



# UNITED KINGDOM



## KEY TRENDS IN THE RES SECTOR

Policy risk and uncertainty in the market remain the key barriers affecting all renewable technologies across all sectors and directly or indirectly impact all project development steps. This stems from continually changing policies and financial support schemes.

The last year has seen an ever increasing emphasis placed on the costs of energy politically, in the run up to the election. The electricity sector has mostly been preparing itself for the first auction based allocation round in Q1 2015. Large depressions in the Feed-in Tariffs and a solar FiT review have created uncertainty.

The Renewable Heat Incentive has supported a relatively large uptake of installations, but large depressions have

made RES-H&C installations less attractive, and, with current growth, the UK won't hit its 2020 RES-H&C target. The sustainability criteria have caused the industry grievances. The lack of RHI budget after 2016 and budget allocation between technologies has created uncertainty.

Support for transport has made very little progress since 2014, for two key reasons - the absence of a final decision to amend the RED following the Commission's proposals of October 2012 on ILUC and the UK General Election in May 2015. Some progress has been made to increase the support for gaseous fuels and to treat HVO biodiesel in the same way as FAME biodiesel. Hopefully, Ministerial decisions will allow the RES-T policy to move forward in late 2015, after a prolonged period of stagnation.

## POLICY RECOMMENDATIONS



### ELECTRICITY SECTOR

Fix the problems with allocating and administrating Contracts for Difference.

Allow the UK Green Investment Bank to borrow in the market and permit funding of more technologies, especially emerging technologies.

Implement standardised Power Purchase Agreements.

Incentivise the DSOs to offer timely grid connections at fair, transparent costs as part of a strategic approach to grid reinforcement.

Confirm a workable system for regulating biomass power sustainability, support new stand-alone dedicated biomass generation and allow biomass CHP projects flexibility in heat offtaker requirements.

Ensure 'minima' budget for emerging technologies in the proposed new Contracts for Difference (CfD) allocation policy.

Fix problems with FiT cost control mechanism for small-scale anaerobic digestion.

Ensure favourable solar PV FiT review in 2015



### HEATING AND COOLING SECTOR

Maintain and expand the RHI to at least 2020, confirming budgets from 2016-2020.

Review the RHI biomass banding structure.

Provide sufficient tariff certainty for project with long lead-in times (i.e. large biomass heat, CHP and geothermal)

Introduce framework and incentive to build crucial district heating.

Ensure careful implementation of sustainability regulation to avoid disrupting the market.



### TRANSPORT SECTOR

It is essential that the Government sets a trajectory out to 2020 to reach the 10% RED transport target from the current target of 4.75% by volume. Annual announcements of increases from 2016 will not be sufficient for industry confidence at this very late stage (Barrier - UK Government policy has put a cap on the development of the RES-T market).

Government must implement the final decisions taken by the EU institutions on the ILUC proposals, including a cap on crop-based biofuels at no less than 7%. (Barrier - Government officials have talked about setting a cap at 1.38% which would be disastrous for UK biofuel investments).

Government should take a decision no later than autumn 2015 to support the roll-out of B7 and E10 to enable fuels suppliers to meet their obligations under the Renewable Transport Fuels Obligation. (Barrier - Government has asked fuels suppliers to give 6 months' notice of their intention to blend up to E10)

Government should make an early announcement on measures to support the commercialization of advanced biofuels. (Barriers - the de facto market cap of 4.75% by volume has depressed investment in advanced biofuels.)

Government should set out its plan for RES-T post 2020 as soon as possible to give investor confidence. (Barrier - if here is no visibility of renewable transport policy post 2020 as soon as possible, this sector is unlikely to make much of a contribution post-2020.)



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