

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	4 th December 2014
DIRECTOR	Pete Leonard
TITLE OF REPORT	HyTrEc – Hydrogen Transport Economy for the North Sea Region
REPORT NUMBER	CHI/14/069
CHECKLIST COMPLETED	YES

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 (26th November 2014) in order to allow the Council to access additional grant funding and seek an increase the project's budget. No additional money is required from the Council to access this additional EU money.

2. RECOMMENDATION(S)

That the Committee notes the decision of the signing of a Letter of Intent and budget increase for HyTrEc

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 25th January 2012 (EPI/12/028) and on 21st 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. This was reported to EP&I Committee on 4th September

2014 (EPI/14/229). A further opportunity has arisen at short notice, to increase Aberdeen's grant funding further. 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 the expansion of activities agreed in September 2014 (EPI/14/229), the total budget increased to €607,146. This new grant funding brings the budget to €757,146 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 €150,000, this means that the match funding needs to increase by €75,000. This match funding sum will be met by the Scottish Government's grant of £600,000 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), on 21/5/13 (EPI/13/019) and then on 4/9/14 (EPI/13/229). 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 underspending by one of the project's partners.

It is proposed that Aberdeen City Council utilises the extra HyTrEc grant funding by supporting the civil engineering works for Aberdeen's second hydrogen refuelling station, which is being developed as part of the Aberdeen City Hydrogen Energy Storage project (see report EPI/13/266 21st January 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.hytrec.eu and at www.aberdeeninvestlivevisit/hydrogen.

9. REPORT AUTHOR DETAILS

Yasa Ratnayake, Senior Partnerships, Performance and Funding Officer, yratnayake@aberdeencity.gov.uk 01224 523807, 07825733856