



## West Midlands Combined Authority

### WMCA Board

<b>Date</b>	11 January 2019
<b>Report title</b>	Regional Energy Strategy
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<b>Report has been considered by</b>	Programme Board - 21 December 2018 C&WLEP Board - 26 November 2018 GB&SLEP Board - 13 September 2018 BCLEP Board - 21 May 2018 Strategic Economic Delivery Board - 7 June 2018 and ongoing reporting

#### **Recommendation(s) for action or decision:**

#### **The WMCA Board is recommended to agree:**

- (1) That the WMCA formally adopt the Regional Energy Strategy following the approval and endorsement of all three LEP Boards and the SED Board.
- (2) That within the Local Industrial Strategy, the Regional Energy Strategy is recognised as a key delivery mechanism and energy is identified as a cross-cutting infrastructure enabler of economic growth and social inclusion.
- (3) That the Mayor and WMCA should seek an Energy and Power Deal with Government during 2019 to take forward the Regional Energy Strategy and to institutionalise a regional delivery capability.

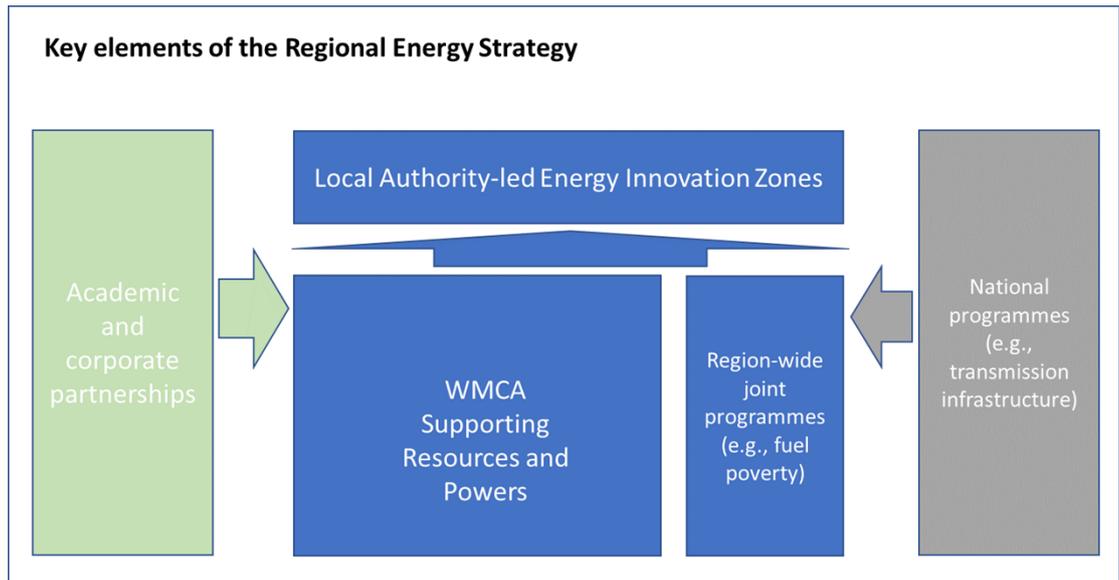
- (4) That the WMCA should fund development work to secure this Deal using available Investment Programme funds, subject to satisfactory business cases being provided.
- (5) That the SED Board continue to monitor and supervise delivery of the Regional Energy Strategy.

## **1.0 Purpose**

- 1.1 The Regional Energy Strategy is seen by constituent and non-constituent members as an important area where the WMCA can contribute significantly to regional economic growth, social inclusion, and environmental objectives. It has been subject to an open consultation and formal approvals through each of the LEP Boards, the SED Board and the Programme Board.
- 1.2 The purpose of this report is to complete and consolidate this process by seeking formal approval from the WMCA Board. This will enable the WMCA to progress detailed negotiations with Government to secure an Energy and Power Deal for the region.
- 1.3 Through the Energy and Power Deal, the WMCA should aim to secure the capacity and capability from Government to put in place the necessary permanent structures and resourcing, in consultation with members, to ensure on-going delivery of the Regional Energy Strategy.

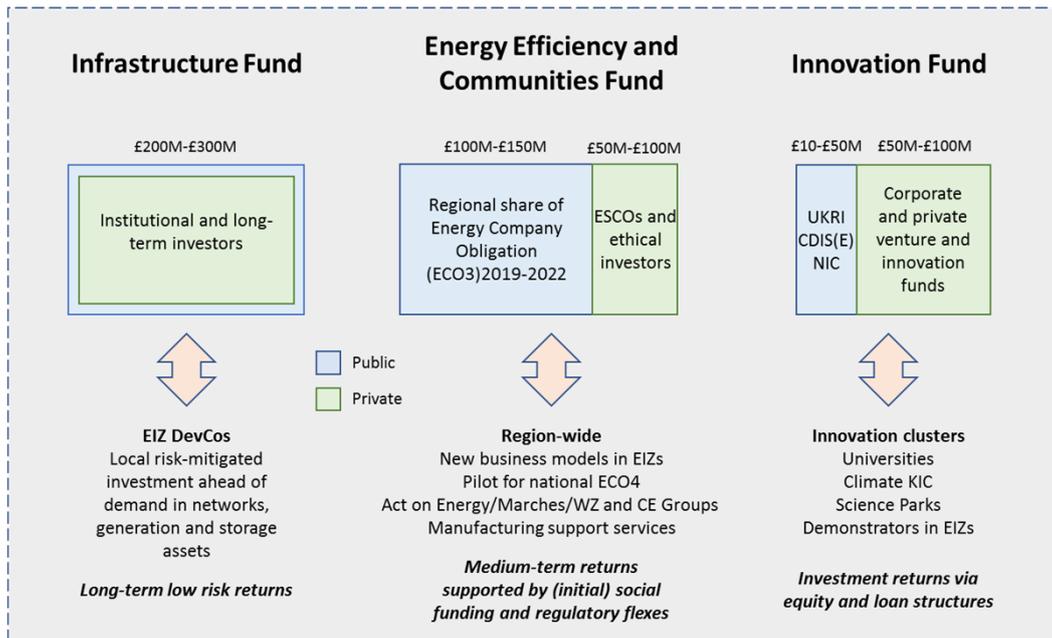
## **2.0 Background**

- 2.1 Energy was included within the original devolution discussions from late 2015 onwards. It accounts for over £8bn a year of regional spend and has a significant impact on business competitiveness and social inclusion. In particular, the Black Country proposed the concept of Energy Innovation Zones (EIZs). These create a mechanism for local governance of energy investments within a devolved regional framework (and the national regulated energy market context) and allow different local authorities and LEPs to focus on developing local energy infrastructure suitable for their specific needs.
- 2.2 The EIZ concept has now been taken up nationally. This puts the WMCA in a leading position to secure the best outcomes for the region with Government.
- 2.3 In 2017, BEIS part-funded the development of the Regional Energy Strategy, with the three LEPs working together through a joint Steering Group. Additional funding was provided through the Energy Capital Partnership, principally by the University of Birmingham, Energy Systems Catapult and University of Warwick. The draft strategy was published in March 2018 and consulted on through to May. It was taken to each of the LEP Boards and SED Board between May and November.
- 2.4 The Regional Energy Strategy has three key elements, summarised in the diagram below.



- 2.5 Energy Innovation Zones (EIZs) are controlled by local authorities. Four pilots have been identified across the region and additional ones are in the pipeline. EIZs are the fundamental building block of the strategy. They allow a technology-neutral and responsive approach, so individual LAs can focus on the infrastructure which best meets their needs (for example, energy from waste; grid reinforcement; smart vehicle charging, hydrogen etc).
- 2.6 The WMCA's role is to secure funding and powers to support the EIZs. Powers are particularly important in the energy sector as selective flexing of energy market regulation creates potential to attract substantial private investment.
- 2.7 The detailed processes for developing, approving and governing EIZs, including financing and value capture mechanisms, will need to be agreed with Government and the Regulator (Ofgem) as part of the Energy and Power Deal.
- 2.8 The Regional Energy Strategy envisages WMCA effort focusing on developing three specific funds (see diagram below). These will primarily focus on the EIZs, although domestic energy efficiency (fuel poverty) will be region-wide.

## Proposed Regional Energy Funds



2.9 There are two areas where the WMCA can support local authorities and partners on a region-wide basis.

2.10 The first is fuel poverty, where there is an opportunity to secure control of national regulated funding (principally the Energy Company Obligation) by working together. Scotland has already secured these powers and we are working with the GLA in seeking similar devolution in England. Officers from local authorities and other fuel poverty delivery agencies across the region have already come together to form a working group and have started discussions with BEIS on this topic.

2.11 The second area is energy infrastructure to support electric vehicles (where this is not already covered by individual LEPs and local authorities). The WMCA has a role in ensuring EV infrastructure planning and deployment supports the Industrial Strategy while taking into account wider developments in transport across the region and competing demands on the electrical infrastructure (e.g., from housing and manufacturing).

### 3.0 Next steps

3.1 The WMCA will work through the Energy Capital partnership, governed through the WMCA SED Board, to take forward delivery of the strategy. The priority is seeking appropriate devolved powers and funding from Government.

3.2 Development activities during 2019-20 will be funded using Investment Programme funding, subject to necessary approvals. Any recruitment beyond individual team leads for each of the proposed areas of strategic focus will be contingent on successfully securing investment funding for the region and subject to further approval from the WMCA Board.

#### **4.0 Financial implications**

4.1 Development funding for the Regional Energy Strategy during 2019-20 will not exceed £0.5M and will come from the Investment Programme Budget, subject to necessary approvals. Future work streams that come out of the proposed strategy will need to be considered on a case by case basis subject to funding.

#### **5.0 Legal implications**

5.1 No legal implications at this stage. Any legal, organisational or contractual issues and options arising from the creation of regional investment funds or EIZs will be reviewed by Legal.

#### **6.0 Equalities implications**

6.1 None

#### **7.0 Inclusive Growth Implications**

7.1 There are no direct inclusive growth implications arising out of the contents of this report.

#### **8.0 Geographical Area of the Report's Implications**

8.1 The strategy will have implications for both constituent and non-constituent authorities.

#### **9.0 Appendices**

9.1 A Regional Energy Strategy for the West Midlands, November 2018