Purpose of the Report
To provide Overview and Scrutiny with a summary of the implications for climate change policy in Oldham and the UK of the vote to leave the European Union.

Recommendations
That Overview and Scrutiny note the content of the report.
Climate change and ‘Brexit’

1 Background

1.1 In June 2016, the UK narrowly voted to leave the European Union by a 52%-48% majority in a national referendum.

1.2 Many predictions have been made as to how leaving the EU will affect the country. This report deals specifically with how ‘Brexit’ is likely to affect climate change and energy issues in the UK.

1.3 The EU has a number of climate change policies and targets to which the UK is currently bound, as a member state. Once the UK has left the EU, in theory these targets will no longer apply. However, the UK has its own keystone piece of climate change legislation, the Climate Change Act. This Act sets into law a number of Carbon Budgets, the most recent of which was approved by Parliament in June 2016, after the referendum. The carbon emissions reduction targets within the Climate Change Act and individual Carbon Budgets are generally even more challenging than the EU-mandated targets.

1.4 Individual carbon reduction schemes such as the CRC Energy Efficiency Scheme, the Feed In Tariff and Renewable Heat Incentive all derive from the Climate Change Act rather than EU legislation, and are currently shaped by the UK government rather than any directive from Europe. Thus, these schemes and subsidy regimes are not likely to be affected in terms of European influence if and when the UK leaves the EU.

1.5 However, ‘Brexit’ is likely to have a significant impact on energy policy and the domestic energy markets. Energy policy, in particular low carbon energy policy, is the mainstay of climate change policy and so anything which influences the energy markets will necessarily have implications for climate change policy.

1.6 The UK now imports most of its energy. For some decades, North Sea oil and gas production made the country a net energy exporter, but our reserves are in permanent decline and we have returned to being an energy importing nation, as the following graph from DBEIS shows:-
1.7 Similarly, the UK imports produces only around 43% of the fuel required to produce electricity, although a growing proportion of this comes from renewable energy.

1.8 The long-term trend for electricity prices is upwards, as the following graph shows:

![2010-14 Average Electricity Prices](powerexperts.co.uk)

1.9 One effect of the vote to leave the EU has been a sustained fall in the value of the pound sterling relative to other currencies. This means that all imported energy will cost more in the domestic UK market, further exacerbating the general trend upwards in energy prices.

1.10 Potential future export tariffs from Europe will add additional upwards pressure on energy prices. The UK imports around 10% of the energy it needs for generating electricity from Europe.

1.11 More important than the proportion of energy imported from the EU though is the issue of international market confidence in the UK energy market. Falling inward investment in UK energy infrastructure due to uncertainty and the perception that the UK will become a less attractive market for energy could reduce grid reliability and energy security for homes and businesses.

1.12 The cost of imported energy generating equipment, as well as energy itself, is likely to rise due to falling value of the pound sterling. This same principle will apply to all supply chain imports, which could make UK businesses less competitive generally due to rising input costs.

1.13 The fall in the base bank interest rate should however incentivise investment from within UK in smaller energy projects. This could present an opportunity for Oldham if we can build on our community energy and other ‘green’ business sectors to attract investment both from within Oldham and further afield.

1.14 A few internet links illustrating some of the challenges described above are as follows:-

- Siemens puts brakes on wind power after Brexit
- Brexit pushes UK energy prices towards nine-month highs
- Blow to 800 million pound Trafford gas plant as Britain withdraws subsidy
- National Grid sees major boost for solar, electric vehicles and batteries
- Brexit to add £350 million to energy bills
2 Current Position

2.1 This section summarises Oldham’s current response to the pressures from ‘Brexit’ as described in Section 1.

2.2 Community energy – Generation Oldham

2.3 Generation Oldham aims to build community-owned renewable energy capacity, opportunities for young people to gain training and employment, and inward investment.

2.4 Oldham Community Power Ltd has raised £35K from Oldham residents for Phase 1 of the Generation Oldham programme. The Council has provided a bridging loan to enable the installation of £250K of solar PV in Phase 1. The loan will then be refinanced from further community shares and paid back to the Council in anticipation of a Phase 2.

2.5 Oldham Council is leading a national consortium of community energy sector organisations in the development of a new national Community Energy Specialist apprenticeship standard. It is hoped that the very first Community Energy Specialist apprentice will work with Oldham Community Power Ltd in Oldham.

2.6 Low carbon infrastructure – to support homes and businesses

2.7 An initial scoping study has been carried out by Unity Partnership looking at the potential for heat networks on new development sites in Oldham. This has found potential but further clarity is needed as to building types and phasing before the planning of low carbon energy provision for the developments can progress. Heat networks can provide heat (and electricity if Combined Heat and Power plants) more reliably and efficiently than individual boilers in buildings.

2.8 National funding for the development of heat networks is available via the DBEIS (formerly DECC) Heat Network Development Unity (HNDU).

2.9 In October 2016, Oldham Council will be supporting a bid to Innovate UK (formerly the Technology Strategy Institute) for £200K of funding to carry out feasibility work looking at the potential for ground source heat from disused coal mines in Oldham to supply district heat networks.

2.10 The award-winning Warm Homes Oldham programme is looking at innovative new technologies for energy saving and alleviation of fuel poverty.

3 Key Issues for Overview and Scrutiny to Discuss

3.1 ‘Brexit’ will accentuate the trends in energy price rises and falling energy security. This will mean a rise in fuel poverty and a decrease in business competitiveness and the reliability of energy infrastructure supporting businesses.

4 Key Questions for Overview and Scrutiny to Consider

4.1 Based on the content of this report, what are the views of the Board on:-

4.2 Q1: Oldham Council’s approach and preparedness to mitigate the consequences of ‘Brexit’ in terms of energy prices and security?
Q2: Opportunities and benefits which may exist from the consequences of ‘Brexit’ to energy and climate change which the Council is not already pursuing?

5. **Links to Corporate Outcomes**

5.1 Open for Business: Invest in Oldham

5.2 A working borough: Education, skills and employability

5.3 Confident and involved communities: Developing a Co-operative Contract

5.4 Responsible with resources: Corporate Landlord and Asset Management

5.5 Reforming and empowering public services: Delivering differently

5.6 Oldham’s Climate Change Strategy

5.7 Oldham’s Affordable Warmth Strategy

6 **Additional Supporting Information**

6.1 None

7 **Consultation**

7.1 N/A

8 **Appendices**

8.1 None