



Report to the Partnership for Urban South Hampshire Overview and Scrutiny Committee

Date: 24 May 2016

Report of: Gill Kneller, Executive Director, East Hampshire District Council and Havant Borough Council, Energy and Green Economy Panel

Subject: Solent Energy Strategy

SUMMARY

At a meeting on 24th March 2015, the Joint Committee adopted the Solent Energy Strategy.

The purpose of this report is to present an Outline Business Case for the Delivery and Funding of the Solent Energy Strategy for information.

RECOMMENDATION

It is **RECOMMENDED** that the **Overview and Scrutiny Committee**:

1. **NOTES** the Outline Business Case for the Delivery and Funding of the Solent Energy Strategy; and
2. **NOTES the approval** of an additional PUSH revenue budget £18,000 to support the delivery of the Outline Business Case over the next 2 years.

In particular the funding will provide a part-time commissioned Programme Manager to:

- Manage the prioritised programme of projects;
- Develop specific business cases;
- Bid for external funding;
- Coordinate available interested parties resources across PUSH authorities;
- Commission additional expertise and capacity where essential for project delivery

BACKGROUND

The Energy Challenge

1. Our communities face major challenges and risks relating to both the supply and demand for energy. These include:
 - Rising Energy Prices and Fuel Poverty
 - Uncertain Energy Supply
 - The need to both reduce energy use and change the energy generation mix to meet climate and change targets.
2. The challenge is to reduce harmful emissions and achieve an affordable, decarbonised and secure energy supply.

Solent Context

3. The Solent Energy Strategy is a key strand of a programme of work aimed at developing a low carbon economy in partnership with other interested parties including the LEP, Chamber of Commerce and Future Solent. A key objective of the strategy is to increase the resilience of businesses, safeguard and increase the number of people employed within the sector. Future Solent is a joint initiative of PUSH, the Solent LEP and the Hampshire Chamber of Commerce aimed at creating a low carbon economy in the Solent region. The partners recognise the benefits of working together to support the sustainable economic growth of the sub region and to facilitate the strategic planning necessary for sustainable growth.
4. The partners agreed to focus on three priorities and outcomes required to achieve this. These priorities are enshrined in the Strategic Economic Plan and PUSH Business Plan for 2014-16:

Priority 1 - New Low Carbon & Green Technology: - Capitalising on the world class research in the sub-region into green technologies and turning these into business opportunities, growth and jobs as well as supporting strong manufacturing.

Priority 2 - Resource Efficiency in Homes and Businesses: - Ensuring our homes and businesses minimise waste including waste of energy, to support household disposable income and business competitiveness.

Priority 3 - Generation of Secure, Renewable & Low Carbon Energy in the Solent Area: - Developing large scale renewable energy such as tidal and offshore wind, together with small scale on homes and businesses and renewable and district energy schemes incorporated into new development where practical.

5. A baseline energy study in 2008 established that 96% of energy used in the Solent comes from outside of the sub-region. This represents money flowing

out of the Solent economy. It also represents a potential energy security threat to households and businesses in the area.

6. It is crucial to recognise that there are potential energy opportunities for South Hampshire to exploit which could have significant economic impact in terms of growth, jobs and energy security. These are set out in more detail in the Solent Energy Strategy and the Mini Stern style Report that have been considered previously by Joint Committee.
7. The Mini Stern style Report carried out in March 2015 shows that with the right levels of investment it would be possible to achieve the following in the Solent:
 - increase employment by up to 2178 jobs annually
 - increase local GVA by £104.26m a year
 - reduce the energy bill by £508.3m
 - reduce carbon emissions by 34%

The Solent Energy Strategy

8. The Solent Energy Strategy sets out four objectives:

Objective 1: Improving energy efficiency and conservation

Objective 2: Increasing the use of renewable energy resources

Objective 3: Maximising the uptake of Local Business Opportunities

Objective 4: Ensuring focused and integrated delivery and implementation.

9. One of the key findings of the work undertaken so far is that the current 'energy project pipeline' contains enough capacity to more than meet the current target for the area to generate 20% of it's own electrical generation needs from renewable resources by 2020
10. However, the challenge is that over 90% of potential energy projects in the area have yet to progress beyond the initial feasibility stage. Proposed changes to both onshore wind and solar subsidy regimes have increased this challenge.
11. Coordinated effort will be required to get the energy projects pipeline flowing and to ensure that business case development, consenting and construction are able to progress and that crucially investors are made aware of the opportunities for significant financial returns as demonstrated by the "mini-stern" style report, commissioned by Future Solent.
12. It is crucial that key interested parties work together effectively within an integrated governance structure to ensure that the aims and objectives of the strategy are delivered.

Progress so Far

13. A Steering Group has been formed to oversee the implementation of the Solent Energy Strategy. The Steering Group consists of

Chair – Gill Kneller

PUSH Energy and Green Economy Lead – Alex Parmley

Objective Work 1 Stream Lead – Alex Howison (SSE Power Distribution)

Objective Work 2 Stream Lead – Robert Hutchinson (Hampshire Energy Co-operative)

Objective Work 3 Stream Lead – Ben Earl (Southern Water and Future Solent Lead)

Objective Work 4 Stream Lead – Charles Burt (Independent Environmental Scientist)

Colin Rowberry SCC

Jessica Berry PCC

14. A facilitated workshop was held jointly with Future Solent in April 2015 involving a number of key interested parties. The aim of the workshop was to identify suitable partners to lead and contribute to the development of detailed work programmes. For each of the four strategy objectives as set out above.
15. The workshop was well attended and very successful in terms of raising awareness of the PUSH energy Strategy and securing commitment from interested parties to contribute to delivery. There are many willing experts that would like to be involved – we now need to focus our collective resources to deliver on the agreed priorities.
16. Although there are many knowledgeable experts in the region we need to improve coordination and focus of efforts towards delivery of the Energy Strategy.

Outline Business Case

17. The outline Business case is attached to this report for approval. It takes the Solent Energy Strategy to the next stage by evaluation potential projects and recommending those that should be taken forward.
18. The report recommends how the projects could be successfully delivered by pooling existing available resources across the region and coordinated by a Programme Manager commissioned to spend an agreed number of days over the next 2 years delivering the implementation plan.
19. It is important that the Programme Manager would have direct access to existing staff capacity across the PUSH authorities in order to progress projects identified, act as a point of coordination for the delivery of the work programme, funding bids and other key work areas in order to realise the initial stages of growth identified by the mini-stern
20. Where there is not sufficient capacity or expertise available to take projects forward it is recommended that PUSH provides a budget to fund this work that could be overseen by the Steering Group.

21. The Programme Manager would also take forward further work required to develop the concept of a perpetuation energy fund with the long term aim that the programme becomes self-financing. Further details of this are set out in the attached Outline Business Case.

Resources

22. It is RECOMMENDED that the Overview and Scrutiny Committee
 1. **NOTES** the Outline Business Case for the Delivery and Funding of the Solent Energy Strategy; and
 2. **NOTES the approval of** an additional PUSH revenue budget £18,000 to support the delivery of the Outline Business Case over the next 2 years.

Enquiries:

For further information on this report please contact:-

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