

## Report of the Strategic Director of Place to the Meeting of Corporate Overview & Scrutiny Committee to be held on December 3<sup>rd</sup> 2020.

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**SUBJECT:**

Advanced Fuel Centre (AFC) for Bradford

**SUMMARY STATEMENT:**

The purpose of this report is to advise Members of the intention to undertake a procurement in excess of £2m to design & build, maintain and operate a compressed gas refuelling facility at Bowling Back Lane in accordance with the requirements of Contract Standing Order 4.7.4.

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**PORTFOLIO:**  
Healthy People and Places

**OVERVIEW & SCRUTINY AREA:**  
Corporate

## 1. SUMMARY

- 1.1 The Council has submitted the final business case (FBC) to the Government for the Bradford Clean Air Plan (CAP) to achieve compliance with nitrogen dioxide (NO<sub>2</sub>) legal limits in the shortest possible timeframe. The CAP includes plans to introduce a Clean Air Zone (CAZ) in 2022 that will include emission standards for buses, coaches, heavy goods vehicles (HGV), light goods vehicles (LGV) and taxis. Affected local vehicle operators will be provided with mitigation options including vehicle upgrade grants that include the option for HGVs to upgrade to compressed gas technology. As part of that plan the Council is developing an Advanced Fuel Centre (AFC) at the Waste Recycling Centre on Bowling Back Lane to provide compressed natural/biomethane gas fuelling facilities for the Council's own fleet and also for third party operators.
- 1.2 The purpose of this report is to advise Members of the intention to undertake a procurement in excess of £2m to design & build, maintenance and operations for a compressed gas station at the Waste Recycling Facilities at Bowling Back Lane with access to the local transmission system (LTS) high pressure gas network in accordance with the requirements of Contract Standing Order 4.7.4.

## 2. BACKGROUND

- 2.1 Bradford Council is directed to produce a final business case (FBC) for the Clean Air Plan (CAP) to reduce concentrations of nitrogen dioxide (NO<sub>2</sub>) to legal levels across the district in the shortest possible timeframe. The FBC was submitted to the Government on the 30<sup>th</sup> September in line with Ministerial Direction. The CAP includes the introduction of a Clean Air Zone (CAZ) in 2022. The CAZ sets minimum emission standards for buses, coaches, taxis, lorries and vans. Operators of non-compliant vehicles will need to pay a daily charge to enter the CAZ from 2<sup>nd</sup> January 2022. Further details can be found on the Breathe Better Bradford website - <https://www.bradford.gov.uk/breathe-better-bradford/what-is-proposed/what-is-proposed/>
- 2.2 It has been a key part of the development of the CAP to provide alternative fuelling options for heavy duty vehicle operators in the District, and those accessing the District frequently, that allow cost-effective upgrading opportunities to CAZ standard. Public consultation carried out from 18<sup>th</sup> February to 8<sup>th</sup> April 2020 showed that over half of businesses that responded were either very likely or likely to use the AFC - <https://www.bradford.gov.uk/breathe-better-bradford/clean-air-zone-consultation/clean-air-zone-consultation/>
- 2.3 An emissions assessment of the Council Fleet was carried out as part of the CAP development. The assessment looked at cost effective options for total emissions reduction, including electric options for cars and vans and gas alternatives for our heavy-duty diesel fleet. The analysis looked at the fleet replacement programme and partnership working with Yorkshire Water, looking at emission reduction pathways. The assessment concluded that, while both alternative fuelling options for the Fleet would be cost effective, the cost and emission benefits of switching our heaviest diesel vehicles to gas would be greatest.

- 2.4 The Council has been working in partnership with Northern Gas Networks (NGN) who have been awarded OfGem National Innovation Competition (NIC) funding of up to £770,000 to enable the Council to develop a compressed gas refuelling facility at the Waste Recycling Facility at Bowling Back Lane by providing access to the high pressure (LTS) gas network. This funding is proposed to be repaid based on gas sales over a 10 year period, alternatively, the Council may seek prudential borrowing to cover these cost of accessing the LTS.

There is commitment by NGN and Cadent Gas to introduce 20% hydrogen into the LTS in Bradford from 2028. This is being accommodated in project design and will lead to further greenhouse gas savings.

- 2.5 The Council Executive Committee on the 7<sup>th</sup> July 2020 resolved to provide funding for the development of the Advanced Fuel Centre (AFC) at Bowling Back Lane, including the procurement and operation of a refuelling station and any incremental costs for 77 of the heaviest diesel vehicles to switch to compressed gas over a 7 year replacement cycle beginning in 2021.
- 2.6 The AFC will use Government approved biomethane certification schemes to ensure that diesel vehicle operators can achieve a 84% reduction in greenhouse gas by switching to compressed biomethane gas in addition to meeting Clean Air Zone compliance. Further emission reductions will be achieved through the introduction of hydrogen into the gas grid from 2028 or sooner. The Council is exploring opportunities to develop anaerobic digestion facilities in the District that will treat organic waste and potentially produce vehicle grade biomethane to fuel our vehicles directly.

Both locally registered and non-district heavy goods vehicles may apply for Clean Air Zone vehicle upgrade grants of up to £16,000 to comply with CAZ including switching to gas.

- 2.7 For developing the AFC the Council could expect to receive revenue from the scheme due to a small royalty paid by third party vehicle operators through gas sales. Yorkshire Water has expressed an interested in using the AFC and NGN have committed to fuelling 15 of their vehicles at the site.
- 2.8 In Summer 2020, the Council issued a Request for Information (RFI) to ascertain market capability and interest in developing the AFC. Nine companies responded to the RFI of which four indicated appropriate capability to deliver the project.
- 2.9 The Council appointed a dedicated Project Manager for the AFC development in August this year and a Project Board has been established with Susan Spink, Assistant Director Waste, Fleet and Transport Services, as Senior Responsible Officer (SRO). The Project Board includes representatives from key Council disciplines, including procurement, planning, legal, highways, asset management, fleet management, waste management and principal design office. External representatives of the AFC Board include NGN and Yorkshire water.
- 2.10 The Council is currently looking at widening access to the Bowling Back Lane site and providing a dedicated vehicle access road to the rear of the site where

the refuelling station would be located, adjacent to the gas grid. The refuelling facility could be positioned where the household waste recycling is currently sited should this facility move location. Considerations of the reorganisation of the Bowling Back Lane site can be seen in figure 1.

**Figure 1:** *Layout considerations of the Bowling Back Lane Site*

Station location  
(5 plinths: 4 CNG dispensers  
plus one for potential hydrogen?)

Possible consideration  
of site office &  
weighbridge

Possible consideration  
HWRC



Wood & green waste  
banded storage

Possible new location

Consideration of visitor  
parking

Improved site access &  
access road to rear of  
site

2.11 The Council is holding Supplier Days in December to engage with the market to articulate our plans and look at market approaches in more detail. This will benefit the preparation of procurement specifications and evaluation and award criteria. The Council is interested in looking at AFC delivery models, allocating risk between the public and private sector.

It is proposed that the Council procures a supply contract to design and build the refuelling facility and also to maintain and operate the site. The value of this contract is expected to be above £2,000,000 and the procurement will be advertised and completed accordingly.

2.12 The AFC delivery will be subject to a planning application. Dedicated planning support has been provided to the project and discussions have been held with all key Council Officers regarding assessments required, including Traveller Site Liasion, Air Quality, Transport & Highways, Contaminated Land, Biodiversity and Noise.

2.13 The development of the AFC has challenging timelines, involving:

- Council gas vehicles to be procured will require refuelling facilities by late 2021
- Clean Air Zone becomes operational 2<sup>nd</sup> January 2022 with upgrade grants available in 2021

- OfGem NIC funding potentially includes requirement for operational testing by end October 2021
- HSE approvals for access to the LTS are between 6 to 12 months

The scheduling of this procurement aligns with the AFC project plan for scheme delivery by the end of 2021.

### 3. OTHER CONSIDERATIONS

#### 3.1 *Cleaner Road Transport Vehicle Regulations 2020*

EU Exit Regulations, amending the CRTV Regs, require that public sector procurement of vehicles consider clean vehicles as the expected standard such as electric for light duty vehicles and compressed natural/biomethane gas alternatives for heavy duty vehicles, either by specification, award criteria or by monetising the emission changes of environmental pollutants such as Greenhouse Gas, Nitrogen Dioxide and Particulate Matter.

#### 3.2 *Revenue Opportunities*

There is potential to charge a royalty for gas sales to third party operators using the AFC.

#### 3.3 *Hydrogen potential*

NGN and Cadent Gas plan to integrate up to 20% hydrogen into the gas grid in Bradford from 2028. The AFC will be designed to accommodate hydrogen considerations going forward.

#### 3.4 *AD and gas site development*

The Council is liaising with NGN regarding potential future uses of the gas site which is due for decommissioning in 2021, including possibilities for anaerobic digestion and the production of vehicle grade biomethane.

### 4. FINANCIAL IMPACT & RESOURCE APPRAISAL

- 4.1 Outline refuelling facility development costs, including fleet vehicles are shown in table 1.

*Table 1: Advanced Fuel Centre (AFC) cost estimates*

<b>Item</b>	<b>Projected Cost</b>
Gas station	£1.8m
Site reorganisation & Traveller Site Mitigation	£0.55m
Power supply	£0.25m
Incremental fleet vehicle costs	£2.31m
OfGem funding repayment	£0.6m

These estimates are being updated by Finance as part of ongoing development planning assessments.

- 4.2 Financial analysis is being undertaken with regards to any cost savings, additional income streams and future revenue implications as a result of this project, this analysis will be presented in full to the Project Appraisal Group (PAG) in December 2020.

## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1 The Advanced Fuel Centre Project Board meets each month with Susan Spink as SRO. The AFC Project Board includes key officers across directorates that are required to deliver the project and external representatives, including NGN and Yorkshire Water. The project risk register is continually updated and reported to the Board with any mitigation action incorporated into the project plan.

## **6. LEGAL APPRAISAL**

- 6.1 All procurement activity will be carried out in accordance with the Public Contracts Regulations 2015 and the Council's Contract Standing Orders. All social value activity shall be carried out in accordance with the requirements set out in the Public Services (Social Value) Act 2012.
- 6.2 The project budget includes provision for external legal support, which is considered necessary in view of the novel legal issues involved. Addleshaw Goddard has been retained following an assessment of its expertise in energy and environmental work; and its relevant experience in such matters. The potential for NGN's involvement under the NIC Ofgem grant funding arrangements is currently under consideration with a view to securing the best commercial terms and optimise the successful procurement of an operator of the AFC facility.
- 6.3 The engagement of the main construction contractor and AFC operator in the same procurement exercise will require the preparation of detailed documentation, including technical specifications. The Council's Procurement Team will be responsible for this, and will consider to what extent it may be shared with Addleshaw Goddard. At present it appears most likely that the operator will occupy the site under a lease, and that the commercial success of the AFC will be reflected in profit-related rental payments. Consideration is currently being given to the taxation implications of the overall arrangement, and the extent to which any relevant exemptions to the current general prohibition on state aid may be applicable.
- 6.4 The Council must, as a statutory body, ensure that it has the legal power to undertake any specific project it decides to undertake or comply with any agreement that it enters into. This project will involve entering into arrangements with NGN, a commercial contractor and potentially Public Works Loan Board as the provider of prudential funding to fund, construct and operate the AFC. It will then involve sourcing suitable vehicles to use the facility, promoting the use of the facility by local business and developing its offering in accordance with its

Clean Air Plan and other related environmental policies. Each of these activities appears to be within either a specific statutory power or the wider powers conferred under the Localism Act GPOC; and the Council's own legal team will continue to keep this issue under review during the life of the project.

## **7. OTHER IMPLICATIONS**

### **7.1 Equality & Diversity**

There are no issues at this stage for discussion.

### **7.2 Sustainability Implications**

Sustainability is central to the development of this project. The Council is looking at opportunities to create a complete cycle by producing biomethane to fuel our vehicles from the anaerobic digestion of our organic municipal waste

### **7.3 Greenhouse Gas Emissions Impacts**

Switching Council vehicles to compressed gas is expected to achieve 84% CO<sub>2</sub>e reductions through the initial use of BEIS approved biomethane certification. The greenhouse gas savings by the Council Fleet using the AFC over the first 7 years of operation will total 12,000 tonnes. The Council is also exploring the potential to introduce anaerobic digestion to treat municipal organic waste and produce vehicle grade biomethane. The Environment Bill requires local authorities to introduce separate food waste collections by 2023. The Renewable Transport Fuels Obligation (RTFO) has recently been updated to provide increased incentives to produce renewable fuels such as biomethane.

### **7.4 Community Safety Implications**

None arising as a consequence of this report

### **7.5 Human Rights Act**

There are no Human Rights Act implications arising as a consequence of this report.

### **7.6 Trade Union**

There are no trade union implications associated with the contents and strategy outlined in this report.

### **7.7 Ward Implications**

The Ward Councillor is aware of the scheme and has supported area office liaison with the Taveller Site regarding the AFC development

### **7.8 Area Committee Action Plan Implications**

Not applicable.

7.9 Implications For Corporate Parenting

Not applicable

7.10 Issues Arising From Privacy Impact Assessment

None arising as a consequence of this report

**8. NOT FOR PUBLICATION DOCUMENTS**

None.

**9. OPTIONS**

9.1 The Council will conduct the procurement process based on Legal, Procurement and Finance and input from the market via Supplier Engagement.

9.2 There are different models for delivery of the AFC based on the commercial attractiveness of future AFC operations and the allocation of risk between the public and private sector. These models include a supplier building the AFC at their risk and reward or the Council funding the AFC design and build. Under all options it is anticipated that a 3<sup>rd</sup> party supplier will operate the AFC.

**10. RECOMMENDATIONS**

10.1 That the Committee note the contents of this report

**11. BACKGROUND DOCUMENTS**

Not applicable