



**West Midlands
Combined Authority**

The West Midlands Net Zero Pathfinder: Proposals to HM Government to accelerate the net zero transition and a green industrial revolution

March 2021

ENERGYCAPITAL

regen
transforming energy

CATAPULT
Energy Systems

Our proposition:

Building on the work of the West Midlands Energy Capital initiative, the West Midlands Combined Authority is creating a Net Zero Pathfinder which will deliver a step change in our net zero ambitions, boost the green industrial revolution in the region, and create a showcase for smart local energy systems at COP26.



Our asks:

Support for Net Zero Pathfinders

Government acknowledges the West Midlands as its first Net Zero Pathfinder region, recognising its innovative work to decarbonise the West Midlands, particularly focusing on transport and the built environment and their integration through smart local energy systems.

Smarter use of energy levies

A 'local first' approach; allocating a proportion of energy levies to combined and local authorities to support coordinated approaches to decarbonisation locally.

New duties on energy

Statutory duties for local government and the combined authority to develop and support the delivery of Local Area Energy Plans to ensure local areas have a voice in energy infrastructure investment planning.

Addressing barriers to investment

Additional capability and capital to invest in key energy infrastructure at a regional level, removing barriers to finance and unlocking commercial investment.



Outcomes:

- Investment in key green industrial revolution initiatives, supporting the 'levelling up' agenda and creating a platform for green jobs and skills creation.
- Enabling local areas to reach Net Zero faster by decarbonising in ways most efficient for them.
- Evidence of the UK as a nation leading investment in innovative net zero technologies, supporting the 'Global Britain' agenda showcased at COP26.
- Local implementation of Government's key net zero priorities, including EV infrastructure and heat decarbonisation.

West Midlands Leading a Green Industrial Revolution

In 2019/20 the West Midlands was the fastest growing regional economy outside of London, breaking through the £100 billion economic output mark. The region is committed to an ambitious net zero agenda - #WM2041 - and has a thriving green industrial sector delivering 51,700 green jobs.

Our strengths combine innovation in energy supply and management, decarbonisation of industry and manufacturing, shifts to zero emissions vehicles and systems, and the integration of cutting-edge 5G technology.

Energy, Manufacturing & Decarbonisation

- Three of UKRI's 'Prospering from the Energy Revolution' smart local energy systems are in the region, including RESO, the Regional Energy Systems Operator, focusing on governance and investment models.
- Repowering the Black Country, one of seven projects in the government's £170m Industrial Clusters Mission.
- £130m UK Battery Industrialisation Centre in Coventry and a site for a UK gigafactory, part of the race to develop battery technology for the transition to a greener future.
- Fenix's ground-breaking battery recycling centre in Walsall will recycle up to 20,000 tonnes of batteries each year (from mobile phones to vehicles).
- More than £50m investment to date in Birmingham's Tyseley Energy Park supporting research, innovation and start-up incubation in zero carbon technologies.
- Regional Energy Policy Commission and energy strategy developed as a foundation for action
- Plans to establish a National Centre for Decarbonisation of Heat (NCDH): bringing together skills training, manufacturing, testing and SME support to deliver heat decarbonisation at scale.

Green Transport & Mobility

- Coventry has become one of only two UK cities to secure £50m funding to implement a full electric bus fleet.
- Air-One at Coventry Airport will be one of only four 'urban airports' supporting drone product and passenger services having received £1.2m from government matched by Hyundai.
- Home to London Electric Vehicle Company and Jaguar Land Rover who have recently announced fleet conversion to electric by 2025.
- Leading-edge research in vehicle propulsion: Centre for Hydrogen & Fuel Cell Research; Centre of Excellence in Rail Decarbonisation; Centre for Advanced Low Carbon Propulsion Systems.
- Innovations in modal shift, smart ticketing, integrated systems and data transfer, are being delivered through Transport for West Midlands to reduce dependency on petrol and diesel cars.

Low Carbon Living & Working

- Ambitious programme to retrofit 50,000 homes by the end of 2022 and 290,000 homes by 2026, along with the Warm Homes Saves Lives campaign against fuel poverty, securing 500 jobs and creating 20,000 more.
- Sustainable development and land-use, including the 2,000-home new community in Rugeley, Advanced Manufacturing in Construction programme, and the Institute of Sustainable Construction.
- Home to a £400m Brownfield fund to clean up ex-industrial sites. Soon to be supported by leading innovation from the Wolverhampton-based £17.5m National Brownfield Institute (NBI).
- Institute of Circular Economy and Circular Economy Taskforce to implement whole lifecycle resource management innovations.

People, Place & Natural Capital

- Pioneering behaviour change programme with the Behavioural Insights Team to support action to address climate change.
- Zero carbon agenda embedded in events such as Coventry City of Culture and the Commonwealth Games and associated tourism plans.
- West Midlands National Park, Virtual Forest, and Local Nature Recovery Strategy to rebalance the planet's carbon dependency.

But we can go further and faster:

Rising to the twin challenges of achieving net zero and building back greener from the pandemic will require all levels of government working together. Local and regional government rightly has a leading role on key aspects of the net zero transition, from greener transport to planning land use. With the support of government, we can accelerate our already bold vision to become its key agent of zero carbon delivery.

Our recently published Five Year Plan, sets out a clear programme for delivery with quantified targets across 15 different net zero goals and multi-agency partnerships across a range of urgent delivery priorities from natural capital to the circular economy. All of this galvanised through a Net Zero Delivery Board.

However, in the key area of decarbonising energy, although Energy Capital has been established by the Mayor as the region's energy authority to develop new models of regional energy governance and delivery, local government has few direct responsibilities or powers. Guided by a strong partnership, including BEIS and the local DNO's, we believe that local decision making, in partnership with central government, can deliver an efficient market led approach to the net zero transition, and building back greener agenda.

Our 10 key asks:

A pathfinder partnership

1 Support for Net Zero Pathfinders

Government acknowledges the West Midlands as its first Net Zero Pathfinder region, and develops a shared understanding between national government, regions and local authorities on the levers and resources available to deliver net zero ahead of 2050.

2 The CCC to work with the WMCA to trial a regional carbon budget process

Developing an evidence-based approach to enabling regional and local government to implement and resource policies in their areas of responsibility that are, at a minimum, in line with national carbon budgets.

New duties on energy

3 A requirement on the WMCA to develop a Local Area Energy Plan (LAEP)

Providing combined and local authorities the powers to plan for and focus investment into key local decarbonisation priorities; aligning with their existing plans in areas such as transport, waste and spatial planning. A LAEP will provide a path for investment in energy infrastructure, through Distribution Future Energy Scenarios¹ and Net Zero reopeners².

4 A statutory role for the WMCA in the energy network price control process

To ensure energy infrastructure investment addresses local needs, supports the net zero transition and enables businesses to develop and compete in competitive markets, a reformed governance model providing local scrutiny of network price control investment plans and outputs is needed.

5 The power to designate Energy Innovation Zones (EIZs)

Enabling collaboration and co-ordination in priority localities designated as EIZ's, incorporating: UKRI and Network Innovation funding, Ofgem 'sandbox' trials and Energy Systems Catapult Living Labs, to drive innovation in energy technology, process and regulation to address critical local energy challenges.

6 Reform the "first in the queue pays" principle

Creation of a mechanism for enabling projects connecting to the network in the same locality to share risk to enable the required network investment. Ofgem's proposed 'shared access rights' through the current "Electricity Network Access and Forward Looking Charging Review" could facilitate this approach.



Smarter use of energy levies

7 A 'local first' approach to energy market levies

A model for energy levies to be routed to combined and local authorities to support coordinated approaches to decarbonisation in their area. This approach could be developed as part of Government's Net Zero Review.

8 Greater flexibility of ECO funding to tackle fuel poverty

Replacing the obligation on energy supply companies with a coordinated place based approach to tackling fuel poverty, supporting low income houses with energy efficiency on the path to net zero. This will enable the West Midlands to deploy ECO funding more cost effectively to tackle persistent local challenges.

Support to address barriers to investment

9 Support to develop a model for a regional energy infrastructure investment fund

Working with HMT to earmark funding for regionally-led investment in energy infrastructure and unlock commercial investment at scale. This could come from the funding available through the UK Infrastructure Bank.

10 Support to trial green finance mechanism for scaling-up retrofit and heat decarbonisation

Building on the strategic alliance with the Green Finance Institute and the proposed National Centre for the Decarbonisation of Heat, host the first large-scale trial of the recommendations from their Zero Carbon Heating Taskforce, for new green finance products targeted at the scale-up of zero carbon heating solutions.



Next Steps

As a Net Zero Pathfinder Region, the West Midlands Combined Authority will trailblaze how a partnership approach with government will successfully deliver:

- Investment in key green industrial revolution initiatives, supporting the 'levelling up' agenda and creating a platform for green jobs and skills creation
- Regional leadership to decarbonise in ways most efficient for the West Midlands to achieve net zero
- Evidence of the UK as a nation leading investment in innovative net zero technologies, supporting the 'Global Britain' agenda to be showcased at COP26
- Local implementation of Government's key net zero priorities, including EV infrastructure and heat decarbonisation.



Endnotes

- 1 Distribution Future Energy Scenarios outline the range of credible futures for the growth of the distribution network
- 2 Reopeners are mechanisms for Distribution Network Operators to use to increase funding for investment in the network as the need becomes clearer and policies evolve



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