Case Study

London Green Fund

The London Green Fund (LGF) is an example of JESSICA supporting the development of green infrastructure to contribute to London’s ambitious carbon reduction targets. The LGF consists of three urban development funds targeting investment in energy efficiency, waste and greener social housing.

To date, the LGF has invested EUR 117 million in 15 projects with a combined project value of EUR 800 million. Forecast impacts envisage the creation of over 2,000 jobs including construction, 215,000 tonnes per annum CO₂ saving, and 330,000 tonnes per annum waste to landfill. The EU leverage effect is 6.77 times the ERDF input.

Funding Sources

Initially the LGF was a EUR 118 million fund constituted by EUR 59 million ERDF, EUR 21.2 million cash from London Waste and Recycling Board (LWaRB) and EUR 37.8 million of land assets from the London Development Agency (LDA). (The European Commission’s approval was secured to match land assets to ERDF in lieu of cash due to LDA’s financial constraints at the time.) In 2010, the LDA made a cash contribution of EUR 37.8 million to the LGF, to allow for the removal of the LDA-owned sites committed to the fund; the focus of LEEF had shifted from support for large-scale decentralised system and district heating networks to other energy efficiency measures. (Following its abolition in 2012, the LDA was replaced by the Greater London Authority (GLA), as the Intermediate Body and Funding Partner). In August 2014, an additional EUR 11.8 million of ERDF plus EUR 1.8 million in interest generated on ‘idle funds’ was added to the Fund’s resources (into the LEEF).

The fund provides loan and equity funding for projects ranging from the city’s first plastics recycling plant to the energy efficiency upgrading of London public buildings. The fund is divided into three sub-funds:
The London Energy Efficiency Fund (LEEF) was set up in August 2011 with £50 million and is managed by Amber Infrastructure Ltd, who are responsible for securing additional funding and deciding which projects are funded. LEEF provides primarily debt financing (where applicable, equity can be provided) to projects involving:

- The adaptation or refurbishment of existing public, private and voluntary sector buildings to make them more sustainable and environmentally friendly; and
- Decentralised energy systems.

The waste fund, which is known as the Foresight Environmental Fund, was established in March 2011 and £35 million was allocated to it from the LGF. It is being managed by Foresight Group LLP; and provides finance, via equity or equity-type investments, for the construction or expansion of:

- Waste to energy facilities
- Value added re-use, recycling or reprocessing facilities
- Other facilities displacing fossil fuel such as ‘waste to fuel’.

The Housing Finance Corporation Limited (THFC) was allocated £12m from the LGF in March 2013. This Fund invests in the refurbishment of social housing buildings to make them more environmentally friendly. Investment will be primarily in the form of loans to registered social housing providers.

**Schematic outline of the London Green Fund**
Lessons learned:

1. Independent Investment Board to ensure sound decision making
2. The structure of a revolving fund has been economically and led to investment discipline
3. Having a mix of skills and experience at governance levels, with a combined understanding of commercial investment requirements and of economic development objectives, and for all parties to appreciate the complexities in generating (sometimes innovative) green infrastructure projects
4. Adjusting the fund to fit into the regular structure is time consuming
5. It took some time for the fund to develop a project pipeline that produced economic viable projects

References

http://www.leef.co.uk/

Credentials

Authors: Ute Zimmermann, Zhuo Yao and Michael Lindfield – with Florian Steinberg.
Edited by: Florian Steinberg