

Manchester City Council Report for Information

Report to: Environment and Climate Change Scrutiny Committee - 9
February 2023

Subject: Large Scale Renewable Energy Generation – Solar Farm

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report provides information on the progress of negotiation and Due Diligence for the purchase of a Large-Scale Renewable Energy Generation Project to ensure the Council can achieve the CO₂ savings as set out in the Council's Climate Change Action Plan 2020-2025.

Recommendations

The Committee is recommended to note this report and the contents of Appendix 1 – - Large Scale Renewable Energy Generation Solar Farm Purchase (Part A), which was presented to Executive Committee on the 18 January 2023.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

Action 1.3 of the Council's Climate Change Action Plan 2020-25 targets 7,000 tonnes of annual CO ₂ savings by 2025. The Plan sets out the actions that will be delivered to ensure that the Council plays its full part in delivering the city's Climate Change Framework 2020-25 which aims to half the city's CO ₂ emissions over the next 5 years.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
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Actions, including this action set out in the Climate Change Action Plan 2020-25 recognise the need for just and equal delivery of climate action across the city, focusing on the areas such as community engagement, accessible transport, access to green spaces and tackling fuel poverty.
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Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Manchester's reputation as a leader in delivering on climate change will help to attract investment and businesses to the city. This will contribute towards helping the transition to a zero carbon city, which in turn will help the city's economy become more sustainable and will generate jobs within the low carbon energy and goods sector.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Work is underway in the Council to support schools and the wider education sector to help develop a future well equipped workforce, whilst work as part of the Green Skills Action Plan is helping support industry be prepared for the demand that is being created within the zero carbon sector.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	There is a targeted focus on retrofitting homes across the city to help tackle fuel poverty and the cost-of-living crisis by reducing energy bills and this is a key part of the transition to a zero-carbon city. Health outcomes will also be improved through healthier homes as well as other areas, such as the promotion of more sustainable and active modes of transport, improved air quality and easy access to green spaces.
A liveable and zero carbon city: a destination of choice to live, visit, work	Work underway on Neighbourhood Ward Plans and Green and Blue Infrastructure, Open Spaces and Parks (helping to adapt and increase resilience) are key areas of Manchester becoming a zero carbon city, which will help the city to be a more attractive place for people to live, work, visit and study.
A connected city: world class infrastructure and connectivity to drive growth	Our investment in active and sustainable travel is helping Manchester to have a fully zero carbon transport system, which will create a world class business environment to drive sustainable economic growth.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The requirements to ensure that there is a strong client-side delivery team, and the costs associated with engaging the necessary external technical support means that costs will be incurred through the due diligence process, and it is currently assumed

that these will be funded from existing budgets. There is a risk that if the acquisition does not proceed, some of the costs incurred may be abortive. Full costing of external support will be included within the next report to Executive and any additional costs will be considered as part of the budget process.

Financial Consequences – Capital

Details of the Financial Consequences have been considered by the Executive within a Part B confidential report on 18 January 2023 (Appendix 2).

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive & City Treasurer
E-mail: carol.culley@manchester.gov.uk

Name: Leon Phillip
Position: Contract & Commissioning Lead
E-mail: leon.phillip@manchester.gov.uk

Name: Mark Duncan
Position: Strategic Lead – Resources & Programmes
Email: mark.duncan@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- *Feasibility Study and Options Appraisal for Large Scale Energy Generation for Manchester City Council – Local Partnerships (April 2021)*
- *Large Scale Renewable Energy Generation Feasibility Summary Study - Report to Environment and Climate Change Scrutiny Committee, 14 October 2021 and Executive, 20 October 2021*
- *Manchester City Council Climate Change Action Plan 2020-25 Updated 2022*

1.0 Introduction

- 1.1 The purpose of the report is to provide information on the progress of negotiation and Due Diligence for the purchase of a Large-Scale Renewable Energy Generation Project.
- 1.2 The Council's Climate Change Action Plan (CCAP) has a target to reduce direct emissions of CO₂ by 50% over the five-year period of 2020-25. In addition, the Council has committed to be zero carbon by 2038 at the latest. The updated action plan includes a commitment to: "Research and identify options for large scale renewable energy generation. To implement the findings of the feasibility study to deliver either a solar asset and/or suitable Power Purchase Agreements (PPAs). To achieve a traceable, renewable energy source to deliver CO₂ savings (target 7,000 tCO₂) and maximise long-term benefits for the Council."
- 1.3 Appendix 1 of this report was approved by the MCC Executive on the 18 January 2023. It sets out the background to the work undertaken to date; an assessment of the City Council's energy demand; this projects contribution to the Councils CO₂ emission reduction targets; relevant details of the potential purchase and the process for the Council to secure this site, subject to appropriate due diligence.

2.0 Background

- 2.1 Local Partnerships (LP) were appointed in November 2020 to deliver a feasibility study on how Manchester City Council could best meet its energy needs in line with its zero carbon commitments. The "Feasibility Study and Options Appraisal for Large Scale Energy Generation for Manchester City Council" was completed in April 2021. It concluded that the Council has two options: purchase a solar PV facility or negotiate a power purchase agreement (PPA). Both options were assessed to be better than the "do nothing" option. The outcomes of the feasibility study were reported to the City Council's Environment & Climate Change Scrutiny Committee and Executive in October 2021. Executive approved a recommendation for the Deputy Chief Executive and City Treasurer to establish a delivery team to develop the options, with a view to returning to the Executive with a proposal to progress the work.
- 2.2 In October 2021, the Deputy Chief Executive established a working group and project team. The project team appointed Local Partnerships (LP) to support further project development. This included updating the findings of the feasibility study to reflect current prices and market availability, to carry out future energy demand analysis and to further explore financing options.
- 2.3 In January 2022 an update to Executive was provided on progress to date and the Executive granted delegation for the Deputy Chief Executive and City Treasurer, in consultation with the Leader, Executive Member for Finance and the Executive Member for Environment to negotiate for the purchase of a solar asset / PPA and any associated corporate documentation to establish a Special Purpose Vehicle if required. The report also highlighted the need to

seek further capital approvals to increase the Council's borrowing limit, via full council approval, if a binding offer were to be made to purchase a large-scale generation asset.

- 2.4 The volatility in the energy markets linked to the war in Ukraine, combined with uncertain government energy policy plus the financial volatility arising from some of the UK Government's short-lived financial policies during 2022 have all contributed to a volatile market over the past 12 months. During this period, the Council team have tracked the market for suitable sites and explored potential options when they have become available.

3.0 Progress to date and next steps

- 3.1 In November 2022, officers identified a suitable large scale solar PV facility available for purchase and submitted an initial non-binding offer to the developer. This offer has been accepted by the developer and the City Council has been invited to submit a Final Offer. The developer requires all bidders to clearly state that their internal approvals required are in place for their Final Offer. For MCC this includes Executive and for the capital budget increase and borrowing requirement, full Council. These approvals will be conditional on the outcomes of the due diligence and negotiations. This request for internal approval was made to Executive Committee on the 18 January 2023 (see Appendix 1 – Large Scale Renewable Energy Generation Solar Farm Purchase Part A).

4.0 Recommendations

- 4.1 The Committee is recommended to note the contents of Appendix 1 – Large Scale Renewable Energy Generation Solar Farm Purchase Part A, which was approved by Executive Committee on the 18 January 2023.

5.0 Appendices

- 5.1 Appendix 1 - Large Scale Renewable Energy Generation Solar Farm Purchase (Part A) – Executive Report 18 January 2023
- 5.2 Appendix 2 – Large Scale Renewable Energy Generation Solar Farm Purchase (Part B) – Executive Report 18 January 2023