Initial Reaction to FiT Review Consultation Proposals: Joint Response from Renewable Trade Associations

The industry was shocked by the FiT Review consultation proposals published on the 27th of August. It is clear that if these proposals are implemented fully they will have a drastic impact on the future of the industry. Paragraph 3.4 of the Impact Assessment explicitly states that DECC’s “intention is to design a FiTs scheme that… avoids boom and bust… “. The irony is that, by its very proposals, the consultation makes ‘boom and bust’ more likely.

There are three key concerns that are shared by the associations that are signatories to this statement and who represent the majority of the organisations currently developing projects which are supported by the FiT scheme:

- **The threat to close the FiT to new entrants in January 2016.** The industry believes it is wholly unfair to propose potential closure to the scheme before new proposals which emerge from the consultation are implemented. The FiT scheme has already been successful in deploying renewables projects across the country which contribute to renewables targets and economic objectives - and costs are falling all the time. To remove the scheme at this stage to satisfy an arbitrary budget cap during a consultation process is therefore unfair.

- **The difficulty of investing economically at the levels of tariff proposed.** We are examining the evidence published alongside the consultation, but at this point our members are telling us that few if any projects are viable at the tariff levels proposed. We would welcome further engagement with officials on this point across all technologies. We are engaging with members on this point now and will respond fully in our final consultation response.

- **The risks created by introducing quarterly budget caps.** The proposals on budget control will make it very hard to build new capacity as investors will not be able to predict if they are able to deploy in a given quarter. If proposals for budget caps are implemented, developers would have to build projects before applying, at the risk that they are unsuccessful in securing FiT support. This appears to be an unmanageable amount of risk for most investors, particularly at the small and community level. In addition, the exceedingly limited capacity of the quarterly caps proposed means that they will be extremely difficult to administer. We note the proposal to consider reintroducing pre-accreditation post-January 2016 but request more
information on the criteria for making the decision; we believe that pre-accreditation is essential if the proposals for capping are to be feasible.

Finding a way forward

Fundamentally we believe that the FiT scheme needs to remain open so it can achieve the goal of allowing the different technologies to reach grid-parity and for the UK to meet our legally binding climate change targets while securing reliable energy supplies. Some of the proposals in the review do not seek this outcome which would be beneficial to all stakeholders but instead focus on short-term cost control measures. We would ask Government to reconsider its approach, or the prospect is of short-term collapse across these sectors, which will damage our ability to deliver these technologies for years to come. We are open to working closely with Government on alternative proposals.

This is particularly badly timed however because the prospect of grid-parity for different technologies within this parliament has been highlighted by several reports, all of which emphasise the essential need for stable and consistent policy support through the FiT to meet this goal. The review of evidence provided by DECC would appear to back up this position and also highlights some of the positive aspects of the FiT scheme which are not addressed in the consultation, including social impacts such as community energy, significant employment and contributions to reducing fuel poverty as well as meeting decarbonisation and renewables targets.

A joint submission from:

Anaerobic Digestion and Bioresources Association
British Hydropower Association
Community Energy England
Renewable Energy Association (REA)
RenewablesUK
Scottish Renewables
Solar Trade Association