NATIONAL POLICY UPDATE

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AUSTRIA

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AUSTRIA PHASES OUT NUCLEAR ENERGY FROM ITS CONSUMPTION

Status of the RES production in Austria

In July, the minister of economic affairs announced that in 2012 the production of wind and solar increased by 33%. With the additional 33% increase in hydro power production (due to a lot of rain and snow in 2012), the overall renewable share now reached 32%. It seems most likely that Austria will fulfill the EU 2020 target of 34% of renewable energy by 2020.

Policy update in Austria

The Austrian parliament passed a law to change the electricity labeling system. From now on, every kWh sold in Austria needs a certificate of origin. In addition, all utilities agreed not to buy nuclear certificates. In practice this means that Austria will be free of nuclear electricity.

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GOVERNMENT SETS UP NEW RES TARGETS FOR WIND AND PV, BUT STILL FAILS TO COMFORT INVESTORS

The RES industry in Wallonia is facing a lack of visibility and stability concerning the policy revision process. The Walloon Government has recently adopted new 2020 targets for wind energy and photovoltaic, but targets are still undefined for the other sources.

Policy update in Belgium

The RES industry in Wallonia (i.e. the French speaking region in Belgium) is facing a lack of visibility and stability concerning the policy revision process. The Walloon Government has recently adopted new targets for 2020, for:

- Wind energy: 3.800GWh, slightly reducing its previous engagement of 4500GWh
- Photovoltaic (1250GWh), broken-out as follow:
  - Photovoltaic (small plants < 10kW) : 875GWh by 2020
  - Photovoltaic (large plants > 10kW): 375GWh by 2020

This can be considered as slightly good news. However, this announcement has not fully comforted the sector, as the rest of the RES-E objective of 8000TWh remains undefined for the other sources (mainly biomass).

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Wind energy production has increased by 6% in 2012 in Wallonia. However, this relative slow-down is mainly due to an important number of projects being blocked by legal appeals. In the meantime, the Government wants to reduce financial support for wind energy development without giving a clear response to the current lack of stability for investors (additional costs for wind developers, lack of legal framework, etc...).

Concerning photovoltaic, the sector is still waiting for a new support scheme for small PV (<10kW) after the announcement of the needful support lowering.

A new policy is also expected for bioenergy but for the moment nothing has been announced. Investors are getting impatient.

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A NEW GOVERNMENT HAS BEEN ELECTED BUT NEW AMENDMENTS ARE STILL PENDING

The governmental elections in June were followed by a rather unstable political situation in which the stakeholders tried to create a new strategy for the development of the energy sector. In September, still nothing major has been done besides press-releases about the need of a new common Energy Strategy in the following 9 months (first draft to be allegedly reviewed in the next 3 months).

Status of the RES production in Bulgaria

At the moment the current RES production in Bulgaria looks as follows:

- 1957MW cumulative installed capacities RES by April 2013;
- 14.03MW installed capacities in 2013 (9.63MW-SHPP);
- 2600GWh RES produced energy in 2012.

Policy update in Bulgaria

What is happening in the electricity sector?

The Supreme Administrative Court revoked the controversial Decision Ц-033/18.09.2012 by the State Energy and Water Commission that imposed up to 40% grid access levy on the producers of electricity from renewable energy sources. For

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the time being, though, the levy exemption is not applied on all the affected producers.

The investment process is still blocked by the ban for grid connection until 2016.

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GERMANY

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HASTY PROPOSALS THREATEN THE EXPANSION OF RENEWABLE ENERGY IN GERMANY

The rapid pace of renewable energy expansion in Germany – key to the completion of the energy transformation – has been maintained despite recent efforts to disrupt the sector's development. The outlook for the electricity sector is much brighter than for the heating and cooling and the transport sector.

Status of the RES production in Germany

Renewable energy represents 12.6% of final energy consumption in Germany in 2012 and 22.9% of the gross electricity consumption. In the heating and cooling sector, RES represent 10.4% of the total supply, while in the transport sector renewables account for 5.5% of the fuel consumption.

Wind and photovoltaic account for most of the renewable installed capacity. In March 2013, wind power capacity amounted to 30.28GW and solar power capacity to 33.40GW. Biomass accounted for 7.64GW in 2012.

In the first half of 2013, electricity generation from wind energy was 22.4TWh and from solar energy 14.3TWh. In June 2013, solar energy reached a new generation record high, with a production of 4.3TWh.

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Policy update in Germany

What is happening in the electricity sector?

In February 2013, the German Government proposed new measures to limit the increase of the surcharge - currently 5.27ct/kWh - passed on to consumers under German renewable energy legislation (the EEG surcharge), the so-called "electricity price brake". The Governments aimed at keeping the surcharge at its 2013 level for 2014. After 2014, an annual increase of 2.5% will be allowed.
According to one of the measures, new RES projects (excluding PV) would have received the market value of the electricity generated for the first five months of operation, and received a lower support level afterwards. Furthermore, all existing plants were supposed to face a 1.5% retrospective support reduction. These measures led to a massive disruption of investors' trust, which endangered planned renewable energy projects. Fortunately, due to the lack of agreement between the Federal Government and the States on this reform, the whole "electricity price brake" was withdrawn.

Another much-debated issue is the need for an increased participation of the industry to the costs of the energy transformation. A large number of firms are (partly) exempted from paying the EEG surcharge. For 2014, 2367 companies requested an exemption, from 822 requests in 2012[1]. The criteria used to grant the exemptions are also harshly criticized. Indeed, not all companies applying are subject to international competition, and the threshold for the energy consumption is too low. The European Commission is currently assessing whether they constitute state aid.

What is happening in the heating and cooling sector?

The German Renewable Energy Heat Act (EEWärmeG) will be amended after the parliamentary elections in September 2013. The evaluation report published at the

[1] tagesschau.de, 2367 Firmen wollen weniger zahlen, July 2013.

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beginning of 2013 points out a fundamental shortcoming of the law: the impact of new buildings on the increase of renewable energy use in the heating and cooling sector is minimal. A possible solution would be to extend the scope of the EEWärmeG to include the modernization of existing buildings and different financing mechanism, such as a budget-neutral support instrument.

Furthermore, the dedicated governmental support was supposed to come from revenues obtained by selling CO_2 allowances. These been so low in the first quarter of 2013, the market incentive programme (MAP) is exposed. The 2013 financing has been secured, but further funds remain uncertain. There is still no common understanding among the ministries as to how to establish a reliable instrument.

What is happening in the transport sector?

In June 2013, the Federal Ministry of Transport, Building and Urban Development published its Mobility and Fuel Strategy detailing the medium- and long-term prospects for fossil fuels and fuels based on renewable energy sources and the necessary technologies and infrastructure.

The German biofuel sector is closely following the European discussion regarding ILUC factors for biofuels. The sector strongly doubts the scientific base on which the Commission's proposal is based, seeing that, depending on the study, ILUC factors lie somewhere between 200% and 1700% above fossil fuel values[2].

[2] Prof. Dr. Matthias Finkbeiner, Indirect Land Use Change (ILUC) Within Life Cycle Assessment (LCA) – Scientific Robustness and Consistency with International Standards. Executive Summary, March 2013.

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THE SURVIVAL OF RES PRODUCERS IN GREECE NOW DEPENDS STRONGLY ON A NEW LEVY HIKE FOR ALL ELECTRICITY CONSUMERS AND FURTHER OWN REVENUE CUTS

During the first half of 2013, Greece experienced a further remarkable increase in the growth of installed expensive PV capacity and an equally impressive reduction of the rate of installation of wind farms and other RE technology projects. This has resulted in a dramatic increase of the RES-related deficit of the Market Operator and in a 6-month delay in the payments of RES producers. In its on-going effort to contain the aforementioned deficit and avoid its explosion, the Greek State has been continuously imposing additional, new restrictive administrative and financial measures impacting all RES producers, electricity suppliers and consumers.

Status of the RES production in Greece

At the end of May 2013 the installed RES-e capacity in Greece had grown as follows:

- Wind Farms: 1.784 MW (1.753 MW in December 2012)
- PV Installations: 2.451 MW (1.536 MW in December 2012)
- Small Hydropower Stations: 218 MW (213 MW in December 2012)
- Biomass Installations: 46 MW (45 MW in December 2012)

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Policy update in Greece

Despite the additional restrictive administrative and financial measures taken through the end of April 2013, the RES-related deficit of the Market Operator (332 million € at the end of 2012) kept rising to reach 482 million € in June 2013. It is projected to reach 617 million € by the end of 2013 and 1,157 million € by the end of 2014.

Thus, the Greek State decided in July 2013 to increase the Special Levy for the Reduction of GHG Emissions imposed on all electricity consumers by about 60% to a level of 15€/MWh and to start negotiations with RES producers for a "new deal", i.e. for the voluntary reduction of their "guaranteed" annual revenues in exchange for an extension of the duration of their PPA contracts or some other form of affordable compensation.

The shape and size of the Greek RES sector in the next couple of years will largely be determined by the effectiveness of this effort.

The 2020 NREAP target for PV installations was 2,200MW and has already been surpassed 7 years earlier. In addition to the economic problems caused by the rapid and uncontrolled growth of expensive PV installations, it has accentuated the overcapacity problems facing the national electricity market because of the recession-induced decrease in the demand for electricity.

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DARK CLOUDS OVER THE PV SECTOR RIGHT AFTER AN OUTSTANDING SEMESTER FOR RES PRODUCTION AND THE TAKE-OFF OF THERMAL SECTOR

The first half of 2013 was quite eventful. Despite some good news (good performances in RES electricity production, approval of the support scheme for thermal energy and new opportunities for the energy efficiency sector), uncertainty is still the key characteristic of the RES sector in Italy. The support scheme for PV has been stopped without clear future strategy. A court judgment modified the dispatching regulatory framework and the approval of the bio-liquids support scheme has been postponed indefinitely.

Status of the RES production in Italy

Thanks to a decrease in the electric demand (-3.9% compared with Q1 2012), in thermoelectric production (-16.3% compared with Q1 2012) and to a good performance of all RES, in the first half of 2013 renewables accounted for 41% of national electricity net production (31.4% in the first half of 2012) and 35.7% of electricity demand.

In January-June 2013, hydropower performed particularly well (+37.9%), and the same can be said for wind (+31.4%) and PV (+15.2%).

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Both in May and in June the net RES production outreached the 50% threshold. On 16 June, for 2 hours (between 2.00 and 4.00 pm) the RES production covered 100% of the electric demand!

Policy update in Italy

What is happening in the electricity sector?

- **Self-consumption systems**

In May 2013, the Italian Authority for Electricity and Gas (AEEG) published 2 consultation documents dealing with self-consumption systems, i.e. systems that allow connecting production plants with final users in a limited area. The regulation for the connection, distribution and sale of electricity for these systems still has to be completed. They are usually exempted from paying electric system charges, but AEEG is asking the Government to cut this exemption.

- **End of PV's support scheme**

As foreseen in the Decree of 5 July 2012 (the so-called V Conto Energia), the FiT for PV stop 30 days after reaching an indicative cumulative cost of incentives of €6.7 billion annually. The limit was reached on 6 June 2013, determining the cessation of the scheme on the 6 of July 2013.

From now on, the PV sector is expected to function without FiT, taking advantage of present fiscal benefits, regulatory framework (obligations to install PV on new buildings) and new market opportunities within the self-consumption systems (if the new regulatory framework under discussion does not hinder this possibility, see above).

- **New support scheme for RES (except PV)**

The rankings of the first call for auctions and registries were published in January 2013.The new mechanism revealed its limits, as the quotas available for registries were by far overfilled, while only a few plants participated in the auctions. A

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second call was launched in March 2013 and the results are foreseen for the end of July.

- **Robin Tax and bioliquid incentives**

The new Italian Government recently approved a Decree Law, which lowered the turnover threshold for paying the so-called "Robin Tax". This measure will impact many small and medium RES enterprises. Furthermore this Decree abrogates a measure for bioliquid plants (introduced at the end of 2012) aimed to modulate incentives to help the sector that is suffering from the increase of raw materials costs and the burdensome sustainability procedures. This abrogation is generating instability and uncertainty in the sector.

- **Dispatching of energy**

The AEEG introduced important changes to the dispatching conditions for electricity produced by variable renewable sources such as wind, PV and run-of-river hydropower plants. From 1 January 2013, producers are charged for the balancing costs. This provision has a high economic impact (for a large wind farm, it could be about 7 €/MWh).
APER appealed against this decision and the Court of Milan in June revoked the deliberation. Producers are now waiting for the new regulation foreseen by AEEG without knowing which kind of rules should be applied in the meantime.

What is happening in the heating and cooling sector?

In January 2013, the so-called "Conto Termico" decree was finally published. It aims at subsidizing thermal energy output from RES and to develop energy efficiency through requalification projects.

Eligible projects concern: energy efficiency improvements in existing building, replacement of existing systems for winter heating with more efficient ones, replacement and construction of new renewable-energy systems. The decree allocates funds for a maximum yearly cumulative disbursement of €200 million for

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projects implemented or to be implemented by public administrations and a yearly cumulative disbursement of €700 million for private parties' projects.

The Decree also modified the applicable legislative framework for the Energy Efficiency Certificates (Certificati Bianchi). It sets national quantitative energy-saving targets - incremental over time - for electricity and gas distributors for the years 2013 to 2016, and it introduces new parties eligible to submit projects with a view to obtaining white certificates.

Another Law Decree recently approved provides a deadlines extension for the implementation of requalification projects and an increase of the percentage of the related costs (from 55% to 65%) which generates a tax credit.

What is happening in the transport sector?

Incentives for the purchase of low-emission cars (natural gas, LPG, electric, hybrid) were issued in March 2013 for the period 2013-2015. However, the 2013 budget allocated to private citizens has already been used. Some budget is still available for enterprises and public bodies.

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POLAND IS STILL TRYING TO COPE WITH UNSTABLE SUPPORT SCHEMES FOR RES

The green certificate price is continuing to decrease. It now reached 50% of its nominal price. This causes a breakdown of the market for new investments in RES and serious problems to already operating units. At the same time, the full implementation of the RES Directive is still being delayed (more 2.5 years). However the Council of Ministers decided to suspend its work on a comprehensive RES law and to make efforts to implement the RES Directive.

Status of the RES production in Poland

RES-E grew fast in 2012 to reach 14TWh (11.5%). However large-scale biomass (including co-firing) and large-scale hydro are dominating the RES-E production. These may cause a total oversupply of green certificates up to 6TWh, which is more than 30% of obligation needed for 2013.

In the first half of 2013, the total installed capacity in the wind sector increased to 2.8GW, in biogas to 140MW, in biomass to 940MW (excluding co-firing) and no noticeable increase in PV and hydro were observed. The shares of RES in the heating &cooling and transport sectors in 2012 are estimated at respectively 13% and 7%.

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Policy update in Poland

In April 2013, the Council of Ministers decided to suspend its work on the adoption of three new Acts (including a new Energy Act, a new Natural Gas Act and the new RES Act, the so called "large package of regulations"). It was decided to accelerate the work on the amendments to the provisions of existing energy Act (the so called "small package of regulations").

The small amendment to the Energy Act in relation to RES ONLY tries to introduce:

- a definition of micro-installation (up to 40kW)
- a guarantee access to the grid for micro-installations (but only for customers-prosumers up to power capacity that is already taken by the customer).
- a guarantee price for electricity generated surplus at the very low level (in a given year at 80% of the average market electricity price from previous year)
- a system for certification of installers (for biomass boilers, PV, solar)
- a guarantee of origin for international cooperation.

These requirements are however far from reflecting all the requirements of the Directive.

At the same time, in May 2013 the President of the Republic presented a draft law on the amendment to some laws related to the reinforcement of the landscape protection tools. The draft law introduced additional barriers for the development of RES in Poland, especially for wind farms. The draft provided a new form of landscape protection, the so called "priority landscapes", but the justification does not even attempt to determine what percentage of the area of the country may qualify in this category and to what extent the existing and new forms of landscape protection would be overlapping, and the principles of their determination should be defined by future secondary legislation that may not be

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assessed as the assumptions for such secondary legislation have not even been provided.

These issues have already been quite precisely regulated in the effective legislation, both those on establishment of landscape parks or areas of the protected landscape and the procedures for environmental impact assessments.

In addition, the request to have administrative authorities responsible for granting permissions for location of wind farms and other systems seems to be not favourable for development of self-government. Moreover, it strengthens a passive approach of local communities and it is in conflict with the constitutional principle of subsidiarity (helpfulness).

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PORTUGAL

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THE RES SECTOR IS CONCERNED BY THE REVIEWED VERSION OF THE NREAP PUBLISHED IN APRIL 2013

Portugal has very good natural renewable energy resources, enabling this country to achieve impressive levels of renewable energy penetration in electricity generation. However, the recent changes related to the reduction of electricity costs led to regulatory instability and a decrease of the authorities to develop the RES sector.

Status of the RES production in Portugal

In 2013, conditions were favourable for RES production. During the first semester, 70% of the electricity was generated from RES. During the first 4 months, Portugal had almost 80% of the electricity generated from RES. Hydro and wind have been the main contributors, becoming the 1st and 2nd sources of electricity generation, overcoming the thermal generation - coal and natural gas. In terms of installed capacity, Portugal reached 4.5GW of wind power installed in 2012.

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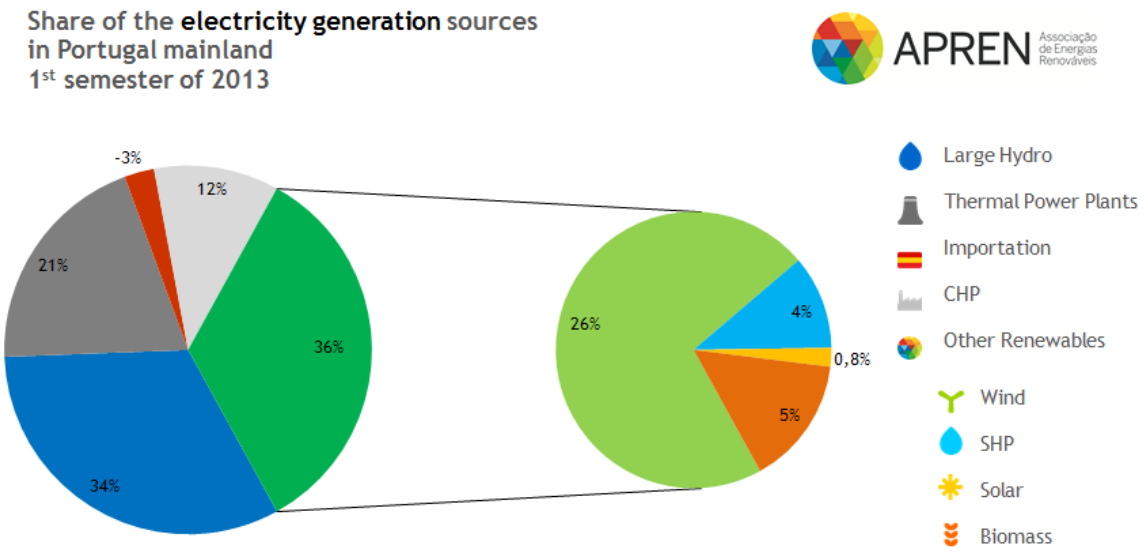

Policy update in Portugal

The Portuguese RES sector is experiencing changes related to the reduction of electricity costs in order to payback the tariff deficit by 2020. In this sense, two issues must be addressed.

The first one is the agreement between the Government and the wind sector that finally came through with the publication of a Decree-Law on 28 February 2013. 100% of the eligible power adhered to the agreement, showing how well Portugal can adopt necessary changes when they are properly negotiated. Unfortunately, the same cannot be said for small hydropower (SHP) where no agreement was reached. The Government reduced the existent FiT period by 10 years. This decision is being brought to court by the SHP sector in order to defend the already made investments.

The second issue is the publication of the reviewed version of the Portuguese NREAP, last April. This reviewed version was preceded by a public consultation.

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However, the reviewed version contains inconsistencies both in statistical data and options regarding the installation of new capacity.

The main figures of the revision of the NREAP targets are summarized by sector below:

In the electricity sector: An increase of RES-E contribution is expected, although it is supposed to be reached with less power installed. Several RES (SHP, Solar PV and wind power) are foreseen to grow below its potential.

In the heating and cooling sector: An increase is also foreseen. Biomass is pointed out as the main source. Solar thermal will remain an option but its potential seems disregarded.

In the transport sector: The RES-T contribution also increased in the NREAP. It constitutes the major challenge for the RES sector in Portugal, since it is necessary to almost double its contribution. It is stated that this target should be accomplished primarily thanks to biofuels. The transport sector has been falling behind in previous years.
In conclusion, the reviewed NREAP shows a positive trajectory for the RES sector and even a small increase in the overall RES share - from 31% to 31.7%.

Sectors	Original NREAP 2010	Reviewed NREAP 2013
RES - T	10%	11.3%
RES - H&C	30.6%	35.9%
RES - E	55.3%	59.6%
Overall RES share	**31%**	**31.7%**

Conclusions should not be over-optimistic as it is only a simple overview of trajectories. The RES sector is concerned by the lack of ambition and the stagnation created by the latest legislative changes in a sector that has grown consistently.

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SPAIN

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FINAL DEATHBLOW TO THE RES-E BY A GOVERNMENT TRAPPED IN NEOLIBERALISM AND AUSTERITY DOGMA

After nearly three years of a series of retrospective cutbacks to RES-E installations in Spain, the sector is already confronted to revenues reduction of more than 40% for existing plants. Now the Spanish Government has shown its real intention to end with a sector which only some years ago was one of the frontrunners of RES business in Europe and worldwide.

Status of the RES production in Spain

During the 4 first months of 2013 the consumption of biofuels in diesel (biodiesel & HVO) was around 370kt -42% below the figure for the same period of 2012-, while the consumption of bioethanol was around 87kt (-13%).

Policy update in Spain

What is happening in the electricity sector?

Electricity reform - In July 2013 the Spanish Government has finally started to establish the comprehensive electricity reform - announced several months ago. The overall goal is to solve the tariff deficit. The big reform package consists of one new Law which will set the new basics of the electricity sector, a Royal Decree Law (RDL) to establish urgent measures to guarantee the financial stability of the electricity sector (RDL 9/2013, of 12 of July 2013 - the only one already approved)

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and several Royal Decrees which, amongst others will set new rules for the promotion of RES-E and will finally regulate RES-E own consumption in Spain. Although it is still too early for having a clear picture on the legal and macro-economic impacts of these norms, the following can already be highlighted:

Abolition of existing RES-E promotion schemes - RDL 9/2013 has abolished (although with a transitional period of 6 months) all existing RES-E promotion schemes in Spain for all existing installations (for any new projects, the moratorium introduced in January 2012 will continue). They shall be replaced by a new approach consisting of obliging all RES-E producers to participate in the pool market receiving just the market price, plus, possibly, a certain additional payment. These new system, according to the Spanish Government shall guarantee an overall internal rate of return (IRR) of 7.5% before taxes which translates in a real IRR of around 5% or less after taxes. This will increase the costs of financing as plant owners (now unable to repay due to the lowered income as a consequence of the several retrospective cutbacks of the RES-E remunerations) have to renegotiate their credits with the banks. This will lead to bankruptcy of a further thousands of installations, a continuing job loss and will also create a big problem for the banks who financed the RES-E investments, amounting to 40-45 billion €.

Net-metering - Besides, also the RES-E own consumption based on a net-metering scheme will be finally regulated by this reform. But the current draft is very unattractive. If adopted in this way, it will make self consumption not economically interesting. It foresees the obligation to pay grid fees even in the moments the RES-E electricity is completely self-consumed. Furthermore, the draft establishes a strong increase (up to 125%) of the fixed component of the electricity tariff making possible savings through own consumption in the energy term of the tariff (even) less attractive.

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What is happening in the heating and cooling sector?

On 5 April 2013, the Spanish Council of Ministers approved a legislative package to stimulate the deployment of heating & cooling in the residential sector. Energy efficiency is included as a decisive factor in the evaluation of the building, but all that is said about efficiency in the preamble of the different decrees is barely reflected in its articles:

The Royal Decree 233/2013 of 5 April regulating the State Plan to promote rental housing, rehabilitation, recovery and urban renewal for the period of 2013-2016, is in line with the European Energy Efficiency Directive as regards to the energetic rehabilitation of buildings. However, it does not transpose any of its articles into national legislation nor does it set commitments for public buildings or for distribution companies as foreseen by the Directive. The Directive is already in force and its transposition period ends within a year.

Besides, Royal Decree 235/2013 of 5 April, approving the basic procedure for the certification of energy efficiency of buildings only transposes the first European Energy Efficiency Directive as regards to existing buildings, with ten years of delay. It also incompletely transposes Art. 9 of the new Directive concerning the requirement that buildings should be of almost zero energy consumption by 2020, but in Article 1 of the basic procedure of certification it deletes the concept of near/net zero energy buildings contained in the draft. The concept defined in the directive is very clear: buildings that are supplied by renewable energies and/or self-consumption. By not defining this concept in the Royal Decree, the sought normative figure remains nonexistent.

The Royal Decree 238/2013 of 13 of April is modifying some technical instructions of the Regulation for Thermal Installations of Buildings (RITE) with the aim of transposing the provisions for thermal installations in buildings of the new Energy Efficiency Directive, like for example including a greater number of heating & cooling facilities in the scope of application of the RITE.

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Finally, on 26 June 2013, a law was approved, aiming at establishing an appropriate regulatory framework to carry out activities of urban rehabilitation, regeneration and renewal thereby contributing to the economic recovery and fulfilling the objectives of reducing energy consumption, promoting clean energy and greenhouse gas reduction.

What is happening in the transport sector?

The Spanish U-turn policy on biofuels is also having devastating effects. The Spanish Government approved in February 2013 a severe reduction in the biofuels consumption mandates from the year 2013 onwards. Without any previous consultation, the global biofuels mandate has been axed to 4.1% from 6.5%, whereas biodiesel and bioethanol targets have been reduced to 4.1% (from 7%) and 3.9% (from 4.1%), respectively.

This sudden and retrospective decision creates uncertainty in the sector and will hamper the achievement for Spain to reach the 10% goal of renewables in transport by 2020.

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RENEWABLES MAKE SLOW PROGRESS IN THE UK, AGAINST AN INTENSIFYING HEADWIND

The situation for RES continues to be dominated by mixed messages from the government. A ministerial reshuffle has toned down some of the anti-renewables rhetoric but some politicians and media continue to attack, despite consistently good ratings for renewables in public opinion surveys. Meanwhile the Energy Ministry (DECC) is slowly expanding the Renewable Heat Incentive and laying the ground for the replacement of the Renewable Obligation. In the transport sector however, renewables seem to be moving backwards.

Status of the RES production in the UK

DECC has recently published renewables statistics for 2012. RE consumption across all sectors grew by 9.4% in absolute terms from 2011, but the 2011/2012 RED interim target of 4.04% was missed. DECC must now submit an amended NREAP to the Commission by 30 June 2014.

Electricity: renewable capacity grew by 27% in 2012 compared with 2011, with notable growth from PV (72%), AD (66%) and offshore wind (63%). Generation grew by an average 19%, with PV growing by 387% to account for 3% of renewable generation. Offshore and onshore wind generation rose respectively by 46% and 17%. According to the RED-specified methodology RE generation was 10.8% of UK gross electricity consumption compared with 8.8% in 2011.

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Heat: renewable heat production increased by 7% in 2012 compared with 2011. Biomass dominated, with domestic and non-domestic use of wood accounting for 32% and 22% respectively. Non-domestic use of 'plant biomass' was 20%. Solar thermal was 11% (25% growth), heat pumps 4%, (43% growth). Only 1% of the renewable heat was supported by the RHI during 2012. Despite the 7% absolute growth during 2012, its share of UK demand under the RED remained at 2.3%.

Transport fuels: Biodiesel consumption fell by 32% whilst bioethanol rose by 19% accounting for the energy density of the two fuels, the overall change was a 15% reduction compared with 2011. The renewable share of transport energy under the RED is reported as 3.2% for 2012.

Policy update in the UK

What is happening in the electricity sector?

The Government's Energy Bill (scheduled to become law at the end of 2013) is designed to tackle the UK Government's priority Energy Trilema: rising energy bills and cost to consumers, energy security, and the commitment to reduce GHG emissions. It will bring an end to the Renewables Obligation (essentially a form of premium FIT) replacing ROCs with Contracts for Difference (CfDs) - which top up generators' income from wholesale electricity prices to the "strike price". The RO will close in 2017 and CfDs will be introduced from mid-2014.

The "strike price" is set at a level the Government believes to be sufficient to incentivise a renewable generator. CfDs are funded from a levy on electricity bills. If the wholesale price exceeds the strike price, the generator is required to return the excess revenue. An overarching 'decarbonisation target' for electricity supplies will be set in 2016, with considerable pressure for this to be brought forward to 2014.

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Industry has numbers concerns with the package of reforms, not least independent generators being able to access the market and the shortened contract length proposed for renewable CfDs (15 years as opposed to 20).

What is happening in the heating and cooling sector?

The Government has just set out the terms under which the Renewable Heat Incentive will open to applications from the domestic sector in spring 2014 (a four year delay on the original timetable). Tariffs will be front-loaded, i.e. paid for seven years to the owner of the heating system but set at a level to reflect support for renewable heat over 20 years. Minimum energy efficiency standards and in most cases heat use will be estimated from the building's energy performance certificate.

The non-domestic RHI, launched in November 2011 got off to a relatively slow start, with the allocated budgets for its first two years heavily underspent. Some additional technologies will qualify for the RHI in spring 2014. A controversial and complicated cost-control mechanism (to keep expenditure under each technology band close to the figures projected by DECC's modelling) could result in rapid tariff reductions for the technologies with the highest take up. The medium scale biomass tariff has already been digressed.

What is happening in the transport sector?

The Renewable Transport Fuel Obligation (which began in 2008) remains the only driver to help the UK meet its 10% transport target. RE accounted for 3.1% by volume of total road transport fuels in 2012, against annual obligations of 4.0% for 2011/12 and 4.5% for 2012/13. The target for 2013/14, initially set at 5% was reduced to 4.75% to accommodate the inclusion of non-road mobile machinery without increasing the total volume of the obligation. There have been no further interim targets set to meet the 10% (by energy) overall target. The Department for Transport does not intend to set any interim targets until the EU Commission's

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proposals to amend both the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD), published in October 2012, have been agreed upon.

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