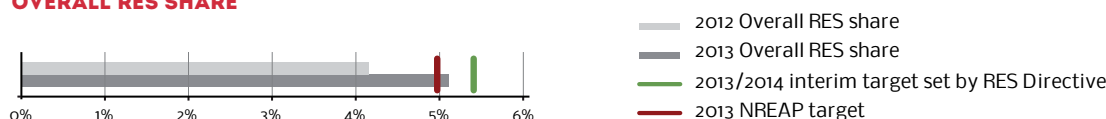




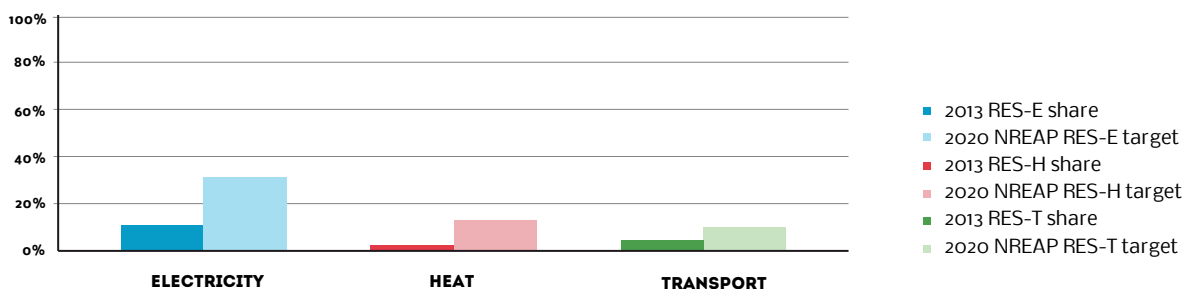
IS THE UNITED KINGDOM on track?

- The UK has not yet achieved its interim target 2013/2014. The 2013 NREAP target was achieved. However, the UK NREAP foresees its NREAP trajectory to be slightly lower than the interim target trajectory, which contradicts its original purpose.
- Growth in the RES-E share is enough to achieve the 2020 target. The RES-H&C target share for 2013 has been exceeded, but the growth rate still has to be increased in order to achieve the 2020 target.

OVERALL RES SHARE

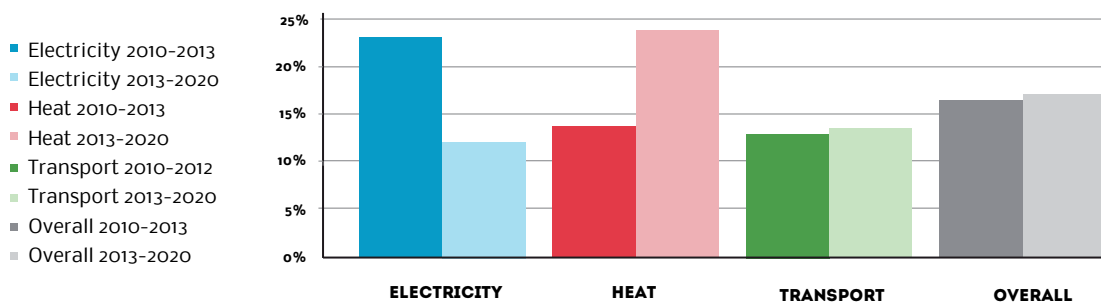


2013 RES SHARE COMPARED TO 2020 TARGET SHARE IN CORRESPONDING SECTORAL GROSS FINAL ENERGY DEMAND



	ELECTRICITY	HEAT	TRANSPORT	TOTAL
2013 actual share of RES in sectoral gross final energy demand	13.9%	2.6%	4.4%	5.1%
2013 NREAP target	13.0%	2.0%	4.5%	5.0%
2013/2014 interim target set by RES Directive	-	-	-	5.4%

AVERAGE ANNUAL GROWTH RATES OF RES SHARES FROM 2010 TO 2013 COMPARED TO GROWTH RATES REQUIRED FROM 2013 TO 2020





BARRIERS to RES deployment

ELECTRICITY

BARRIER	DESCRIPTION
SHORTAGE OF BANKABLE COMMERCIAL OFFTAKERS IN THE PPA MARKET AND LIMITED ACCESS TO FINANCE	Allow the UK Green Investment Bank to borrow in the market to fund more projects and change the Bank's policy to permit funding of more technologies, especially emerging technologies. Implement proposed standardised Power Purchase Agreements (PPAs) and encourage more market entrants.
DELAYED CONNECTIONS TO GRID AND HIGH GRID CONNECTION CHARGES.	Effectively incentivise the DSOs to offer timely grid connections at a fair, transparent cost. This could be achieved through an effective incentive regime and coherent, national strategy.
BIOMASS GENERATORS FACING INCREASING NUMBERS OF BARRIERS TO COMMERCIAL DEPLOYMENT	Address a number of barriers to the deployment of biomass power. These include confirming a workable system for regulating sustainability, supporting new stand-alone dedicated biomass generation and enabling biomass CHP projects to access the market by allowing such projects flexibility in heat offtaker requirements.

HEAT

BARRIER	DESCRIPTION
IMPLEMENTATION OF SUSTAINABILITY REQUIREMENTS TOO FAST, WHICH MAY LIMIT THE DEPLOYMENT OF BIOMASS HEAT	Sustainability regulation is a key concern; flexible implementation is needed.
DEPLOYMENT LIMITED TO FEW TECHNOLOGIES	The RHI has supported large uptake of biomass boilers and biomethane plants, but have failed to support large deployment of heat pumps and projects with long lead time
INDUSTRY LACK OF CONFIDENCE IN GOVERNMENT'S COMMITMENT TO RHI LONG-TERM FUNDING	The scheme currently has funding agreed only to end of March 2016. This timeframe is already too short for projects that take longer to deploy and is likely to become more acute as this deadline gets closer.

TRANSPORT

BARRIER	DESCRIPTION
LACK OF A CLEAR TRAJECTORY IS SEVERELY UNDERMINING INDUSTRY CONFIDENCE AND PREVENTING NEW INVESTMENT	As a matter of urgency the UK Government must set a trajectory for renewable transport to progress from the current UK target of 4.75% by volume in 2014 to the Renewable Energy Directive target of 10% by energy in 2020. This is essential for all sectors in renewable transport, be they conventional or advanced biofuels or electrification.
LACK OF A CLEAR UK STRATEGY AND PLAN FOR ADVANCED BIOFUELS	As a matter of urgency set out support policy to encourage advanced biofuels in addition to setting a trajectory to 2020.
THE 5% CAP ON FIRST GENERATION BIOFUELS IMPACTS ON VIRTUALLY ALL CURRENT PRODUCERS AND INVESTORS AND SEVERELY DAMAGES MARKET STABILITY	The Government should cease to support ILUC factors and a 5% cap on conventional biofuels in order to safeguard current UK investment and jobs (£1 billion investment and 3,500 jobs). A realistic re-appraisal of the benefits of conventional biofuels should be undertaken with a view to ensuring appropriate support post-2020.

KEY TRENDS IN THE RES SECTOR

- Policy risk and uncertainty in the market remain the key barriers affecting all renewable technologies across all sectors.
- 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 an impending solar FiT review have created uncertainty.
- The Renewable Heat Incentive has supported a large uptake of installations. The sustainability criteria have caused the industry grievances. The lack of RHI budget after 2016 created uncertainty.
- Support for transport has made very little progress, because of the absence of a final decision to amend the RED following the Commission's proposals of October 2012 on ILUC. Hopefully, ministerial decisions will allow the RES-T policy to move forward in 2015.

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.
- 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 allocation policy.
- Fix problems with FiT cost control mechanism for small-scale AD.



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

- Sets a 2020 trajectory to reach the 10% RED transport target from the current target of 4.75% (Cap on the development of the RES-T market).
- 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%. (Officials talked about setting cap at 1.38%).
- Support the roll-out of B7 and E10 to enable fuels suppliers to meet their obligations under the RTFO.
- Make an early announcement on measures to support the commercialization of advanced biofuels. (The market cap of 4.75% by volume has depressed investment)
- Set out its plan for RES-T post 2020 as soon as possible to give investor confidence. (Without post-2020 renewable transport policy, sector is unlikely contribute much).



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