

BWG-P-09-14

Discussion on operation of £30m LCEB fund – How LowCVP can best support?

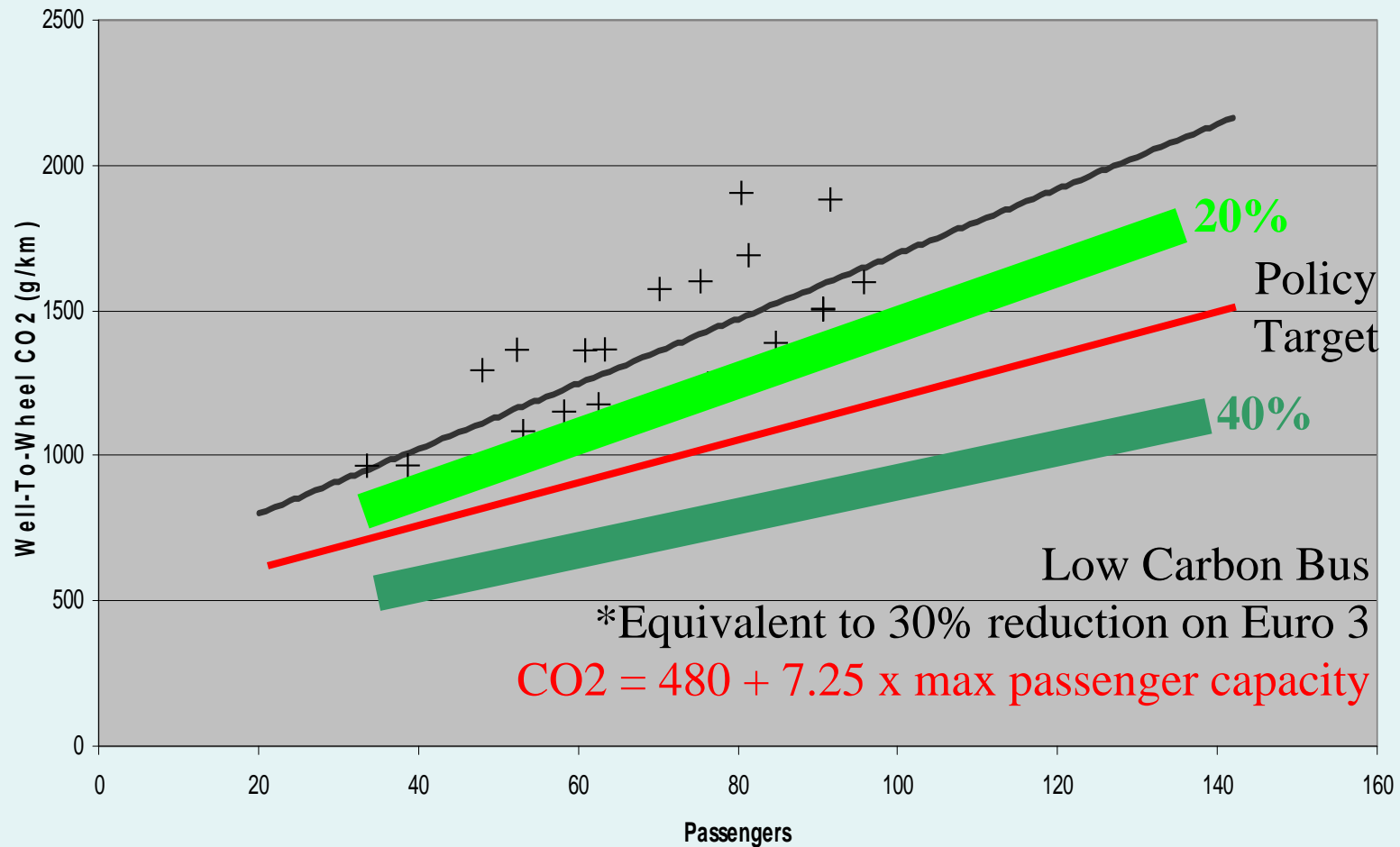
Bus working group

8 July 2009

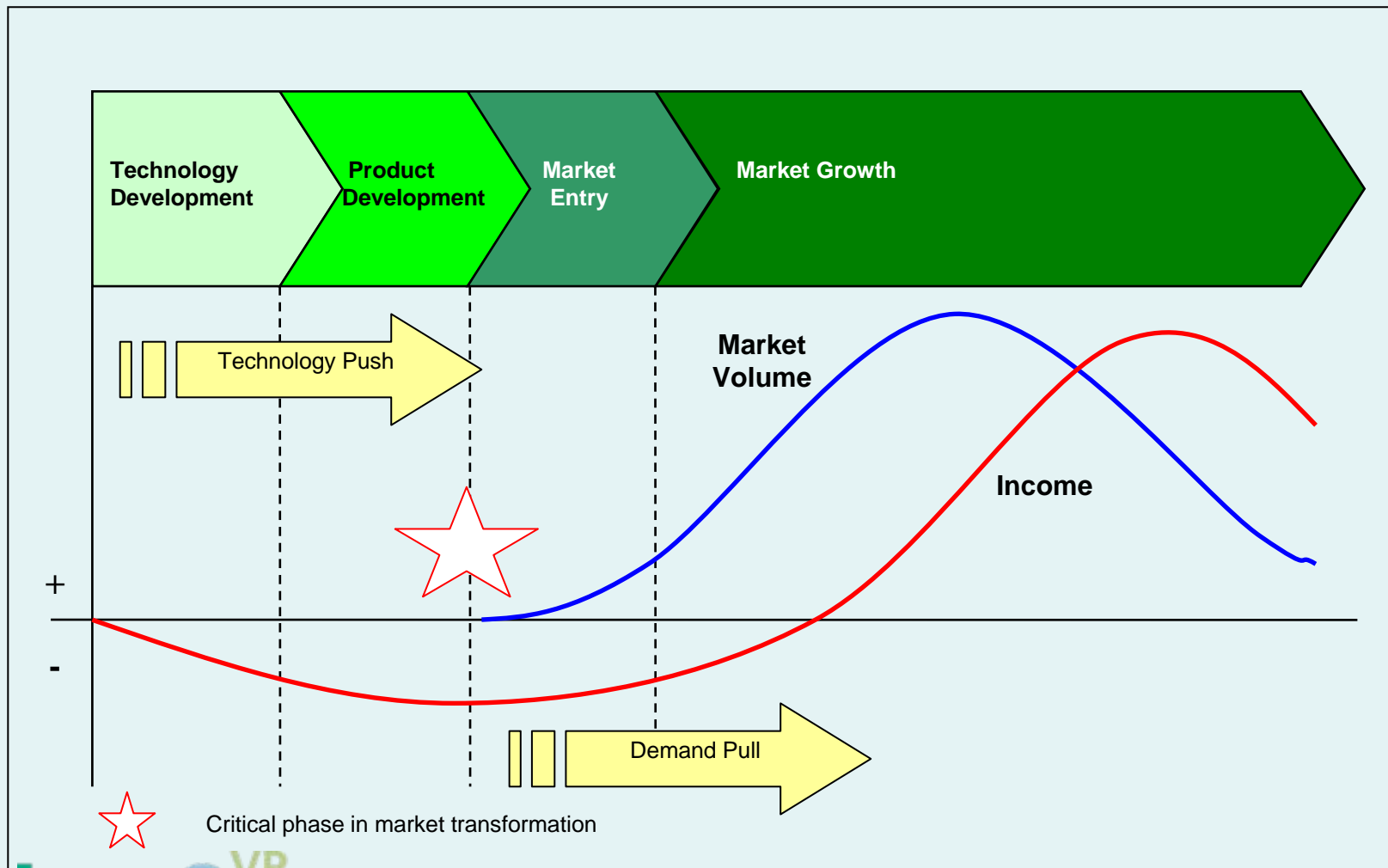
Jonathan Murray

Deputy Director, LowCVP

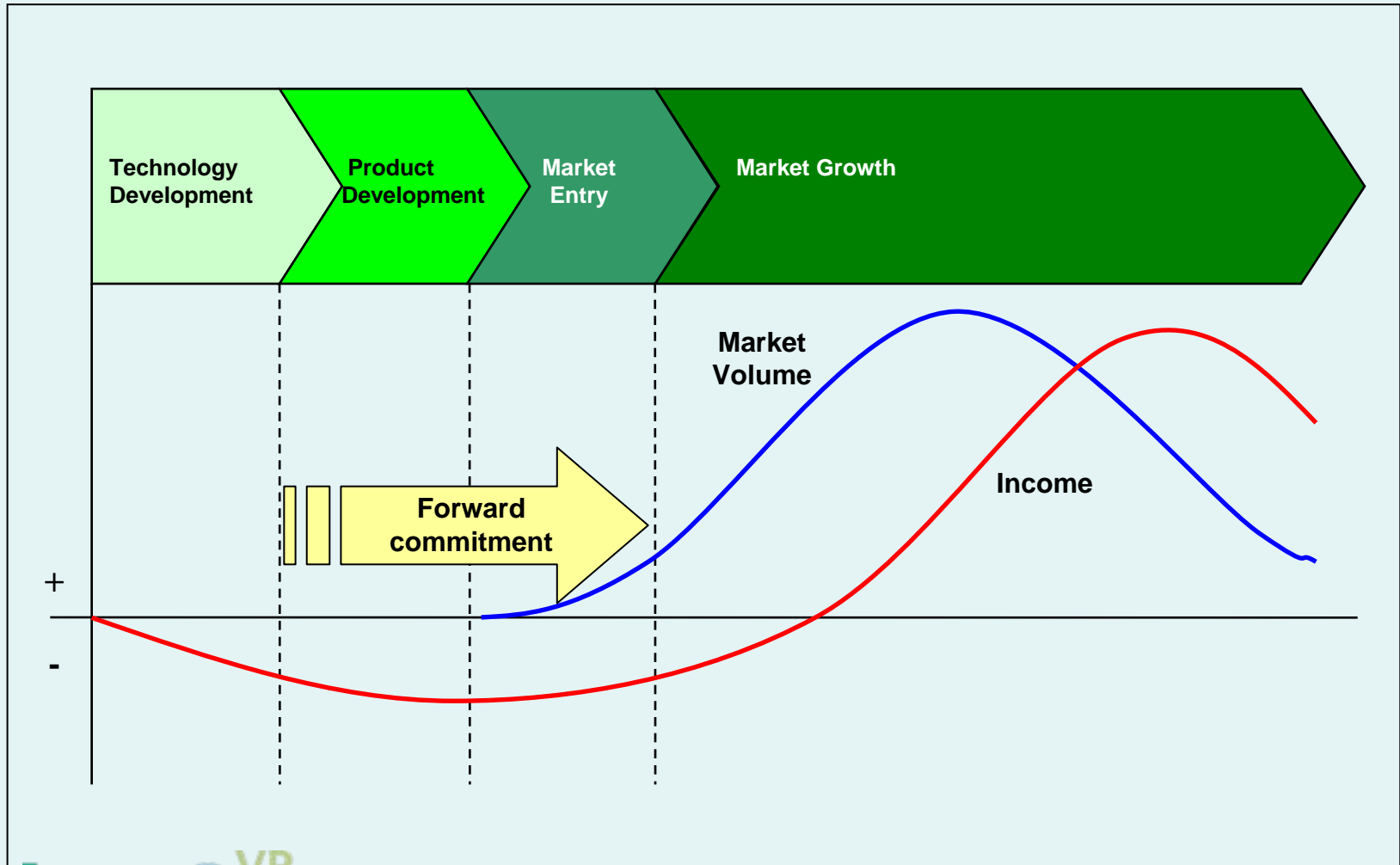
Establishing a target for clean low carbon bus



Along with BSOG, market failure is holding back the development of low carbon buses



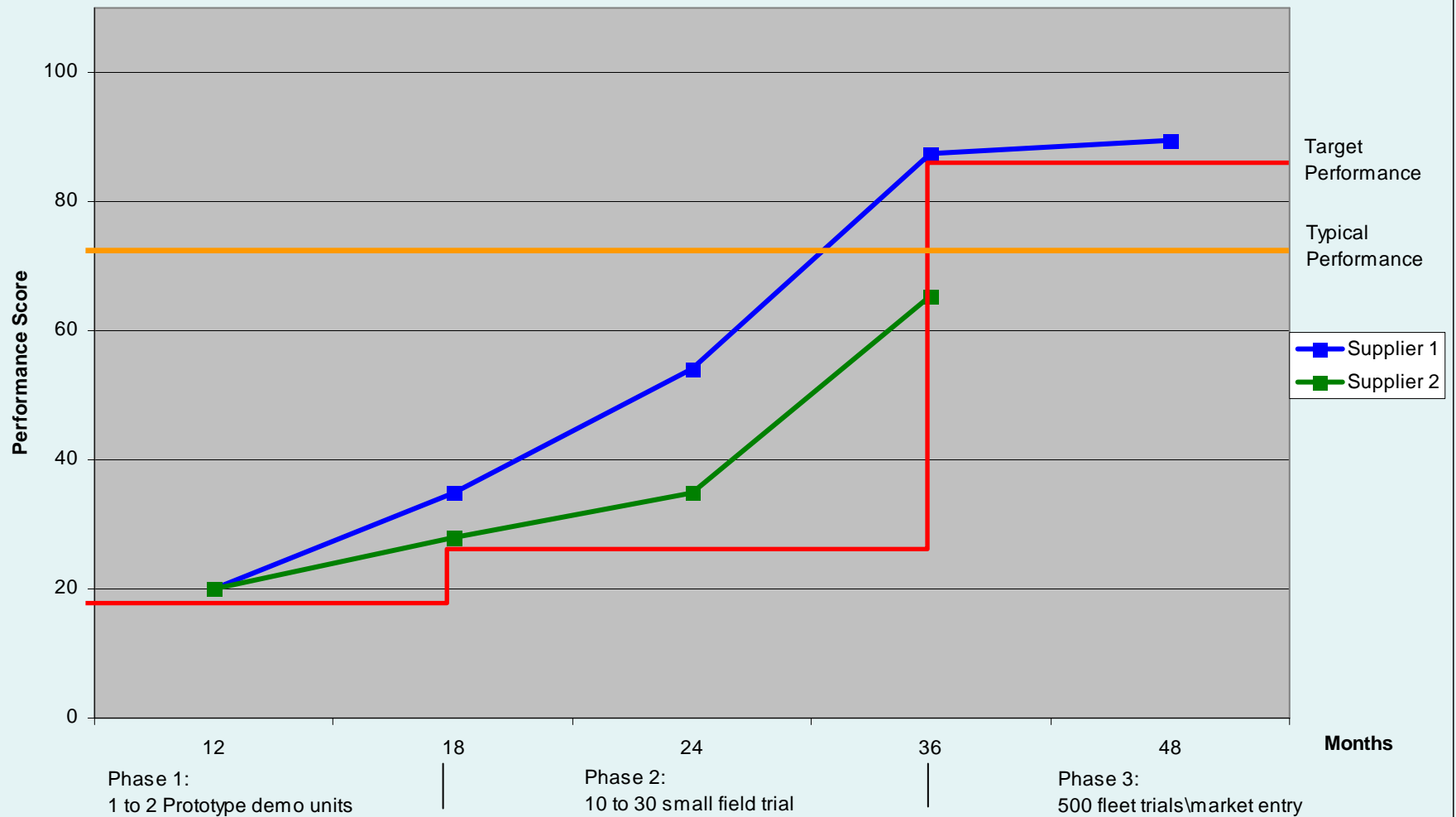
A Forward Commitment provides a clear signal of demand, helps secure investment and manages risk



Forward Commitment Proposition

- ❑ An organisation/s commits to purchase a pre-defined quantity of a product\technology currently under development but not yet available as a commercial offering
- ❑ The commitment is for a future date and is based on a specified **product performance** being achieved
- ❑ The supply of a product meeting this performance specification within the agreed timeframes and framework triggers the Forward Commitment
- ❑ The Forward Commitment is for a quantity of product sufficient to **encourage supplier investment** to ensure economies-of-scale
- ❑ The Forward Commitment is enacted within the usual framework of best practice public procurement

Forward Commitment



Another Red bus going Green for London

- ❑ TfL is effectively undertaking a form of Forward Commitment currently
- ❑ Conducting trials of hybrid buses
 - Batches of hybrids to be trialled across London
 - 56 operational currently
- ❑ Public statement from Mayor that all buses will be hybrid once vehicle technologies have proved successful.
- ❑ London not sufficient to secure economies of scale from hybrid bus production in isolation



Source: TfL 2009

Feasibility of low carbon bus procurement outside London

- ❑ LowCVP commissioned a **feasibility study** to assess using a Forward Commitment Strategy to procure low carbon buses in the UK. The key findings were;
- ❑ **Significant support from stakeholders** in the UK bus market to form the basis for a Forward Commitment for low carbon buses.
 - **All the major bus manufacturers and system suppliers active in the UK** want to be involved. Many of which are involved in trials of hybrid buses in London with TFL.
 - **Significant interest from local transport authorities** to improve the environmental impact of buses and a willing to develop a joint procurement of low carbon buses.
 - There was also **interest amongst bus operators**, despite concerns regarding commercial viability reliability of new technologies.
- ❑ **Local Transport Act** provides new enabling powers for local transport authorities with the potential to create value for CO2 emission reductions
- ❑ **Initial Markets:** Potential for introducing low carbon buses, in particular;
 - on subsidised routes, contracted routes, in-house services and through Quality Partnerships and Contracts.

Low Carbon Bus procurement in addition to London

Milestone for demonstration

- ❑ 100 low carbon buses demonstrated in the UK outside London.

Shifting to low carbon buses

- ❑ 600 or more low carbon buses coming into operation per year by 2012 outside London.

Motivating future improvements

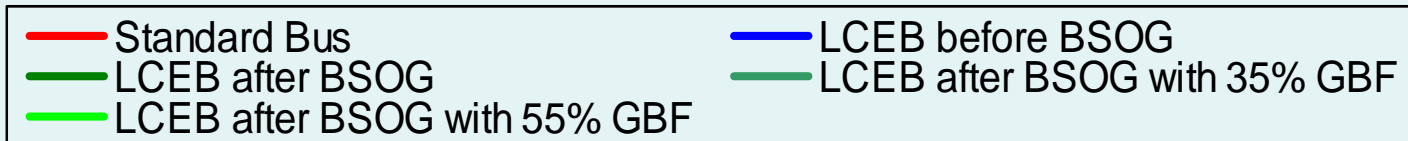
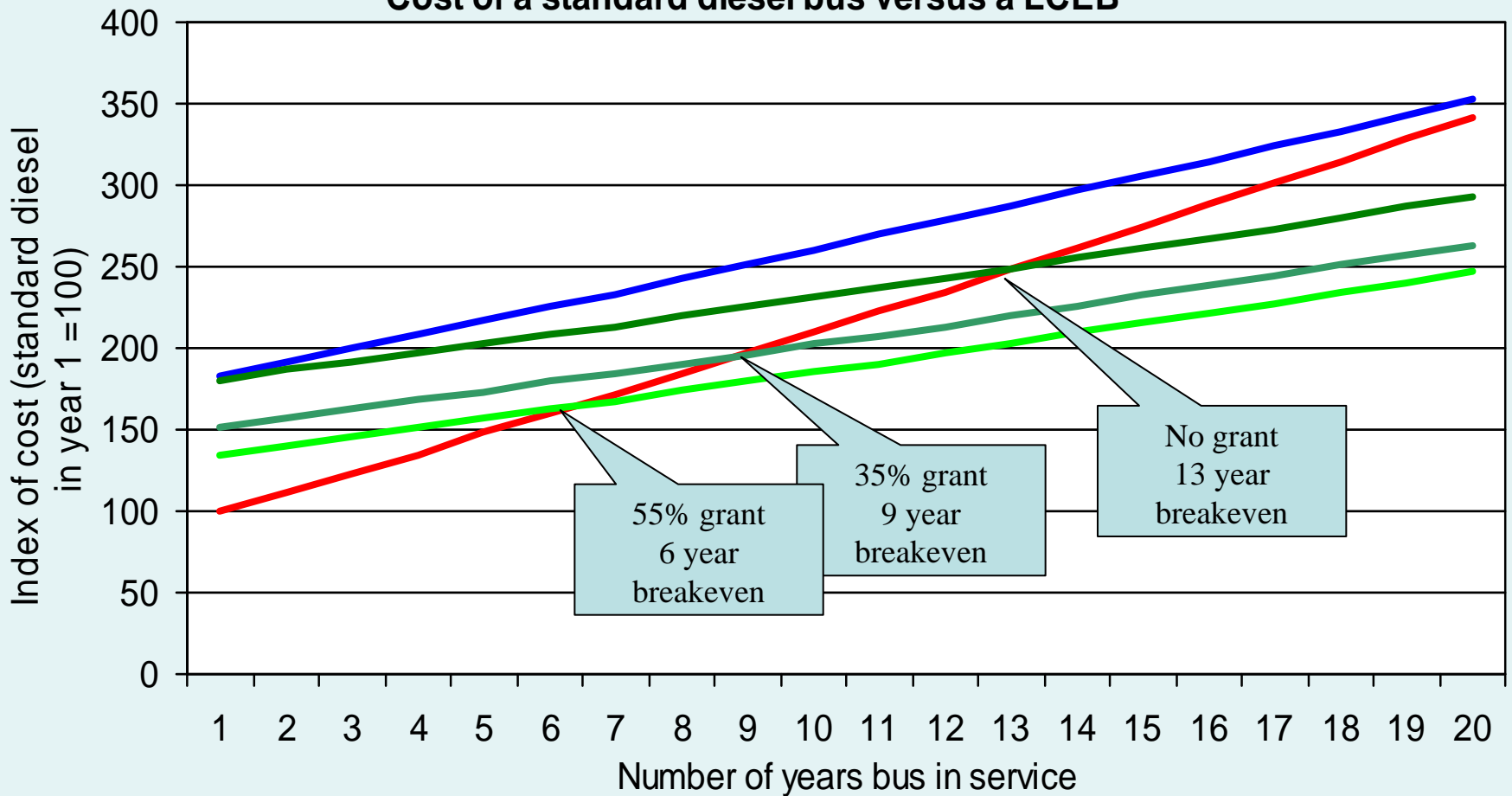
- ❑ Target for ultra low carbon buses coming into operation in 2020 to be established by DfT.



The Green Bus Fund

- ❑ Announced on 1st July by the Prime Minister and the Transport Minister, Sadiq Khan.
- ❑ £30 million fund over two years for England only to encourage the purchase of low carbon buses.
- ❑ Bus operators and councils will be able to bid for the capital grants towards the additional up front cost of buying low carbon buses.
- ❑ Aim is to support the purchase of several hundred low carbon emission buses.
 - Sufficient to create a significant reduction in costs of low carbon emission buses
- ❑ It is also hoped the fund will help;
 - Stimulate the development of a new green technology industry
 - Safeguard up to 900 jobs in bus manufacturing
- ❑ Primarily support the purchase of certified low carbon emission buses.

Cost of a standard diesel bus versus a LCEB



£30m fund questions

- ☐ Should the Green Bus Fund only support the procurement of certified Low Carbon Emission Buses?
 - What criteria should be used to assess grant application?
- ☐ Should there be an element of demonstration for new technologies be incorporated into the Green Bus Fund?
 - How should technologies be assessed for viability?
- ☐ Should retrofitting of existing buses be included?
- ☐ What are the likely speed of response from bus operators?
 - What are the timescales for bidding and procurement by private bus operators and local authorities?
 - When would claims on funds conceivably start feeding through?
- ☐ Funding capital grants of more than 35% of additional cost of LCEB might need State Aid approval. DfT are discussing this with the Commission.
 - Would funding up to 35% get sufficient bids or is a higher %age needed?
 - If higher %age needed, would bidders be prepared to put together bids before State Aid Clearance has formally been granted (no financial commitments would be required before clearance is given)?
- ☐ Are there any Show Stoppers which you are aware of?

What role should LowCVP play in supporting the Green Bus Fund?

- ❑ Disseminating information about the Green Bus Fund
 - Via a variety of media; website, conferences etc
- ❑ Encouraging and supporting applications for funds
 - Presentations to major bus operators and reacting to requests for support in developing bids from smaller operators
- ❑ Facilitating the development of consortiums for the joint procurement of low carbon buses linked to local transport authority activity
 - Workshops to bring bus operators together regionally, nationally to with aim of securing larger volumes
- ❑ Assisting the DfT on elements of the administration of the Green Bus Fund
 - Expert panel to assess technical aspects of bids
- ❑ Monitoring and dissemination of results of buses purchased under scheme
 - Design monitoring programme and dissemination of results