



Implementing delivery mechanisms for financing London's low carbon future

January 2008

Copyright

The Crown and the Greater London Authority

January 2008

Published by

London Energy Partnership, c/o Greater London Authority, City Hall, The Queen's Walk, London SE1 2AA

www.london.gov.uk

enquiries 020 7983 4000

minicom 020 7983 4458

This report and other London Energy Partnership information is available on the LEP web pages which are available from:

www.lep.org.uk and www.london.gov.uk

ISBN: 978 1 84781 124 0

Cover picture(s): All copyright Shutterstock except top left which is use courtesy of Nigel Young, Foster + Partners.

Using/reproducing information

All requests to use or reproduce any part of this report should be directed to:

The London Energy Partnership Manager and the Principal Policy Officer for Energy, Greater London Authority, City Hall, The Queen's Walk, London SE1 2AA. Tel: 020 7983 4000

Written by

Ernst & Young LLP
Broadwalk House
Southernhay West
Exeter EX1 1LF
Telephone: 01392 284 300
Fax: 01392 284 302

The views in this report are the authors' own and do not necessarily reflect those of the London Energy Partnership or its member organizations.

Transmittal letter



Ernst & Young LLP
1 More London Place
London SE1 2AF

Private & Confidential

London Energy Partnership
Greater London Authority
City Hall
The Queen's Walk
London, SE1 2AA

11 January 2007

Dear Sirs

Implementing delivery mechanisms for financing London's low carbon future, on behalf of the London Energy Partnership

In accordance with our contract dated 01 December 2006, we have prepared our report in relation to recommendations for implementing selected delivery mechanisms in London.

Purpose of our report and restrictions on its use

This report was prepared on your instructions solely for the purpose of advising you on establishing the Low Carbon Advisory Service, Green Mutual (Green Co-Operative) and Rental ESCO delivery mechanisms for promoting low carbon projects in London. The report should not be relied upon for any other purpose. In carrying out our work and preparing our report, we have worked solely on the instructions of the London Energy Partnership and for the London Energy Partnership's purposes.

Our report may not have considered issues relevant to any third parties. Any use such third parties may choose to make of our report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. We agree that you may publish this report, but strictly on the basis that this transmittal letter is bound into the Report, and that we assume no duty of care or responsibility or liability whatsoever to the third party recipients in respect of the contents of the Report.

Scope of our work

Our work in connection with this assignment is of a different nature to that of an audit. Our report to you is based on inquiries of, and discussions with, management. We have not sought to verify the accuracy of the data or the information and explanations provided by management.

Our work has been limited in scope and time and we stress that a more detailed study may reveal material issues that this study has not. The findings and subsequent recommendations of this report are based on work carried out during the period between December 2006 and February 2007 and since this time, other initiatives may have been introduced in London, which have not been discussed in this report.

If you would like to clarify any aspect of this review or discuss other related matters then please do not hesitate to contact us.

Yours faithfully

Ernst & Young

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number: OC300001 and is a member practice of Ernst & Young Global. A list of members' names is available for inspection at the above address, which is the firm's principal place of business and registered office.

Abbreviations and definitions

The following abbreviations are used in this report:

4ps	Public Private Partnerships Programme
AIM	Alternative Investment Market
BERR	Department for Business, Enterprise and Regulatory Reform
CHP	Combined Heat and Power
CHPA	Combined Heat and Power Association
CIC	Community Interest Company
CLG	Company Limited by Guarantee
CLS	Company Limited by Shares
E&Y	Ernst & Young LLP
ECA	Enhanced Capital Allowances
EEC	Energy Efficiency Commitment
EIB	European Investment Bank
ESCO	Energy Services Company
DEFRA	Department for Environment Food and Rural Affairs
FSA	Financial Services Authority
GLA	Greater London Authority
LCAS	Low Carbon Advisory Service
LCCA	London Climate Change Agency
LDA	London Development Agency
LEP	London Energy Partnership
PFI	Private Finance Initiative
PPP	Public Private Partnership
PV	Photovoltaic
ROC	Renewable Obligation Certificate
SPV	Special Purpose Vehicle
TMO	Tenant Management Organisation

Acknowledgements

The authors would like to thank all those who contributed to this work. Special thanks go to the members of the LEP finance task force and the organisations that attended the workshop on 16 January 2007, with particular thanks to:

- Charles Smith, Partner, Brodies LLP
- Michael King, Associate, Combined Heat and Power Association (CHPA) / Chairman, Aberdeen Heat & Power / Chairman, Solent Sustainable Energy Ltd.
- Paula Kirk, previously Programme Manager, London Energy Partnership

Summary and recommendations

Executive Summary

This report continues the work of the London Energy Partnership (LEP) in identifying ways of financing low carbon projects in London. The work aims to promote three delivery mechanisms in which various individuals and organisations in London could participate and which could assist in overcoming some of barriers associated with these projects.

The three delivery mechanisms, which were conceived as part of Ernst & Young's previous work for the LEP in 2006, include:

- Low Carbon Advisory Service – a project advisory unit, supported by a panel of experts, assessing project feasibility, deliverability and the likelihood of raising finance for inexperienced or under resourced project owners in London
- Green Mutual – a bulk buying vehicle in which members pay an annual fee and in return gain access to knowledge sharing, free technical advice, public procurement advice and bulk-buying discounts on low carbon goods and services
- Rental ESCO – an extension to the traditional Energy Services Company (ESCO) model – which typically involves the supply of heat and power to end users – to include leasing low carbon technologies (including energy efficiency and micro generation) in return for a rental payment by users/tenant representatives

Recommendations

Through workshops, interviews and feedback received regarding the three financial delivery mechanisms outlined in this report, the general consensus was that each one had its merits and could play a useful role in delivering low carbon projects in London. Furthermore, it is suggested that all three mechanisms could be delivered through one staging vehicle; a London Low Carbon Service, which could offer the Low Carbon Advisory Service (LCAS), Green Mutual and Rental ESCO services, ensuring strategic cohesion and achieving economies of scale on shared functions such as finance and administration. Specific recommendations relating to the three delivery mechanisms are outlined below.

Low Carbon Advisory Service (LCAS)

- The LCAS should be an independent service, offering free and impartial advice to users – the selection and use of experts should include a screening process to prevent conflicts arising
- A range of technical advice could benefit users, in particular at pre-feasibility stage, assisting users define the problem and advise on possible solutions (including sustainable design, efficiency and technology measures)
- Financial and legal advice would assist project owners in raising finance. In particular, public authorities could benefit from advice relating to PFI procurement, prudential borrowing and other procurement rules
- Best practice advice, standardised documentation and knowledge sharing are seen as important services offered by the LCAS, both saving time and cost on projects
- Funding for the LCAS could be grant and sponsorship based, with appropriate procedures for dealing with conflicts if panel members contribute sponsorship funding

Green Mutual

- Feedback from workshop participants was positive about the Green Mutual, but it was felt that a lack of general understanding about the service could hinder its deployment. Key to its success is therefore a period of consultation, led by a Steering Group whose members might include a core group of housing associations and local authorities, and whose job would be to clearly define the scope and remit of the service so that it has clear vision and focus from the outset
- Of the services offered by the Green Mutual the most valuable were seen as being best practice and knowledge sharing, including product performance, efficiency and operational cost information
- A motivated, well-connected and experienced Chief Executive would have a major impact on the success of the Green Mutual. The Steering Group should therefore also consider the selection process and remuneration package suitable to attract a high calibre candidate
- The ability to learn from and work alongside other similar buying vehicles, such as the One Planet Product initiative, is seen as important and further discussions with these other organisations should be undertaken to identify ways of collaborating to bring low carbon solutions to London
- It is notable that all seven equipment suppliers interviewed as part of this report were interested in supplying to the Green Mutual. Negotiations would need to be carried out as early as possible with these and other suppliers prior to launching the Green Mutual

Rental ESCO

- The Rental ESCO could offer similar services as a typical ESCO – namely heat and power – with the added service of leasing low carbon technologies to users (including micro generation). Investment in infrastructure may be included, but the economics of such a strategy would need to be carefully considered when designing the project
- If the Rental ESCO is providing users with equipment on a finance lease basis, it would need to abide by the appropriate FSA rules, such as obtaining a Consumer Credit Licence and partnering with an authorised lender, in order to provide financial services
- Previous ESCO structures have shown that a progressive approach, taking discrete blocks of dwellings at a time into the ESCO, requires a strategic approach with adequate planning and consultation with users
- The target audience for the Rental ESCO should include leasehold properties, social and council housing, commercial and public sector buildings (such as schools), as well as the ‘able to pay’ domestic market. It may be appropriate to establish separate vehicles to meet the needs of each type of user, since the scope of services, payment structure and profit motive of the Rental ESCO is likely to differ between user types
- Identifying strong partners with complimentary skills is seen as critical to the success of the Rental ESCO initiative. The use of an LCAS or similar body could facilitate introductions to like-minded, qualified organisations maximising the likelihood of success of the delivery mechanism

Contents

1.	Background and scope	1
1.1	Background	1
1.2	Scope	1
1.3	Methodology	2
2.	Low Carbon Advisory Service	3
2.1	Overview	3
2.2	Proposed remit of LCAS	3
2.3	Structure of LCAS	6
2.4	Key risks to the viability of the LCAS	8
2.5	Delivery	8
2.6	Funding sources available	9
2.7	Cost of establishing and running LCAS	11
3.	Green Buying Mutual	12
3.1	Overview	12
3.2	Proposed model	13
3.3	Key risks to the viability of the mechanism	15
3.4	Proposed organisational structure	20
3.5	Charging mechanism and scope of services	21
3.6	Outline of operations and budget	22
3.7	Launch strategy and action plan	24
3.8	Relationships with suppliers	25
4.	Rental ESCO	28
4.1	Overview	28
4.2	Proposed model	28
4.3	Rental scheme	29
4.4	Heat and power	29
4.5	Infrastructure	30
4.6	Key risks to the viability of the Rental ESCO	31
4.7	Best practice recommendations	32
4.8	Launch strategy and action plan	35

Contents

5. Conclusions and recommendations	36
Appendix A Low Carbon Advisory Service Questionnaire	37
Appendix B Green Mutual / Rental ESCO Workshop Questions	39

1. Background and scope

1.1 Background

This report has been prepared by Ernst & Young LLP (E&Y) for the London Energy Partnership (LEP). The objective of the report is to provide stimulus and guidance to individuals and organisations in London to set up and participate in a range of financial delivery mechanisms, which aim to facilitate low carbon projects in London.

By way of background, the LEP was set up following the publication of the Mayor of London’s Energy Strategy. This Strategy set a target to reduce London’s CO₂ emissions by 20%, relative to 1990 levels, by 2010, and achieve a 60% reduction by 2050. The LEP which works as an independent body, aims to assist in the delivery of these targets through broad collaboration across a range of sectors and organisations.

This report originates from an initial study undertaken by E&Y in 2006, following the work of SEA/RENUE in devising a range of carbon reducing scenarios to meet an interim carbon reduction target of 27% by 2026. In response to the work carried out by SEA/RENUE, E&Y proposed a range of financial delivery mechanisms that could be used by London stakeholders to implement low carbon projects. These delivery mechanisms aimed to overcome some of the barriers faced by project developers and individuals, including access to finance, capital issues and other non-financial barriers.

Low intervention	A project facilitation unit which assesses project feasibility, deliverability and the likelihood of raising finance (in a manner similar to the way services are provided by the 4ps to the local authority sector).
Rental scheme / utility-led ESCO	A Special Purpose Vehicle (“SPV”) investing in and installing low carbon solutions in return for an ongoing rental stream charged to users over the economic life of the relevant asset. The vehicle is suited to an Energy Services Company (“ESCO”) structure, and in particular the active involvement by UK energy suppliers.
Buying mutual	A co-operative or other mutual organisation whose objective is to provide low cost services and products for the benefit of members, through enhanced buyer power. This delivery mechanism is potentially suited to public sector bodies and non governmental organisations.

1.2 Scope

This work aims to develop the above delivery mechanisms further, by engaging with various stakeholders within the London community. It is hoped that the recommendations from this report will give the London Energy Partnership an indication as to the likely success of the delivery mechanisms. This report therefore suggests a target market, structure, scope and key issues for each delivery mechanism.

Background and scope

1.3 Methodology

1.3.1 Low Carbon Advisory Service

In December 2006, a questionnaire was sent out (see Appendix A), inviting over 100 public and private organisations across London to comment on the proposed delivery mechanism. Follow-up telephone calls were made to recipients and responses were generously provided by participants, by telephone, or by e-mail reply.

The aim of the questionnaire process was to market test the idea of the LCAS to a wide range of stakeholders including potential panel members, users of the service and entities that might oversee the LCAS. Participants were asked to comment on the proposed scope, membership and target audience of the LCAS, and give their thoughts on who might be well placed to oversee the service. The responses received were incorporated into the recommendations of this report.

1.3.2 Green Mutual and Rental ESCO

A facilitated workshop was organised and held at City Hall on the 16 January 2006. Invites were sent to a targeted group of public and private sector representatives with an interest in low carbon projects in London. The aim of the workshop was to debate and discuss the two delivery mechanisms. Interest in the workshop was high, and although attendance was limited to 30 participants, the session provided valuable market insight for this work.

The workshop was split into two sessions: the morning session, on the Green Mutual, included presentations from E&Y and Brodies LLP, followed by a facilitated discussion based around a series of questions (see Appendix B) aimed at generating debate amongst participants. The afternoon session included presentations from E&Y, legal insight from Brodies LLP and real-life experiences of Aberdeen CHP and the Southampton ESCO from Michael King of the CHPA. A similar format was employed and the results of the debate formed part of the recommendations of this report.

2. Low Carbon Advisory Service

2.1 Overview

A key barrier to low carbon projects is a lack of resource and often financial expertise in preparing business plans for presenting to potential investors.

The Low Carbon Advisory Service (LCAS) would comprise a number of specialist advisers to provide free and independent guidance and market testing feedback to organisations wishing to establish low carbon projects in London. It is envisaged that the LCAS would play a similar role to the 4ps (which offers procurement support to local authorities on Private Finance Initiative (PFI) / Public Private Partnerships (PPP) projects). The advisers will include technical, financial and legal experts, plus equity providers and lenders.

It is suggested that users of the LCAS would include the following user types:

- Local authorities
- Housing associations
- Public sector bodies such as schools
- Small, medium and large enterprises

We have carried out a market study to identify interest in the LCAS. Questionnaires were sent out and telephone interviews undertaken with potential users and anticipated advisers, as well as other bodies interested in low carbon projects in London.

Although participants believe that the LCAS would be insufficient to deliver the targets for carbon reduction alone, it is recognised that such a service could add value to projects and facilitate deployment of low carbon technologies in London. The LCAS could also raise awareness and stimulate demand for renewable energy technologies in London.

Respondents communicated some concern over possible overlap with the remit of the Carbon Trust or other public advisory bodies. Although the envisaged scope of services is different to that provided by these organisations, there is clearly a need to ensure they are not the same and to educate stakeholders about the various services LCAS could provide.

2.2 Proposed remit of LCAS

2.2.1 *Assessing project feasibility and deliverability*

It is proposed that the LCAS will offer free advice at the feasibility stage, whereby users will receive guidance on the chosen technology for each application, and the likely ability to deliver such a project.

Respondents suggested this advice may improve awareness of green technologies and the options available to reduce carbon emissions. One respondent commented that the LCAS should also be strategic, and should be engaged to outline the scope of a feasibility study, to ensure that developers set off on the right track from the start.

Low Carbon Advisory Service

A further task at this stage is to suggest ways to reduce energy use. For example, before implementing a combined heat and power (CHP) system, a housing authority should first consider better building design, behaviour changes, building insulation and other energy efficiency technologies.

2.2.2 Assessing suitable technologies

It is anticipated that the most likely renewable energy technologies for London would be medium scale CHP (preferably biomass fired), and small scale solar energy, ground source heat pumps and micro wind turbines.

Some respondents agreed that the LCAS should focus on proven technologies. Over time it should look to widen its portfolio to less mature technologies.

The majority of respondents suggested however, that new technologies should be considered at the outset, and that innovative technologies should be supported. LCAS could advise on the likelihood of financing less mature technologies, and whether their performance assumptions are realistic.

Local authorities could particularly benefit from advice and the sharing of best practices around existing and emerging solutions, including improvements to housing energy efficiency, setting innovative planning requirements and setting recommendations for community energy schemes.

The BedZed development by the Peabody Trust in Sutton demonstrates innovative building design and the use of new technologies. The project used a combination of solar energy, building design (to aid passive solar heating and reduce the need for air conditioning), improved energy efficiency, and CHP (biomass) to form a carbon neutral eco-community.

2.2.3 Project review at key stages of lifecycle



It is anticipated that the LCAS will offer advice throughout the lifecycle of projects, although different users will have different requirements depending on their experience.

Most respondents suggested that the LCAS would be most useful at an early stage of the project, especially when they have no experience in these types of ventures. Technical advisers could help with scoping out projects by suggesting the most suitable technologies through an options appraisal.

At the planning stage, experienced advisers can assist in creating a bankable business plan, and recommend ways of facilitating planning consent. One respondent suggested that this was the most important stage. Independent advice is often necessary in order to get proposed projects through the Board of Directors' investment appraisal process.

The input of lenders and equity providers in the LCAS would be desirable, although one bank expressed a desire to be remunerated for this role.

Low Carbon Advisory Service

2.2.4 *Providing feedback on business plans*

LCAS could provide feedback over the completeness of the business plan, and assess the assumptions on which it is based. Items to be considered would include:

- Financial assumptions and projected cash flows
- Technical feasibility, and planning issues such as considering grid connections
- Legal and tax structuring
- Regulatory implications
- Public procurement – advising on best practice for PFI/PPP procurement processes, prudential borrowing or other procedures

2.2.5 *Obtaining commercial finance*

Advice on the processes required to pitch to lenders would differentiate LCAS from other organisations such as the Carbon Trust, and Energy Saving Trust. The LCAS would be in place to provide commercial advice to users, to maximise the chance that users are able to obtain finance from banks on competitive terms. LCAS could, for example, provide an indicative term sheet to suggest appropriate financial ratios, profitability levels and debt terms for the projects. Care would need to be taken to ensure that the advice given would not require the LCAS to become Financial Services Authority (FSA) registered.

One respondent suggested that assistance with financing and tender preparation could also be within the LCAS remit.

Respondents suggested that help is needed regarding modelling long term cash flows, especially in relation to discounting. Financial expertise would help to demonstrate value in order to obtain bank financing, and although the remit of the LCAS would not include detailed modelling advice, given the regulatory implications of this (the LCAS is unlikely to be FSA registered) and the time cost involved in such work, such tasks could however be contracted out to an appropriate financial expert by the LCAS or the project.

2.2.6 *Promoting best practice and standardised documentation*

Standardised documentation for the development of new projects will aid users of the LCAS by transferring knowledge gained from previous experiences, provide a benchmark for new projects, and speed up project development by reducing administration.

Respondents suggested the following standardised documents:

- Road maps to implementation to ensure all parties understand all the options available to them
- Pre-qualification questionnaires – to assess project feasibility including assessment of payback periods, ongoing liabilities, carbon cost of construction
- Contract documents – these are time consuming to negotiate when establishing a project. A model agreement could be written by LCAS. It is suggested that these

Low Carbon Advisory Service

documents could be provided at a charge, rather than for free, as the time cost associated with creating them is extensive

- Promotional material for local communities to aid communication, including introduction to renewable energy and types of technologies to be introduced

Some respondents have raised concerns that standardised documents may be limited because the broad variety of projects likely to be undertaken. However, if standard project assumptions are established, some standard documents could be used.

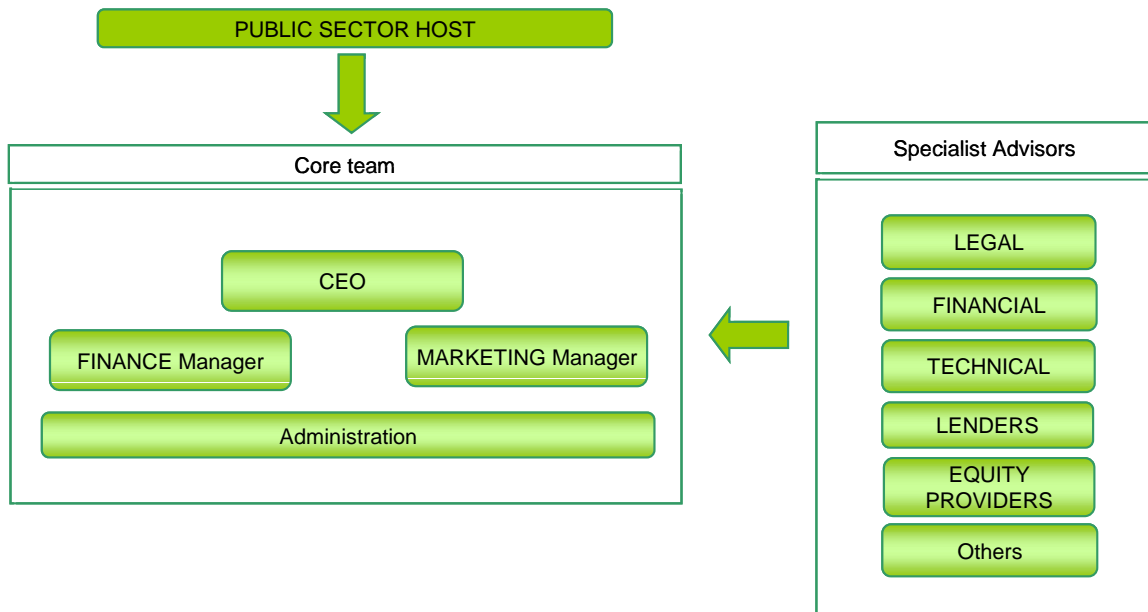
2.2.7 Training and development at strategic and project levels

Respondents have suggested valuable training could include:

- Advice on Government's current fiscal mechanisms such as the Renewables Obligation and the Climate Change Levy
- Advice on grant schemes available and how to complete applications to ensure optimal chance of success

2.3 Structure of LCAS

It is important that the LCAS is seen as an independent advisory body. For this reason, a public sector host, shown below, has been proposed to oversee the service.



2.3.1 Public sector host

It is proposed that the LCAS could be overseen by a public or quasi-public organisation (possibly providing funding support). Public or quasi-public bodies with a similar remit currently include:

- LDA – recently established an environmental support service which provides a one-stop-shop for businesses to access a network of environmental support

Low Carbon Advisory Service

providers in London, while also offering an online platform for providers and businesses to share knowledge, skills and experiences.

- LCCA – objective is to deliver projects that reduce greenhouse gas emissions in London. The LCCA will help to create a new, low-carbon, energy infrastructure for homes and businesses.
- 4ps – works with all local authorities to secure funding and accelerate the development, procurement and implementation of PFI schemes, public private partnerships, complex projects and programmes. 4ps provide hands-on project support, gateway reviews, skills development and best-practice know-how.
- Carbon Trust - The Carbon Trust supports the development of low carbon technologies, and helps business and the public sector cut carbon emissions.

It is suggested that the LEP should initiate discussions with these bodies to explore how the LCAS concept could be taken forward..

2.3.2 Core team

A core team of employees will help to drive LCAS forward and give it the right level of support on a day to day basis. It is suggested that this core team would include:

- Chief Executive – leads and promotes the LCAS through discussions with key stakeholders across London. Would need to be full-time employed by the LCAS and well remunerated to attract a high calibre individual
- Marketing Manager – a key position to increase awareness of the LCAS to users and differentiate the service from other similar bodies
- Finance Manager – may or may not be a full-time position, responsible for ensuring adequate financial controls and reporting are maintained by the LCAS and responsible for raising finance from public, private and grant financiers

2.3.3 Specialist advisers

LCAS would provide access to a network of specialist advisers, chosen for their proven skills and experience in low carbon projects. It is important for membership to be balanced amongst different types of panellist as it is imperative that the LCAS offers impartial advice to users.

Respondents raised concerns that certain “specialists” (especially in CHP) do not have adequate experience and cannot be relied upon. Organisations need to clearly demonstrate skills, offering robust credentials to evidence this. Organisations could be invited to bid for LCAS membership on a regular basis to ensure new organisations have the ability to be involved and that best value advice is obtained. The advisor selection process would need to be carried out by the LCAS Chief Executive, Finance Director and possibly a representative from the public body overseeing the service.

Other potential advisers suggested by our respondents include:

Low Carbon Advisory Service

- Utility companies – controllers of the distribution networks who already have experience in setting up new projects, though independence is queried therefore could provide only limited input, and not full-time membership on the panel. Utility participation would have to be balanced (i.e. more than one utility or none) to show no bias
- Those with previous experience in setting up low carbon projects – could come to seminars to share advice with other users of LCAS
- Specialist project managers – to ease resource constraints with users
- Carbon Trust / Energy Saving Trust or other similar quasi-public organisation

2.4 Key risks to the viability of the LCAS

Identifying and assessing an exhaustive list of key risks to the viability of the LCAS is outside the scope of this report. However, it is important to note that a separate business plan would be required when setting up the LCAS, and that this should include the key risks to the viability of the delivery mechanism, which might include:

- A lack of critical mass would make the LCAS untenable; a sufficient number of projects needs to be identified prior to launching the service to ensure an adequate pipeline of work and to attract sufficient investment from public and private bodies;
- Sponsorship paid by panel members may be perceived as a conflict, which may put off potential users of the LCAS service;
- Insufficient funding may be raised from public and private sources;
- Perceived lack of differentiation with other advisory services (e.g. the Carbon Trust's Carbon Management Programme). The LCAS would need to promote itself clearly as a facilitator to projects, providing free and impartial advice, with its target market focusing on SMEs and public sector bodies such as schools and hospitals;
- Lack of awareness about the service could be overcome by linking the service to key milestones such as the permitting process or grant programmes, to ensure that project developers are at least made aware of the LCAS and its service offering;

Note that this list is not exhaustive and there may be other important risks that need to be considered when establishing the LCAS.

2.5 Delivery

It is anticipated that the LCAS would offer advice to users on an ad hoc basis. A well-defined list of services would ensure that additional services could be provided by external advisers outside of the LCAS forum. Panel members may be permitted to bid for

Low Carbon Advisory Service

such work, which provides an incentive to attract well-qualified advisers on the LCAS panel.

Additional dissemination of information could be made available on a website, via conferences, thought leadership papers and newsletters.

The LCAS could host a regular seminar for users (e.g. local authorities and housing associations) to come together and share experiences on low carbon projects. This was raised by questionnaire respondents as potentially the most useful medium of delivery.

2.6 Funding sources available

An important aspect of the LCAS is that it should offer free, impartial advice, hence the funding sources should not jeopardise this. It is envisaged that panel members may be willing to pay sponsorship to sit on the LCAS. Conflicts would have to be managed carefully, such as by ensuring that all panel members bidding for work introduced to them whilst on the panel could only do so in an open tendering process.

Corporate sponsors, which might include banks, lawyers, financial advisers, technical consultants, as well as large corporates such as utilities, waste companies, heat providers and major retailers, would pay a fee in return for publicity, and possibly for assisting in providing some advice.

Indicative figures for income in the initial period of operation are suggested below.

	Year 0 (start-up) £000	Year 1 £000	Year 2 £000	Year 3 £000
Public body		30	40	50
Grants		50	50	50
Service sector sponsors		160	170	190
Corporate sponsors		60	100	130
Total		300	360	420

To maximise the use of the private sector and the skills available to the LCAS, a strong drive for corporate sponsorship would be necessary. If sponsors wish to act as panel members robust procedures would need to be put in place to deal with conflicts (a panel member / sponsor should not have any input into the decision-making process over areas for which they represent eg. an advisor cannot use the panel as a means of accessing projects without a formal tendering process).

Low Carbon Advisory Service

This level of funding would enable the LCAS to break even on the basis of the costs outlined below.

2.6.1 *Public Sector - Grants*

Public funding is likely to play a significant role in the initial stages of setting up the LCAS. Public bodies such as the London Development Agency (LDA) and the Department for Trade and Industry (DTI, now Department for Business Enterprise and Regulatory Reform, BERR) have funded similar vehicles in the past. The Carbon Trust for example is 100% publicly funded by BERR, the Department for Environment, Food and Rural Affairs (DEFRA) and the Devolved Administrations, and secured £105m in 2006/07. European funding could also be sought, and could make a significant contribution such as:

- *LIFE+* is the new financial instrument for the environment of the European Union. The priorities include climate change initiatives, particularly with innovative elements. Potential for LCAS funding since similar projects have been funded in the past (e.g. 'Carbon Assessment and Reduction in Regeneration Areas' run by the London Borough of Islington). While its first call for proposals closed in November 2007, further calls for proposals are expected in 2008.
- *Intelligent Energy for Europe (IEE)* – EU funding targeted at non-technological projects. Projects may be more likely to receive funding if they build upon projects already carried out under the programme. A significant part of the IEE award criteria is the level of partnering with other EU countries. One such project, 'PU-BENEFS', appears to have carried out work in a similar are to the LCAS, by creating and developing the market conditions for ESCOs in eight markets across the EU (the UK element involved establishing a North East London Energy Efficiency Centre). The LCAS concept may therefore have to be deployed in several cities across Europe in order to access the IEE funding. Alternatively, indications from the IEE programme administrators suggests that a project may receive IEE money if the lessons learned from a project can be easily disseminated to other EU cities to promote similar structures.

One respondent from the workshop suggested that additional resources could come from the third phase of the Energy Efficiency Commitment (EEC, now the Carbon Emissions Reduction Target, CERT) which runs from 2008 to 2011. The government is increasing the options available to consumers to reduce their energy demands, and may include micro renewables, smart metering and changes in behaviours. Some of this money could therefore be diverted to cover some of the costs of the LCAS in providing advice for low carbon projects.

2.6.2 *Private sources*

Panel members could pay the LCAS sponsorship, so long as conflicts were dealt with appropriately. Procedures relating to conflicts could include:

- Potential panel members and sponsors would need to go through appropriate procedures to detect and manage potential conflicts of interest;

Low Carbon Advisory Service

- Panellists would need to be screened to ensure that they had relevant experience, but equally access to the panel should be possible through an open and fair bidding process to prevent any party monopolising their position;

Corporate sponsors might be willing to pay £15k - £30k to the LCAS in return for publicity and possibly speaking slots at events organised by the LCAS.

2.7 Cost of establishing and running LCAS

It is envisaged that start-up costs would be incurred for the first six months of setting up the service and would involve staff costs for the Chief Executive and Marketing Manager in establishing the network of contacts across London, defining the proposed product offering and preparing publicity materials. Rent and other costs are likely to be incurred in the initial period of start-up, which would also include expenditure on a website, media and communications.

The indicative annual costs of running the LCAS have not been market tested, and are simply an illustration of the level of annual funding required to run the LCAS. It is clear that selection of a high calibre Chief Executive is critical. The salary costs below should be assessed against market rates for such a position in a London-based not-for-profit organisation before the LCAS is established. Other costs in the table have been increased sharply in Years 2 and 3 to reflect an anticipated increase in spending on media and communications to promote the service. Indicative costs for the LCAS are outlined below:

	Year 0 (start-up) £000	Year 1 £000	Year 2 £000	Year 3 £000
Chief Executive	40	80	84	88
Marketing Director	25	50	53	55
Finance Director	-	40	42	44
Administrator	-	30	32	33
Rent	20	40	42	44
Other costs	50	60	100	150
Total	135	300	353	414

3. Green Buying Mutual

3.1 Overview

A mutual or co-operative vehicle (the "Green Mutual") is proposed which will provide members with enhanced buying power for energy-related products and services.

Member benefits would include:

- Discounts and rebates on 'green' procurement such as micro generation and energy saving technologies
- Technical consultancy for organisations, or a free helpline for individuals
- Project management expertise
- Public sector procurement advice
- Best practice guidance, standardized forms and documentation
- Knowledge sharing with other members, including guidance on product and service provider performance

Membership to the Green Mutual would be open to all types of organisation, although restrictions are likely to be placed on the involvement of suppliers given the inherent conflict of interest that may result. It is suggested that membership would include but not be limited to the following user types:

- Local authorities (in particular tenant management organisations (TMOs))
- Public sector bodies such as schools
- Housing associations
- Small, medium and large enterprises
- Individuals

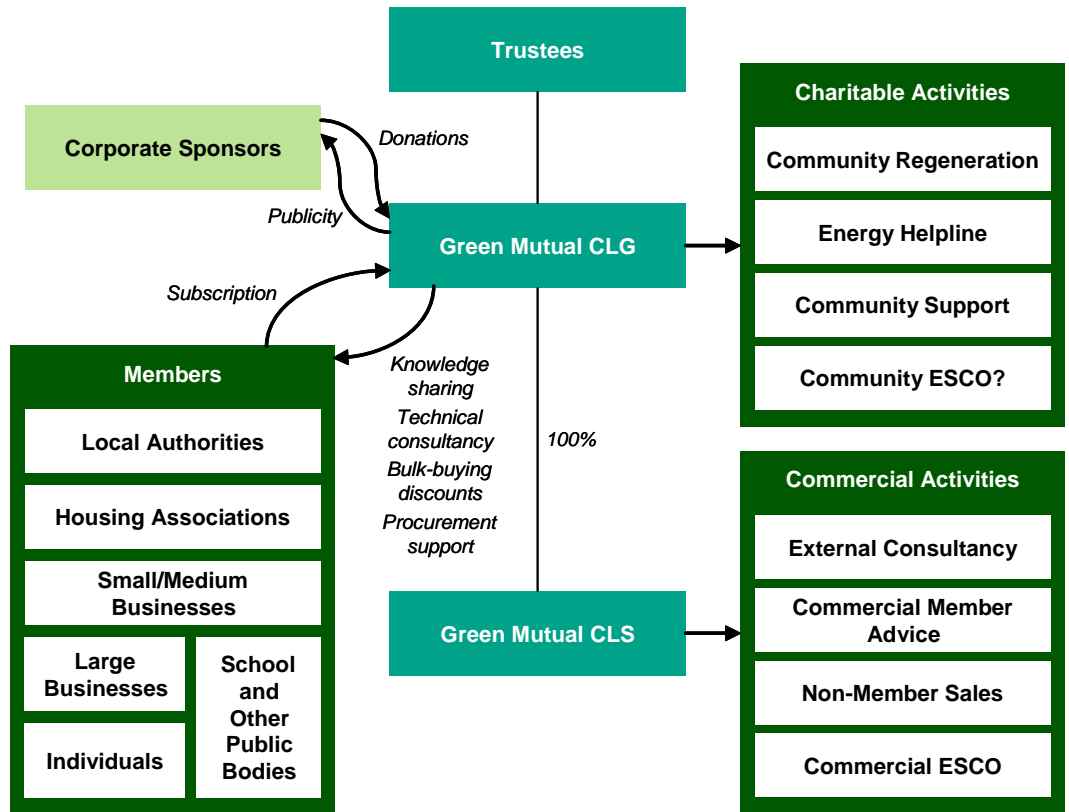
Corporate sponsors would be invited to contribute financially to the Green Mutual in return for publicity. It is not envisaged that these sponsors would gain membership, given that this may cause some conflicts of interest, particularly if these relate to potential suppliers to the Green Mutual.

Evidence from workshop participants suggests that there is a market for such a mutual organisation in London.

Green Buying Mutual

3.2 Proposed model

Whilst a range of legal forms are available for the Green Mutual, one proposed solution has been outlined below.



3.2.1 Proposed ownership structure

In order to meet the needs of London communities, in particular through its involvement in urban regeneration projects, a non-profit making company limited by guarantee (CLG) with charitable status would be established to focus on projects for the benefit of social and environmental good (these would be defined and agreed upfront with the Charity Commission).

A second separate company would be established to undertake commercial trading activities, such as technical consultancy and product sales to non-members. The company would be a trading subsidiary of the charity, the profits of which could be gifted to the CLG to further the charity's objectives. This subsidiary could be a company limited by shares (CLS) and would be subject to normal taxation and trading regulations.

3.2.2 Membership and stewardship

Membership in the Green Mutual would be in the CLG entity and would be made by way of an annual subscription fee. The bundle of rights associated with membership would have no monetary value and members' liability would be restricted to a nominal sum (say £1). The CLG would have no share capital and could not therefore pay dividends to members.

Green Buying Mutual

Membership in the Green Mutual would confer the following rights:

- Access to the Green Mutual discounts, consultancy, best practice and knowledge sharing activities
- The right to vote at General Meetings, to participate in decisions on the size, shape and scope of the company, including Director appointments, constitutional changes and membership criteria

Whilst the members of the Green Mutual will not be involved in day-to-day operational activities, they will oversee the activities of the organisation through an elected Board of Trustees. The independent, non-salaried Trustee Directors would represent member interests by setting the overall strategic direction of the organisation and implementing and monitoring appropriate internal controls to protect the long-term interests of members.

A salaried senior management team would have day to day responsibility for the operational activities of the Green Mutual. An organisational structure is outlined in Section 3.4 below.

Workshop attendees made it clear that the board of trustees should comprise a balanced mix of members, representing all member types. It is further recommended that the constitution of the board of trustees is incorporated in the memorandum and articles for the organisation.

3.2.3 Benefits of the proposed structure

The benefits of such a structure include:

1. Green Mutual CLG ("the Charity") will be able to focus on its core objectives, which will be incorporated in the Charity's Memorandum of Association ("the Memorandum"), and protects the interests of London communities through a not-for-profit approach
2. If properly structured, income generated by the Charity would be sheltered from corporation tax, providing it comes from solely charitable activities
3. The charitable status will be attractive to corporate and other sponsors
4. As a CLG and charity, the organisation may gain access to certain UK and EU grants that it could not ordinarily obtain as a trading company

Green Buying Mutual

Alternative structures may include:

Legal form	Description	Considerations
Industrial and Provident Society	A ‘bona fide’ co-operative, with equal voting rights for all members, restrictions on maximum contributions from members and restricted return on capital for members.	May be more time-consuming and more costly to set up. May be too restrictive. Structure does not lend itself to allowing for different member benefits for different member types.
Community Interest Company (CIC)	Activities must be carried out for the benefit of a community.	May be company limited by shares or by guarantee, or a public limited company (plc). Dividend payment is restricted. ‘Asset lock’ prevents CIC assets are permanently used to further the CIC objectives.

When considering the actual legal form for the vehicle, consideration should be made to the specific range of services, membership, fee structure and goals of the Green Mutual. A full analysis of the range of options available is beyond the scope of this study and it is recommended that proper legal advice be sought before making any decisions as to the final structure chosen.

3.3 Key risks to the viability of the mechanism

3.3.1 Failure to attract core membership

The biggest barrier to establishing the Green Mutual is the ability to raise sufficient funds to launch and continue to carry out its objectives. A core membership of local authorities and housing associations is proposed that would provide sufficient financial backing to launch the vehicle.

On the basis of workshop feedback, it is likely that the target market for core membership should specifically be targeted at TMOs within local authority bodies. Many TMOs are responsible for several thousand tenants but are able to make quicker decisions than the local authorities and would therefore be able to sign up to the Green Mutual quickly.

Core membership should also be targeted at the large housing associations, in particular the “G17” group of the 16 – 17 largest London housing associations who already combine to achieve some purchasing parity for certain goods and services.

Green Buying Mutual

3.3.2 Failure to launch

The success of the Green Mutual will depend largely on the quality and commitment of key members of staff. It is suggested that priority should be given to finding a suitable Chief Executive and core founding members of staff for the organization. A suitable incentive package could be applied to ensure that the vehicle is launched in a timely and cost-effective manner.

A steering group could be set up, which would comprise the Chief Executive, representatives from core member organizations and representatives from the Greater London Authority. The steering group would thus ensure the continued support of core members through the pre-launch period and would provide focus to operational management to complete the task in hand.

3.3.3 Failure to achieve critical mass

Sufficient investment should be made in a high-profile publicity campaign, which would clearly set out the objectives and benefits of the Green Mutual to prospective members. Workshop feedback on the whole was positive, though it was recognized that the success of the Green Mutual would largely rely on the motivation of a few key organizations (the core members), and on achieving a clear product offering to attract new members.

3.3.4 Lack of differentiation from other carbon-related organizations

Concern was raised during the workshop over the Green Mutual's ability to distinguish itself from other not-for-profit organizations in London and the UK. Examples raised during the workshop are included below. Note that this list is not exhaustive and it is recommended that further work be undertaken to look at other bodies with a similar remit to ensure that overlaps are minimized if it is in the public interest to do so.

Organisation	Scope	Implications
Green Building Council	The UK Green Building Council was launched in February 2007. Its goal is to provide focus and leadership for sustainable construction, helping to reduce the environmental impact of buildings by improving the way they are designed, built and managed. Key activities include advising on technical issues, conducting education and training, best practice dissemination and research. It aims to attract professional institutions, trade associations and specialist interest groups.	Focus is building design, but established membership base could be relevant to the Green Mutual services.
Helpco	HelpCo is a not-for-profit company, set up in 2000 with the support of local authorities in London, which aims to deliver services to householders, to tackle fuel poverty and combat climate change. Key activities cover scheme design and delivery, from the initial promotion of schemes, and assessment of eligible householders, through to installation, inspection and grant payment.	Does not provide bulk-buying discounts or technical consultancy. Limited to certain London boroughs and focus is mainly on grant support and low interest loans.
One Planet	BioRegional Development Group has launched a buyers club	Similar remit to the Green

Green Buying Mutual

Organisation	Scope	Implications
Products	<p>for sustainable building products called One Planet Products (OPP). This project is supported by WWF, BRE, DEFRA, the Housing Corporation and SEEDA.</p> <p>It is a mentor-owned bulk buying initiative specifically focused on sustainable and environmental products and materials. Its members are housing associations, private developers and contractors in the UK.</p>	<p>Mutual, though does not provide technical consultancy and offers a limited range of micro generation products (solar thermal). Has potential to work with Green Mutual to provide London-centric service.</p>
G17	<p>The G17 consists of 17 large housing associations working together to benchmark and knowledge share. This has led to a more consistent approach to monitoring and practice.</p>	<p>Not specific to energy-related products but potential as core members in Green Mutual</p>
London ESCO	<p>The London ESCO aims to design, finance, build and operate local decentralised energy systems for both new and existing development. It has been established as a private limited company with shareholdings by the London Climate Change Agency (19%) and EDF Energy (81%). The company will develop local decentralised energy solutions to London's power, heating and cooling needs.</p>	<p>Not relevant to Green Mutual as is aimed at developing specific projects itself, rather than assisting a range of project owners. Possible member of the Green Mutual to supply the ESCO.</p>
Solar for London	<p>Solar for London was launched in 2003 as collaboration between Sustainable Energy Action Ltd, The Energy Saving Trust, 25 London Boroughs, London Electricity and the GLA. It aims to bring affordable solar water heating systems into London homes.</p> <p>Key activities include negotiation of discounts through bulk purchase, providing advice and information on grants and discounts, arranging surveys and quotations, and implementing systems via its network of plumbers and heating engineers experienced in installing solar water heating systems.</p>	<p>Similar in remit to Green Mutual, though focused solar on solar thermal.</p>
Carbon Trust	<p>The Carbon Trust, limited by guarantee, was set up in March 2001 as part of the UK's Climate Change Programme. It aims to accelerate the transition to a low carbon economy by helping organisations reduce their carbon emissions and developing commercial low carbon technologies.</p> <p>Key activities include promoting and advising on reducing carbon emissions, investing in the development of energy efficient and low carbon technologies, and informing business, and government on effectively responding to climate change.</p>	<p>Advice and promotion activities similar to Green Mutual, but no bulk-buying, no end to end consultancy service and no membership. Possibility of support or involvement in Green Mutual.</p>
Energy Saving Trust	<p>Founded in 1993, EST is an independent not-for-profit entity, funded by the public and private sectors.</p> <p>Objective is to encourage more efficient use of energy, stimulate demand for 'clean' transport, promote small-scale renewables.</p> <p>Key activities include policy analysis, project management, independent information and accreditation, consumer marketing partnerships (eg Energy Efficiency Partnerships</p>	<p>Some similarities, although not as involved in projects as the Green Mutual and less direct access to other members.</p>

Green Buying Mutual

Organisation	Scope	Implications
	for Homes - see below).	
Energy Efficiency Partnership for Homes	<p>The Partnership established in April 2000, aims to achieve energy efficiency in homes and alleviate fuel poverty through engaging cooperation and collaboration within the supply chain for energy efficient products and services. It brings together over 400 organisations from across the private, public and voluntary sectors.</p> <p>A Steering Group, consisting of Partners oversee Partnership activities.</p> <p>Funding is received from DEFRA, while the EST facilitates the Partnership.</p>	membership could be targeted for the Green Mutual, or perhaps the Partnership is targeted as a potential body to set up the Green Mutual.

From the list above, the greatest synergies are between the Green Mutual and One Planet Products. The proposed remit of the Green Mutual is slightly different to that of OPP, most notably in the following areas:

- Green Mutual would promote all small and medium scale renewable energy technologies;
- Green Mutual would provide technical advice, from energy audit to specification and selection of products for a particular project;
- Green Mutual is targeted at a broader audience including public bodies such as schools and hospitals, as well as SMEs and individuals. OPP's members, however, are limited to housing associations, local authorities, housebuilders and developers (this was a strategic decision given the additional administrative burden associated with the individual/SME market);
- Co-ordination of projects to align timing of demand for technologies across several sites with that of supply. This would give suppliers greater visibility of demand, which may in turn lead to more competitive pricing/rebates.

It is suggested that the market for low carbon products is not yet mature enough to support two similar and competing buying vehicles in London, and that such a scenario would not be in the public interest. One option would be for OPP to extend the scope of its service in London to include the above services offered by the Green Mutual. This service, which may entail an additional membership fee from members, could result in a 'London Energy Service' element to the OPP Buying Club. With much of the ground work already done by OPP, this could result in a rapid deployment of the Green Mutual concept for London. Discussions should take place between the LEP and the OPP to determine how this could be taken forward.

3.3.5 *Inability to generate income from commercial activities*

The charging mechanism for members included in Section 3.5 has been designed so that the vehicle could fund itself almost entirely from membership income alone. Trading income, from seminars, consultancy and sales to non-members would therefore provide additional income to the Charity. The key reason for this is that as a registered Charity,

Green Buying Mutual

the Green Mutual CLG would not be permitted to operate at a loss and must be self-sufficient.

3.3.6 *Failure to achieve Charitable Status*

The ownership model may be taken forward regardless of its charitable status, but in doing so it would lose its tax efficiency. Grant income may still be accessible since the entity would still have a community focus and charitable ethos, and distributions to members would still be prohibited.

3.3.7 *Failure to secure grant funding*

The proposed income and expenditure outlined in Section 3.6 provides for an element of grant funding. This is an estimate and may not reflect the actual level of grants achieved. When establishing the Green Mutual, the steering group should prepare for any grant shortfall by establishing a second tier of core members who could fill this funding gap.

3.3.8 *Insurance*

Professional indemnity and public liability insurance will be required since the Green Mutual will be providing advice, goods and services to organizations and individuals.

Green Buying Mutual

3.4 Proposed organisational structure

3.4.1 *Initial start-up period*

During the first six months of establishing the organisation, the launch strategy set out in Section 3.7 indicates that core members of staff will be needed to sign up core members, establish links with product and service suppliers and begin to identify specific projects within member organisations. It is therefore suggested that the following positions be filled at the earliest possible time:

- Chief Executive
- Supplier Contracts Manager
- Lead Technical Consultant
- Administration Assistant (and Book-Keeper)

3.4.2 *Year 1*

From the point of launch and in the first year of operation, additional members of staff will be required to add to the list above, these might include:

- Company Secretary / Head of Finance
- Technical consultants (three in total)

The Company Secretary / Head of Finance would be required in an operational capacity, but it is envisaged that prior to launch this role would be carried out by an appointed legal adviser.

As outlined in the proposed business plan in Section 3.6, the number of technical consultants employed would be based on member subscriptions received. It is assumed that one consultant would be able to provide 200 days technical consultancy per annum, and that members would be entitled to two days consultancy per £1,000 fee paid. Member subscriptions of £300k would therefore warrant three technical consultants in the first year – though it is recognised that this number is dependant on the actual subscriptions achieved.

3.4.3 *Subsequent years*

On the basis of the assumptions used for Year 1, further technical consultants would need to be hired in line with projected growth in membership. This is outlined in the proposed income and expenditure in Section 3.6.

Green Buying Mutual

3.5 Charging mechanism and scope of services

3.5.1 Annual subscription

A charging structure was given to workshop participants for comment. On the whole, the proposed subscription fees were widely accepted, with the exception that housing associations varied in size and that a sliding scale of charges, perhaps linked to turnover would be more appropriate. The charges proposed below are therefore indicative of the maximum charge for each member type.

Organisation category	Annual fee	Comments
Local authority	£10,000	Likely to be paid by TMOs therefore on sliding scale similar to housing associations.
Housing association	£5,000	Sliding scale payment linked to turnover (for example).
Small business	£500	Less than 50 employees or turnover <£5.6m.
Medium business	£1,000	Less than 250 employees or turnover <£22.8m.
Large business	£5,000	Firms not qualifying as SME by the BERR.
Individual	£20	Membership will not include technical consultancy, only a free Helpline.
Corporate sponsor	£15,000	Donation-based, will not qualify for full voting membership (though perhaps some restricted involvement may be permitted to ensure appropriate use of funds).

3.5.2 Scope of services

Workshop participants emphasised the value of knowledge sharing, best practice advice, and information about the cost-effectiveness and efficiency of products and services. That participants regard these services as more valuable than bulk-buying discounts, indicates that the remit of the Green Mutual should involve a more hands-on approach to assisting members.

Further concerns were raised in the workshop that technical consultancy advice provided by the Green Mutual should include low carbon energy planning, initial identification of needs, specification of technologies and monitoring of the final installed solution.

Bulk buy discounts therefore appear to rank lower on the list of priorities for workshop participants – though it is recognised that individuals and SMEs would benefit most from such discounts. Some concerns over the likely level of discounts were raised, since the Green Mutual's turnover would still be low compared to large public sector bodies, wholesalers, or corporates and utilities (who could, for example, install technologies in return for a long term service contract).

Green Buying Mutual

3.5.3 *Developing an ESCO market*

It is envisaged that the Green Mutual could help develop the market for ESCOs, including the Rental ESCO outline in Section 4. The Green Mutual could either:

- Establish one or more ESCOs itself, as subsidiary entities, which would contract with members to procure, install, maintain and operate low carbon heat and power and energy efficiency measures. Members would sign up to a long term service contract with the ESCO to provide this service;
- Sell into and advise independent ESCOs set up by member and non-member organisations; or
- Provide ESCOs with membership in the Green Mutual itself; they could then receive all of the benefits of other members, whilst maintaining their independence.

Workshop feedback highlighted the role of the Green Mutual as collating information about current and future ESCO opportunities and sharing these with members – providing an introductory service to ESCO participants. This forum would promulgate ESCO best practice, provide ESCO providers better visibility of and access to projects, and give project owners an opportunity to market their projects for tender.

3.6 **Outline of operations and budget**

3.6.1 *Core operational activities*

It is envisaged that the core members of full-time staff would be required to undertake the following tasks:

- Technical consultancy – full-time technical consultants will perform feasibility assessments, product specification, monitoring and other technical advice
- Free advice guides – a range of technical guidance could be written in a simple 'how to' format to help members kick-start projects
- Supplier negotiation – the full-time buyer would spend much of the time negotiating and agreeing discounts on products and services for members
- Design and maintain a website – providing information about the Green Mutual service, as well as a forum for member discussion
- Promotion and marketing – a broad campaign based on outdoor advertising in London and targeted materials issued to potential stakeholders around London
- Fund-raising – continuous and ongoing efforts will be needed to secure future sponsorship of the vehicle from public and private sources, including corporate sponsors and grant funding

Green Buying Mutual

3.6.2 Budgeted income and expenditure

Indicative income and expenditure for the first three years of operation have been summarised below.

	Year 0	Year 1	Year 2	Year 3
	£000	£000	£000	£000
INCOME				
Housing associations	35	150	236	331
Local authorities	70	100	158	221
Small business	-	15	24	33
Medium business	-	20	32	44
Large business	-	20	32	55
Individuals	-	20	53	110
Corporate sponsors	45	75	95	116
Total Operating Income	150	400	627	910
Seminar income	-	50	75	100
Grants	120	150	100	50
Total Income	270	600	802	1,060
EXPENDITURE				
Staff:				
Chief Exec	40	80	84	88
Deputy / Finance Mgr	-	60	63	66
Supplier Contracts Mgr	20	40	42	44
Tech. Consultant(s)	25	150	210	276
Assistant	15	30	31	33
Media and communications	50	100	150	250
Rent	25	70	88	109
Other	25	50	75	100
Total Expenditure	200	580	744	966
Net Income	70	20	58	94

Note: These are indicative figures and assume co-hosting of the service with another body to reduce overheads.

Green Buying Mutual

3.7 Launch strategy and action plan

An outline of the key tasks to be carried out in setting up the Green Mutual is set out below.

Task	Action	Comments
1	Identify and approach suitable overseeing body <i>Target completion date: Month 1</i>	To incubate vehicle during initial start-up period and facilitate recruitment of core staff including Chief Executive.
2	Establish Steering Group of key stakeholders <i>Target completion date: Month 2</i>	The steering group, which may eventually form the Green Mutual's board of trustees, will have responsibility for defining the scope and objectives of the Green Mutual, identify the 'need' of members, identify core members to approach, interview potential candidates and select a Chief Executive for the organisation.
3	Recruit Chief Executive <i>Target completion date: Month 3</i>	Identified early on – must be committed and motivated, with relevant experience in establishing and running fund-raising bodies and credibility in front of potential members.
4	Confirm budget and complete business plan <i>Target completion date: Month 3</i>	Complete a detailed business plan and financials, confirm legal and tax position with tax authorities, confirm charitable status with Charity Commission.
5	Identify and sign up core members <i>Target completion date: Month 3</i>	Core members will be identified through contacts known by the steering group and Chief Executive – focus will be on housing associations, local authorities and corporate sponsors.
6	Prepare legal structure <i>Target completion date: Month 3</i>	Establish Green Mutual and register with Companies' House, draft articles and memorandum per objectives of the organisation.
7	Prepare grant applications <i>Target completion date: Month 4</i>	Grants will be sought from regional agencies, UK schemes and EU funds.
8	Set up office <i>Target completion date: Month 4</i>	Appropriate premises should be sought – these may be within the overseeing public body's existing offices.
9	Recruit core members of staff <i>Target completion date: Month 4</i>	The steering group and Chief Executive will identify, interview and select the remaining members of staff, initially this will include the Supplier Contracts Manager, Admin Assistant and Lead Technical Consultant.
10	Negotiate supply contracts	The Supplier Contracts Manager will meet

Green Buying Mutual

Task	Action	Comments
	<i>Target completion date: Month 5</i>	and agree terms with various suppliers for goods and services. Recruitment of a skilled negotiator is therefore critical.
11	Prepare marketing materials <i>Target completion date: Month 5</i>	An advertising and promotional campaign will be directed at potential members within the London area. The campaign will be different for each audience – housing associations likely to need direct promotion and face to face meetings, whereas individuals and SMEs will need indirect marketing through outdoor advertising and leafleting.
12	Design and establish website <i>Target completion date: Month 5</i>	Contract with an appropriate firm to set up the website.
13	Launch Green Mutual <i>Target completion date: Month 6</i>	Full launch will need to be in line with advertising campaign and launch event.

3.8 Relationships with suppliers

In order to gauge the likely benefits gained by forming bulk-buy agreements with various suppliers, an initial market testing exercise has been carried out. The organisations contacted were selected as being key suppliers of micro generation and energy efficiency technologies for members.

The organisations were contacted and asked the following questions:

- Would you supply to a bulk-buying vehicle as a means of supplying end customers?
- What minimum scale of ordering would there need to be and what levels of discount could you apply?
- Would you continue to maintain and service the end customers? Would you prefer to contract with them directly?
- Would you consider supplying customers directly via another route eg. Rental ESCO?

Green Buying Mutual

Responses received from these phone calls have been summarised below.

Organisation	Activities	Response
Solar Century	Manufacturer and installer of solar technologies. Services include bespoke design, energy surveys, installation and maintenance.	Indicated that discounts depend on scope of services required, volume ordered, level of integration with building, level of standardisation of product.
RM Solar	Supplier of solar thermal panels to merchants such as B&Q.	Provides discount based on size and regularity of order though would not disclose details of these. Indicated interest in supplying a Green Mutual.
Windsave	Manufacturer and installer of small wind turbines, currently being distributed widely across the UK.	Could not disclose discounts and do not have standard pricing system anyway. Would be open to negotiation and no minimum order size would apply.
Proven Energy	London-based agent for Solar Century.	As above.
Microgen	Manufacturer of gas fired micro-CHP boilers.	Full scale production is yet to commence, hence pricing and discounting could not be confirmed.
Knauff	Manufacturer and supplier of insulation products. Customer include local authorities and large housing associations.	Pricing based on order volume, method of payment, method of distribution, transactional costs (eg. Delivery). Not much flexibility on installation. Keen to be involved in the Green Mutual going forward.
Kingspan	Manufacturers of insulation products, supplied directly to distributors rather than end customers.	Could not provide details of discounts as only supplies direct to distributors and is not engaged in small scale installation. Interested in supplying the Green Mutual if established, though could not offer installation services.

Green Buying Mutual

Suppliers are understandably coy about releasing details of discounts afforded on equipment, but it is clear that these organisations would all be keen to participate in the Green Mutual as suppliers. The level of discount could be as much as 30% on some products, but will ultimately depend on order size and regularity as well as the overall margin obtained by the supplier. Contracts may include installation and servicing, particularly complex technologies such as micro-CHP, wind turbines and solar panels.

4. Rental ESCO

4.1 Overview

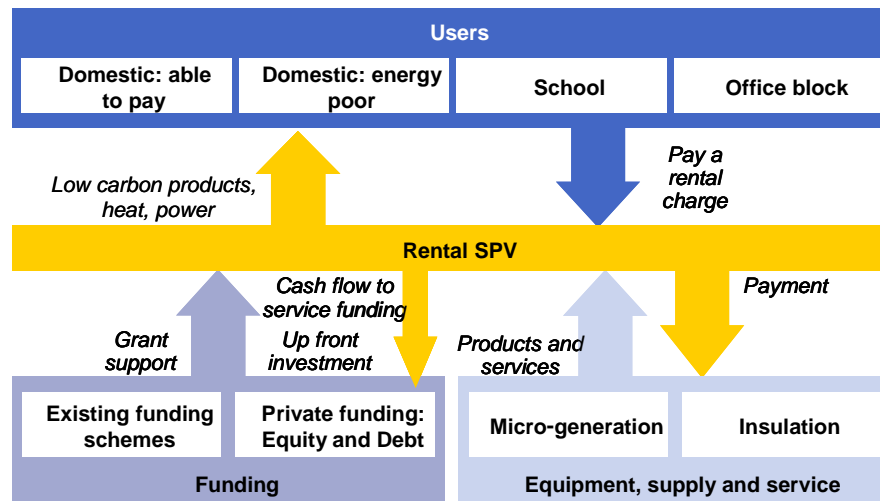
An alternative form of the well-established Energy Services Company (ESCO) model is the Rental ESCO. Whereas traditional ESCOs have focused on large scale developments (e.g. supplying heat and power to a block of flats via medium to large CHP generators), the Rental ESCO would also be able to procure and install micro generation and energy saving technologies in return for a rental payment from energy users.

The key services that could be provided by a Rental ESCO could include:

- Energy audits and specification of low carbon technologies suited to the individual needs of the energy user
- Procurement, installation and maintenance of the specified low carbon technologies (a range of micro generation, and energy efficiency measures)
- Assistance with grant applications, energy advice, after sales support
- Traditional ESCO functions of energy outsourcing where applicable – for example, where it is more economical to install a large CHP unit in a large block of flats

4.2 Proposed model

An outline of the Rental ESCO model is outlined below. The structure is simplified to illustrate the range of stakeholders involved.



The decision should be made at the outset whether the objective of the Rental ESCO is profit-making and if so, what level of returns can it reasonably expect to achieve from sales of heat, power and from 'use of infrastructure' contracts (where new infrastructure is required), without unduly penalising residents.

Rental ESCO

A commercial, profit-making ESCO approach may be suitable in the supply of certain services to certain customer types, such as the installation of equipment in owner-occupier residences, or energy service agreements with businesses and public bodies.

A not-for-profit approach may be more appropriate where the ESCO is implemented for the benefit of a community, or to achieve certain carbon savings. This approach may be the best value for users, as the vehicle is not expected to make dividends to shareholders and is focused on quality of delivery and service.

The Rental ESCO could be a structure used by the London ESCO as part of its objective to design, finance, build, own and operate local decentralised energy systems for both new and existing development in London. Alternatively, the Rental ESCO could be an independent delivery mechanism established by a public or quasi-public body, with the aim of being complementary to the London ESCO. Other commercial parties may conclude that they wish to set up such schemes in their own right.

4.3 Rental scheme

Installation of equipment is likely to be made in return for a rental payment to the Rental ESCO. Long term contracts may be formed with the local authority tenant management organisations and housing associations for the installation of low carbon products in their properties. The Rental ESCO would agree to supply equipment and energy efficiency measures in return for a guaranteed payment for servicing as well as leasing/hire purchase. Banks and commercial lease providers may be willing to lend directly to the Rental ESCO on the basis of these long term contracts, thus avoiding significant capital outlay by these bodies, which is often cited as a barrier to projects by these types of organisations.

Owner-occupiers and independent landlords may simply procure equipment through the Rental ESCO. In this case, the Rental ESCO installs low carbon technologies in dwellings and may or may not arrange a service contract with the user. Whilst the individual would be able to source their own funds to pay for the installation, the Rental ESCO could offer financing directly to the individual to pay the upfront capital costs. The Rental ESCO would need to have a consumer credit licence in order to offer such finance, and would need to partner with an established consumer credit provider (e.g. HFC Bank) to arrange this.

4.4 Heat and power

4.4.1 *Single unit supplying multiple dwellings*

Where the Rental ESCO provides heat and power to a number of dwellings from a single generation unit, landlords could apply a fixed charge on top of the rent for heat, possibly linked to the price of fuel input. The variability of this payment and the decision to secure a long term fixed fuel price (e.g. by way of forward price contracts) would have to be addressed when establishing the vehicle. The attraction of this arrangement, as highlighted by the Aberdeen district heating scheme, is that landlords have greater need and capacity to enforce rent (i.e. by eviction), and in the absence or default of payment, the landlord is still accountable for payment to the ESCO. Consequently, the attitude of

Rental ESCO

landlords towards risk is an important issue to consider when deciding on the payment mechanism.

It is possible for power to be generated and supplied by the Rental ESCO directly to users on a metered basis, with the excess sold to the local distribution grid operator. This increases the complexity of the project since the ESCO may have to become a licensed supplier in its own right (unless the generating station supplies its entire output to users on the same site, or it supplies over a private wire electricity network). An alternative, as demonstrated by Aberdeen Heat & Power Co, is to sell electricity to a consolidator who can offer to supply customers who wish to be part of the scheme. This consolidator, who is likely to be a licensed supplier, will have the necessary procedures in place to deal with issues such as customer contracts, metering, distribution use of system charges, and sales of Renewable Obligation Certificates (ROCs) where appropriate.

4.4.2 Self-supply (micro generation)

Self-supply of heat and power by end customers (by micro generation such as solar thermal/PV, wind, ground source heat pumps, micro CHP etc.) would probably not provide direct revenue for the Rental ESCO. However, the savings afforded by such generation, could be used to cover rental payments to the Rental ESCO. The most straightforward approach for the Rental ESCO would be for micro generators to contract directly with a licensed energy supplier to whom they can sell excess power, or purchase additional power/heat over and above that generated using their own equipment.

4.5 Infrastructure

The appeal of infrastructure investment is principally in the value of Enhanced Capital Allowances (ECAs) obtained from the investment. The owner of the asset will have to be a profit-making entity to benefit from the ECAs, which may or may not be an appropriate structure for the ESCO. Consequently, the build, own and operate mandate may be contracted to a 3rd party who can benefit from the ECAs. Once the ECAs have been fully utilised, ownership of the assets could be transferred back to the ESCO if this is the case.

An ESCO structure is suited to managing individual projects and can be established for a specific development (e.g. a block of flats and shops). In its basic form, the ESCO will supply users with heat but the scope of investment could be extended to include a range of assets required at the development (heat, power, water, telecoms).

Investment in infrastructure may include:

1. Investment in a district heating network (pipes etc) to supply local residences, schools and other buildings;
2. Investment in an electricity network – this may be purpose built private wire or purchased from the distribution grid operator and is only applicable where the decision is made to become a licensed supplier to end users;
3. Investment in other infrastructure – workshop feedback highlighted that whilst heat and power are commonly associated with the ESCO, a broader remit to

Rental ESCO

include waterworks and high speed telecommunications cabling could provide additional revenue to the project

4. Supply chain infrastructure – some technologies, in particular biomass-based power generation, require storage facilities for fuel, to provide enough security to residences in the event of supply disruption

Workshop participants raised particular concerns over making an investment in infrastructure with little recourse over users who default on payment of bills. Participants were keen to see the risk associated with infrastructure development pushed over to the private sector.

It may be that in leasehold developments (either landlord owned or owner-occupied), the management charge could be extended to include a fixed charge for a portion of the infrastructure investment. Other users could be charged a connection fee and a regular fixed charge on their bills from the ESCO, which could be paid for by the local authority or housing association in cases where tenants are unable to pay.

4.6 Key risks to the viability of the Rental ESCO

Assessing an exhaustive list of risks for the viability of the Rental ESCO is outside the scope of this report although such an exercise would need to be carried out as part of a separate business plan for establishing the delivery mechanism. Key considerations identified as part of this work on which further thought should be given, include:

- A lack of critical mass would make the Rental ESCO unviable. Other projects have shown that ESCOs with a small customer base are difficult to finance. If the Rental ESCO was targeted at residential dwellings, then a customer base of at least 1,000 participants would be a minimum requirement. By attracting commercial and public organisations within the Rental ESCO's remit, the minimum number of customers would decrease given the higher daily energy demand and better credit-worthiness of these bodies;
- An inability to pass on the performance risk of products to manufacturers could hinder the delivery mechanism. The Rental ESCO would not have the expertise to be able to provide warranties on equipment performance. Appropriate discussions with manufacturers would be needed during the business plan phase to ensure that the ESCO is not liable for product failures;
- Regulatory barriers such as rules over prudential borrowing (if a public body has a stake in the ESCO) and PFI (if the Rental ESCO is contracting with a local authority), might limit the Rental ESCO's ability to raise funding from public authorities;
- Other regulatory issues such as the requirement to gain licences for the generation, supply and distribution of electrical power to end-users would need to be carefully considered and appropriate legal advice sought prior to launching the Rental ESCO;

Rental ESCO

- The risk of default on payment for equipment rental or energy services would need to be balanced. It is likely that for the Rental ESCO to be viable, a balanced portfolio of customers would be needed to ensure that a significant proportion of net cash flows from the delivery mechanism would have a low revenue risk. This could be achieved by ensuring that local authorities and other public bodies make up a sizeable part of the Rental ESCO's customer base. Further work would then be required to gauge investors' appetite for financing the Rental ESCO on the basis of different levels of revenue risk;

Note that these are just some of the potential risks that could arise and that a full risk assessment and analysis would need to be carried out as part of a formal business plan for the Rental ESCO.

4.7 Best practice recommendations

4.7.1 Approach

Lessons learned from Aberdeen and Southampton CHP schemes have illustrated that a strategic approach is essential. This means that future development of new and existing building stock should be considered in the future scope of the ESCO and incorporated in business plans accordingly. The specific nature of each development may mean that a separate ESCO is needed for different schemes – for example, a Rental ESCO could be used to supply owner-occupiers, but a different ESCO used in a community CHP scheme. However, a range of different ESCO models could be prepared for specific purposes and taken 'off-the-shelf' by project owners when required.

4.7.2 Target audience

The Rental ESCO is suitable to public and private sectors, particularly those with a responsibility for an area over the longer term, including:

- Local authority tenant management organisations – a Rental ESCO could provide low carbon technologies and/or energy services to council-owned properties
- Regeneration project owners – looking to include energy infrastructure as part of new or refurbishment developments
- Housing associations – refurbishing existing stock or funding new build could incorporate a range of low carbon technologies during development
- Independent landlords – whilst there is little incentive for private landlords to install low carbon technologies, the Rental ESCO would save landlords the time and expense of maintaining energy-related assets such as boilers
- Private ESCO providers – there could be significant returns for a private Rental ESCO provider to supply equipment on finance lease, energy efficiency advice and installation of technologies (in return for a service contract), insurance and grant assistance. Householders are likely to see cost savings and a rise in the value of their property, which may give sufficient incentive to enter into a finance and service contract with the Rental ESCO

Rental ESCO

4.7.3 *Income*

The Rental ESCO could generate revenues from several sources, depending on its scope, structure and target audience, notably:

- Sales of heat to end users via a district heating network
- Equipment rental, finance lease or hire purchase with individuals
- Electricity sales (if the vehicle is to become a licensed supplier)
- Infrastructure – receipts will depend on the type of infrastructure installed and may include a charge to the building owners (for heat and possibly electricity if new build), utilities (for water and gas) and data service providers (if telecoms are installed). Unless the contract is with a public body, there is a risk of default on payment or the counterparty liquidating, this will be factored into the discount rate applied to the project

4.7.4 *Financing*

Financing for a traditional ESCO is likely to come from a mix of grant funding, public and private sector investment: installing a heat network is not an exercise that the private sector has been willing to do without a long term public sector contract on which to secure project financing. However, the Rental ESCO may be established on a commercial basis, with little public sector investment or guarantees, particularly where new build or significant refurbishment of buildings can include the installation of micro generation and energy efficiency technologies without the need for an extensive heating network.

Social landlords, acting for low income households or leasehold properties would sign a contract for supply and maintenance of the equipment with the Rental ESCO, guaranteeing rental payments for this service. The landlord could pass on the costs to tenants as a top-up to the standard rental charge. It is clear therefore that these bodies will take on some risk of non-payment, but no more than that for any other payment from tenants. This level of security would make the Rental ESCO more attractive to lenders.

4.7.5 *Structure*

Where external equity investment is not required, and there is consequently no need for distributions to shareholders, the most appropriate structure for a Rental ESCO may be as a not-for-profit entity, possibly with some form of 'asset lock' to ensure that the Rental ESCO assets (the leased equipment) cannot be removed from the structure. This would ensure that surplus income is used to maximise impact and involvement within the community.

A profit making Rental ESCO could appeal where the vehicle is established by, say, a corporate developer who incorporates micro generation (or indeed a medium-sized generator) in the development. Residents would pay a rental charge to the Rental ESCO for this technology (a 'service' charge similar to that applied for the upkeep of grounds and shared buildings). The rental charge would be applied over the life of the assets. The

Rental ESCO

structure may appeal to developers as a separate, off-balance sheet legal entity, which would not be affected by the parent's overall cost of capital requirements.

4.7.6 *Role of the public sector*

Where the public sector plays a significant role in the ESCO, either as an investor or as an underwriter to key contracts, it should seek an oversight role over the activities of the ESCO to ensure that residents are getting the best value for money and that the vehicle keeps to its objectives.

Workshop participants were keen to stress that the public sector does not wish to become a regulator for localised ESCO projects. However, it was acknowledged that the public sector should have a role in monitoring and managing aspects of the ESCO, such as governance and strategic direction. For example, the public sector can mandate the scope and target audience of the ESCO at the outset and monitor this on an ongoing basis, with penalties applied to the private sector partner for non-compliance.

4.7.7 *Infrastructure*

It is clear that a key sticking point for many ESCO projects has been the question over who will pay for heat infrastructure. Until a grant programme reappears specifically to support investment in district heating networks (as is the case in other EU markets such as Sweden), it is likely that this will be a key barrier to development. Opportunities exist to improve the economics of infrastructure investment where a multi-utility model is applied to this aspect of a project. It was raised in the workshop that high-speed telecoms infrastructure can offset the relatively unattractive nature of heat installation. However, finding a partner with extensive expertise in infrastructure investment would need to be sought to follow this approach given the narrow margins and risks involved in such a project.

4.7.8 *Skills and resources*

The Rental ESCO model is likely to require the expertise of several parties, particularly if significant infrastructure is required. It is unlikely that a project owner will have the necessary skills or expertise to carry forward an ESCO of any scale without outside help. Workshop participants with exposure to ESCOs indicated that these have failed in the past due to poor advice or weak members of the partnership. Good quality advice and partners with a strong track record is therefore critical.

In Section 2, we proposed the Low Carbon Advisory Service. This service, which is designed to be free and accessible to all project developers in London, could play a key role in assisting organisations where skills and resources are lacking. The LCAS could act as an intermediary between project owners with contractors, advisers and project partners, increasing the likelihood that a suitable partnership is formed.

The LCAS would also provide an independent view on projects and could review project viability and bankability, providing an opportunity for knowledge-sharing and best practice advice.

Rental ESCO

4.8 Launch strategy and action plan

An outline of the key tasks to be carried out in setting up the Rental ESCO is set out below.

Task	Action	Comments
1	Identify organisations with potential to apply Rental ESCO <i>Target completion date: Month 1</i>	To identify those local authorities and other public bodies, housing associations, SMEs who have low carbon initiatives and require a means of financing these projects.
2	Identify shortlist of projects <i>Target completion date: Month 2</i>	From those stakeholders with an interest in the vehicle, identify specific projects in which the Rental ESCO could play a part.
3	Recruit management team and non-executives for the Rental ESCO <i>Target completion date: Month 3</i>	An experienced team of people should be employed full-time by the Rental ESCO to provide sufficient focus to carry out the objectives of the vehicle, whilst management decisions should be moderated by including independent persons (such as user representatives) at all Board meetings.
4	Agree form, scope and objectives of Rental ESCO <i>Target completion date: Month 3</i>	Include/exclude specific user types (e.g. able to pay), technologies and finance mechanisms. For owner-occupiers, ESCO becomes a finance provider, otherwise it becomes installer and operator on behalf of a landlord.
5	Confirm budget and complete business plan <i>Target completion date: Month 3</i>	Complete a detailed business plan and financials, confirm legal and tax position with tax authorities, review compliance with public procurement / prudential borrowing rules, confirm regulatory position with FSA (providing finance for technologies).
6	Identify and agree terms with suitable finance providers <i>Target completion date: Month 3</i>	Form relationships with personal lending specialists, lease specialists and corporate banking providers and agree terms under which technologies will be procured.
7	Prepare legal structure <i>Target completion date: Month 3</i>	Establish Rental ESCO SPV and register with Companies' House, draft Articles and Memorandum.
8	Prepare grant applications <i>Target completion date: Month 4</i>	Grants will be sought from regional agencies, UK schemes and EU funds.
9	Launch Rental ESCO <i>Target completion date: Month 6</i>	Full launch will need to be in line with advertising campaign and launch event.

5. Conclusions and recommendations

This study has been prepared through listening to the feedback of various stakeholders in low carbon projects in London and seeks to provide some guidance to establishing a number of delivery mechanisms to facilitate such projects. As part of this work, a workshop was held with potential stakeholders in order to gauge the level of appetite for the three delivery mechanisms outlined in this report. Feedback from the workshop indicated that there is a need for such delivery mechanisms to overcome certain barriers, particularly financial, with an approach targeted at public and private small- and medium-sized organisations.

The three delivery mechanisms covered in this report could be used effectively to deliver low carbon projects in London. With careful planning, the delivery mechanisms could complement each other to deliver a suite of options for London stakeholders, ranging from SMEs, public bodies and individuals. Moreover, the following key recommendations should be noted:

- Adoption of the delivery mechanisms is likely to be best undertaken by one overarching body (a 'London Low Carbon Service' for example), which would keep the LCAS, Green Mutual and Rental ESCO programme as distinct and entirely separate initiatives, as well as providing strategic cohesion and ensuring economies of scale on shared functions such as finance and administration;
- The London Low Carbon Service would likely set up the Green Mutual as a charity, whilst keeping the Rental ESCO initiative and LCAS in-house until such time as critical mass is achieved to allow these to run more independently;
- The selection of an appropriate hosting body for the London Low Carbon Service is a key decision. This will impact the viability of all three delivery mechanisms, since it is through this body that a business plan will be prepared, a skilled management team will be recruited, and finance will be raised to launch each of the delivery mechanisms;
- A clear strategic objective and distinct market offering are very important to the three delivery mechanisms. Feedback from the workshop indicated that the success of each mechanism is likely to depend on its ability to attract a sufficient customer base (i.e. the ability to gain critical mass);

The ability for London to meet a 27% reduction in CO₂ emissions by 2026 and 60% by 2050 is dependent on the active involvement of all sizes of organisation and types of individual. The delivery mechanisms discussed in this report are primarily aimed at small to medium sized private and public organisations, as well as individuals, to assist them in reducing their carbon footprint through the deployment of low carbon technology.

Appendix A Low Carbon Advisory Service Questionnaire

Overview

A questionnaire was sent out to over 100 organisations with an interest in low carbon projects in London. Recipients were provided an overview of the Low Carbon Advisory Service and were asked to comment on specific aspects of the proposed vehicle. Comments received have been incorporated in the body of this report.

Question 1

It is envisaged that the LCAS would comprise a number of core staff supported by a panel of advisers, equity providers and lenders, whose remit would include:

- Assessing project feasibility and deliverability
- Project review at key stages in lifecycle
- Providing feedback on business plans
- Providing advice to projects in obtaining commercial finance
- Promoting best practice and standardised documentation
- Training and development at strategic and project levels

As a potential stakeholder, what services do you believe the panel could also provide for project developers?

Question 2

The LCAS could provide assistance at any of the following stages in the project lifecycle:

- Strategic context
- Options appraisal and business planning
- Planning and permitting
- Financing (grants, debt and equity)
- Tender preparation and bid review
- Contract management
- Performance monitoring

Where in the project lifecycle do you feel most help is needed, and how could the LCAS provide assistance?

Appendix A

Question 3

What sorts of standardised documentation could the service provide to project developers in order to progress projects quicker and with less administration from project owners?

Question 4

Do you have a pipeline of projects that could benefit from the advice provided by the LCAS?

If so, what do you need to progress these through to financial close from their present state?

Question 5

How can the service meet the needs of different technologies? For example, could the service provide advice and assistance to less mature technologies, or would it be restricted to certain technologies?

Question 6

Which organisations should sit on the panel of advisers and lenders to support the LCAS?

Question 7

The service will be targeted at both public and private sector developers of low carbon projects. The ability of the LCAS to provide impartial advice is therefore important, however funding the service could be difficult without some element of corporate sponsorship (similar to the London Climate Change Agency).

What sort of public sector body could host the LCAS and provide adequate independent, expert advice to both public and private project developers?

Types of public bodies with a similar remit include:

- London Development Agency
- London Climate Change Agency
- 4ps (Public Private Partnerships Programme)
- Partnerships UK
- Greater London Authority

Appendix B Green Mutual / Rental ESCO Workshop Questions

Overview

The following questions were posed to participants after being presented with the delivery mechanism. The purpose of the debate was to test the viability of each delivery mechanism and raise key issues from the point of view of different stakeholder organisations. Feedback from participants has been incorporated in the body of this report.

Green Mutual (Session 1)

1. Do you believe that a co-operative structure is an appropriate vehicle to achieving your carbon reduction objectives?
2. Do you think it is possible to achieve the minimum number of core members and sponsors?
3. Do you think the proposed membership fees are reasonable?
4. What do you see as the key issues to address in setting up the Co-Op?
5. What services would you like to receive in return for your fee?
6. What level of discounts would you expect the co-op to negotiate for members?
7. How could the co-operative market be used to grow the ESCO market in London?

Rental ESCO (Session 2)

1. Do you feel there is a market for ESCOs providing energy services and equipment rental in London?
2. Would you participate in an ESCO?
3. What do you feel is a minimum critical size for an ESCO?
4. What type of ESCO structure would you aim for?
5. Which users should be included in the ESCO's remit?
6. How would the ESCO deal with new developments and urban regeneration?
7. What technologies would you seek to procure through the ESCO?
8. What are the issues you face in setting up an ESCO?
9. How would you look to finance the ESCO?

Appendix B

10. Should the mechanism provide only energy and consultancy (ie traditional ESCO), or provide equipment rental as well (Rental ESCO)?

Disclaimer

This project was funded specifically by the Department of Trade and Industry (now the Department of Business, Enterprise and Regulatory Reform). The GLA, London Development Agency, Energy Saving Trust and Argent Group Plc provide core funding for the London Energy Partnership.

Working as an independent body, the London Energy Partnership uses the power of partnership to enable London to respond to the challenges of climate change, security of energy supply and fuel poverty. The London Energy Partnership steering group members and observers include representatives from Argent Group Plc, Business Councils for Sustainable Energy UK, Carbon Trust, EDF Energy, Energy Saving Trust, RBC Capital Markets, Greater London Authority, Government Office for London, London Borough's Energy Group, London Climate Change Agency, London Development Agency, London Sustainability Exchange, Renewable Energy Association, London South Bank University and Thames Gateway London Partnership.