

# **Westminster Carbon Offset Fund Guidance**

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## 1. Context and purpose of the guidance

- 1.1. Since October 2016, Westminster City Council has been securing for carbon offsetting from new development through planning obligations to ensure that new development is acceptable in planning terms by fully addressing its associated carbon footprint.
- 1.2. In September 2019, Westminster City Council declared a Climate Emergency and set ambitious targets for the city to be carbon neutral by 2040. Carbon offset funds provide an important resource for helping to support Westminster's carbon neutral ambitions.
- 1.3. This guidance provides some background to Westminster's carbon offset fund, outlining the process for collecting carbon offset funds and the City Council's criteria for allocating funds to local carbon saving projects, in accordance with Greater London Authority (GLA) guidance and Westminster's carbon reduction targets.

### What is carbon offsetting?

- 1.4. As the local planning authority, Westminster City Council is responsible for ensuring that all new development proposals comply with local and London-wide planning policy, and for securing and allocating any relevant planning obligations.
- 1.5. Carbon offsetting is a planning obligation collected under Section 106 of the Planning and Country Act 1990 (commonly known as section 106 agreements) that allow new developments to comply with local planning policy where it is not feasible or practical to achieve all necessary carbon emissions savings at the development site.
- 1.6. The carbon offset is collected as a financial contribution which is then ring-fenced and used to 'offset' the carbon footprint of the new development by funding carbon saving projects elsewhere in the local authority area.

## 2. Calculation and collection of payments

- 2.1. Cash in lieu payments for carbon offset are only accepted in Westminster where developments have clearly demonstrated to the City Council, with submitted evidence, that it is not technically or financially possible to achieve the necessary emissions reductions on site.
- 2.2. Where a carbon offset payment has been agreed, the level of financial contribution is calculated at the planning determination stage, in accordance with the below formula. All carbon offset payments are secured by legal agreement and collected upon commencement of the development scheme, unless otherwise agreed in writing.

### Carbon offset formula

*Carbon offset contribution = carbon gap (residual tonnes of carbon) x price of carbon (£) x 30 years*

### Carbon offset price

- 2.3. Westminster City Council's current carbon offset price is £1,800 per tonne of carbon. This is calculated at a rate of £60 per tonne of carbon over a 30-year period (the assumed lifetime of the development's services), in accordance with current GLA guidance.

- 2.4. The GLA's recommended price for offsetting carbon is due to increase to £2,850 per tonne (£95 per tonne CO<sub>2</sub> over 30 years) under Policy SI2 of the draft new London Plan. Once adopted (anticipated early 2020) the local carbon offset price will increase in line with the GLA's policy.
- 2.5. Westminster reserves the right to review and update the local cost of carbon where evidence indicates that an alternative price will better reflect the local cost of offsetting. Any amendments to future carbon offset pricing will be viability tested prior to introduction.

### 3. Policy context

- 3.1. The national, London-wide and Westminster policy framework within which the City Council uses its planning powers to collect and allocate carbon offset funding are set out below.

#### UK Climate Change Act (2008)

The Climate Change Act sets a target for Government to reduce the UK's greenhouse gas emissions by 80% by 2050. The target will be amended to 100% following guidance from the Committee on Climate Change and Government's declaration of a Climate Emergency in 2019.

#### National Planning Policy Framework (2012)

The National Planning Policy Framework (NPPF) states as a core planning principle that planning should support the transition to a low carbon future.

#### London Plan (2015)

The Mayor of London has set a target to achieve net zero emissions across London by 2050. Policy 5.2 of the current London Plan requires development proposals to make the fullest contribution to minimising carbon dioxide emissions in accordance with the London Plan energy hierarchy.

Major domestic developments must meet the zero-carbon standard, achieving a 100% improvement on Building Regulations (Part L 2013), with a minimum 35% improvement on site. Where specific targets cannot be fully met on site, any shortfall may be provided off-site or through a cash in lieu contribution to be ring-fenced for secure delivery of carbon dioxide emission reduction elsewhere.

#### New London Plan (2019)

Policy SI2 of the draft new London Plan states that all major development should be net zero-carbon and achieve a minimum 35% improvement on Building Regulations 2013 standards. Where it is clearly demonstrated that the zero-carbon target cannot be fully achieved on-site, any shortfall should be provided through a cash in lieu contribution to the borough's carbon offset fund, and/or off-site, provided that an alternative proposal is identified, and delivery is certain.

#### Greater London Authority (GLA) guidance

Further detailed guidance on offsetting is set out in the Mayor's Housing Supplementary Planning Guidance (SPG) (2016) and the GLA's guidance on Energy Planning (2018).

#### Westminster (Draft) City Plan 2019-2040

Policy 37 (Energy) of the City Plan 2040 states that, major developments should demonstrate how local carbon reduction targets will be achieved and that any shortfall in carbon reduction targets should be addressed by off-site measures or

via a carbon offset payment where it is clearly demonstrated that zero-carbon standard cannot be achieved onsite.

#### Climate Emergency

Westminster City Council has set out targets for the City Council to be carbon neutral by 2030 and for the city to meet net zero emissions by 2040 as part of the Climate Emergency Declaration issued in September 2019.

## **4. Carbon offset fund management**

### **Carbon offset funding objectives**

4.1. The objectives of the carbon offset fund are to enable local carbon saving activity and enable Westminster residents, businesses and communities to:

- Reduce their energy use and associated carbon emissions
- Promote cleaner, greener and safer communities
- Support the delivery of wider co-benefits, in line with the City Council's City for All priorities
- Support delivery of Westminster's carbon neutral ambitions set out in the City Council's Climate Emergency Declaration

### **Managing and allocating funds**

4.2. Westminster's carbon offset funds will be managed in accordance with the existing processes for allocating planning obligations. All requests for carbon offset funding must be submitted by application<sup>1</sup> and verified by Westminster's Head of Environment Policy and Projects. Verified applications will then be determined by the City Council's Cabinet CIL Committee.

### **Funding principles/requirements**

4.3. Carbon offset funding may be prioritised and allocated in accordance with Westminster's strategic objectives and priority projects, as listed in Appendix 1. The City Council will assess all carbon offset applications against the following principles and requirements.

#### **Essential criteria:**

- Projects must deliver tangible, quantifiable and transparent carbon savings and help to support Westminster's Climate Emergency targets
- Projects should demonstrate additionality (i.e. they would not have happened without carbon offset funding and/or they deliver wider social, economic or environmental co-benefits)
- Funding cannot be used to simply comply with legislation
- All bids must comply with funding rules/regulations
- Projects should be ready to commence upon confirmation of funding approval

#### **Desirable criteria:**

- Projects should aim to deliver cost-effective carbon savings (assessed on the total capital cost of the bid against the expected lifetime carbon savings). A strict 1:1 ratio on carbon savings will not be applied<sup>1</sup>.
- Funding for hard measures (i.e. a physical asset with tangible carbon savings) and soft measures (i.e. those that enable future carbon savings – such as

<sup>1</sup> Westminster Carbon Offset Fund Application Form: see Appendix 2

feasibility studies, engagement and behavioural activities) are permissible. Soft measures must reasonably expect to deliver carbon savings alongside or as a consequence of any successful bid

### **Who will be able to apply?**

4.4. The carbon offset fund is available to groups and organisations operating within Westminster, including, but not limited to:

- Constituted community groups
- Charitable organisations
- Faith groups
- Local small and medium-sized businesses with fewer than 250 employees and/or a turnover of less than £40 million (and subject to state aid requirements)
- Schools
- Public sector bodies and organisations

Carbon offset funds can be used to support all costs relating to a carbon saving project, including:

- capital costs (e.g. the cost of the physical measure or activity)
- core costs (e.g. staff, office costs) – capped at 10% of total application value
- project costs (e.g. venue hire, project worker)

## 5. Appendix 1: Priority projects

Theme	Objective	CO2 Driver	Beneficiaries	Justification
Public sector buildings and assets	To demonstrate leadership by reducing energy use and improving the carbon performance of public buildings	Reduce energy demand in existing buildings	<ul style="list-style-type: none"> <li>Public sector buildings</li> <li>Community buildings</li> <li>Schools</li> </ul>	<ul style="list-style-type: none"> <li>To champion energy efficiency and green innovation</li> <li>Enable cost-effective, cleaner and greener service provision</li> </ul>
Commercial buildings	Encourage commercial organisations to improve increase efficiency, reduce energy demand and explore new environmental practices to support sustainable growth	Reduce energy demand in existing buildings	<ul style="list-style-type: none"> <li>Small-medium businesses</li> </ul>	<ul style="list-style-type: none"> <li>Commercial sector produces almost 70% of local emissions</li> <li>Reduced building energy use will deliver air quality and carbon saving benefits</li> <li>Improvements will support business resilience, competitiveness and economic well-being</li> </ul>
Homes and Communities	Enable residents and communities to live in a cleaner, greener and safer City, alleviate incidence of fuel poverty and promoting clean and affordable energy sources	Reduce energy demand in existing buildings	<ul style="list-style-type: none"> <li>Fuel poor households</li> <li>Homes rated &lt;EPC C</li> <li>WCC Housing</li> <li>Private Rented Sector</li> </ul>	<ul style="list-style-type: none"> <li>Homes are responsible for 16% of Westminster's annual emissions</li> <li>Reduced building energy use will deliver air quality and carbon saving benefits</li> <li>Improvements will help tackle fuel poverty and improve resident health and well-being</li> </ul>
Low Carbon Energy	Adopt smarter, cleaner and greener technologies to expand sustainable energy use in Westminster, supporting a pathway to carbon neutrality	Expand renewable energy provision / Support innovative energy solutions	<ul style="list-style-type: none"> <li>Public sector buildings</li> <li>Community buildings</li> <li>Schools</li> <li>Small-medium businesses</li> <li>Large housing blocks</li> </ul>	<ul style="list-style-type: none"> <li>Deliver zero carbon energy in locations that do not impact on local character and heritage</li> <li>Increase energy resilience, reduce running costs and increase local energy security</li> </ul>
		Deliver, connect to, or expand district energy networks		<ul style="list-style-type: none"> <li>High heat density makes local heat networks viable</li> <li>Low carbon supply can help improve 'hard to treat' buildings</li> </ul>

				<ul style="list-style-type: none"> <li>• Existing networks in/near to Westminster provide opportunity for expansion and inter-connection</li> </ul>
Sustainable Travel and Transport	Promote active travel and enable the use of cleaner and greener modes of transport to reduce travel-related emissions	Reduce travel-related emissions	<ul style="list-style-type: none"> <li>• Westminster City Council</li> <li>• Public sector</li> <li>• Schools</li> </ul>	<ul style="list-style-type: none"> <li>• Transport is responsible for 15% of Westminster's annual emissions</li> <li>• Reducing traditional car use will deliver air quality and carbon saving benefits</li> <li>• Carbon offset only to be used where air quality related funding sources are unavailable/insufficient</li> </ul>
Knowledge and Learning	To champion green innovation, collaboration and shared learning on sustainable energy issues, promote environmental stewardship and enable progress across energy-related activity	Feasibility studies, strategies and enhance knowledge or information	<ul style="list-style-type: none"> <li>• All project types</li> </ul>	<ul style="list-style-type: none"> <li>• To enable future delivery of carbon saving projects</li> <li>• Funding cap on feasibility studies/assessment may apply</li> </ul>

## 6. Appendix 2: Application for carbon offset funding

### 1. Project Management

<b>Organisation name (beneficiary) and address</b>	
<b>Organisation type</b>	Commercial <input type="checkbox"/> Charitable <input type="checkbox"/> Public Sector <input type="checkbox"/> Other <input type="checkbox"/> Please specify:
<b>If commercial, please indicate employees and annual turnover</b>	Employees: Turnover:
<b>Project Manager name, role and organisation</b>	
<b>Email / Telephone</b>	
<b>Project sponsor name, role and organisation</b>	

### 2. Project details

<b>Project Name and Location</b>	
<b>Ward</b>	
<b>Current project status</b>	Concept/Feasibility <input type="checkbox"/> Delivery <input type="checkbox"/> Completion <input type="checkbox"/>
<b>Estimated start date</b>	
<b>Estimated completion date</b>	

### 3. Carbon Offset Funding Requested

<b>Total project cost</b>	
<b>Carbon offset funding requested (bid value)</b>	
<b>Other funding secured (value and source of funding)</b>	

### 4. Project summary

<b>Please provide a brief summary of your proposal (100 words max)</b>

**5. Justification for Funding**

**A. Deliver carbon savings.** *Proposals must be able to demonstrate that they will deliver tangible, quantifiable and cost-effective carbon savings and/or enable future carbon saving activity. Please include details on your proposals, including project type and clearly identify the associated carbon savings (300 words max).*

<b>Total gas consumption of site</b> <i>(where applicable)</i>	kWh per year	<b>Total electricity consumption of site</b> <i>(where applicable)</i>	kWh per year
<b>Estimated energy savings per year</b>	kWh per year	<b>Estimated carbon savings</b>	Tonnes per year  Tonnes lifetime

**B. Additional benefits.** *Projects should demonstrate that they would not have been possible without carbon offset funding and/or they will deliver wider social, economic and/or environmental gains consistent with Westminster's [City for All](#) priorities. Please outline the barriers and/or wider benefits that the carbon offset funding will help overcome or deliver (300 words max).*

**C. Ready for implementation.** *Bidders should summarise the business case for the proposal and demonstrate they have, or are likely to secure, any necessary legal powers, regulatory consents, approvals or additional funding required for implementation. Any additional documents (e.g. business case, spend plan etc) may be included for reference in the Appendix. (300 words max)*

## 6. Consultation

Please provide details of any consultation undertaken or planned with any of the following stakeholders

Ward councillors	
Businesses	
Residents	
Other community groups	

## 7. Appendices

Please list any additional supporting information you are attaching with your application, here (e.g. maps, invoices or other documents). Please note: all information required to assess the application should be included in the body of the form.

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## Approval and Verification

Application verified by	Name	Date verified
Head of Environment Policy and Projects		Date
S.106 reference		

## Carbon Offset Fund Application Notes

Please review the below instructions prior to completing your application.

Completed forms should be sent to: [CILS106projects@westminster.gov.uk](mailto:CILS106projects@westminster.gov.uk)

### Section 1 – Project Management

Please include the name of the person who is responsible for managing the project (Project Manager) along with the name of a senior person in the organisation who can provide senior approval/support for the bid (Project Sponsor). All necessary managerial approvals should be in place before submitting the bid to Westminster City Council.

Please include details of the intended beneficiary of the funding, including the organisation name, address and organisation type. Where the recipient is a commercial organisation, please include details on the number of employees and annual turnover of the organisation. Eligible commercial organisations should have no more than 250 employees and/or a turnover of no more than £40million. All commercial applications must comply with state aid rules.

### Section 2 – Project details

*Please note: details in this section may be published externally.*

The name of the project should be included here along with the address and ward that the proposal will be located/delivered in. A short description (100 words max) should outline what the project is (e.g. renewable energy project, energy efficiency scheme, sustainable transport, feasibility study or behavioural change programme) and what it will deliver.

Please include the start date and the completion date by which funding will be spent in this section along with an indication of the current project status.

### Section 3 – Carbon offset funding required

*Please note: details in this section may be published externally.*

Details on the total project cost, the amount of carbon offset funding being sought, and any other match-funding that has been secured or available to support delivery should be included in this section.

Westminster City Council will prioritise applications for projects that align with the carbon offset fund guidance criteria and priorities outlined in Westminster City Council's Carbon Offset Fund guidance.

### Section 4 – Project summary

Please provide a brief summary of your proposal, including project type (e.g. energy efficiency, renewable energy etc) and the intended outcomes. **(100 words max)**

### Section 5 – Justification for allocation

*Please note: details in this section may be published externally.*

Please make your case clearly and concisely - avoiding padding and overly wordy explanations.

The core objectives of the carbon offset fund are to support Westminster residents, businesses and communities to:

- Reduce their energy use and associated carbon emissions
- Promote cleaner and greener local sources of energy
- Support the delivery of wider co-benefits across Westminster

To be considered eligible for funding infrastructure proposals must demonstrate how they meet the funding criteria and priorities set out in Westminster's Carbon Offset Guidance Note. Further guidance on each sub-section is available below.

## Compliance with carbon offset criteria

**Part A. proposals must be able to demonstrate that they will deliver tangible, quantifiable and cost-effective carbon savings and/or enable future carbon saving activity.**

Explain how your proposals will help to deliver the carbon saving objectives of the carbon offset fund. Briefly summarise your project, outlining the type of measure to be installed, why this has been selected and any carbon savings directly associated with the proposal. *Please note:* bids may be assessed on their carbon cost-effectiveness (carbon saved per £ of investment) as well as their total carbon savings. Cost-effective carbon savings should be prioritised where possible.

For all energy saving projects, please include details on current energy consumption of the sites alongside anticipated energy savings in kilowatt hours per year (kWh). For *renewable energy projects*, also include the size/capacity of the proposed installation in kilowatt peak (kWp) and the estimated annual energy production. For *energy efficiency projects*, please include the current energy performance certificate (EPC) or Display Energy Certificate (DEC) rating of the site and include details on the number and type of measure to be upgraded or replaced.

For proposals for non-energy related measures, or bids that are proposing to offer a service or deliver soft as opposed to hard measures, please include any relevant details (e.g. the audience, numbers to be engaged, anticipated take-up and estimated savings to be delivered from the proposal).

**Part B: the project demonstrates additionality (i.e. it would not have been possible without carbon offset funding) and/or will deliver wider social, economic and/or environmental gains in accordance with Westminster's 'City for All' priorities**

Explain the focus of the intervention and explain how your proposal demonstrates 'additionality'. Describe the barriers that the carbon offset funding will help overcome and identify any additional benefits to be delivered (e.g. improved health and wellbeing, improved air quality, increased environmental awareness).

*Please note:* funding will not be granted for proposals that are seeking to deliver improvements required by legislation or remedy measures that could reasonably be expected to be delivered under business as usual (i.e. routine maintenance programmes). Funding may be granted for schemes that demonstrate how carbon offset funding can help deliver additional benefits (e.g. providing a top-up to on-going maintenance budgets to allow higher environmental specification to be achieved).

You may wish to highlight how your project meets any of the Council's City for All objectives and any other formally adopted and published council strategies.

**Part C: project is ready for implementation – supported by a robust business and funding plan and either having, or demonstrating that they are likely to secure, any necessary legal powers, regulatory consents or additional funding required for implementation.**

The project needs to be deliverable. This means that any other permissions (planning, licensing, landlord, tenant etc.) should be in place *or* there is a reasonable prospect of securing this prior to commencement.

The proposal should have a good business case and/or spend plan to demonstrate that the scheme can be completed with the allocated funding and within the estimated completion date. A copy of the business case, any quotes received, or further relevant information should be referenced here and included as an appendix (section 7).

## **Section 6 – Consultation**

Please include any formal or informal discussions held or planned with third parties likely to be associated with, supportive of, or impacted by the proposal.

## **Section 7 – Appendices**

Please include any relevant additional information that will support your funding bid. This may include maps, business case, project plan, invoices or other documents, but all information required to assess the application should be included in the body of the form.