

# UPDATED MEMORANDUM OF AGREEMENT, CAMBRIDGE CITY-CENTRE HEAT NETWORK

## 1 Introduction

2 This updated Memorandum of Agreement (**MoA**) for the 'Cambridge City-Centre Heat Network Project' (**Project**) is between the following "**Strategic Partners**":

2.1 Cambridge City Council (as lead partner), which has facilitated the Project, has committed in principle to connect to the heat network and is considering becoming the majority shareholder through equity investment.

2.2 University of Cambridge, which is considering connection and equity investment.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2.5 Cambridgeshire County Council. Whilst not having any anchor heat loads in Cambridge city-centre, Cambridgeshire County Council provides strategic support through its energy, highways and archaeology teams.

## 3 Status

This MoA is not legally binding. No legal obligations or legal rights shall arise between Strategic Partners, who enter into the agreement intending to honour their obligations.

## 4 Background

4.1 The Project commenced in December 2021 ("**Start Date**"), with Detailed Project Development taking place between Spring 2024 and Winter 2025. It produced an Outline Business Case, which is now subject to formal governance review and feedback by individual Strategic Partners in Q1 2026.

4.2 This MoA builds upon the original Memorandum of Agreement between the same Strategic Partners for Detailed Project Development. This MoA will be used to confirm how Strategic Partners intend to collaborate during Pre-Commercialisation and Commercialisation Stages of the Project. It does not represent a final decision to proceed with the Project or to proceed with the Project in any specific manner.

## Shared Vision

Our Vision for the Cambridge City-Centre Heat Network is to set a new standard for sustainable urban living. It is about making Cambridge a model city for the future, where history is preserved, the environment is protected and new technologies help the city thrive.

Cambridge City Council, the University of Cambridge, certain University Colleges, ARU and Cambridgeshire County Council are working together to develop the Business Case for the Cambridge City-Centre Heat Network.

We aim to remove existing and polluting gas boilers from individual buildings, replacing them with a renewable heat network. Our ambition is to connect individual buildings from both the Cambridge City Council, University of Cambridge, University Colleges and ARU estates by 2030.

## 5 Project Objectives

The Strategic Partners have the following objectives for the Project:

- 5.1 **Make Cambridge Greener Quicker:** heat networks can be the most cost-effective way to quickly decarbonise cities. We aim to test this further, with the ambition of providing Cambridge city-centre with clean and renewable heating. By avoiding harmful energy sources, we keep the air clean and protect the city's older buildings. We also help to protect against rising energy costs, positioning Cambridge as a leader in sustainable urban living and a case study for historic cities with sustainability ambitions. We will offer insights into collaborative strategies, delivering a heat network that balances modern energy needs with conservation.
- 5.2 **Strategic Collaboration:** by working together, Strategic Partners can de-risk their own decarbonisation by strategically addressing shared challenges in planning, conservation, power limitations, decarbonisation funding and infrastructure construction. This collaboration opens additional public sector funding opportunities, more cost-effective energy efficiency upgrades, and unites efforts towards shared carbon reduction goals.
- 5.3 **Spread the Benefits across Cambridge:** we provide a starting point for broader heat network expansion across Cambridge, further bolstering the Project's Business Case. The public sector, universities, schools, houses and businesses can all connect and use cleaner energy, making the entire city a healthier and better place to live for everyone.
- 5.4 **Boost the Local Economy and Innovation:** the heat network could be more than a way to keep buildings warm. It could also be the launchpad for a 'Living Lab for the city of Cambridge.' This could help improve the heat network's operational performance, reduce costs and help create a circular economy. Combining this new infrastructure with the established strategic partnership and Cambridge's academic expertise, could enable researchers to explore new energy generation technologies, innovative

financing options and behaviour change strategies. This could lead to new inventions, smarter ways to use renewable energy and help make Cambridge a sustainable energy leader.

- 5.5 **Future-Proof Cambridge:** the heat network will play a pivotal role in reducing the cost of electricity upgrades as we electrify heat. We will reduce the city's peak electricity consumption during high tariff periods, helping Cambridge efficiently manage its energy system. The heat network will fully integrate with both existing buildings and new developments.

## 6 Pre-Commercialisation Workstreams

6.1 As is detailed in the Management Case, the following workstreams have been identified for the Pre-Commercialisation and Commercialisation Stages:

- a) Programme management
- b) Strategic Partner governance and quality assurance
- c) Stakeholder engagement and communications
- d) Technical derisking and betterment
- e) Planning and architectural derisking
- f) Procurement
- g) Commercial derisking and development
- h) Financial management
- i) Joint venture set-up
- j) Heat network digital twin (externally funded)

## 7 Principles of Effective Collaboration

7.1 All Strategic Partners agree to adopt the following principles in respect of their participation in the Project:

- a) Collaborate and share knowledge to increase the Project's chances of success, responding promptly to support requests.
- b) Acknowledge that success is not guaranteed - all Strategic Partners proceed at risk.
- c) Act in good faith in all dealings with the other Strategic Partners and stakeholders, promoting common interests. Achieving Project objectives depends on mutual support and co-operation as outlined in this MoA.
- d) Commit adequate resources to achieve project goals, understanding that each Strategic Partner's resource may vary. Note that heat network programme

management resource for Pre-Commercialisation Stage is being funded by Cambridge City Council.

- e) Follow legal requirements and best practice, including public procurement, data protection and freedom of information laws.
- f) Provide updates on any internal decisions or changes to programme that may implicate the Project, timing, phasing, physical connection points, or likelihood to connect.
- g) Communicate openly about significant risks, issues and opportunities, and collaborate to address risks and seize opportunities. Report any concerns to the Cambridge City Council for resolution.
- h) Prepare for heat network connection through any necessary secondary heat network installations/upgrades.
- i) Over time, seek to reduce the heat supply flow and return temperatures below 80°C/60°C through energy efficiency improvements at connections across the heat network. Reducing the heat network temperature over time will deliver collective financial and carbon benefits, and cost-competitive customer tariffs. The potential to reduce temperature is limited by the heat supply requirements of the customers and would require all connections to be compatible with the lower temperature regime.

## 8 Updated Governance Arrangements

- 8.1 As the Project moves from Detailed Project Development into Pre-Commercialisation and Commercialisation, governance arrangements have been reviewed to align with a likely future Preferred Delivery Model of a customer owned energy company.
- 8.2 The likely approach for the Preferred Delivery Model is a 51:49 joint venture between Cambridge City Council and up to eight Strategic Partners (such Strategic Partners having elected to take an equity role as well as a potential customer role). This is to be finalised in Pre-Commercialisation and Commercialisation, and the final delivery model needs to be ready to go live at Final Investment Decision in c. summer 2028. Ahead of this, all potential customers and equity investors need to be given the opportunity to influence further Project development through derisking and optimisation.
- 8.3 Strategic Partners may subsequently choose to update their customer and/or equity investment positions. The new governance arrangements need to be flexible enough to accommodate any such changes. For this reason, the following governance updates are recommended for Pre-Commercialisation and Commercialisation Stages:
  - a) **Cambridge City Council continues as lead partner:** facilitates Project development, including development of the joint venture customer owned energy company; procurement of DBOM contractor; and securing public-financing for

the Project. Regular meetings will also be arranged with Cambridge City Council finance and procurement officers. Cambridge City Council will take all decisions with regard to Pre-Commercialisation and Commercialisation but will consult with the Shareholder Committee.

- b) **Steering Group is replaced by a Shareholder Committee**, which is open to all potential equity investors and customers. This becomes the new strategic decision-making body until the joint venture is established.
- c) **Core Group is maintained for operational decision making** until the heat company is established. The Core Group takes operational decisions, monitors progress and provides recommendations to the Steering Group and then its replacement Shareholder Committee.
- d) **Expert Advisory Group continues to provide due diligence** during Pre-Commercialisation and Commercialisation.
- e) **Non-Disclosure Agreement (NDA)** for all Strategic Partners at the point at which the Project moves into Commercialisation Stage.

## 9 Shareholder Committee

9.1 The Shareholder Committee provides overall strategic oversight and direction to the Project during Commercialisation Stage. It does not provide day-to-day decision making as to the Project, which shall rest with Cambridge City Council. Cambridge City Councillors provide political input into the reports before they go to Shareholder Committee, to ensure ongoing political buy-in.

- a) **Frequency of meetings:** Quarterly
- b) **Chair:** Cambridge City Council Senior Officer
- c) **Vice Chair:** University of Cambridge Senior Officer

9.2 **Attendance:** The Committee is open to all potential equity investors and prospective heat network customers to promote transparency and fair participation. The Cambridgeshire County Council is invited to attend. Advisors/consultants may be invited to present updates and recommendations but will not have voting rights.

9.3 **Voting representatives:** To streamline decision-making, voting will be exercised through three voting blocks, with one voting representative each from (i) Cambridge City Council, (ii) the University of Cambridge, and (iii) the University Colleges.

9.4 **Voting:** Decisions will be taken by simple majority of the voting representatives. Only the three voting representatives may vote. As lead partner, Cambridge City Council needs to support each decision.

9.5 **Secretariat:** Minutes, actions and key decisions will be issued promptly after each meeting for review and agreement.

9.6 **Transition to HeatCo:** The Shareholder Committee will stand down 6–12 months prior to Final Investment Decision, at which point governance will transfer to the HeatCo Board (replacing both the Shareholder Committee and Core Group). The respective roles of equity investors and customers will be set out in the HeatCo governance documentation at that time.

## 10 Potential Contributions in Kind

10.1 During the Pre-Commercialisation and Commercialisation Stages, Strategic Partners may (but are not obliged to) offer contributions in kind (**Contributions in Kind**) to support development of the Project. Contributions in Kind are intended to assist Project development and de-risking and may improve the Project's affordability and investability.

10.2 Any Contribution in Kind is voluntary and provided at the contributing party's own risk. Nothing in this MoA creates any entitlement to:

- a) equity, profit share, preferential customer terms, exclusivity, appointment as supplier/contractor, or priority connection; or
- b) reimbursement, compensation, or other financial return,

unless and until expressly agreed in writing in a separate legally binding agreement (for example a Connection Agreement, Land/Wayleave/Lease, Heat Supply Agreement, Shareholders' Agreement, or other Project contract).

10.3 No Contribution in Kind shall be assumed or relied upon for procurement, delivery, funding, or Business Case purposes unless it is documented in a written "**Contribution Schedule**" signed by the Cambridge City Council and the contributing party. Each Contribution Schedule shall (as applicable) set out:

- a) a description of the contribution (e.g. land/access rights, plant room space, utilities capacity, data, surveys, design input, river abstraction infrastructure, energy centre hosting, thermal storage hosting);
- b) the timetable and conditions precedent (including any necessary internal approvals);
- c) responsibilities for costs (including design, surveys, enabling works, permits, utilities upgrades, operation and maintenance, insurance, and reinstatement);
- d) any assumptions, dependencies, and interfaces with other works;
- e) health and safety, and site access requirements;
- f) any necessary third-party consents;

- g) the valuation approach (if relevant to the Business Case), clearly stating whether such valuation is for modelling purposes only or intended to form part of future commercial terms; and
  - h) termination/withdrawal arrangements (including notice periods and consequences).
- 10.4 Unless expressly agreed otherwise in a Contribution Schedule, each contributing party remains responsible for the condition, performance and safety of any asset, site or information it provides, and bears its own costs and risks in making the Contribution in Kind available. The Cambridge City Council does not accept responsibility for any loss or cost incurred by a contributing party as a result of offering a Contribution in Kind.
- 10.5 A Strategic Partner may propose to amend or withdraw a Contribution in Kind at any time prior to the relevant binding contract being signed. The Strategic Partner shall provide reasonable notice and use reasonable endeavours to mitigate any material adverse impact on the programme. Any withdrawal or change will be documented and reflected in the Project plan and Business Case.
- 10.6 For the purposes of the Outline Business Case only (and subject to clause 8.3), indicative Contributions in Kind currently under consideration include arrangements in relation to:
  - a) Parkside Pool Energy Centre (Cambridge City Council)
  - b) Midsummer Common Energy Centre (Cambridge City Council)
  - c) Midsummer House River Abstraction (Cambridge City Council)
  - d) BT Exchange Energy Centre (Christ's College)



## **11 Pre-Commercialisation and Commercialisation Funding**

- 11.1 Subject to formal internal approvals and budget availability, Cambridge City Council intends to fund the Pre-Commercialisation Stage at its own risk as an initial contribution towards its anticipated future equity investment in the Preferred Delivery Model. Pre-Commercialisation funding may be supported by the roll-forward of any uncommitted underspends from the Detailed Project Development stage where individual Strategic Partners have confirmed in writing that such underspends may be applied to Pre-Commercialisation costs. All Pre-Commercialisation expenditure is at risk and does not, of itself, create any entitlement for any Strategic Partner to equity, preferential customer terms, reimbursement, or any other commercial return, save as may later be agreed in separate legally binding agreements.
- 11.2 Any uncommitted underspend arising from Pre-Commercialisation and/or Commercialisation budgets (i.e. funds not contractually committed and not required to

meet outstanding liabilities) shall be retained by and returned to Cambridge City Council as the primary funder of those stages, unless otherwise agreed by Cambridge City Council in writing.

11.3 Progression to Commercialisation Stage will be subject to:

- a) approval by the Shareholder Committee to proceed;
- b) a successful application to the Green Heat Network Fund (**GHNF**) (or any successor scheme), and compliance with any associated grant conditions; and
- c) confirmation of the overall Commercialisation budget and funding plan.

11.4 The Commercialisation Stage funding decision is currently anticipated to be taken in October 2026. While the GHNF application is expected to seek up to £1 million of Commercialisation funding, the Strategic Partners acknowledge that additional funding may be required (for example, to progress to RIBA Stage 3 design for energy centres and pipework in advance of Final Investment Decision). Any requirement for additional funding, and the proposed sources of that funding, shall be presented to the Shareholder Committee for consideration and (where applicable) approval. If GHNF funding is not secured, or if funding is otherwise insufficient, the Cambridge City Council may pause, rescope or discontinue the Project without liability, subject to any existing contractual commitments.

## 12 Detailed Project Development funding

12.1 Detailed Project Development was funded (at risk) as follows:

- a) Cambridge City Council £180,000; University of Cambridge £180,000; Heat Network Delivery Unit (HNDU) £272,500; Contributing Colleges £330,000; and ARU £30,000. **Total:** £992,500.
- b) “**Contributing Colleges**”: Christ’s £30k; Clare £20k; Corpus Christi £30k; Jesus £30k; King’s £20k; Peterhouse £30k; Queens’ £20k; Trinity £50k; Trinity Hall £50k; and St John’s £50k. **Total:** £330,000.

12.2 Detailed Project Development contributions do not confer any right to equity. As such:

- a) If the Project does not proceed: Contributing Colleges bear their own Detailed Project Development contributions, and no amounts are sought from non-contributing University Colleges.
- b) If the Project proceeds: the intention is that the Contributing Colleges’ total contributions are indexed by CPI from 31 December 2024 to the calculation date, and recovered from University Colleges that connect, via a Connection Charge allocated in proportion to heat demand served (recognising phased connections).

12.3 For clarity, at the date of this MoA, participating University Colleges who are Strategic Partners but have made no Detailed Project Development contribution are: Downing; Emmanuel; Gonville and Caius; Hughes Hall; Pembroke; Sidney Sussex; and St Catharine's.

### 13 Intellectual Property (IP)

13.1 For the purposes of this MoA:

- a) “**Background IP**” means any intellectual property, know-how, information, software, data, documents, designs, methodologies and other materials that are generated prior to, or outside the scope of, the Project, including all academic intellectual property.
- b) “**Results**” means all information, know-how, reports, drawings, designs, models, software, data, inventions and other outputs generated in the course of the Project.
- c) “**Project IP**” means the intellectual property rights in the Results.

13.2 Strategic Partners intend that Background IP will remain the property of the relevant Strategic Partner (or its licensors). Nothing in this MoA is intended to transfer ownership of any Background IP.

13.3 Given Cambridge City Council's proposed role as primary funder and facilitator for Pre-Commercialisation and Commercialisation, The intention is that (unless otherwise agreed in writing), the Project IP created through the Project will be held by Cambridge City Council for the purposes of developing, procuring, delivering and operating the heat network and associated assets (and, where relevant, transferred or made available to any future delivery vehicle such as HeatCo). Nothing in this clause 13.3 or this clause 13 as a whole will grant a licence or change the ownership of any intellectual property as between a Strategic Partner and Cambridge City Council. This clause 13.3 only records the manner in which Strategic Partners are content for Cambridge City Council to instruct future work (and deal with future intellectual property) in respect of the Project.

13.4 Strategic Partners may enter into appropriate legally binding arrangements to give effect to this intention (including ownership/assignment and/or licence arrangements, as appropriate).

13.5 Strategic Partners recognise that certain Background IP may need to be used to progress the Project. Strategic Partners intend to negotiate and agree in writing (at the relevant time) any licences required to use a Strategic Partner's Background IP for Project purposes, including (where necessary) rights for Cambridge City Council (and any future HeatCo, funders, and delivery/operations contractors) to use and share that

Background IP for design, procurement, construction, commissioning, operation, maintenance and future expansion.

- 13.6 Strategic Partners intend that no licence to use, sub-licence or otherwise exploit any intellectual property rights (whether Background IP or Project IP) will be granted or implied unless and until expressly set out in a separate written agreement.
- 13.7 Strategic Partners intend that improvements or modifications to a Strategic Partner's Background IP will not affect ownership of the underlying Background IP. Where an improvement/modification is developed as part of the Project, the Strategic Partners intend to address ownership and/or licensing of that improvement in the relevant written agreement, taking account of Cambridge City Council's need to deliver and operate the heat network and the Strategic Partner's continuing rights in its Background IP.
- 13.8 Strategic Partners acknowledge the importance of academic teaching, publication and research. Strategic Partners intend that the University of Cambridge and ARU (and their staff/students) will be able to use Results for academic teaching, publication and academic research, subject to (i) protecting Confidential Information, and (ii) reasonable prior review arrangements to avoid prejudicing any intended protection of IP or Project commercialisation, to be set out in a separate written agreement.

#### **14 Confidentiality**

- 14.1 "**Confidential Information**" is identified as information which is not in the public domain, and which is marked or otherwise indicated in writing to be confidential, or which ought reasonably to be regarded as confidential owing to its nature. Each Strategic Partner agrees to use reasonable endeavours to keep information confidential and not to publish or disclose in any way such Confidential Information, other than to those of its employees, students, directors, officers, advisors or representatives who have a need to know such information for the purposes of the Project.

#### **15 Signatures**

- 15.1 This MoA shall commence on the date of signature by all parties, and subject to no mutual agreement to extend the MoA, shall expire two years later, or on the completion of Commercialisation Stage (whichever comes sooner). Any party may terminate / exit this MoA by giving at least three months' notice in writing to the other parties at any time.

**Signed for and on behalf of by:**