



Glasgow City Council

Net Zero and Climate Progress Monitoring City Policy Committee

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Model for Climate Investment

Purpose of Report:

This paper provides Committee with a model for delivering climate-related projects through both a Delivery and Investment vehicle.

Recommendations:

It is recommended that Committee:

- consider the contents of the report;
- notes the required funding for the project of circa £4m; and
- refers the next steps to City Administration Committee for approval.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No

consulted: Yes No

1. Introduction

- 1.1 This report presents the proposed model for taking forward the investment required to realise the Council ambitions around heat decarbonisation and net-carbon zero.
- 1.2 There are two distinct parts to this proposal that require separate processes to be pursued but are inherently linked.
 - 1.2.1 The first is the *Delivery Vehicle* which will create the conditions that enable the private sector to work with the Council in bringing forward infrastructure projects that are within the Council's control, business case ready and investable.
 - 1.2.2 The second is the pursuit of a *Climate Investment Vehicle* for the city/city region that would be controlled externally. Similar vehicles have been created in other regions of the UK and consist of private finance consortiums. These often include pension funds, that commit to funding investable infrastructure projects which demonstrate a return on investment, often over a longer timeframe.
- 1.3 This report provides background to the policy work to date, summarises the Council's climate ambitions and details the work undertaken in understanding the various example models pursued by other UK cities. The report will then provide more detail on the proposed Delivery Vehicle in Glasgow and outline the work involved in creating a Climate Investment Vehicle. This report will also detail resource requirements, the required governance structures to deliver on these ambitions, how this work can strategically align current policies and the next steps and timeline for delivery.
- 1.4 This report has been created jointly by Economic Development and Neighbourhoods, Regeneration, and Sustainability, with guidance from colleagues in Legal Services and Corporate Finance. It has been developed following a process of collaboration with other UK local authorities to consider lessons learned.

2. Background

- 2.1 As detailed in the Climate Finance Report presented to the Net Zero and Climate Change Progress Monitoring City Policy Committee on 23rd May 2023 in response to Action 16 of the Glasgow Climate Plan, Glasgow is not short on climate ambition. However, it requires an estimated £40bn investment to mobilise that ambition and achieve the 2030 net-zero target.
- 2.2 The recommendations of the May 23rd 2023 report included an investigation into the Council's approach to developing a Climate Finance Model to address the shortfall in finance for projects, as well as managing the resource required for project delivery through innovative business models unlocking private sector investment.
- 2.3 The Pengwern Report, discussed at the Net Zero and Climate Change Progress Monitoring City Policy Committee on 23rd May 2023, details the various

investment models available, however, it is clear that a holistic approach is required in order to progress a model that works for Glasgow.

- 2.4 Glasgow has embarked on further investigation into how other Local Authorities across the UK are attracting private sector investment and delivering projects to achieve their net zero ambitions to inform our recommendations.
- 2.5 This report takes into consideration the work already commissioned by Glasgow as well as other net-zero focused interventions that could be included for the purpose of climate investment to ensure alignment.

3. Climate Ambitions

- 3.1 Glasgow declared a Climate Emergency in 2019, recognising the change in climate patterns, affirming the intent for Glasgow to be net-carbon zero by 2030. There was acknowledgement of the need to adapt to climate change at a local level.
- 3.2 Recognising the need to take urgent action the Council and city Partners published the Glasgow Climate Plan in 2020, setting out ambitions to reduce the city's carbon footprint, to address the causes of climate change and to avoid the irreversible and catastrophic effects.
- 3.3 The Glasgow Green Deal was created as the Council's programme for net zero economic transition, a nine-year action plan designed to transform the city's economy and address climate and ecological emergencies.
- 3.4 The Greenprint for Investment was launched in 2021, which not only provided an ambitious portfolio of investment projects, but also highlighted the requirement of over £30 billion investment required to complete the projects if we were to meet our net-zero targets.
- 3.5 Following COP26, Glasgow set out an ambitious Green Deal Outcomes Framework and Action Plan in November 2022.
- 3.6 At COP26 the Glasgow Pact was agreed by all 197 parties with a commitment to accelerating action towards the goals of the Paris Agreement and the UN Convention on Climate Change.

4. Example models

- 4.1 In an attempt to address the funding gap for sustainable projects a number of UK councils have adopted local Climate Investment models unlocking additional investment for cities. The nature of the models adopted, and mobilisation of the funding, is influenced by the assets considered in scope as there is a requirement for any model to be commercially viable to attract private partners.

4.2 *Delivery Model*

Following discussions with other Local Authority and combined authority areas in the UK, work has been carried out to understand the ways in which models have been developed. The Bristol Leap model is a public/private partnership between Bristol City Council and Ameresco Ltd, a private sector renewable energy and energy efficiency company, and is widely recognised as a leader in pursuing climate ambitions.

- 4.3 The Leap, with its own governance structure, is Bristol's approach to decarbonising the city with a stated ambition of investing £500m over 5 years, whilst mobilising private sector funding and ensuring that social value is achieved.

4.4 *Investment Vehicle*

As an alternative to the public/private partnership model, some Local Authorities have taken a city level funding approach, creating a fund for organisations to bid in to. The Greater London Authority (GLA) model, the London Efficient and Decentralised Generation of Energy Fund (The Edge) is an example of this approach. A partnership between GLA and Sustainable Development Capital LLP (SDCL) was developed with a £100m fund created that can be accessed through the submission of a full business case and allows organisations across the city region to be supported to become energy efficient.

- 4.5 An additional benefit of the GLA model is the variation of projects and ability to control the investment based on acceptance of level of risk. This model allows for additional markets to be opened with the possibility of local pension funds investing in climate projects extending the funds available for investment in the city.

- 4.6 The models as detailed above, although noted as foundational models, have been proven efficient in other UK cities who have taken a local view of the models.

- 4.7 Financial pressures on the Council and public sector funding alone cannot provide the investment required to achieve net-zero ambitions, Glasgow needs to think more innovatively about how to attract investment in the city to fulfil its ambitions.

5. **Delivery Vehicle**

- 5.1 In order to meet the city's net-zero carbon targets and address the climate emergency, Glasgow needs to take a strategic approach to control and manage investment in the city. This will involve investigating and implementing viable and appropriate business models and tools for the city and links directly to the Outcomes Framework within the Green Deal.

- 5.2 There is no one size fits all approach and it's important that any model clearly articulates what the city wants to achieve, what city assets are in scope for development, and what are the minimum requirements any model must achieve to be within scope. Defining this criteria is vital for taking forward engagement with the private sector.
- 5.3 Building on the recently approved Local Heat and Energy Efficiency Strategy (LHEES), which provides a clear direction for decarbonising heat and improving building efficiency in the city, a public private partnership or concession agreement will be explored. This could see investment in areas such as low/zero-carbon heat networks, renewable energy from wind and solar, energy efficiency, and smart energy systems but can be extended to other energy related projects.
- 5.4 A critical part of the project scope will be consideration of additional social value, community involvement and ensuring a Just Transition. The full scope will be determined through competitive dialogue with the market to ascertain the most commercially viable offer for the Council.

6. Climate Investment Vehicle

- 6.1 The creation of an investment vehicle for the city/city region would unlock access to capital from the private sector, as well as long-term patient capital from other sectors, such as Pension Funds.
- 6.2 The fund would help to address the funding gap as well as providing city partners with the opportunity to progress projects that otherwise may not be delivered. In addition, further mechanisms for appointing institutional investors will be assessed to allow for a more streamlined approach to mobilising investment opportunities.
- 6.3 It is important to note that any vehicle created would have a separate governance and decision-making process from the internal Delivery Model and, to all intents and purposes, operated in the same way as a Fund Management company. This means that projects led by city stakeholders out with the Council, such as those within the Greenprint for Investment, could be taken forward and funded once assessed on their commercial viability.

7. Resource Requirement

- 7.1 Acknowledging the complex nature of the project and the need to accelerate net-zero projects, a specialist team would be required to drive the project forward whilst ensuring that the decisions made now are future proofed for the Council.
- 7.2 It is important to recognise that, in order to pursue the correct investment model, whilst at the same time, protecting the Council against future risk, internal and external specialists in a number of fields will be required.

7.3 The cost of the team is projected as circa £4m over the 2-year period, split across internal and external resource. It is anticipated that £1.8m will be required for internal resources and a further £2.2m required for external expertise in areas such as legal and procurement support.

7.4 The internal costs have been calculated on the assumption that the job roles will be filled on a full-time basis. The external costs have been based on a 230 working day year for 2 years on a range of daily rates, ensuring there will be sufficient budget should additional specialists be required.

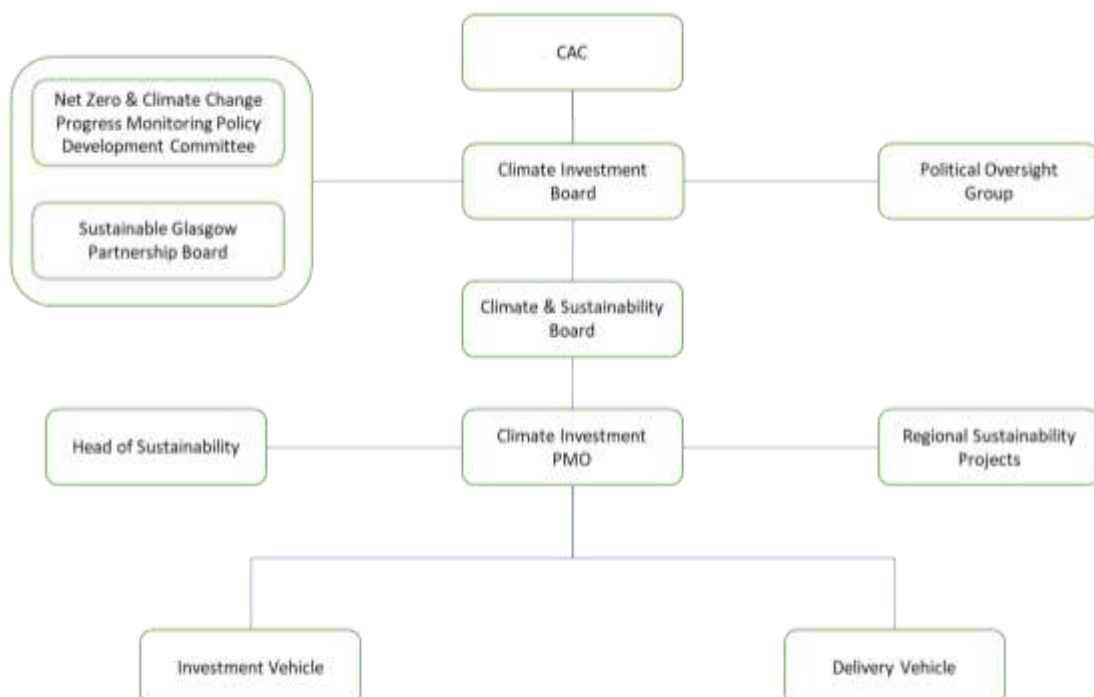
8. Governance

8.1 A critical part of setting up the Delivery Vehicle is ensuring the appropriate governance structures are in place. Central to this will be the establishment of a Political Oversight Group to take forward decisions being made. If approved, this model will straddle multiple administrations over a 10, 15 or even 20-year period. The Political Oversight Group will provide the necessary advisory capacity for the project team to maintain progress.

8.2 The project governance has been created to supplement the current Sustainability governance. Regular progress updates will be provided to the appropriate committees. As there are multiple links with other Council strategies and policies, the project team will continue to liaise with key contacts to ensure that any work being progressed is in accordance with these.

8.3 The project governance is shown in the diagram below:

Diagram 1: Project Team Overview



9. Strategic Alignment

- 9.1 A number of strategic interventions and policies have been noted for a starting point to justify the creation of the models. Members should note that the opportunity of extending to neighbouring Local Authorities should be left open for any decisions that Glasgow makes to ensure that the benefits are extended beyond the city where appropriate. Once the approach has been agreed Glasgow will commence discussions with regional partners to make them aware of our intended next steps.
- 9.2 The following list details the strategies and workstreams that will be considered for inclusion in this work:
- 9.2.1 [*The Local Heat and Energy Efficiency Strategy \(LHEES\)*](#) was presented to the Net Zero and Climate Progress Monitoring City Policy Committee on 7th November 2023, detailing where in the city heat networks can be a viable investment option, providing the timeline for delivery, and further defining the need for identifying an optimal commercial structure in order to progress the energy focused projects. Heat networks have been identified as critical infrastructure to decarbonise the city's heating supplies, achieve the net-zero carbon target, underpin a Just Transition through sustainable long-term jobs, and to provide social and health benefits. However, the co-ordination and management of heat networks should not be retained within the Council. Support is required from specialist heat network operators to co-ordinate their design, build, operation, and management. Due to the requirement for large scale investment and specialist support required, this work should be included in the wider decisions to progress towards net-zero as coordinated by the specialist team.
- 9.2.2 *Electric Vehicle Charging:* Discussions have commenced with Glasgow City Region with indicative information suggesting that a concession should be sought at a regional level. The need for decisions around this has been accelerated due to the removal of national funding support without inclusion of the private sector in a delivery capacity and the ending of the current Chargeplace Scotland (CPS) arrangement in late 2025. Although there is a strategic direction for the initial challenge in late 2025, there is still a necessity to remain sighted on the work to ensure that all avenues have been explored.
- 9.3 An important action in the Climate Plan is the Net Zero Route Map. This work, now awarded, has been refined to take into consideration the climate investment work being investigated. This work will establish the suite of projects required to achieve net-zero carbon by 2030 and identify the quantum of investment needed. This will also provide tools that allow for constant evaluation and scenario planning to take place, ensuring the evolving pipeline of works is developed with systemic benefits and impacts considered, whilst ensuring it remains up to date with evolving technologies.
- 9.4 The update to the Carbon Management Plan, created for the purpose of decarbonising the Council estate will also be taken into consideration. The work

done to date regarding the council estate on energy efficiency and retrofitting has been included in the discussions for adopting a model for delivery.

- 9.5 In addition, the Council intends to progress feasibility of at least five more sites for wind turbines. This work could be scaled up through identification of additional sites and with additional investment, thus providing additional renewable energy and revenue generation.
- 9.6 With a focus on the opportunities on supporting communities, the development of a Community Renewable Energy Framework needs to be considered in the package of works. This work enables communities to invest in ownership of renewable assets that could serve renewable power into the city, conceivably to Council assets and is consistent with the intention of encouraging additional social value which is included in the Community Energy works listed. Support through investment will be critical to the success of these projects.
- 9.7 The recommendations of the Just Transition Working Group, the Just Transition Skills Action Plan and the Just Transition Implementation Plan, will be key to informing the approach when evaluating both the approaches set out in this report. With a focus on re-skilling for the green economy the work will be directly impacted if there is no plan to provide the resource for new markets.
- 9.8 Although the above list is not exhaustive, any work being progressed within the climate theme will be taken into consideration for Climate Investment models and where necessary the relevant teams will be engaged.

10. Next Steps

- 10.1 The commercial offering is key to unlocking the private sector investment whilst ensuring that social value is also being achieved. A key component to the Glasgow project is further developing our understanding of the assets that the city can include, identifying key funding streams already on offer to the city, establishing key partnerships, and understanding the status of any sustainability projects to make an informed decision on how to best progress.
- 10.2 Although progress has been made investigating the models advanced by other Local Authorities, the Council needs to identify and implement the correct delivery model for the city. There are many lessons that can be learned from the Bristol City Leap Model, however, it is important that Glasgow develops its own, unique model.
- 10.3 Following referral by the Net Zero and Climate Progress Monitoring City Policy Committee, this paper will be taken to City Administration Committee to seek approval of the circa £4m. Upon successful approval of the budget, work will commence immediately on securing the resources set out in this report and undertaking the procurement process.

- 10.4 To take forward the *Climate Investment Vehicle*, the Executive Director for Finance and Senior Responsible Officers will have responsibility for overseeing engagement with investment companies to outline the scale of opportunity.

11. Policy and Resource Implications

Resource Implications:

Financial: *There are immediate financial implications to the report. There is a requirement to fund a specialist team to the value of £4m for 2 years.*

Legal: *There are no immediate legal implications arising from this report. Any legal considerations would come on development of a model that will be presented to committee.*

Personnel: *Additional external support has been requested as well as a dedicated internal staff resource for legal, procurement and finance.*

Procurement: *There are no immediate procurement issues relating to this report. Once assessed the model adopted will be progressed through the relevant procurement routes.*

Council Strategic Plan: This work underpins Grand Challenge 3 of the Strategic Plan on fighting the climate emergency in a just transition to net zero.

It also supports the reduction of poverty and inequality in our communities and increases the opportunity and prosperity for our citizens.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.

The focus of this report is to create a specialist team to deliver an investment vehicle and potential partnership to progress the climate plan actions. It will support the following outcomes 1, 7, 8 and 9.

What are the potential equality impacts as a result of this report?

The council's approach to progressing the sustainability projects at pace has the potential to open up additional job markets as well as

ensuring that there is more control over critical services, like heat.

Please highlight if the policy/proposal will help address socio-economic disadvantage.

This work will help address the socio-economic disadvantaged by creating upskilling opportunities from the net zero transition.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

This report supports the Climate Plan actions by providing an opportunity to match private sector funding with public sector funding to achieve the required actions.

What are the potential climate impacts as a result of this proposal?

This report will allow GCC to deliver projects at pace bringing us closer to achieving our Net Zero 2030 targets.

Will the proposal contribute to Glasgow's net zero carbon target?

Mobilisation and delivery of the projects within the Climate Plan will help us to achieve the Net Zero targets.

Privacy and Data Protection Impacts:

Are there any potential data protection impacts as a result of this report
Y/N

This report has no impacts on privacy or data protection.

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out

12. Recommendations

12.1 It is recommended that Committee:

- consider the contents of the report;
- notes the required funding for the project of £4m; and
- refers the next steps to City Administration Committee for approval.