

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth & Resources
DATE	24 April 2018
REPORT TITLE	Low Carbon Travel & Transport Fund
REPORT NUMBER	PLA/18/010
DIRECTOR	Steven Whyte
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Laura Paterson
TERMS OF REFERENCE	General delegation to committees – Items 3, 6

1. PURPOSE OF REPORT

- 1.1 This report outlines the outcome of Aberdeen City Council's funding application to Transport Scotland's Low Carbon Travel and Transport (LCTT) Challenge Fund to develop a low carbon refuelling station at the city's new Exhibition Centre and recommends acceptance of the funding as detailed in this report.

2. RECOMMENDATION(S)

- 2.1 That the Committee:-
- (a) Notes a business case to support participation in Transport Scotland's Low Carbon Travel & Transport (LCTT) Challenge Fund which has been approved by Capital Board and Corporate Management Team (CMT);
 - (b) Approves Aberdeen City Council's participation in the programme,
 - (c) Approves entering into a legal agreement with Transport Scotland for the purpose of funding the project;
 - (d) Approves the creation in the Non-Housing Capital Programme of a new project expenditure budget of £1,479,467 for the low carbon fuelling station at the new AECC, funded by the LCTT grant funding of £1,035,627 and a transfer of £443,840 from the construction inflation budget of the Non-Housing Capital Programme;
 - (e) Notes the details of low carbon utilisation in other regions.

3. BACKGROUND

- 3.1 Details of the LCTT Challenge Fund were presented to Finance, Policy & Resources Committee on 1 February 2018. Officers were instructed to report back on the outcome of the application and a business case was requested to be presented to committee.

- 3.2 A business case was produced for the project and presented to the Council's capital programme boards and CMT. The business case was approved and queries and comments made during this consultation phase have been incorporated into the attached business case – Appendix 1.
- 3.3 The business case outlines:
- 3.3.1 An announcement by the UK and Scottish Governments which will details their aim for the cessation of the sale of new diesel and petrol cars by 2040 and 2032, respectively;
- 3.3.2 National statistics, based on UK Government and Transport Scotland figures demonstrate that there will be a significant uptake of low carbon vehicles over the next decade. Government predictions and targets that 60% of all new vehicles will be low carbon results in an estimated 29,545 new low carbon vehicles in Aberdeen by 2030;
- 3.3.3 The opportunity to receive external funding of £1,035,627 through Transport Scotland's LCTT Challenge Fund to expand low carbon refuelling infrastructure in the city, which is identified as a priority in several key strategies including the Local Transport Strategy, Aberdeen City & Region Hydrogen Strategy and Action Plan and Regional Economic Strategy;
- 3.3.4 The new refuelling station will be strategically located at the new exhibition centre, expanding the region's low carbon network to include the west of the city which can be readily accessed via the AWPR;
- 3.3.5 The business model for the refuelling station which is anticipated to begin generating income by Year 4 of its operation.
- 3.4 Statistics from the European Commission demonstrate increased low carbon vehicle utilisation in a five year period from 2011-16. In EU Member states, clean vehicles accounted for 3.9% of new vehicle sales in 2011 and 7.1% by 2016. In comparison, Norway - which has a strong Ultra Low Emission Vehicle (ULEV) policy - has increased sales of low carbon vehicles from 2.7% in 2011 to 17% in 2016.

% renewable fuel vehicles	2011	2012	2013	2014	2015	2016
EU (28 countries)	3.9	5.6	5.9	6.5	6.6	7.1
Norway	2.7	3.0	3.3	6.6	8.8	17.0

4. FINANCIAL IMPLICATIONS

- 4.1 This project will have a capital budget of £1,479,467.
- 4.2 The maximum intervention rate of the LCTT Fund is 70%. This rate has been submitted in the application and a grant of £1,035,627 requested from Transport Scotland.

- 4.3 The remaining £443,840 required, representing 30% of the estimated capital costs, would be funded from the construction inflation budget of the Non-Housing Capital programme
- 4.4 Costs of the Refuelling Station were calculated from a feasibility studied completed at the end of 2016 by Urban Foresight consultants.
- 4.5 The first five years of operation of the new facility are summarised in the table below that indicates a budget surplus by Year 4:

	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Income					
Refuelling Fees	(19,934)	(29,433)	(42,342)	(57,488)	(74,373)
Expenditure					
Maintenance	49,500	49,500	49,500	49,500	55,500
<u>Operating Deficit/ (Surplus)</u>	29,566	20,067	7,158	(7,988)	(18,874)

- 4.6 It is anticipated that operating the site will result in a deficit in the first three years and surpluses generated from Year 4 onwards. The new AECC financial model has been through a rigorous due diligence process with internal and external teams, including independent financial advisors, who stated the financial model for the new AECC redevelopment was robust, realistic and achievable. It indicates that there will be sufficient revenue generated on site to offset any funding shortfall in the first three years of the low carbon fuelling station proposal.
- 4.7 The Business Model for this project is similar to the existing station at Langdykes Road, Cove. The AECC Refuelling Station will have lower revenue costs than the Langdykes Road model as hydrogen will be produced from the onsite AD Plant rather than bought from the electricity grid. Demand for this new site, as identified in the five year plan, will be generated by a car fleet which is expected to be in place by the time the facility opens. There is investment in new low carbon cars by public partners which will increase the city's fleet by the end of the year. In addition, an application to introduce low carbon pedelecs (bicycles with electric motors) is being developed. Potentially more funding can be applied for this year, including to the Office of Low Emission Vehicles (OLEV) and Interreg NWE programmes, to increase the city's low carbon vehicle fleet thus generating demand.

5. LEGAL IMPLICATIONS

- 5.1 In terms of the General Powers Delegated to Chief Officers, Power "23) Following consultation with the Convener of the City Growth and Resources Committee, to approve applications for, and to accept, grant funding, provided that the terms and conditions of such funding have been approved by the Chief Officer - Finance and the Head of Commercial and Procurement

Services before acceptance.” Therefore the Chief Officer - Finance and the Head of Commercial and Procurement Services will be required to review the Financial and Legal Terms & Conditions of the Transport Scotland funding agreement.

- 5.2 The terms of a legal agreement with Transport Scotland will obligate Aberdeen City Council to implement the funds by December 2019. Failure to achieve this target would result in potential reduction in the grant offered.
- 5.3 Whether Parliament will enact legislation and what that legislation might do to incentivise the purchase of ULEV vehicles or deter the purchase of petrol or diesel engine vehicles is purely speculative at this point. The announcements are not binding on the current government or successive governments.
- 5.4 It should be noted that the funding is EU based (from the European Regional Development Fund (ERDF)) and the implementation period for the proposal will start before the UK's exit from the EU on 29 March 2019 and will continue during the transitional period. A draft of the Withdrawal Agreement was published on 19 March 2018 with a final Withdrawal Agreement for the transitional period being anticipated for October 2018. The Withdrawal Agreement will govern the UK's position in relation to the EU during the period from 29 March 2019 to 31 December 2020, the transitional period. The current draft does not appear to provide specifically for the ERDF and whether it will continue to apply. There is a general provision that if a matter of EU law is not covered by the agreement then EU law will continue to have effect.¹ So it appears that the UK's access to the ERDF will not be affected during the period of implementation during the period of implementation. It should be noted however that although this is an agreed term, nothing is certain until it has been agreed and signed.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Failure for demand to materialise will result in an extended revenue deficit period	H	Continue to access funding and work with private partners to develop the city's low carbon fleet in initial years of this technology Promote technology to public through events and opportunities, such as through the city's car club

¹ Article 122 : <https://www.gov.uk/government/publications/draft-withdrawal-agreement-19-march-2018>

Legal	Failure to comply with grant agreement – such as inability to meet the project within said timescale	L	Contingencies are in place to ensure project milestones are realistic and will be met
Employee	Demand on resources	M	The application includes funding to support staff costs for managing this project
Customer	Lack of demand from customer may weaken financial sustainability of station	L	Scottish and National Government statistics demonstrate that 60% of new vehicles will be low carbon by 2030
Environment	The Energy Centre may not produce the levels of energy which are anticipated	L	A robust business model and plan has been developed to ensure the Energy Centre will meet demand.
Technology	There may be issues with equipment on station opening	L	A testing period is allowed for in the key project milestones
Reputational	Failure to deliver project could result in a loss of the city's reputation as a world leader in hydrogen technology	L	Project team have already successfully delivered hydrogen refuelling stations.

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	Delivers on LOIP primary drivers of: Investment in infrastructure; innovation; inclusive economic growth; and internationalisation.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required
Privacy Impact	Not required

Assessment	
<u>Children's Rights Impact Assessment/Duty of Due Regard</u>	Not applicable

9. BACKGROUND PAPERS

Aberdeen City Council:

CHI.17.135 – Low Carbon Travel & Transport Fund
 CHI.17.303 – Aberdeen City Region Hydrogen Strategy 2015-2025 Update
 Local Transport Strategy 2016-2021
 Aberdeen City & Region Hydrogen Strategy and Action Plan 2015-2025
 Powering Aberdeen Regional Economic Strategy

Scottish Government:

Draft Scottish Energy Strategy

European Commission:

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_ind_335a&lang=en

10. APPENDICES

LCTT Business Case

11. REPORT AUTHOR CONTACT DETAILS

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

Chief Officer:
 Richard Sweetnam
 Chief Officer – City Growth
 rsweetnam@aberdeencity.gov.uk
 01224 522662