

**Written evidence to The Business, Energy and Industrial Strategy Committee
on net zero governance.
Submitted by UK100.**

Executive Summary

UK100 is the only network for UK locally elected leaders who have pledged to play their part in the global effort to avoid the worst impacts of climate change by committing to becoming Net Zero before the end of the decade. It brings together local authorities, from cities to the countryside, across all political parties, to share knowledge, collaborate, and collectively advocate for more acknowledgement of and support for their seminal role in delivering Net Zero.

UK100's submission to this call is based on our growing evidence base for local Net Zero delivery. Of particular relevance to this submission is the '[Power Shift](#)' report, released in May 2021, which is the most comprehensive examination of the duties, powers and policies available to local authorities and combined authorities in England. **The key recommendation of this report was the need for a Local and National Net Zero Delivery Framework.** As with the [Climate Change Committee](#) (CCC) and [National Audit Office](#) (NAO) recommendations - it highlights the seminal role that local authorities must play if the UK is to reach its Net Zero targets. A second report which investigates what a Net Zero Delivery Framework could look like and operate is due to be published in October 2021. The emerging findings of this report are reflected in this submission.

In July 2021, UK100 and the West Midlands Combined Authority (WMCA) convened local leaders for an International Net Zero Local Leadership Summit. UK100/WMCA published a [communique](#), signed by 32 leaders.¹ It identifies the essential role that Metropolitan combined authorities, cities and local authorities are playing in ensuring the UK meets its Net Zero target by 2050. It proposes a new, enhanced partnership between the UK government, devolved governments and regional, city and local authorities to accelerate the transition to Net Zero. This enhanced partnership is built upon six priorities for immediate action (Financing the transition, Decarbonising transport, Decarbonising homes and buildings, Energy, Nature and Local powers).

¹ Including: Cllr Georgia Gould, Camden Council, Cllr. Ian Courts, Solihull Council, Mayor Dan Norris, West of England, Cllr Linda Taylor, Cornwall Council, Cllr Nick Forbes, Newcastle City Council, Cllr David Mellen, Nottingham Council, Cllr Richard Clewer, Wiltshire Council, Cllr Huw Thomas, Cardiff Council, Mayor Andy Burnham, Greater Manchester, Cllr Lezley Picton, Shropshire Council, Cllr Nicholas Rushton, Leicestershire Council, Cllr Richard Leese, Manchester City Council, Cllr James Lewis, Leeds City Council, Mayor Jamie Driscoll, North of Tyne, Cllr Susan Brown, Oxford City Council, Mayor Steve Rotheram, Liverpool City Region Cllr Kevin Guy, Bath and North East Somerset, Mayor Marvin Rees, Bristol, Cllr Ian Ward, Birmingham City Council, Mayor Andy Street, West Midlands, Cllr David Hitchiner, Herefordshire Council, Cllr Lucy Nethsingha, Cambridgeshire Council, Mayor Tracey Brabin, West Yorkshire, Cllr Phelim Mac Cafferty, Brighton and Hove Council, Cllr Toby Savage, South Gloucestershire Council, Cllr Donald Davies, North Somerset Council, Cllr Doina Cornell, Stroud Council, Mayor Damien Egan, Lewisham, Cllr Susan Aitken, Glasgow City Council, Mayor Sadiq Khan, Greater London, Cllr Chris White, St Albans City and District Council.

Selected recommendations:

- A Local and National Net Zero Delivery Framework is fundamental to determining local authority roles and responsibilities in reaching Net Zero
- The Net Zero Strategy should contain a routemap for Net Zero outlining the key dates and policies that will be put in place through to 2030 and 2050. It must contain a framework for local delivery
- Following the development of a Delivery Framework, **a Net Zero Local Powers Bill**, which permits, obliges and supports relevant levels of authority to undertake climate change action to satisfy the Climate Change Act, meet carbon budgets and deliver an effective pathway to Net Zero should be introduced through primary legislation.

UK100 responses

1. What are the key requirements for a governance structure that can deliver cross-Government climate action at the pace, scale and over the duration required to meet the carbon budgets and the 2050 net zero target?

Given that over half the emissions cuts require decisions made at the local level, the [CCC](#) found that the Sixth Carbon Budget can only be achieved if Government, regional agencies and local authorities work seamlessly together.

The UK100/WMCA [communiqué](#) highlights that national policy and regulatory frameworks must be revised and coordinated to enable local, regional, national and devolved governments to work more effectively in partnership towards Net Zero and adapting to climate change.

The UK100 Framework Research which will be published in October 2021, will identify the core components required of a governance structure capable of delivering Net Zero. **The governance structure needs to provide a fair, consistent, political and financial framework for national and local government which cross-cuts policy areas and enables collaboration to work towards Net Zero.** It needs to ensure that roles and responsibilities are clearly defined, that adequate policy expertise is deployed across departments and local authorities, that provision is made for the sharing of information and data and that feedback mechanisms enable responsive and iterative policy development.

a) Are the Government's existing net zero governance structures effective in this role, both in terms of coordination across Whitehall, and coordination with the devolved administrations and local and regional authorities?

The UK100 Power Shift report identified a disconnect between department priorities at national and local level. BEIS has a focus on energy and fuel poverty, while MHCLG has a focus on house building in large numbers rather than supporting energy efficient homes and energy systems fit for the future, served by sustainable transport. The Treasury is not supporting stable Net Zero aligned funding schemes that could build a strong, skilled supply

chain of retrofit and energy systems jobs across the country. **There is no commonly Net Zero aligned message from across government that reaches local authorities, nor a single common point of guidance and support for local authorities wanting to act.** There is a hope that this will change as departments begin to focus on the recovery: aligning policy, clarifying communications and partnership working will help.

Local authorities are frequently overlooked on policy and strategy thinking where their insight is important to glean - for example there were no local authority voices on the Green Jobs Taskforce, which was a significant oversight.

The UK100/WMCA [communique](#) highlights that local and combined authorities are already leading in many aspects of the Net Zero agenda, but they could go so much further and faster if given the scope to do so. National policy mechanisms can actively work against local authorities making effective use of their potential to cut emissions, including overriding national policy priorities that lock-in carbon emissions, funding models that hinder low carbon choices, power gaps in place-based systems and entrenched or siloed decision-making that pitches low carbon options against other priorities. The UK government has yet to provide local leaders with the powers and resources to really deliver, **amounting to a system that is currently structurally incapable of delivering Net Zero.**

Individual government departments are acting and starting to coordinate between themselves. Ahead of COP26, the forthcoming **Net Zero Strategy must join up disparate departmental approaches and include local government to deliver at the scale and pace required by the UK's climate commitments.**

b) What alternative governance structures could be established to coordinate and deliver cross-Government action on climate change more effectively?

Following the Power Shift report highlighting the need for a **mechanism to ensure a productive, positive and delivery-focused relationship between national and local government to deliver Net Zero** the UK100 framework report will be released in October 2021.

Developed through extensive research and collaboration with national and local government representatives and others, the Framework is a system of eight components that, combined, enable national and local government to work effectively together with clear roles to develop policy and programmes, skills, capacity and finance that delivers across all emissions areas.

It focuses on the mechanics of a productive, positive and delivery-focused relationship between national and local government.

1. Joint Delivery Body: Delivery Board - a joint board of national and local government representatives and Delivery Unit - manages support programme, collects/analyses data, channel between local authorities, the Board and government departments.
2. Finance mechanisms: Funding mechanism to support Net Zero delivery via local authorities, including support to leverage private and business investment, create market confidence and enable local community action.
3. Definition of roles and responsibilities: An agreement on the most appropriate levels of decisionmaking and operational delivery for Net Zero, taking into account the wide range of

levers and powers that local government can use to influence climate action beyond their direct area of control.

4. Policy expertise: Net Zero Delivery Board workstream which enables national and local government representatives to discuss and operationalise policymaking at very early stages so it is most effective.

5. Capability and skills: Funded multi-year programme (min.5) equipping civil servants, MPs, local officers and elected Members to deliver Net Zero.

6. Agreed commitment: Local authority commitments to deliver Net Zero actions and outcomes within their area within a specified timescale. Greater central government funding and support for local delivery would follow commitments.

7. Shared information and data: Action-focused information sharing system between national and local government and between local authorities. 8. Feedback system: Formalised feedback loops, particularly re. blockages; but also opportunities for open and informal feedback about how components of the framework are working / could be improved.

A key priority in the UK100/WMCA communique is the introduction of a Net Zero Local Powers Bill which both permits, obliges and resources relevant levels of authority to undertake climate change action to satisfy the Climate Change Act, meet carbon budgets and deliver an effective pathway to Net Zero. The bill should be accompanied by appropriate policy and guidance which identifies public funding and potential private sector investment levers, and better cross-departmental alignment within government to support local areas that satisfy these obligations.

c) What metrics should the Government use to measure their progress towards net zero?'

The primary metric should be emission reductions - it is the only real indicator of progress - emissions must go down. There is a real priority to ensure that reporting is accurate and data is reliable as a first step. Secondary metrics to measure progress could include: Government investment in Net Zero, UKIB Net Zero projects financed, green jobs created in the UK as well as sector specific metrics such as: renewable energy generation, homes retrofitted, vehicle mode shift data, vehicle charging infrastructure provision, for example. HM Treasury should develop an estimate of financial return for emission reduction to be used as a metric for capturing the economic savings of delivering Net Zero.

2. What governance structures would enable HM Treasury to give greater priority to the net zero target and the carbon budgets in its financial and economic decisions? How could HMT better ensure that spending decisions contribute to achieving net zero in the long term?

Achieving Net Zero needs to be built into all spending decisions, but it is essential that additional resources are available to rebuild capacity to enable this shift.

UK100's response to this section is split in two parts:

- 1) The UK Infrastructure Bank (UKIB) and development capital
 - a) Accelerating the Rate of Investment in Local Energy Projects
 - b) UK100's Resilient Recovery Taskforce
 - c) The Net Zero Local Leadership Communique: Delivering a Net Zero UK
- 2) Local authority funding

1) The UK Infrastructure Bank and development capital

UK100 provides the secretariat for the APPG on Sustainable Finance. In collaboration with partners, UK100 has carried out extensive research on the policy framework that would enable finance to flow to clean energy projects in communities throughout the country.

a) Accelerating the Rate of Investment in Local Energy Projects

In July 2020, UK100 and Siemens published [Accelerating the Rate of Investment in Local Energy Projects](#). Words from our partners on the report:

“The report makes the case for national government to be an enabler of local government, and a shaper of markets, both local and national. It proposes smart use of public money to facilitate greater investment in our energy system that will meet the demands of decarbonisation, and meet our goals of health and wellbeing for our communities as well as essential economic recovery that works for everyone.”

Baroness Judith Blake, former Leader of Leeds Council and former Chair of UK100

“Siemens believes that local government leaders have a crucial role to play in decarbonising the UK and in the process delivering hundreds of thousands of new jobs across the country. Siemens estimates that more than £100 billion of investment in local clean energy schemes could be generated through local authorities, private capital and government investment working together on projects across the UK. Government funding should focus on programmes that can be delivered at scale.”

Carl Ennis, CEO of Siemens

The key recommendation from the report was that Government support for local energy Net Zero investment would be delivered most effectively through a new Net Zero Development Bank.

b) UK100's Resilient Recovery Taskforce

In July 2020, UK100 members published a [declaration of action](#) from Local Leaders and Mayors to the UK Government Spending Review consultation for a resilient recovery enabling ambitious local action towards Net Zero. The declaration called for:

Increasing local Net Zero investment by establishing a Net Zero Development Bank to bring together appropriate UK government financing for the transition to Net Zero and act as a catalyst for crowding in private finance. The bank should have both an obligation and the capacity to work with Local Energy Hubs and support local authorities to develop place-based Net Zero projects and programmes, leveraging additional private investment to kickstart local energy schemes which are at too early a stage to be attractive to private finance.

Following on from our research and declaration, UK100 was delighted with the Government's announcement in the March 2021 Budget of the creation of the UKIB with a dual policy focus to tackle climate change and support regional and local economic growth.

In order to help HM Treasury understand the opportunities and challenges faced by local authorities in delivering Net Zero investment, and to assist in the formulation of the local authority advisory function and Net Zero mandate of the UKIB, UK100 arranged two focus group meetings in April 2021 with a range of local authorities to discuss:

- their ambitions for local infrastructure, including their current project pipelines
- the obstacles they face in delivering projects
- what support the bank could offer to help overcome these challenges.

The focus groups identified the following areas of support the UKIB could offer:

- Innovative financing solutions: **The UKIB should work with local authorities to develop financing aggregation approaches that would help to reduce the cost of funding. Local authorities would welcome the UKIB as a co-investor, providing debt and equity alongside their own investment.**
- Project development support: UKIB support for project development needs to go beyond simply being a critical friend. **UKIB needs to develop financing approaches that enable local authorities to have technical and commercial resources to turn conceptual investment opportunities into investable projects.**
- Ensure that all government support is aligned to maximise local energy investment

The full insight and recommendations, alongside in depth case studies on selected local authority potential investment pipelines will be published in September 2021.

c) Net Zero Local Leadership Communique: Delivering a Net Zero UK

One of the six priority areas of the UK100/WMCA [communique](#) is Financing the Transition to Net Zero. It states:

Sustainable funding and financing is essential to create a new green marketplace and deliver action towards Net Zero. Ensuring that the UKIB has a Net Zero mandate that delivers local investment must be a priority, to support and enable local and regional projects and programmes. **The UKIB will have capacity to work with local, city and regional authorities to develop investable proposals for place-based Net Zero projects and programmes, and it should provide development capital and leverage additional private investment to kickstart local energy schemes that are at too early a stage for private finance.**

2) Local authority funding

The [NAO](#) and the [CCC](#)'s recent reports have been clear: the road to Net Zero cannot be realised without local and national governments working together.

Many local authorities interviewed for the **Power Shift** report cite the Treasury Green Book as an obstacle since it does not readily enable carbon savings to compete with gross value added or economic benefits when building a business case. Power Shift also identified that local authorities lack the means to align all spending coming from government with the wider plan for Net Zero in a local area. In recent years, Local Economic Partnerships (LEPs) have received funding from the Department of Transport (DfT), the Local Growth Fund. However,

some new funding streams post-Brexit and post-COVID will be routed through local authorities, such as the Levelling Up Fund. There is no indication yet whether this will incorporate a requirement to match funding against Net Zero, or whether the Shared Prosperity Fund will be similarly routed through local authorities. The competitive UK Community Renewal Fund offers support for pilot programmes in 100 places, and does require these to demonstrate how they contribute to Net Zero and wider environmental objectives. For local authorities, when funds are available that could support climate change actions, these are often competitive, announced with short notice, and need to be spent in a short length of time. The competitive element undermines potential co-operation and learning between local authorities. More cohesion between funding for Net Zero is required.

This is why a core strand of the proposed Local and National Net Zero Delivery Framework is the finance mechanism. This identifies the key priorities for improving local authority funding, including:

- Long-term funding mechanism (to 2035/2050) with multi-year agreements (similar to Salix or Public Works Loan Board (PWLB) agreements).
- Basic mechanism is non-competitive – available to all local authorities
- Potential combination of grant and loan funding
- Non-statutory (at least initially)
- Ring-fenced to delivery of actions in climate action plan, but with freedom for local authorities to choose how best to spend their climate budget as long as they can demonstrate a reduction in carbon emissions.
- Maximising synergies across interdependent infrastructures and services, for example, links between active travel and health (this should not entail cuts to funding, but flexibility to blend budgets and maximise co-benefits)
- Must demonstrate how this funding mechanism provides value for money compared with an un-coordinated approach
- Provides revenue support to build capacity in local authorities to help get to basic level of having a climate action plan – new plans must meet minimum standard
- Provides support to build capacity in other areas of a local authority e.g. increasing finance capacity to deliver green policies/investment
- Should be *supplemented* by competitive funds for specific actions e.g. pathfinder/innovative projects
- Opportunity for joint innovation between local authorities
- Sit alongside other funding and investment means: UKIB, PWLB borrowing, community bonds (small scale e.g. £1m at the moment), Impact investment, Environmental investment funds (e.g. GM's Environment Fund, Habitat Banking), Joint Ventures
- Should reference the Fair Funding Review, Levelling Up Fund, Community Renewal Fund (ahead of the UK Shared Prosperity Fund launch in 2022).

The full framework report will be released in October 2021.

3. What signals and support does business need from the Government in order to deliver cross-economy decarbonisation in line with the carbon budgets and the net zero target? What delivery function should Government provide itself and are relevant regulatory bodies mandated and resourced effectively to deliver on Government priorities?

a) How do policy and regulatory signals and support vary between Government Departments (and how have they varied over time)? How is this affecting business activity on climate change?

Power Shift highlighted that pilot programmes, demonstration projects and competitions are not good at delivering measures at scale. They generally do not demonstrate the true business case as they rely on grant funding for all the background project development and management costs and do not develop the capacity for other organisations to replicate them.

The Government needs to provide clarity on business models for Net Zero and provide (where relevant) support for innovation, commercialisation and trials at scale. Systematic long term programmes are needed to deliver wide-scale improvements and provide confidence in the supply market to invest in the skills needed.

b) Should Ofgem play a greater role in delivering on net zero and, if so, what changes are required to deliver this?

Delivery of Net Zero at pace requires collaboration and alignment of ambition between Government policy, regulation via Ofgem and private sector investment and delivery. As the economic regulator for gas and electricity markets, Ofgem already has an incredibly important role to play in the transition to Net Zero.

More attention is required in considering the leadership role of local authorities in delivering network transformation and **BEIS/Ofgem need to be planning for RIIO-ED3 now with Net Zero delivery and the role of local authorities in mind.**

Relating to the delivery of Net Zero energy, the UK100/WMCA communique calls for the establishment of strategic energy bodies, or similar mechanisms. **These should have the responsibilities and resources to address market failure in energy systems, with the mandate to satisfy Net Zero targets.** They should be resourced and responsible for local area energy planning which delivers whole system infrastructure, and informs Net Zero-led capital investment, at the most effective geographic level.

Please don't hesitate to contact us for any further information you might need.

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