

# Cambridgeshire MLEI

## UK – Cambridgeshire County Council

OWNERSHIP	PUBLIC
<b>Program authority</b>	Cambridgeshire County Council
<b>Program Delivery unit</b>	Cambridgeshire Low Carbon Delivery Unit
<b>Implementation Model</b>	Energy Performance Contracting (EPC)
<b>Operating Services</b>	Marketing Facilitation Financial advice Financing Assessment
<b>Type of projects</b>	Energy Efficiency (building retrofits) Renewable energy
<b>Ambition/targets</b>	34 million € investment in energy efficiency and renewables in public buildings and infrastructure
<b>Beneficiaries</b>	Public sector Schools Commercial buildings Community (renewables)
<b>Funding Vehicle</b>	Investment funds
<b>Financial Instruments</b>	Loans EPC Financing (Off-balance sheet solutions for energy contracting services)

## Summary

The Cambridgeshire Mobilising Local Energy Investment (MLEI) project was set-up in 2012 to initiate delivery of low carbon energy projects in Cambridgeshire. Its mission is to enable investment in renewable energy generation and energy efficiency schemes on a more significant scale than before. This involved the creation of an investment fund, a program delivery unit, delivery mechanisms and a pipeline of energy generation and energy efficiency projects.

MLEI builds directly from work on the Cambridgeshire Renewable Infrastructure Framework, which assessed the potential for energy generation across the County, taking into account the County's growth. This results in two factors, which made MLEI particularly interesting and important:

- Low carbon energy projects delivered as a result of MLEI are diverse – making the most of investment opportunities to maximise delivery wherever schemes are viable. Building fabric retrofits, renewable energy retrofits, low carbon energy generation for new buildings,

standalone renewable projects and neighbourhood schemes (district heating) would all be possible in the long term.

- Use of public sector assets to facilitate step change – MLEI aims to facilitate the gradual change between where they are now and reaching the full potential for low carbon energy in Cambridgeshire. The projects initial outputs will use public sector assets to initiate this step change.

Specific objectives of the MLEI project during its operation have been:

- To set up a Low Carbon Investment Fund for Cambridgeshire, and attract investment to deliver low carbon infrastructure (30 M€ to 50 M€)
- To set up appropriate delivery mechanisms, through the Cambridgeshire Low Carbon Development Unit, managed to deliver retrofit and renewable energy projects financed via the Investment Fund
- To identify, develop and procure an investment programme for retrofitting and renewable energy projects of at least 17,03 Million €, focused initially on public sector and community based schemes

Strategic objectives of the MLEI project beyond its operational period are:

- To reduce the carbon footprint of Cambridgeshire through creation of long term sustainable finance opportunities up to 2020 and beyond.
- To develop a pipeline of projects including larger scale projects that can be funded and deliver transformational market change through building on the learning from this project.

There are 3 types of stakeholders involved.

- Investors – banks, fund managers (small and large), larger companies with investment capability or ambition, local businesses and entrepreneurs, public sector funding managers (Local Enterprise Partnership)
- Decision makers – MLEI local authority Members are the key decision makers for the Fund investments and its governance. They also have a role in the success of the MLEI policy environment that supports local energy investment and governance for any low carbon investment fund.
- Asset and Estate Managers – not necessarily just officers from local authorities and other public sector institutions, but also their subcontractors and advisors i.e. the people who can enable energy projects that utilise public assets and public or private sector funding streams.

The project, with a total budget of 1,117 M€ was co-funded by a grant from the Intelligent Energy Europe – Mobilising Local Energy Investments (IEE-MLEI) program, for an amount of more than 700.000 £ (900.000 €).

A consortium of local authorities, is delivering the project, lead by Cambridgeshire County Council, including South Cambridgeshire District Council, Huntingdonshire District Council and Cambridge City Council.

## How does it work?

The program has 3 major parts:

## 1. Financing

The Cambridgeshire Low Carbon Investment Fund (CLCIF) is seeded with public sector money from the Public Works Loan Board (PWLB) and other sources of funding. It invests alongside structural funds (e.g. ERDF) and development banks (e.g. European Investment Bank (EIB), Green Investment Bank (GIB)) and levers private sector funding (debt or equity). Funding is provided for a mixture of short, medium and long-term projects of up to 25 years. Once the fund has placed its initial investments, the authorities can retain the fund to generate income, make the fund growing further or exit the fund by selling the portfolio of investments, i.e. re-finance, via community share offer, bond issue or sale to a fund to reinvest in more projects (revolving fund).

## 2. Development

The role of the Cambridgeshire Low Carbon Development Unit (CLCDU) is to develop a pipeline of investible projects and co-ordinate investment. It will draw in public sector funds and “crowd in” co-investment from the private sector by bundling projects to achieve scale, reducing transaction costs and mitigating project and commercial risks. Acting as a self-financing unit, it will generate income from projects through development/arrangement fees and long-term management fees. All Cambridgeshire local authorities, investing or otherwise, can bring forward projects and facilitate delivery.

## 3. Projects

A key objective of the CLCDU is to develop a portfolio of projects in the county across a range of sectors and technologies. Initial focus is the public sector estate including local authorities, fire department, police, health sector and schools. Working with its delivery partners (e.g. ESCOs) and using a range of delivery models, the CLCDU will establish energy services and performance contracts that are bankable and pass risks to those that are best placed to manage them. It applies its expertise to unlock investments in commercial buildings, (renewable) energy infrastructure and community renewables as well as enable public and private investment into larger scale (renewable) energy projects.

The Cambridgeshire Low Carbon Investment Fund

A 3-step fund strategy was agreed:

- Step 1: Local Authority Fund – proof of concept
- Step 2: Public Fund – grow the pipeline
- Step 3: Joint venture/Commercial fund

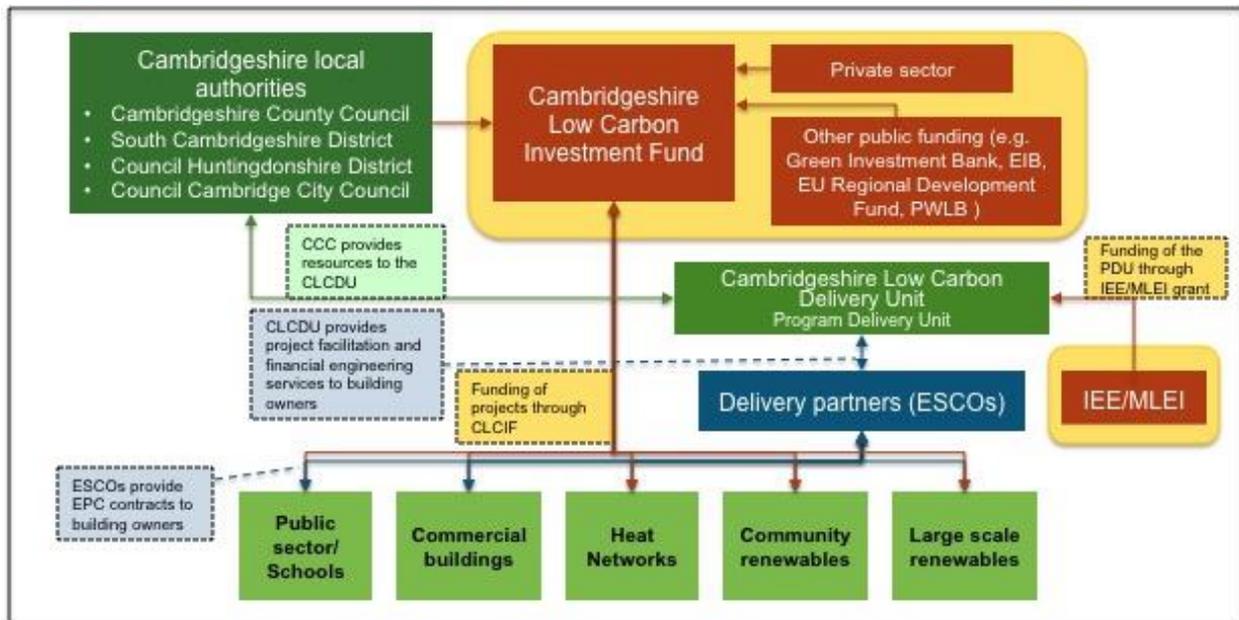
For step 1, the Local Authority Fund, following was agreed:

- 15 million £ (20 million €) borrowed from PWLB, a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury.
- Investment criteria agreed by the committee
- Key points for EPC project: 15 year pay back; benefit share with schools; reinvest part of the profits for large scale projects;

## Goals

The investment programme up to end of August 2015 invested €18.05 million into twelve projects resulting in a reduction of 6502 tonnes of CO<sub>2</sub> per annum through energy efficiency and renewables, delivering 13,597,000 kWh/year and displacing 1,088 toe/year. The goal is to build on this investment programme and deliver over €3 billion of investment by 2030.

Fig 1. Operational and financial model



## The program delivery unit

Cambridgeshire Low Carbon Development Unit (CLCDU) is the Program Delivery Unit for the Cambridge MLEI program. It acts as marketer, facilitator, financial advisor, financier and assessor for the project.

Skills are drawn from across the Cambridgeshire County Council. Its key tasks are the following:

- Programme development
- Project management
- Business development
- Legal advice
- Finance modelling
- Contract development
- Value for Money (VFM) assessment
- Procurement
- Data collection
- Sales

Procurement of an ESCO delivery partner for schools and public buildings was secured through the Greater London Authority's RE:FIT 2 Framework. This framework was developed initially in London from 2011 to 2014 and made available nationally to other authorities. Access agreements have been signed with the GLA (Greater London Authority) in 2014.

The successful ESCO was appointed as a delivery partner on 1<sup>st</sup> August 2014. Their role is to visit sites and analyse data. Based on this, a series of proposals are made available to the asset owners decide whether or not they wish to proceed to a first stage contract to develop an Investment Grade Proposal..

An investment grade proposal includes a very detailed site based assessment is of energy efficiency improvements with a distinct focus on financial concerns and return on investment. Based on the outcome, asset owners/managers can then decide to proceed to a delivery contract, contract 2. After the completion of the works, an ongoing process of measurement and verification continues over the period of the contract as the delivery partner is guaranteeing the savings.

A support contract for the REFIT 2 Framework was signed with Local Partnerships to advise on the mini-competition and the development of the tender specification. In addition, Local Partnerships provide a quality assurance process and review a selection of project business cases to benchmark quality, price and savings.

To date, over seventy outline business cases have been delivered to asset owners/managers.

A first school (Milton (CofE) Primary School) signed up for an EPC pilot, including work on finance arrangements and finance models.

The CLCDU offers the following services to schools:

- Access to an EPC supplier (ESCO), procured by the Cambridgeshire County Council (CCC)
- Technical assessment of their energy needs and potential income opportunities
- A list of measures that can be installed to make savings and generate income
- A managed service or loan from CCC to invest upfront into the energy measures
- A 10 year contract that guarantees savings, the supplier pays the difference in case of under performance
- Technical expertise to manage and monitor the equipment to optimise its use and energy savings
- 10 year contract that maintains and replaces the equipment
- Support from relationship manager, to help solve any problems

For so-called Academy schools an off-balance solution was designed, called a Managed Service Agreement (MSA), and these are currently being delivered for five secondary academy schools..

<b>Legal structure</b>	N/A
<b>Shareholder description</b>	Public entity
<b>Equity</b>	N/A
<b>Shareholders</b>	Cambridgeshire County Council
<b>Program dedicated staff</b>	2.8 FTE

<b>Program operational costs</b>	€250,000 per year
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## Organization and partnerships

### RE:FIT program

The Cambridgeshire MLEI program uses the RE:FIT framework to select ESCO's and assess their performance.

### Beneficiaries

<b>Beneficiaries</b>	Public sector Schools Commercial buildings Community (renewables)
<b>Type of projects</b>	Energy Efficiency (building retrofits) Renewable energy
<b>Operational support</b>	Projects facilitation through the project delivery unit
<b>Financial support</b>	Loans through the Cambridgeshire Low Carbon Investment Fund

### Funding mechanism

<b>Program delivery unit funding</b>	Fees are charged as part of the loan funding to projects.
<b>Projects Funding</b>	Projects are funded through the Cambridgeshire Low Carbon Investment Fund which uses loans from the PWLB and in the future it hopes will be supported by the EIB
<b>Funding Vehicle</b>	Investment funds
<b>Fund size</b>	30 M€ to 50 M€ (18,05 M€ engaged by August 2015)
<b>Fund type</b>	Public fund
<b>Fund sources</b>	PWLB
<b>Financial Instruments</b>	Loans EPC Financing (Off- balance sheet solutions)

## Results

The MLEI Cambridgeshire project has delivered €18.05 million worth of low carbon energy projects by the end of August 2015.

There are currently two types of investment projects:

- Building retrofits of energy efficiency measures and renewable energy to public sector sites: schools, offices, libraries, leisure centres and other buildings
- Larger scale renewables projects including a 12MW Solar photovoltaic farm to be built on County Council-owned land.

## Contact details

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## Factsheet

### General Info

Country	UK
Model Name	Cambridgeshire MLEI
Date of creation	August 2012

### Model Description

Ownership	Public
Program authority	Cambridgeshire County Council
Program delivery unit	Cambridgeshire Low Carbon Delivery Unit
Operating services	Marketing Facilitation Financial advice Financing Assessment
Implementation model	Energy Performance Contracting (EPC)
Type of projects	Energy Efficiency (building retrofits)

	Renewable energy
Beneficiaries	Public sector Schools Commercial buildings Community (renewables)
Geographical coverage	Provincial/Departmental

### Financial Model Description

Project funding	Public Private
Project funding vehicle	Investment funds
Financial instruments	Loans EPC Financing (Off - balance sheet solutions)
Repayment model	Guaranteed savings agreement

### Project risk Profile

Performance risk	ESCOs
Recourse	Not applicable
Financial risk	Investment funds

### Model Requirements

Staff Requirements	Low Less than 5 FTE
Equity or funding requirements	Low Less than 1 million € to seed fund the process

### Model Key indicators

Investment volume since creation	18,05 M€
Size of project (or project portfolio)	12 projects current investments with a pipeline of more than 20 further projects
Level of average energy savings	15% - 37%

### Development maturity

Development/implementation stage	Growth
Operational development maturity	Growth
Financial development maturity	Growth

### Model Qualification

Level of establishment	Few examples
Growth of potential	Moderate
Scalability of the model	Moderate
Replicability of the model	Moderate
Impact on public balance sheet	High

## Sources

<http://www.cambridgeshire.gov.uk/MLEI/>  
<http://fr.slideshare.net/SouthendCREST/mlei-presentation-cambridgeshire>

Jane Frank, Save money and improve your school, a proposal for Cambridgeshire Schools and Colleges, 03 March 2013

MLEI Communications Strategy

IEE, Mobilising Local Energy Investments in Cambridgeshire UK - Low Carbon Hub

MLEI Briefing: the project in a nutshell

Sheryl French, Ron D'Souza & Cherie Gregoire, Mobilising Local Energy Investment, Energy Performance Contracting for school's and public buildings, 23 February 2015

Sheryl French, Cambridgeshire MLEI, Brussels Contractor Workshop, 28-29 April 2015