized energy will be available in later years.**
- 3.7.2. Given there is still much to be done in developing the home retrofit scheme – including securing major funding from Boroughs, utilities, HCA – we **propose bringing a further, more detailed workplan for 2009/10 back to Board in the coming months.**

4. Background

- 4.1. The LDA Board received a paper in February setting out the proposed strategy for addressing climate change as follows:
- 4.2. Goal/ Mission: To enable London to transition to a low carbon city and significantly contribute to the Mayor's target of a 60% reduction in CO2

emissions by 2025 through a series of clearly defined interventions that deliver optimal return on investment.

4.3. Proposed Strategy and Interventions: In order to achieve our goal, we will address the following 4 key priorities with a number of specific interventions;

- *Investing in decentralized energy infrastructure*: creating energy master plans, guaranteeing/ securing heat loads to align supply and demand and thereby de-risk private sector development projects, direct investment in connecting infrastructure (heat pipes) to join up decentralized energy schemes.
- *Investing in/ catalyzing the improvement of energy efficiency of commercial and public sector buildings*: continue to run and expand the Green 500 for commercial and public sector organizations (building occupiers) and the Better Buildings Partnership (building owners). Lead the roll out of the Buildings Energy Efficiency Pilot to Boroughs and the wider public sector including schools, hospitals etc and develop an investment funding model that enables up front capital costs to be managed.
- *Investing in waste infrastructure* in order to increase the capacity for recycling/ re-use of London's commercial and industrial waste through the London Waste and Recycling Board (LWaRB). LDA funding (or land) to be used primarily to enable construction of new plant at locations identified by the LWaRB.
- *Supporting others to implement change through provision of advice (policy & technical), creating awareness and training*. This includes embedding highest environmental standards through LDA spatial strategy, planning policy, development agreements and housing strategy. Publicising and recognising best practice, training (e.g.: Borough planners) to enable the spread of best practice.

4.4. Proposed Targets: The targets below have been selected based on the outcomes sought for the 4 areas of interventions and the scale at which we are able to intervene (a function of the likely budget).

- To reduce London's CO2 emissions by 2m tonnes
- To create potential/capacity for 800 000 tonnes commercial waste to be diverted from landfill
- To deliver capacity for 0.25 % of decentralised energy in London (based on LDA being able to deliver 5% of the 25% Mayor's target by 2025 (i.e. 1.25%) and therefore 1/5 of that in 4 years = 100MW by 2025, 20 MW by 2013.

4.5. We will base our investment decisions and measure the value of our interventions by the following measures;

- £/tonnes CO2 saved
- £/kwh of decentralised energy
- £/tonne waste diverted from landfill
- £/kw of energy capacity created

4.6. The LDA Board requested further information on the deliverables and outcomes of the programme and further investigation into the potential to support a home retrofit scheme as part of the strategy.

5. Programme & Project Approval

5.1. N/A

6. Mayoral Advice & Direction

6.1. The Mayor's Environment Advisor is content with the approach and recommendations in this report,

7. Financial implications

7.1.1. Total budget by financial year

£18m per year, not yet broken down by project and capital/ revenue split.

7.2. Comments of the Director of Corporate Finance

7.2.1. The budget proposals as outlined above can be accommodated within the Waste and Energy programme. This has a Board approved budget allocation of £18.0m.

8. Comments of the Director of Law & Governance

8.1. The primary legal issue regarding this report is the LDA's ability to invest in the scheme in the manner described above.

8.2. Under section 4 of the Regional Development Agencies Act 1998, the LDA has the statutory purpose of contributing to the achievement of sustainable development in the UK where it is relevant to London. It is strongly arguable (based on the current scientific consensus) that such a purpose covers this scheme, which seeks to reduce domestic energy consumption, reduce CO2 emissions and increase recycling.

8.3. It should be noted that in addition to the LDA's statutory purpose noted above, section 30 of the Greater London Authority Act 1999 provides that the GLA has the power to promote the improvement of the environment in Greater London. Section 361A of the GLA Act imposes a duty on the Mayor to address climate change. Under section 38 of the GLA Act, the Mayor may authorise the LDA to exercise these functions. Such authorization, however, does not appear to be necessary based on the conclusion in paragraph [8.2] above.

8.4. With regard to any future procurement model, Law and Governance will work with the Project Team to determine the details of the appropriate procurement

structure which will be incorporated in the more detailed workplan for this scheme.

9. Appendices

- Appendix 1 – Feb. Board Paper: Proposed Climate Change Strategy

10. Background documents

- none

Report approval checklist

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Please click on the relevant box to select it.

	Yes	No
Approved by relevant Director of Finance or nominee (please state): Fiona O'Reilly, Management Accountant - DDE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Approved by Director of Law and Governance or nominee (please state): Frank Mandarino, Principal Solicitor	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Approved by Group Director (please state): Peter Bishop Group Director Design Development and Environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>