

Just Transition Plan for the London Borough of Newham

3-6-5: a plan towards 2030

Carbon Offset Fund: Spending Strategy

Spring 2024

Carbon Offset Fund: Applicability to 3-6-5 Framework

3 Principles



Increasing equity



Reducing emissions



Future-readiness

6 Futures



Our homes, workplaces and schools are comfortable, healthy and efficient



Our energy system is resilient, equitable and not dependent on fossil fuels



We prefer to walk, cycle or use public transport and goods are safely moved without polluting our streets



We increase sharing and reduce waste building a sharing and circular economy



We eat well and sustainably



Our neighbourhoods are resilient, connected and green

5 Enablers



Growing the Council's Climate Action capacity and effectiveness



Targeting and increasing investment



Partnering with Newham's Anchor Institutions



Enabling civic and place-based action



Working beyond Newham's borders

Planning Context & Connection to Just Transition Plan

PLANNING CONTEXT

The London Plan established a policy requirement for new developments to minimise greenhouse gas emissions.

Where a carbon shortfall from a new development is forecasted, the Council may accept payment from the developer towards a carbon offset fund.

The London Plan requires the Council to:

- set up a carbon offset fund that is ring-fenced to secure delivery of carbon savings
- identify a suitable range of projects that can be funded through the carbon offsetting fund
- put in place suitable monitoring procedures to enable reporting to the GLA.

The Council has not set a price for carbon and continues to rely upon the GLA's established costs.

It remains the council's preference for developers to meet their carbon reduction targets on site.

JTP CONTEXT

Our Just Transition Plan sets out the case for Newham's climate action strategy to expand decarbonisation projects to ensure that they improve people's lives in addition to reducing emissions. This encompasses addressing inequalities and delivering longer term resilience against inevitable climate shocks, such as heatwaves, flooding and extreme weather.

To deliver this plan and maximise impact, we need to harness all available funding from internal and external sources and ensure that every project we work on is delivering on all three of our plan's principles.

Tying Carbon Offset Fund strategy into our broader Just Transition Plan enables this to happen effectively. It will ensure that cross-council teams work from project inception through to delivery and monitoring on carbon-reducing projects for the council and wider borough.

THE LONDON PLAN



THE SPATIAL DEVELOPMENT
STRATEGY FOR GREATER LONDON
MARCH 2021

Just Transition Plan for the London Borough of Newham

3-6-5: a plan towards 2030

December, 2023

Categories of Carbon Offset Fund Spend

This strategy acknowledges the need to ensure that COF works align with our broader capital bidding and spending programmes. The fund will predominantly be used to 'top up' budgeted works to allow for decarbonisation work that would typically be seen as 'above and beyond'. The Climate Action team will offer a 'road show' to increase awareness of its function, strategy and terms across capital works teams.

The intended spend of this fund can be divided into three main categories, which are listed below along with the approximate spends to be allocated to them:

1.

Core Decarbonisation Work (approx. 40% of overall spend)

Funding projects which directly lead to a reduction in either the council's emissions or emissions produced across the borough.

This category will be predominantly ringfenced for council capital expenditure, but can also be used to support initiatives coming from community groups to support enabling broader civic participation in energy reduction and associated climate action.

Examples include community participation in planting SUGi pocket forests, which has a direct carbon sequestration benefit.

2.

Spend-to-save (approx. 50% of overall spend)

Seed funding which enables projects on a save-to-repay basis.

Examples include LED replacements in schools, solar PV and community energy where a percentage of savings produced are used to repay the upfront capital taken from the fund. In most cases, this category of spend will be used on projects which reduce the council's own electricity consumption, therefore reducing both carbon and energy bills.

This allows for a continuous replenishment and recycling of funds over time, in a similar fashion to a green finance fund.

3.

Strategic Enabling Works (approx. 10% of overall spend)

Monies being spent to enable and facilitate much larger decarbonisation projects which require up front feasibility or technical studies.

These studies will focus largely on large-scale infrastructure works, facilitating capital projects such as estate decarbonisation, heat network development or renewable energy development. Such studies will invariably have the potential to unlock future funding opportunities.

Examples include work around larger heat networks, neighbourhood retrofits and other projects being led at London or National levels to secure further funding for Newham.

Category 1: Core Decarbonisation Work (approx. 40% of spend)

Fully funded (up to £500k) or matched funded (up to £500k) grants for capital projects with tangible carbon savings. Projects over £500k would be executive key decisions, and would follow standard procedures.

Scope of works and eligible recipients

All projects in this category must directly remove or reduce carbon within Newham's boundaries.

Projects must be tangible and deliver physical assets. Works could cover the likes of carbon sequestration, energy efficiency measures, renewable energy and building electrification.

Prioritised projects will be those which supplement funded council capital works by introducing additional decarbonisation elements. Where strong cases for significant decarbonisation can be made, some funding may also be allocated to VCSE organisations strictly for projects within Newham's boundaries.

Selection, evaluation and monitoring criteria

Projects must demonstrate decarbonisation value in terms of CO₂ reduction for £ invested.

Additional criteria:

- Projects must be completed within a timeframe agreed prior to each funding award
- Recipients must report quarterly on the carbon and/or energy savings for the duration of the project and agreed monitoring period

Applications will be assessed and funds awarded on a rolling basis, with consideration giving to:

- Deliverability
- Carbon savings and cost
- Co-benefits (equity and resilience)
- Matched funding
- Alignment with capital spending programme

Examples of suitable projects

- **Retrofit and heat decarbonisation**
 - Additional funding to retrofit housing, property, schools or other buildings
- **Transport decarbonisation**
 - Electric Vehicle (EV) infrastructure projects
- **Carbon sequestration**
 - **SUGi pocket forests:** Increasing green coverage and carbon sequestration in Newham through planting in schools, parks and urban spaces
- **Renewable power**
 - Up-front costs for renewable and/or community power installations

Category 2: Spend-to-Save Work (approx. 50% of spend)

Investments under £500k from CoF to accelerate capital expenditure on decarbonisation projects within Newham with tangible carbon savings. Savings to be balanced to deliver in year savings, with the possibility of replenishing the fund moving forward. Replenishments to sit in ring fenced Carbon Action cost centre as they cannot return to S106 holdings.

Scope of works and eligible recipients

All projects in this category must directly remove or reduce carbon within Newham's boundaries.

Projects must be tangible and deliver physical assets. Works could cover the likes of energy efficiency measures, renewable energy and building electrification that save or raise money with a payback of less than 15 years.

A percentage of savings/income raised will be used to repay part of the initial spend over an agreed number of years, with returns ringfenced for further Carbon Action projects.

Prioritised recipients will be any projects returning savings on the council's energy spend. In some cases, council property occupiers who pay their own energy bills may be considered.

Selection, evaluation and monitoring criteria

- Projects must demonstrate decarbonisation value and paybacks of under 15 years
- Projects must be completed within 2 years of the funding being confirmed
- Recipients must report quarterly on the carbon and/or energy savings for the duration of the project and payback period
- Loans will be repaid in yearly instalments from the conclusion of the capital works.
- Applications will be assessed, and funds awarded on a rolling basis, with consideration giving to:
 - Deliverability
 - Carbon savings and cost
 - Energy spend savings and payback
 - Co-benefits (equity and resilience)
 - Matched funding
 - Alignment to capital spending programme

Examples of suitable projects

- **Retrofit**
 - o Projects reducing the council's direct energy consumption
- **Solar PV projects**
 - o Investment in solar PV projects, to reduce council reliance on purchased electricity
- **LED replacements**
 - o **East Ham Leisure Centre:** Energy efficiency works were funded through a £149,940 loan at 4.6% apr, delivering annual energy savings of £46,667

Category 3: Strategic Enabling Works (approx. 10% of spend)

Fully funded (up to £100k) or matched funded (£100k+) grants for unlocking future carbon savings.

Scope of works and eligible recipients

All projects in this category must demonstrate the potential for unlocking significant carbon savings in the future. This is likely to be through research, feasibility studies or concept design.

This work is also prioritised for projects which can unlock further significant grant funding, where feasibility or design work is required to receive the funding.

Selection, evaluation and monitoring criteria

- Projects must demonstrate decarbonisation value, ability to lead to future decarbonisation and/or grant funding enabled.
- Projects must be completed within 2 years of the funding being confirmed
- Recipients must report quarterly on progress and implications of the work
- Applications will be assessed, and funds awarded on a rolling basis, with consideration giving to:
 - Deliverability
 - Potential carbon savings and cost
 - Co-benefits (equity and resilience)
 - Matched funding

Examples of suitable projects

- **Heat Decarbonisation Plans:** High-level studies of portfolios of buildings, determining potential energy savings, fabric assessments and options appraisals.
- **Feasibility studies and project designs:** Production of building-specific feasibility studies and bespoke designs for decarbonisation or carbon sequestration projects. These must align with LBN's guidelines on retrofit and energy efficient buildings.
- **Research and development projects:** Research projects which demonstrate the ability to unlock or improve technologies and mechanisms for accelerating decarbonisation in Newham and beyond.

Project Selection Process

Projects can be proposed by any council employee using the [template application form](#). Spend for each project can be allocated to either an individual category or divided between multiple categories. In the latter case, a justification for the spend to each should be provided.

Selections will be made by a Climate Action Team panel on a rolling basis. Applications will be scored according to the following considerations, with the threshold for projects to be awarded money being agreed and revised based on available funds at the time of assessment.

1.

Core Decarbonisation Work (up to 40%)

All category 1 projects meet the following criteria:

- **Additionality:** Projects must not have already secured capital funding.
- **Carbon savings:** Carbon savings must be cost-effective compared to industry benchmarks
- All calculations must be robust and based off of recognised methodologies

Scoring will be based on cost of carbon, overall savings delivered and Just Transition suitability. Additional prioritisation will be given to projects which deliver savings beyond the 30 year lifetime, include resident participation or offer reduction on energy bills.

2.

Spend-to-save (up to 50%)

All category 2 projects must meet the following criteria:

- **Additionality:** Projects must not have already secured capital funding.
- **Carbon savings:** Carbon savings must be cost-effective compared to industry benchmarks
- **Cost savings:** Payback below 10 years
- **All calculations must be robust and based off of recognised methodologies**

Scoring will be based on cost of carbon, overall savings delivered, payback time and Just Transition suitability. Additional prioritisation will be given to projects which deliver savings beyond the 30 year lifetime or include resident participation.

3.

Strategic Enabling Works (up to 10%)

All category 3 projects must meet the following criteria:

- **Additionality:** projects must not have already secured funding

Scoring will be based on the cost, potential savings unlocked and Just Transition suitability.

Governance on Spend

Applications will be considered in terms of their suitability alongside and in extension of established capital projects. All allocated funds will be subject to clear monitoring requirements to ensure that the projects deliver on their carbon targets. Projects over £500k would be executive key decisions, and would follow standard procedures.

Receipts of funds

The Carbon Offset Fund is generated from the planning process via S106 deeds of planning obligation ('S106').

The extant S106 allocation process is set out in the Developer Contributions Governance and Funding Allocation Strategy.

The Director of Planning & Development will delegate authority to the Director of Climate Action to allocate all S106 Carbon Offset Fund monies.

When monies are received by the Developer Contributions Team they will be accounted for as S106 monies, and the Director of Climate Action will be notified of the receipt of funds.

Allocation of monies

The Climate Action team will work with service areas to establish where existing capital projects could be enhanced to facilitate greater carbon savings.

The Climate Action team will work alongside the Capital Budget setting process for future years to assist projects to 'top-up' their projects in order to achieve additional decarbonisation outcomes.

The Climate Action team will lead on enabling and innovative works to support services commission research and evidence to successfully bid for and leverage external funding.

Any project will need to complete the S106 funding form. The request will be considered in accordance with key decision threshold limits by the Director of Climate Action.

If agreed, notification will be given to the Developer Contributions team and the relevant finance officers.

Reporting on expenditure

All allocation and expenditure is reported corporately to the Capital Oversight Board.

All secured, allocated and expended monies are reported annually as part of the statutory Developer Contributions annual S106 report.

Allocation and expenditure of the monies with the associated forecast or actual impact on carbon reduction must be reported annually to the GLA.

Calculating Carbon Savings

Category 1 and 2 projects must report on annual and lifetime carbon savings (tonnes), as well as the cost of carbon savings (£/tCO_{2e}). This information will be provided to the GLA each year.

Determining lifetime of a project

In line with the GLA's assumed lifetime for developments, lifetime savings can be calculated on the basis of up to 30 years per project.

Where technologies are used which have a persistence factor of below 30 years, the calculations must be based on industry benchmarks (CIBSE, DESNZ etc) for technology lifetimes. Projects at locations with below 30 years of site life remaining will be capped at the site life of the project.

Where different technologies are used in combination, a bespoke persistence factor must be justified for each measure.

Projects that are likely to have a lifetime over 30 years, such as reforestation, will be considered at higher £/tCO_{2e} rates in recognition of long-term impact.

Calculating carbon savings

Carbon emissions reductions should be calculated using a **reasonable and demonstrable methodology** according to the type of project. This should use industry standards, benchmarks and formulae from sources such as CIBSE, DESNZ, GLA etc.

Energy projects should use the latest government conversion factors for direct carbon savings (i.e. reductions in fossil fuel consumption) and provide solid justification for any indirect (electricity) carbon savings.

The project's cost of carbon will be calculated as such:

Carbon offset funding allocated (£)

Annual carbon saving (tCO_{2e}) X Lifetime of project (Years)

Monitoring and Reporting

Each category of Carbon Offset Fund project will have its own monitoring and reporting requirements. The council will also have to report on the carbon savings to GLA on an annual basis.

The reporting expectations for each category of spend are outlined in the next slide.

Monitoring and Reporting Methods

Monitoring and reporting are crucial steps in ensuring that Carbon Offset Fund monies are spent responsibly, as well as tracking the success of different carbon saving programmes.

The monitoring and reporting methods for each of the categories are:

1.

Core Decarbonisation Work (up to 40%)

The carbon savings recorded for each category 1 project will be reported annually to GLA. Internally, each project will be subject to a completion report outlining:

- Project summary
- Intended outcomes and carbon savings
- Actual outcomes and carbon savings
- Just Transition outcomes and co-benefits

For projects which deliver long-term energy savings, such as heating system replacements, an annual report on the carbon saved should be made for three years after the project completion.

2.

Spend-to-save (up to 50%)

The carbon savings recorded for each category 2 project will be reported annually to GLA. Internally, each project will be subject to a completion report outlining:

- Project summary
- Intended outcomes and carbon savings
- Actual outcomes and carbon savings
- Just Transition outcomes and co-benefits

For projects which deliver long-term energy savings, such as heating system replacements, an annual report on the carbon saved should be made for three years after the project completion.

3.

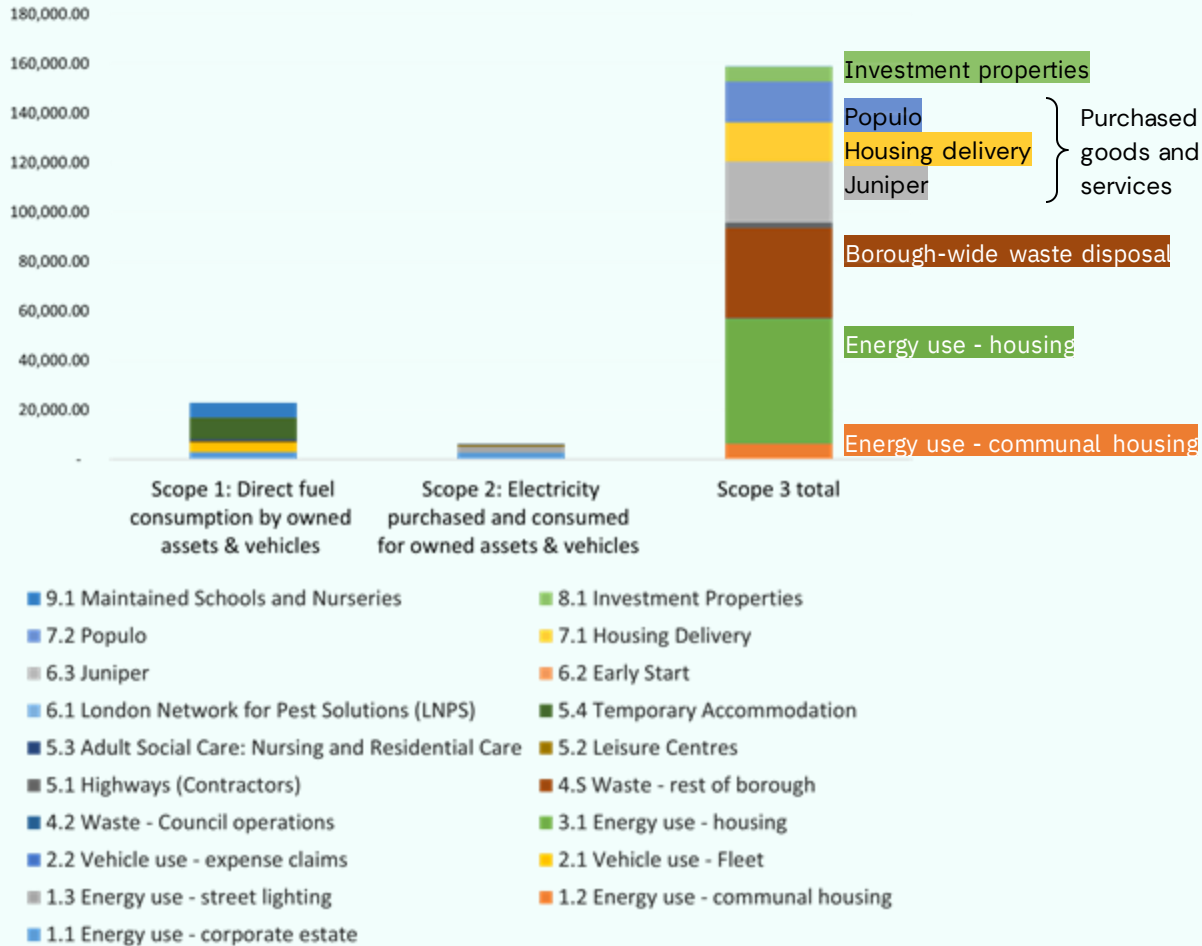
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Appendix: The Council's own emissions

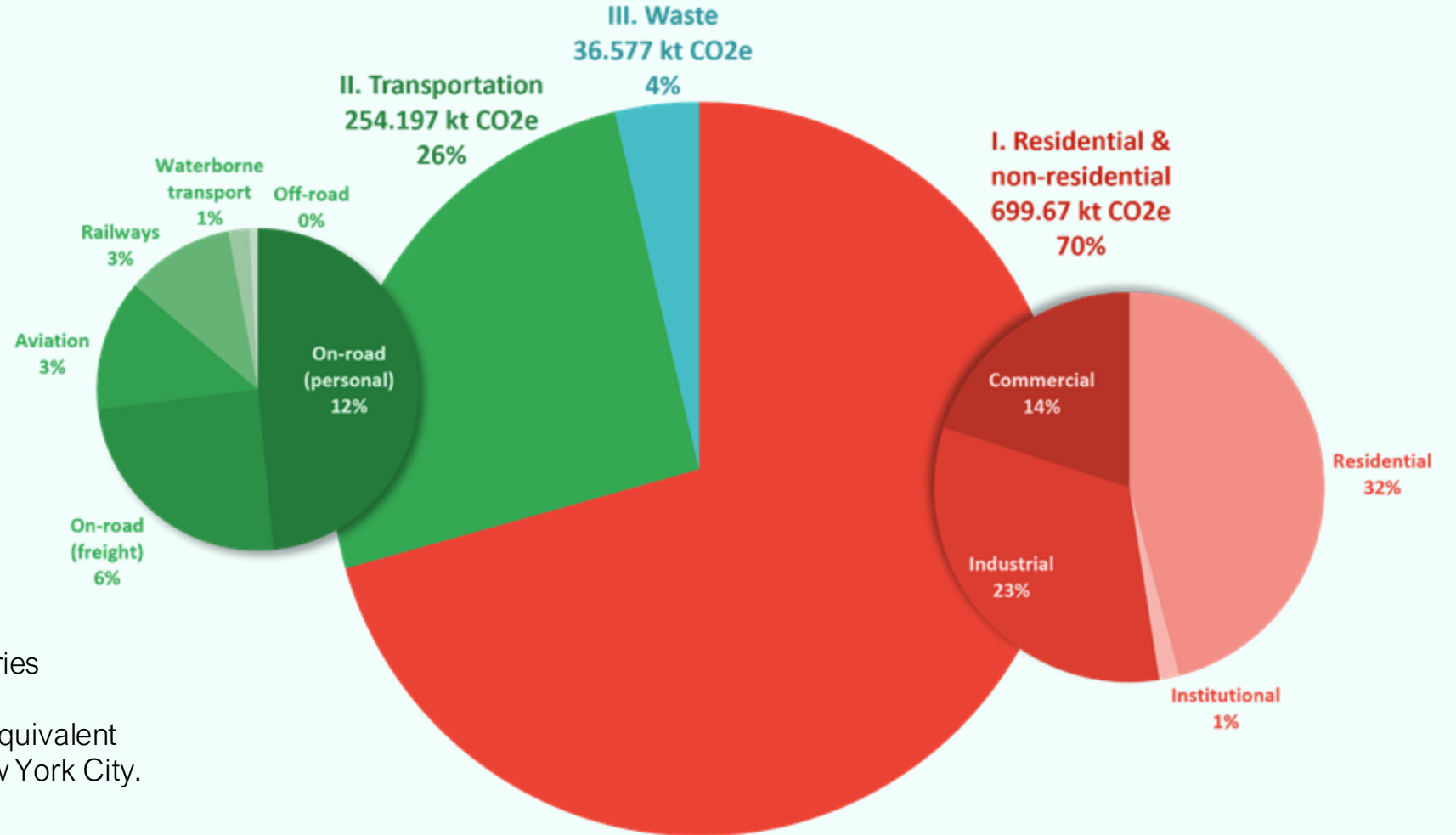


We must understand the full scope of the problem, to deliver the full scope of solutions needed.

How can we as a Council lead on conscious consumption across an equitable Newham?

- We have a radical opportunity to take accountability for scope 3 emissions, and create the environment for everyone else to do the same
- Building relationships, processes and data infrastructure to obtain activity data regularly
- Initiating and resourcing a comprehensive 'GHG Protocol' inventory for future phases of this Plan

Appendix: Newham's overall territorial emissions



Total footprint:

~1 million tCO2e for energy consumption, transport and waste within borough boundaries

This volume of annual emissions is roughly equivalent to 850,000 return flights from London to New York City.

Source: [Carbon Footprint Calculator](#).
 Source: ClimateView inventory baseline for LBN, 2023.