

## ABERDEEN CITY COUNCIL

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COMMITTEE	Enterprise, Strategic Planning and Infrastructure Committee
DATE	4 September 2014
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	HyTrEc – Hydrogen Transport Economy for the North Sea Region
REPORT NUMBER:	EPI/14/229
CHECKLIST RECEIVED	Yes

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### 1. PURPOSE OF REPORT

The purpose of this report is to inform Committee of the decision to exempt the signing of a Letter of Intent with regard to a budget increase for the HyTrEc project from the Council's Standing Orders.

The Letter of Intent (LOI) was required to be submitted urgently to the EU's North Sea Programme in order to allow the Council to access additional grant funding and seek an increase the project's budget. The exemption was approved by the Chief Executive, the Head of Finance, and the Head of Legal and Democratic Services in accordance with Standing Order 1(6)(b).

The report also takes the opportunity to provide an update on the progress of the HyTrEc project.

### 2. RECOMMENDATION(S)

That the Committee notes the decision of the Chief Executive, the Head of Finance and the Head of Legal and Democratic Services to exempt, under Standing Order 1 (6) (b), the signing of a Letter of Intent and budget increase for HyTrEc from the requirement of the Council's Standing Order 1 (3): *"No tender shall be invited or contract entered into unless the total estimated expenditure has been previously approved by the Council. This requires specific Committee approval or the use of appropriate delegated powers. The allocation of a budget as part of the Council's budget setting process is insufficient."*

### 3. FINANCIAL IMPLICATIONS

There are no revenue implications as the increased budget will contribute to existing projects and be delivered through existing staff resources.

Participation in the HyTrEc project and its budget were approved by Committee on 25<sup>th</sup> January 2012 (EPI/12/028) and on 21<sup>st</sup> May 2013 (EPI/13/019). Due to underspend elsewhere in the partnership, an opportunity arose for Aberdeen City Council to increase its European Regional Development Fund (ERDF) grant and expand its activities in the project. Although the additional ERDF funds must have 50% match funding, no additional Council finance is required as the match funding will be sourced from external grants and from matching with existing Council projects.

The total HyTrEc budget approved by Committee (EPI/13/019) was €443,098. Through this expansion of activities, the total budget increases to €607,146, with 50% of this increase funded by the European Regional Development Fund grant and the other 50% match funding. With a total project budget increase of €164,048, this means that the match funding needs to increase by €82,024 or around £65,590. However this match funding sum is met by existing project budgets and other external grant and therefore **no additional Council finance is required** in order to access this additional European funding.

#### 4. OTHER IMPLICATIONS

There are no other implications.

#### 5. BACKGROUND/MAIN ISSUES

One of Aberdeen City Council's strategic hydrogen transport projects, the EU North Sea Programme Interreg project, HyTrEc (Hydrogen Transport Economy) has been active since 2012 and the Council's participation and budget was agreed by Committee on 25/1/12 (EPI/12/028) and on 21/5/13 (EPI/13/019). Aberdeen City Council is the lead partner of HyTrEc, responsible for overall project management on behalf of the rest of the partners. The increase in project budget is to support the expansion of Aberdeen's local hydrogen activities, not project management costs, which are covered by a project management fee paid by each partner.

The HyTrEc project supports the validation, promotion and adoption of innovative hydrogen technologies across the North Sea Region, aiming to enhance the region's economic competitiveness within the transport and associated energy sectors. The project provides a platform to support the collaborative development of strategy and initiatives to inform and shape the development of infrastructure, technology, skills and financial instruments to support the application of hydrogen based technologies across the region.

While the project includes some demonstration elements, including the trial of hydrogen vans in Aberdeen, HyTrEc focuses mainly on the strategy and policy aspects of rolling out hydrogen technologies. Alongside Aberdeen's other hydrogen projects such as the Aberdeen Hydrogen Bus Project, this gives the city a lead position in Europe in both policy and delivery in the hydrogen sector.

The project's partner organisations from the UK, Germany, Denmark, Belgium, Sweden and Norway are working together through HyTrEc to improve cross border collaboration, share best practice and support joint activities.

The opportunity to increase the ERDF grant has come about as a result of one of the project partners, HFC Co-operative Ltd exiting the partnership. The budget allocated to HFC is being redistributed to some of the remaining partners.

It is proposed that Aberdeen City Council utilises the extra HyTrEc grant funding by linking with and contributing towards other hydrogen projects in the city. This includes the United Nations Industrial Development Organisation's project in Aberdeen (see report EPI/14/149 3rd June 2014) and contributing towards the civil engineering requirements of the second hydrogen refuelling station being developed as part of the Aberdeen City Hydrogen Energy Storage project (see report EPI/13/266 21st January 2014). It is also proposed that some of the additional budget is used to procure additional hydrogen-fuelled vans as part of the Council's fleet. Two diesel/hydrogen hybrids were unveiled to the public as part of the North Sea Commission's annual conference which took place in Aberdeen on 26th June 2014

[http://www.aberdeencity.gov.uk/CouncilNews/ci\\_cns/pr\\_HydrogenVans\\_260614.asp](http://www.aberdeencity.gov.uk/CouncilNews/ci_cns/pr_HydrogenVans_260614.asp) . There is an opportunity with this funding to trial electric vans with hydrogen fuel cell range extenders. Match funding for this is being sourced from other external grant.

Key project activities and their current status are listed below:

- **Establishment of a North Sea Hydrogen Transport Stakeholder Group, and developing strategies and initiatives to create a fully functioning hydrogen corridor.** The Stakeholder Group was initiated at the project's mid-term conference in Hannover in April 2014. All project partners have been contributing their individual experiences and learning towards the development of a co-ordinated strategy document. This North Sea Region-level strategy is on course to be produced on time for the project's final conference in 2015. A parallel local strategy, which includes detailed action plans is under development in Aberdeen, with consultants Element Energy currently engaged to assist in this.
- **A transnational demonstration to improve the accessibility and connectivity of existing regional hydrogen corridors and supporting the development of hydrogen supply chain infrastructure.** This mainly involves the trial of vehicles, including the

two diesel-hydrogen hybrid vans that were launched during the North Sea Commission's Annual Conference in Aberdeen on 26<sup>th</sup> August 2014. The partnership are also working together to collect information on policy and regulation disparities across the region, which inhibit the further deployment of these vehicles.

- **Development of a North Sea Region education forum to identify skills gaps and develop training solutions.** The Education Forum has been running via a LinkedIn group since June 2013 and has around 60 members from around the globe. Draft training materials will be discussed at the project partners' next meeting in Norway on 10<sup>th</sup> and 11<sup>th</sup> September 2014.

## 6. IMPACT

Corporate – Smarter Environment, Smarter Economy and Smarter Mobility: HyTrEc is about supporting new technologies for a low carbon transport economy and enhancing the competitiveness of the city and of the wider North Sea Region.

Public – The increased grant is relatively small and will provide match funding to some existing planned projects. It is therefore unlikely to be of public interest, however the project activities that take place in the coming months are more likely to be of public interest.

## 7. MANAGEMENT OF RISK

As part of Aberdeen City Council's overall project management responsibility for HyTrEc, a risk log is monitored and updated on a regular basis, with key risks discussed by the project Steering Committee on a minimum three-monthly basis.

Had the decision to Exempt the Letter of Intent and budget increase from Standing Orders not been taken, there would be a risk that there would be insufficient time available to complete normal public procurement procedures. The delay would also have had a serious impact on our other project partners' ability to deliver their additional activities as their budget change requests must be submitted alongside Aberdeen City Council's as one partnership-wide procedure.

## 8. BACKGROUND PAPERS

There are no background papers to this report. However, further information on the HyTrEc project can be found on [www.hytrece.eu](http://www.hytrece.eu) and at [www.aberdeeninvestlivevisit/hydrogen](http://www.aberdeeninvestlivevisit/hydrogen).

## 9. REPORT AUTHOR DETAILS

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