

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy & Resources
DATE	1 December 2017
REPORT TITLE	FCHJU Fuel Cell Bus Commercialisation Project
REPORT NUMBER	CHI/17/260
DIRECTOR	Bernadette Marjoram
REPORT AUTHOR	Laura Paterson

1. PURPOSE OF REPORT:-

- 1.1 To update Members on current and future funds available to support the FCHJU Fuel Bus Cell Commercialisation Project (JIVE).

2. RECOMMENDATION(S)

- 2.1 It is recommended that Members:

- a) Note a confirmed contribution of £3,000,000 from the Scottish Government towards the project;
- b) Note the current position of the Bus Operator's Agreement and Financial Contribution;
- c) Approve participation in the Office of Low Emission Vehicles (OLEV)'s HTP Grants Programme to further develop the JIVE Project and, pursuant to such participation:
 - i) Submission of an application to OLEV to secure additional funding of £1,195,137 to support the development of the JIVE project;
 - ii) Expenditure of that grant funding and £1,792,000 from budget approved from the Non-Housing Capital Programme on 23 August 2017;
 - iii) The signing of or entry into legal agreement or other documentation, subject to approval by the Head of Legal and Democratic Services in consultation with the Head of Economic Development.

3. BACKGROUND/MAIN ISSUES

- 3.1 The development of the JIVE project was subject to financial contributions from external bodies as detailed at FPR Committee 9 March 2017.

- 3.2 The Scottish Government confirmed a financial contribution of £3,000,000 to support the implementation of the JIVE Project, in an Offer of Grant letter dated 23 March 2017.
- 3.3 Procurement for buses is currently being undertaken. It is anticipated that a decision for the preferred supplier will be made in December 2017. The projected contribution from bus operators will be determined by this decision. The bus purchase forecasts may be lower than originally estimated which would result in higher contribution to the project. Members will be updated with the preferred supplier and contribution at future committee following this procurement process.
- 3.4 Officers were also instructed to investigate further external funding to alleviate the financial constraint on Aberdeen City Council to develop the project. The UK Government's Office for Low Emission Vehicles (OLEV) have launched a funding programme to support the development of hydrogen transport and refuelling stations. An application is being developed which would expand Aberdeen's existing infrastructure to cope with additional hydrogen vehicles. It is anticipated that the outcomes of an application will be known by January 2018.

4. FINANCIAL IMPLICATIONS

- 4.1 The project has budgeted costs of £7.2million and assumed grant support of £4.7million.
- 4.2 The Scottish Government has provided a grant of £3,000,000 to support the project.
- 4.3 Members approved an allocation of £2,500,000 towards the project from the General Fund Capital budget at Council on 23 August 2017.
- 4.4 A successful application to OLEV's HTP Grants programme would result in external funding of £1,195,137 to support the project. The remaining 60% would be invested from budget allocated from the General Fund Capital (£1,517,000) and the Hytrec2 project budget, which is funded by the Interreg North Sea Region Programme (£275,000). Participating in this programme would reduce the contribution by Aberdeen City Council appropriated from the General Capital Fund from £2,500,000 to £1,517,000.

5. LEGAL IMPLICATIONS

- 5.1 Entry into any grant agreement is subject to review and approval by the Head of Legal and Democratic Services in consultation with the Head of Finance.

6. MANAGEMENT OF RISK

- 6.1 Financial
The Projects, Partnerships & Funding Team have significant experience of working with external funding bodies, working with delivery teams to ensure

funding programme compliance which secures the payment of external funds. There should no financial risk should less funding be required.

Risk – Low

6.2 Employee

Staff who are involved in this project have the necessary Project Management skills attained through internal and external bodies.

Risk – Low

6.3 Customer/Citizen

Hydrogen transport significantly reduces noise and air pollution in the city which has a positive impact on the health of citizens.

Risk – Low

6.4 Environmental

The development of hydrogen technology offers transport options with zero emissions and reduction in harmful pollutants.

Risk – Low

6.5 Technological

The JIVE project aims to commercialise hydrogen fuel cell vehicles in Europe while the OLEV bid intends to create a market for the production of renewable hydrogen production in the North East of Scotland. The OLEV bid will reduce carbon emissions during the hydrogen production process which will ultimately reduce the price of the fuel, making it more attractive to consumers. Key Performance Indicators will be introduced to the project to measure these benefits.

Risk – Medium

6.6 Legal

All grant agreements are subject to review by the Head of Legal and Democratic Services in consultation with the Head of Finance. Only risk which may occur is if grantees fail to adhere to the grant agreement conditions.

Risk – Low

6.7 Reputational

Aberdeen is renowned as a European driver of hydrogen technology. The continued development of this technology ensures that the city maintains its international reputation as a leader in hydrogen technology.

Risk – Low

7. **IMPACT SECTION**

7.1 ECONOMY

7.1.1 This project links into the North East's Regional Economic Strategy: "Further diversification into alternative energy technologies must be accelerated to complement work already being undertaken in shale gas, tar sands, hydrogen

fuel cell supply chain opportunities, energy and carbon capture and storage and decarbonising food production.”

7.1.2 This project was detailed within the Strategic Infrastructure Plan as one of the projects with substantial direct involvement from Aberdeen City Council that contribute to economic growth. It will also offer many opportunities for joint working with partner organisations on projects. One of the key successes of the hydrogen projects to date is the public/private partnerships which have been developed. Without this collaborative approach the aims of Aberdeen City Region’s Hydrogen Strategy cannot be delivered. The External Funding Plan reinforces the importance of joined up partnerships at local, national and international level.

7.2 PEOPLE

This proposal will benefit both the operators and the general public in future by providing clean, quiet, zero emission buses and improving air quality in the city. This has a positive impact on the health and wellbeing of citizens.

7.3 PLACE

This project is of interest to the public in terms of the potential economic and environmental benefits that hydrogen and fuel cell technologies can bring to the City including job creation as well as air quality improvements. Significant local and national air quality benefits can be derived from the deployment of low carbon vehicles offering zero exhaust emissions, reducing harmful pollutants such as nitrogen oxides (NOx), sulphur dioxides (SOx) and particulate matter (PM₁₀).

7.4 TECHNOLOGY

This project also links Aberdeen City Region Hydrogen Strategy and the transport and energy priorities within Aberdeen – the Smarter City Vision to “define the image of an international 21st century energy city, leading a new leaner, cleaner, industrial revolution using the intensity of our social, business and community connection” and taking “a European lead in adapting new transport technologies” to “provide and promote a sustainable transport system, including cycling, which reduces our carbon emissions”.

8. BACKGROUND PAPERS

CHI/16/258
CHI/17/050
CG/17/084

9. APPENDICES

n/a

10. REPORT AUTHOR DETAILS

Andrew Win
Programmes & Projects Manager
andrewwin@aberdeencity.gov.uk
01224 523060

Laura Paterson
External Funding & Policy Officer
lapaterson@aberdeencity.gov.uk
01224 523082

HEAD OF SERVICE DETAILS

Richard Sweetnam
Head of Economic Development
rsweetnam@aberdeencity.gov.uk
01224 522662