



GLOBAL
CityFutures

Financing city-wide decarbonised heat networks

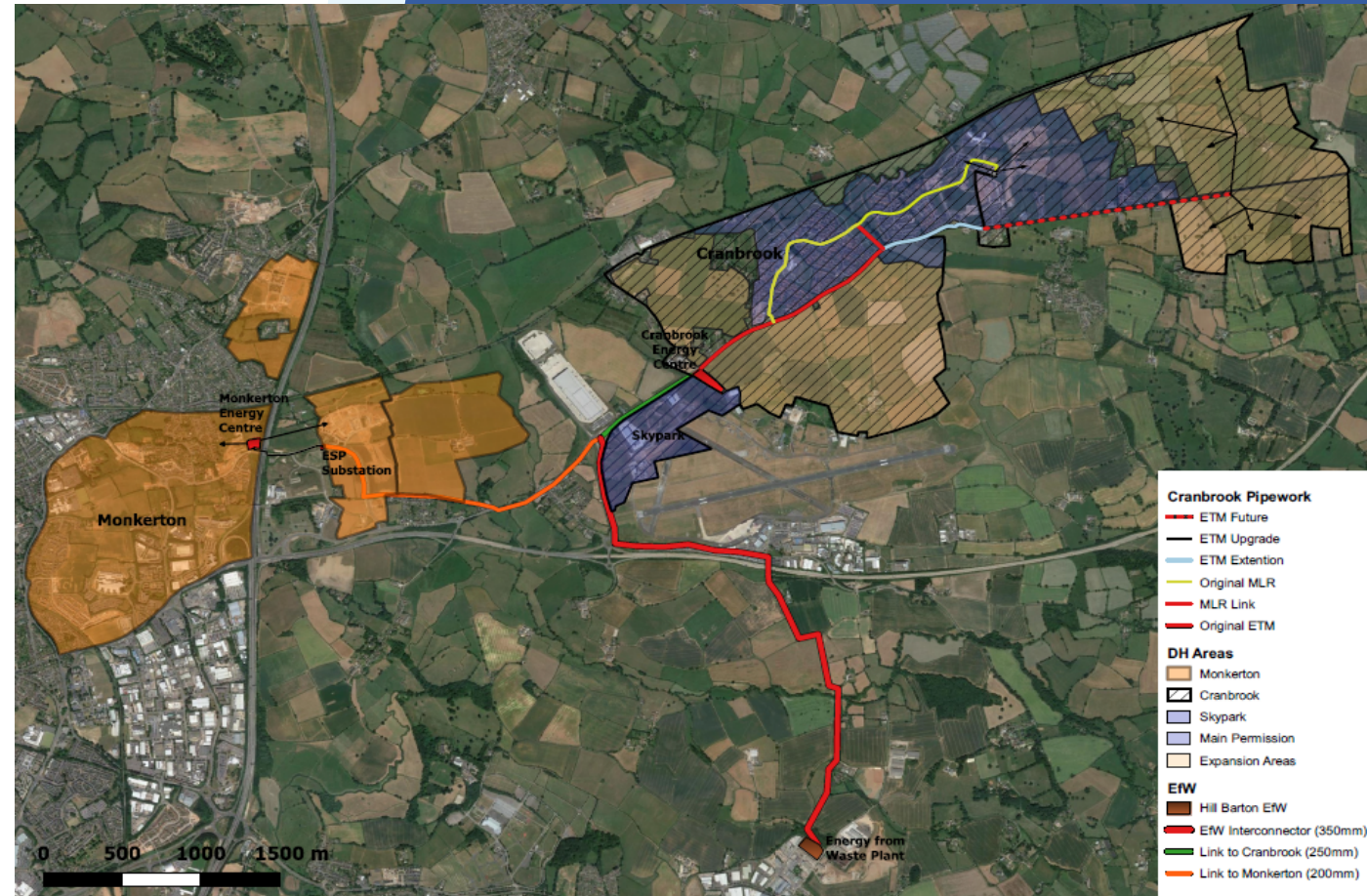


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➤ Exeter Residential Interconnector

- Cranbrook and Monkerton – 8,100 homes and 2.2million sq foot of commercial space
- 5,000 homes to come
- Interconnector pipe and distribution company owned by EDDC
- EfW supplied heat
- Eon bulk purchaser

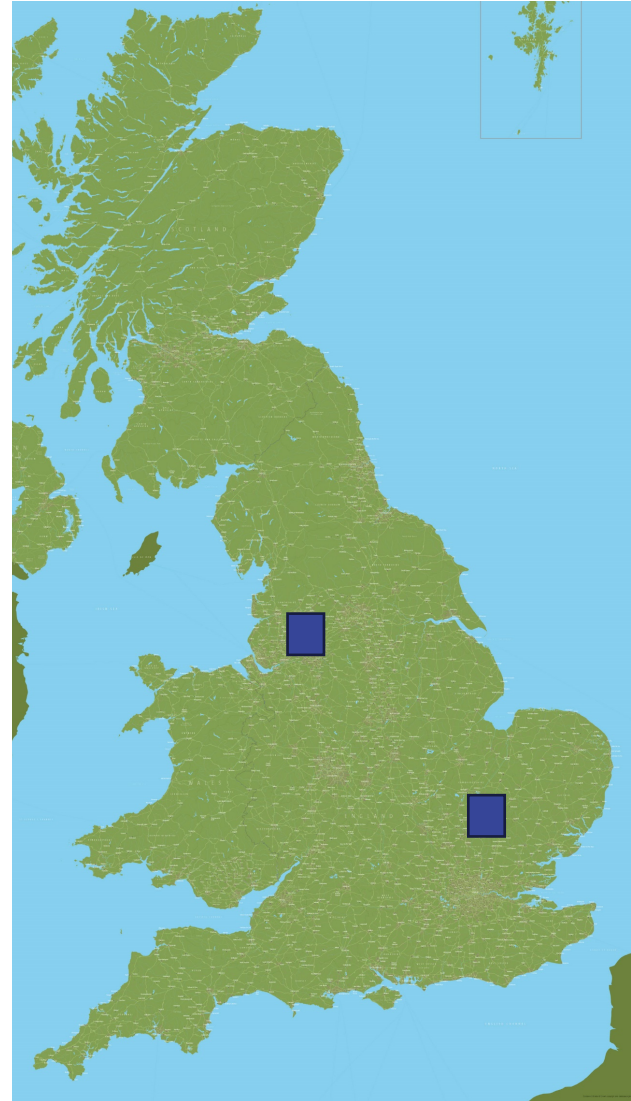


> Approaches to funding

- **Public sector sources of funding:**
HNDU, LCSF, PSDS, HNIP, GNHF
 - **GHNH - £288m capital investment programmed providing for the capital costs of heat networks**
 - **Since its inception, HNDU has run 12 funding rounds – awarding £33.8 million in total – and is currently running Round 13. Over 300 unique projects have so far been supported across 188 local authorities. Round 13 open till December 2023**
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> Other examples:

- Cambridge city-wide scheme
 - Council and University collaboration
 - Council-owned ESCo intended
- Stockport Council scheme
 - 29 identified heat off-takers
 - Council-owned ESCo intended



> Cross-public sector collaborations

- **Benefits**
 - Increased scale leads to lower heat price for all
 - Alignment of Net Zero strategies
 - Lower set up and governance costs
 - Easier grant applications
 - Heat Zoning
 - Eases balance sheet pressures
 - **Risks**
 - Pace
 - Misaligned expectations between institutions
 - Range of separate governance hurdles and gateways
 - Appetite to capital and borrowing acquisition
 - Squabbling with the neighbours
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> Understanding the funding market

- **Matching grants with investment**
 - Schemes with grants are typically more successful
 - **Schemes need to balance:**
 - **Capital investment (Costs of finance, D&B costs, O&M costs)**
 - Heat price to customers
 - Indexation regime
 - Connection charges
 - Standing charges and lease fees
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> The role of the public sector/ councils

- **Facilitators and policy levers**
 - Net Zero plan alignment
 - Regional leadership
 - **Anchor heat customer & procurement strategy direction**
 - Procurement leadership and control
 - Use of Council procurement function
 - Anchor tenant for heat solution
 - **Financially embedded ESCo incorporation**
 - Council owned ESCo investing in 'kit', providing heat to its constituent boundaries
 - Single source investment or partnership with private sector (JV)
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> Capital constraints and solutions

- Balance sheet problem
 - NHS Trusts have no capital nor can they enter into long term financial arrangements or leases
 - Many councils do not have borrowing capacity
 - Solutions:
 - Understanding the NHS accounting and budgeting regulations
 - Appropriate commercial structuring to manage accounting consequences
 - Heat price setting to recover full investment
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> TRIED AND TESTED PROCESS

- Understanding the key workstreams:
 - Technical options appraisals for decarbonised heat solutions
 - Outline Business Case and Financial Modelling
 - Funding applications (e.g. GHNF)
 - Governance and approval gateways
 - Full Business Case
 - Procurement and commercialisation
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