



2013

POLICY RECOMMENDATIONS UNITED KINGDOM



EREC

EUROPEAN RENEWABLE ENERGY COUNCIL



KEEP ON TRACK!

Progress towards reaching the 2020 targets needs to be carefully monitored to ensure that actual development is not lagging behind the trajectory outlined in the RES Directive. With this aim and building on the experience of the IEE project REPAP2020, Keep-on-track! offers market, legal and political advice and recommendations for EU Member States to stay on track with the objectives set towards 2020.

This is done via the consolidation and enlargement of a platform for discussion and dialogue among different market actors such as renewable energy industry associations, national and EU Parliamentarians and the scientific community. Moreover, the project ensures a close-to-market monitoring of the fulfillment of the RES trajectory for each of the 27 EU Member States and for Croatia as of its access to the EU.

In case a Member State is lagging behind its trajectory and does not manage to overcome identified barriers for RES deployment, Keep-on-track! will provide early warnings and suggest solutions on how to compensate any possible delay encountered.

PARTNERS

The European Renewable Energy Council (EREC) is the project coordinator. Partners in the projects are:



Visit the project website to learn more: WWW.KEEPONTRACK.EU



UNITED KINGDOM



KEY TRENDS IN THE RES SECTOR

THE IMPACT OF THE WIDER ECONOMIC ENVIRONMENT ON THE RES SECTOR

Although the renewable energy (RE) sector has generally seen increased deployment in line with the UK's national action plan, wider economic issues have severely impacted on RE and continue to have an impact on the industry. Developers of RE projects in the UK are facing increasing difficulties obtaining both equity and debt financing due to the current depressed economic environment. The government has been sending very mixed signals to the market place concerning its commitment to RE to the detriment of industry confidence. Investment has recently been falling, caused by uncertainties across most of the key policy areas. Whilst renewables retain strong public support, a vocal minority objecting on the grounds of cost and environmental impact has created significant challenges for the industry.

ASSESSMENT OF THE EXISTING SUPPORT SCHEMES:

Feed-in Tariffs: for the deployment of small-scale (<5MW) renewable electricity generation.

Through the FITs scheme the consumer receives a premium tariff, depending on the technology, for each kWh generated. A further export tariff is then paid for each unit exported to the grid. At the end of December 2012, 1.7GW of installed capacity was confirmed on the FIT scheme, covering 358,331 installations.

In the later months of 2011 reducing PV costs resulted in an unexpectedly high uptake of the scheme. In response, the Government abruptly reduced PV tariff rates, increasing investor uncertainty. The scheme has now been reformed by applying a new capacity based depression mechanism. This is also the case for non-PV technology where the mechanism will become effective from 1 April 2014.

The Renewables Obligation: for large-scale renewable electricity generation.

The RO places a mandatory requirement on licensed UK electricity suppliers to source an increasing proportion of the electricity they supply to customers from renewable sources. Renewable electricity generators receive ROCs for each MWh they produce. These can then be purchased by suppliers in order to meet their obligations or they can make a payment into a 'buy-out' fund. Between 2007 and 2011 electricity generated from RES increased by approximately 45% as a result of the RO and a combined total capacity of 8.5GW was reached by April 2011.

In 2009 banding levels were introduced to offer different support levels for different technologies. The government has been reviewing these levels for over a year, creating considerable uncertainty for investors. The RO will be closed to new projects in 2017 having been gradually replaced by the package of measures contained in the Electricity Market Reform (EMR) between 2014 and 2017. Whilst grandfathering offers some certainty and support for existing projects, the fact that this scheme is soon to be replaced does little to instil confidence.

The Renewable Heat Incentive: for deploying renewable heat.

The RHI is a new tariff scheme similar in principle to FiTs. The first phase, which came into force in November 2011, is targeted at the non-domestic sector. The second phase is due in summer 2013, expanding the RHI to include more technologies in the non-domestic sector, as well as introducing the scheme in the domestic sector. Since its launch in late 2011 the scheme has got off to a slow start but uptake is gradually increasing with an installed capacity of 171 MW from 409 installations by 31 December 2012.

The Renewable Transport Fuels Obligation: for the share of biofuels used in road transport.

This scheme obligates UK fuel suppliers that supply at least 450,000 litres per year, to source a percentage of fuels from renewable and sustainable sources. Mandatory carbon and sustainability criteria must be met in order to achieve RTF-Certificates, otherwise the fuel is considered as a fossil fuel. The RTFO has been amended twice since its introduction in 2008 yet it lacks a trajectory to reach the target of 10% by energy by 2020. The RTFO does not go beyond 5% by volume to be reached by April 2014. Furthermore, the government has signalled its intention to reduce the 5% figure to 4.7% by volume from April 2013 to accommodate non-road mobile machinery.

RENEWABLE ENERGY INDUSTRY POLICY RECOMMENDATIONS



ELECTRICITY

Some elements of the RO still remain under review. The government needs to decide what it wants, for example in terms of biomass and sustainability regulation and set clear policies as soon as possible to allow developers to invest.

It is not yet clear how the forthcoming EMR and its Contract for Difference (CfD) will work in practice.

Again the policy needs to be clear so as to instil confidence and stimulate investment.



HEATING AND COOLING

Many changes to the RHI are due in 2013. Whilst most of these are seen as positive, they still need to be delivered. Such changes therefore need to be clear to instil confidence.

There needs to be a clear and ambitious budget set for the RHI past 2015 to ensure visible commitment to the scheme.



TRANSPORT

Clear long term targets for first generation biofuels should be kept in line with the original targets and should continue beyond 2020, through setting a

straight line trajectory from 5% in 2013 to 10% in 2020, for example.

Rather than introducing a 5% cap on first generation biofuels, the 10% 2020 target could be differentiated for first and second generation biofuels.

Review and improve International Food Policy Research Institute (IFPRI) modelling for indirect land use change (ILUC) factors in order to incorporate co-products of biofuel production and correct assumptions of agricultural practices.

RECOMMENDATIONS ADDRESSING THE BARRIERS IDENTIFIED

In addition to the recommendations stated above, other key recommendations include:

- Government and industry must work to facilitate planning approval for RE installations.
- Electricity and gas networks must rapidly evolve to accommodate increasing penetration of RE.
- Improved education and training is needed to increase awareness and understanding of RE.

ELECTRICITY AND HEATING & COOLING SECTOR

The Microgeneration Certification Scheme (MCS) scheme needs to be simplified and the requirements clearly laid-out for other schemes that wish to compete with MCS.

Measures need to be taken to stimulate UK domestic production of biomass.

DECC should not introduce sustainability requirements for heat until this is seen to be effective.

TRANSPORT SECTOR

The Department for Transport (DfT) needs to lead the introduction of E10 biofuel blends.

Setting the fuel duty for transport fuels according to their energy content and carbon emissions rather than per unit of volume will improve the competitiveness of biofuels in the market.



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