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CHELTENHAM'S GREEN DEAL

CLIMATE CHANGE - *INVESTMENT STRATEGY*

The motion to declare a climate emergency was proposed to full council on 18 February 2019 and called on the cabinet to:

- declare a 'climate emergency'
- pledge to make Cheltenham carbon neutral by 2030, taking into account both production and consumption emissions
- call on Westminster to provide the powers and resources to make the 2030 target possible;
- work with other governments (both within the UK and internationally) to determine and implement best practice methods to limit global warming to less than 1.5 degrees centigrade
- continue to work with partners across the town, county and region to deliver this new goal through all relevant strategies and plans
- report to full council within six months with the actions the council will take to address this emergency

The motion received unanimous support and a climate emergency was officially declared by the council's cabinet on 9 July 2019. In declaring a climate emergency, the council joined over 300 district, county, unitary and metropolitan councils and combined authorities/city regions with similar ambitions to become carbon neutral.



"Climate change is the biggest challenge facing Cheltenham people, our country and our planet. Our climate emergency declaration sets a deliberately ambitious target to ensure action is taken and resources are found to make our council and our town carbon neutral. That includes backing our actions with investments."

Cllr Max Wilkinson
Cabinet Member for Climate Emergency

Why is a Climate Change Investment Strategy needed?

The Council is progressing many initiatives to support both the Council and the borough to become carbon neutral, yet to achieve our aims it will require significant cost and investment. With the growth in new green technologies and other green initiatives, there is likely to be opportunities for the Council to invest in carbon reduction initiatives whilst also contributing to the Council's Medium Term Financial Strategy.

By having an investment strategy in place it will ensure the Council is well placed to take forward opportunities that are identified quickly and effectively. This strategy sets the framework to guide investment decisions, manage risks, ensures value for the taxpayer but most importantly will provide a vital tool in support of the wider #cheltenhamzero objective for a clean and green borough.

The Climate Change Mitigation Pathway is our 2030 action framework to become a net zero Council and Borough and the Climate Change Investment Strategy is a key component of the Pathway. In October 2021, the Government stated that to reach their Net Zero target, the task is to "reduce emissions to as close to zero as possible, with the small amount of remaining emissions absorbed through natural carbon sinks like forests, and new technologies". The Pathway sets an ambitious target to become **Net Zero** by 2030. **Net-Zero emissions** means not adding any greenhouse gases to the atmosphere through an organisation's activities. Becoming net-zero starts with a plan to rapidly reduce GHG emissions to zero by a specified date. However, there are almost always some emissions that can't be reduced to zero. These are expected to be small and are usually then offset by initiatives aimed at removing an equivalent amount of GHG from the atmosphere. The UK became the world's first major economy to set a target of being net zero by 2050

Investment Principles:

The Council:



Will invest in carbon reducing initiatives within its own property portfolio



Will consider investment opportunities in the wider borough providing they meet the investment criteria



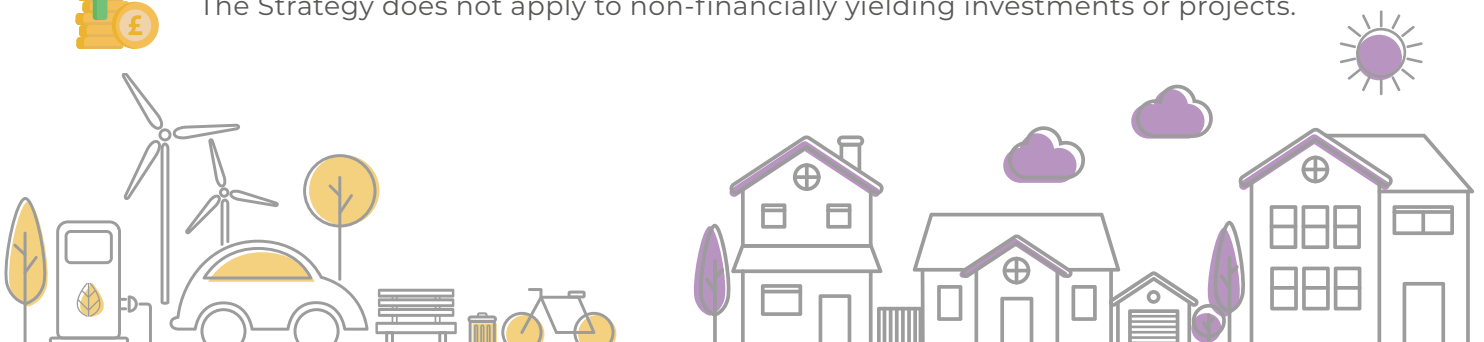
Prides itself on only investing in Cheltenham for the benefit of the people in Cheltenham and will therefore not invest outside of a five mile radius of the borough



Is prepared to consider investing in carbon reduction initiatives that total no more than £10m



The Strategy does not apply to non-financially yielding investments or projects.



Investment criteria:

All investment decisions will require a full business case and will need to align to the following investment criteria:

Investment Criteria – Financial:



Yield:

Investments will need to yield a minimum of 3%/5% (depending on funding arrangements)



Return on Investment:

Maximum twenty year pay back



Risk Profile:

Low/medium



Investment locations:

Cheltenham Borough or within a 5 mile radius



Total finance:

Initiatives totalling up to £10m

Investment Criteria – Carbon:

A key feature of this investment strategy is the need to be able to verify that the project has produced the environmental benefits set out in its original business case.

The measurement and verification process can take a number of forms, but all should be clear, transparent and auditable. For some schemes there are national or international accreditations that would be a key part of demonstrating environmental benefit, such as:

- Renewable Energy Generation of Origin (REGO) certificates
- The Woodland Carbon Code (WCC)
- Biodiversity Net Gain (BNG)

For other schemes where there is no accredited verification this investment strategy will still look for clear and straightforward means of verification of the impact on climate change. This will include:

- Changes in units of fuel consumed
- Changes to waste and recycling rates
- Units of energy generated



Financing:

The Council will not be tied to one financing route but will consider a range of financing options depending on the investment decision, market conditions and the Council's MTFs.

Financing options will generally include:

- Public Works Loan Board - <https://www.dmo.gov.uk/responsibilities/local-authority-lending>
- Green Investment Bonds - <https://www.greenfinanceinstitute.co.uk/local-climate-bonds-a-cost-effective-way-to-raise-billions-for-councils-green-plans-says-new-campaign/>
- Use of Capital Receipts
- Bidding for external funding

Decision making:

Investment decisions with a business case will be evaluated by a Green Investment Board which will consist of:



Cabinet Member for
Climate Emergency



Commercial
Lead



Director lead for Climate
Change



Governance
Manager



Countywide Climate
Change Coordinator



Independent advisors
(where needed)



Finance Business
Partner



Procurement Business
Partner

The role of the Board will be to undertake an initial consideration and evaluation of all business cases received and to make recommendations to the Cabinet for decisions on such proposals.



Public Consultation and Involvement:

The Council's 2019 Resident Survey indicated that the majority of residents felt

- The Council should play a role in tackling environmental issues
- The council should be making investments in the borough to reduce pressure on the tax payer

The Council will look to engage and consult with residents, communities and businesses around possible investment opportunities where applicable and will welcome expressions of interest for investment opportunities that can contribute to making Cheltenham Net Zero by 2030.

Risks:

Whilst each investment decision will have its own business case and risk assessment there are three key risks identified:

- **Risk:** Not achieving expected carbon reductions: Some initiatives may not achieve the expected carbon reductions.
- **How mitigated:** Depending on the investment opportunity independent external advice may be sought to aid decision making or recommendations.

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- **Risk:** Not achieving return on financial investment: No investment is free from risk but through well researched and evaluated business cases will help to ensure decisions are risk based.
 - **How mitigated:** This risk will be managed through the Green Investment Strategy Investment Board to ensure the right mix of experience is involved in evaluating investment decisions.

Depending on the investment opportunity independent external advice may be sought to aid decision making or recommendations.

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- **Risk:** New technologies becoming quickly obsolete: Over the coming years there will be more and more new technologies coming to the market, which could make other technologies obsolete quickly.
 - **How mitigated:** Where needed, independent external advice may be sought to reduce the risk of investing in the wrong technology.



How success will be measured:

Each investment decision will have a business with a projected return investment in terms of carbon reduction and financial return. Following an implementation of an investment decision, Key Performance Indicators will be established via Clearview's balanced scorecard to track the investment benefits against the projection outlined in the business case.

Climate Change projects or initiatives that do not yield a return:

This strategy only applies to projects or initiatives that yield a return. The delivery of other climate change projects or initiatives that do not yield a return, will be covered by other strategies and approaches, including bids for external funding, work with partners in both the public and private sector as set out in the Council's Climate Change Mitigation Pathway.

Our work will be guided by our organisational values:

TOGETHER, WE:



20 **CH**ELT **30**
ZERO

