

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy & Resources
DATE	9 th June 2015
DIRECTOR	Pete Leonard
TITLE OF REPORT	Central Energy Efficiency Fund (CEEF)
REPORT NUMBER	CHI/15/185
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek approval from Finance, Policy and Resources Committee to continue with the CEEF as recommended by the Scottish Ministers and to task the Energy Management Team with managing the fund to ensure that it remains a revolving fund to deliver energy efficiency projects in Council properties.

2. RECOMMENDATION(S)

It is recommended that the Committee approves;

- The continuation of the CEEF fund retaining the same payback mechanism and monitoring regime previously used
- The Energy Management Team provides an annual update to Communities, Housing and Infrastructure Committee on the list of projects funded by CEEF and a summary of the energy and cost savings achieved as a result of the investment.

3. FINANCIAL IMPLICATIONS

The CEEF fund has assisted in delivering energy efficiency elements of various capital projects and in particular, improvements in energy efficiency for schools. Projects funded by CEEF have included boiler conversion from oil to gas, renewable heating, district heating installations and connections, building energy management systems, heating controls, lighting improvements including LED lighting and associated controls, loft insulation, pipe insulation and combined heat and power (CHP) units. A list of some of the major projects funded by CEEF is included in Appendix 2 of this report.

The CEEF fund is a revolving fund and therefore does not require additional annual funding from the Council. Projects that meet the CEEF funding criteria have a repayment schedule based on the energy savings achieved from the implementation of the energy efficiency project. Once the Capital sum is repaid over the payback period, all further energy savings for future years are revenue savings to the Council.

The financial risk of not retaining the CEEF fund is the loss of a revolving fund that supports energy efficiency projects across the Council. By not approving the retention of CEEF, the Council will not have an energy “spend to save” fund which contributes towards energy and carbon saving projects throughout the Council.

4. OTHER IMPLICATIONS

The CEEF funding contributes towards energy efficiency projects that deliver energy, cost and carbon savings.

5. BACKGROUND/MAIN ISSUES

In 2004, the Scottish Government announced the launch of a new Public Sector Energy Efficiency Initiative. Under this initiative, £20 million in new funding was provided across financial years 2004/05 and 2005/06 to implement energy efficiency measures and, from 2008, renewable energy measures, to reduce carbon emissions across the public sector in Scotland. The scheme applied to all Scottish local authorities and health boards as well as Scottish Water. Aberdeen City Council was awarded £565,370 of CEEF funding.

The Scottish Government's Central Energy Efficiency Fund (CEEF) has been a key vehicle for delivering energy efficiency and small-scale renewable energy measures across the public sector in Scotland.

The funding has been used to set up revolving funds administered at local level, per the terms of the original funding award, a copy of which is included in Appendix 1 of this report. The savings from energy efficiency measures implemented are then used to reimburse the fund and invest in further energy efficiency measures and to improve frontline services.

As set out in the original CEEF grant agreement, the terms and conditions of the fund expired on 31st March 2015, after which time there has been no obligation to report to the Scottish Government regarding carbon, cost and energy savings or seek approval for installing measures relating to the finances of the fund. Section 44 of the Climate Change (Scotland) 2009 Act places duties on public bodies relating to climate change which requires them to: contribute to carbon emissions reduction targets; contribute to climate change adaptation and act sustainably. The continuation of CEEF will contribute to the

Council's efforts to fulfill its' duties under the terms of the Climate Change (Scotland) 2009 Act.

To date, the Council has implemented 182 CEEF projects with a total capital cost of £1,482,789. The total annual energy savings achieved as a result of this investment are 14,369,410 kWh, which is equivalent to approximately £433,000. In addition, carbon emission saving of 3,271 tonnes of carbon dioxide with a carbon value of £40,000 has been achieved. A list of some major projects that have been financed through CEEF are in Appendix 2 of this report.

6. IMPACT

The CEEF funding delivers projects that are in line with:

Smarter City Vision
Sustainable Energy Action Plan (SEAP)
Carbon Management Plan
Council's energy reduction targets and key performance indicators
Carbon Reduction Commitment
Energy Performance Certificates

7. MANAGEMENT OF RISK

With the current financial monitoring and payback mechanism retained, the CEEF fund will be maintained at a manageable level to ensure a balance between the capital funding available and the level of repayments to be made.

Implementation of CEEF project approval criteria by the Energy Management Team will ensure that only projects that are viable on both energy and cost savings will be approved for CEEF funding.

8. BACKGROUND PAPERS

Appendix 1 – CEEF offer letter of grant dated 16th September 2004
Appendix 2 – List of example of CEEF projects
Appendix 3 – CEEF expiry letter dated 4th February 2015

9. REPORT AUTHOR DETAILS

Mai Muhammad
Energy Manager
mmuhammad@aberdeencity.gov.uk