

Title of the measure:	UK18_Public sector financing through Salix
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General description

Salix Finance Ltd is a not for profit company limited by guarantee, which was set up in 2004. It is funded by the Department for Business, Energy and Industrial Strategy, The Welsh Assembly Government and The Scottish Government to establish energy efficiency revolving loan schemes in the public sector. The company has developed innovative approaches to overcome financial barriers in the public sector that currently prevent highly cost-effective measures being adopted.

There are two types of Salix funding models available. The first is the Salix Energy Efficiency Loans Scheme (SEELS), providing interest-free loans which are repaid from the savings delivered by the energy saving measures. The second programme available is the Recycling Fund (RF). The RF requires the public body to put into the fund a sum ring fenced for energy efficiency and Salix provides matched funding. Each RF is jointly managed by Salix and the public sector organisation who select a range of energy efficient projects that they wish to implement. The revenue savings made by each project are repaid into the RF until the original sum is repaid. This means the RF is continually used for further energy efficiency projects, hence the term 'Recycling Fund'. The public sector organisation continues to benefit from the revenue savings that accumulate once each project has been fully repaid.

Financial mechanisms of this type drive change by encouraging procurement managers and decision makers to look again at the way they plan, invest and save within their portfolio giving them real reasons to 'invest to save' for the long term. Not only does this improve environmental and efficiency standards within estates, but it can also stimulate more widespread adoption of energy saving and carbon reduction measures.

Over 120 technology types are supported by the funding programmes, some of which include building energy management systems, cavity wall insulation, combined heat and power systems, evaporative cooling, heat recovery systems, LED lighting, lighting controls, loft insulation, pipework insulation, server virtualisation, T5 lighting and Variable speed drives. Salix funding includes all public sector organisations and across their whole estates, including schools, higher and further educational institutions, emergency services, hospitals, leisure centres, local authorities, the NHS. There has been a focus to commit more resources to increasing energy efficiency and driving down energy costs, which Salix aim to address and assist the public sector in doing.

Since its formation in 2004 up to 31 March 2017, Salix has helped over 1,800 clients to commit over 15,500 projects valued at £563.5 million. These projects are forecast to deliver over £136 million of annual financial savings on energy bills and £2 billion over the projects' lifetime. The projects are forecast to save over 690,000 tonnes of CO₂e annually. A list of organisations in receipt of Salix funding during 2015/16 and 2016/17 can be downloaded from the Salix website.

Since 2004, BEIS has provided a total of £148m to Salix for the funding of energy efficiency loans and for the funding of its operations. Other departments contributing funding include:

- The Department for Education (through DECC) who have provided £10m of funding in order to increase energy efficiency across English schools.
- The Higher Education Funding Council for England (HEFCE) has invested over £20m with Salix in the university sector
- the Scottish Government who have provided £14.7m
- the Welsh Government who have provided £11.8m



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Further funding is planned, and the Spending Review 2015 allocated £255m (plus £40m in consequential funding for the devolved administrations in Scotland and Wales) for the 5 year period to 2020.

Impact evaluation (methods and results)

Methods

Energy savings are calculated according to supplementary Green Book policy appraisal guidelines available at http://www.hm-treasury.gov.uk/data_greenbook_index.htm

Results

In the UK 2017 NEEAP the annual energy savings estimate for public sector financing of energy efficiency measures through Salix are:

Ex-post evaluation	2010	2016	2020
CO ₂ (kt)			
Energy (PJ)			
Ex-ante evaluation	2010	2016	2020
CO ₂ (kt)*		56	252
Energy (PJ)**		0.7	3.2

*Carbon figures calculated using the same carbon/energy ratio for product policy savings in the household sector as in UK NEEAP 2010 (published July 2011)

**Energy reported as 2016: 0.2 TWh, 2020: 0.9 TWh (multiplied by 3.6 to convert to PJ)

Estimated savings have increased since the last NEEAP in 2014 due to additional funding allocated to Salix in the 2015 Spending review (295m over 5 years). Revised modelling of the additionality of measures has also been included.

Impact evaluation (methods and results) - Historic

The DECC report 'Updated energy and emissions projections: 2013' provides estimates for 'Salix, Public Sector Loans, 10% commitment for Central Government':

Ex-post evaluation	2010	2016	2020
CO ₂			
Energy			
Ex-ante evaluation	2010	2016	2020
CO ₂ (Kt CO ₂ e/year)	29	51	40
Energy (PJ)	0.3	0.6	0.5

In the UK's progress report on the UK NEEAP 2007 (published July 2011) the following annual energy savings estimate is provided for **Carbon Trust Programmes, which includes the advice and finance funded by Government (including SME and Salix loans) delivered by the Carbon Trust to business and public sector – see UK2_Carbon Trust.**

The impact of the Revolving Loan Fund was estimated in the 2007 UK Energy Efficiency Action Plan.

Ex-post evaluation	1995	2000	2010	2020
CO ₂ (kt)				
Energy (TJ)				
Ex-ante evaluation	1995	2000	2010	2020
CO ₂ (kt)			367*	367*
Energy (TJ)			3,960**	4,320**



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*Carbon reported as (2010) 0.1MtC/year; (2016) 0.1MtC/year and (2020) 0.1MtC/year;
(Multiplied by 44,000 divided by 12 to convert to ktCO₂)
**Energy reported as (2010) 1.1 TWh; (2016) 1.2 TWh and (2020) 1.2 TWh;
(Multiplied by 3,600 to convert to TJ)

Source: 2007 UK Energy Efficiency Action Plan

Measure Impact Level		
<input type="checkbox"/> low	<input checked="" type="checkbox"/> medium	<input type="checkbox"/> high

Definition of the qualitative impact level

- The categories (low, medium, high) are linked to the aggregate electricity or energy consumption of the respective sector (households, transport, industry or tertiary), and not to a particular end-use, because the aggregation of the impacts is easier.
- The following limits (in each case in % of the overall final energy or electricity consumption of the sector; in case of fuel substitution and CHP: of primary energy consumption) are defined for the three impact levels:
- **low impact: <0.1%**
- **medium impact: 0.1-<0.5%**
- **high impact: ≥0.5%**

Historical data

The Government provided funding for Salix Finance to establish a revolving fund for energy efficiency work in the public sector, building on the pilot Local Authority Energy Financing (LAEF) Scheme. Salix was set up as a £5m pilot in 2005 to work with local authorities, with an additional £20m announced in the Pre-Budget report 2005, increasing funding for 2006-2008 to work with the whole public sector. The Welsh Assembly Government announced an additional £450k to supplement Salix activities in Wales and extend the pilot initiatives that have previously been established.

The early funding for Salix aimed to support up to 100 public bodies by 2008 and deliver the 0.1MtC that is set out in the Climate Change Programme 2006. These estimates were included in the 2007 UK Energy Efficiency Action Plan – see Impact evaluation (methods and results) - Historic.

Interaction of measures

The company is a spin-off from the Carbon Trust. The emission savings have been estimated in the Update on progress against the 2007 UK National Energy Efficiency Action Plan (July 2011) as part of the measure ‘Carbon Trust Programmes’ – see UK2_Carbon Trust for further details.

References

Annual energy savings estimate from:

2017 UK National Energy Efficiency Action Plan

https://ec.europa.eu/energy/sites/ener/files/documents/uk_neeap_2017.pdf

Historic annual energy savings estimate from

Updated energy and emissions projections: 2013

<https://www.gov.uk/government/publications/updated-energy-and-emissions-projections-2013>

Salix Finance

<http://www.salixfinance.co.uk/>

Salix Research Stage 1: Estimating the Additionality of Funding Provided by Salix Finance Prepared by UCL Energy Institute For Salix Finance and DECC (2015)



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https://www.salixfinance.co.uk/system/public_files/ucl_energy_institute_-_estimating_the_additionality_of_funding_provided_by_salix_finance.pdf

Salix Research Stage 2: Energy Savings, Monitoring and Reporting Prepared by UCL Energy Institute For Salix Finance and DECC (2016)

https://www.salixfinance.co.uk/system/public_files/ucl_energy_institute_-_salix_research_stage_2_-_energy_savings_monitoring_and_reporting.pdf

7th December 2011 – DECC Press Release: £30 million announced for community green schemes and public sector energy efficiency

<https://www.gov.uk/government/news/30-million-announced-for-community-green-schemes-and-public-sector-energy-efficiency>

2007 UK Energy Efficiency Action Plan

http://ec.europa.eu/energy/demand/legislation/doc/neeap/uk_en.pdf

UK Report on Articles 4 and 14 of the EU End-use Efficiency and Energy Services Directive (ESD)

Update on progress against the 2007 UK National Energy Efficiency Action Plan (July 2011)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48144/2289-uk-report-eu-enduse-esd.pdf



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