



## #Fair4Solar Coalition

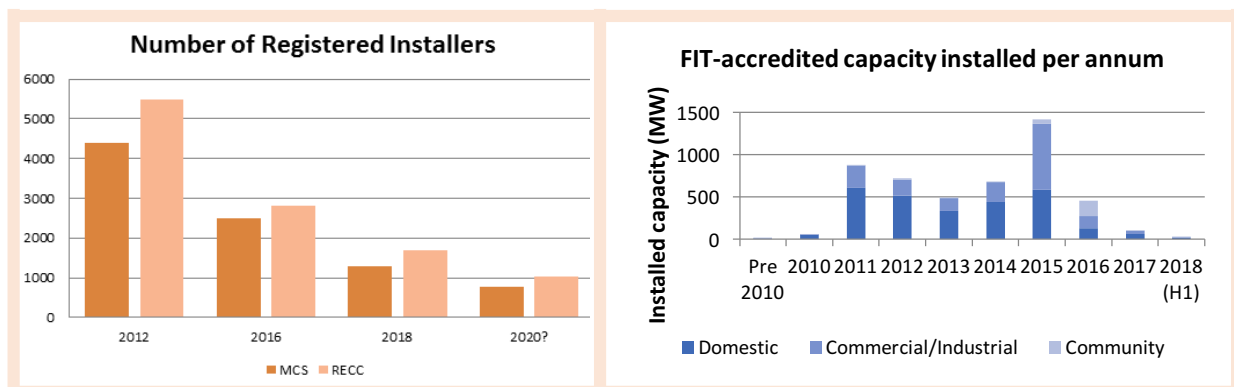
### Fairness for local climate action & smart energy – solar export tariff

**Summary:** The shock waves from Government’s recent announcement that it will end the ‘export tariff’ – a fair payment for surplus solar power spilled to the grid - go far beyond the solar industry. Solar homes & community buildings risk becoming the only generators not paid to put clean power on our electricity system. This flies in the face of new EU laws and is already destabilising the fragile solar industry and the nascent smart energy sector. The solar industry is braced for a severe impact to its viability when the Feed-In Tariff (FIT) ends next March, with 30-40% of firms already contemplating closure. The additional removal of the export tariff will cause profound damage and not only to the solar and storage industries; diverse stakeholders in clean energy at the local level will be disempowered from engaging in the clean energy transition at a time when the UK urgently needs to meet its carbon targets & to undergo a smart energy revolution. This transition puts unprecedented emphasis on *local* clean energy investment as heat and transport electrify. The export tariff must therefore be safeguarded, in line with new EU laws & basic consumer rights, and **BEIS needs to confirm as soon as possible that it will continue.**

**Background:** Launched in 2010, the FIT successfully enables diverse community engagement in clean solar energy. Farmers, public buildings, hospitals, schools, SMEs, social housing, community group, local councils and households participate. Together they have delivered over one million schemes to date. The FIT has successfully driven major cost reductions such that local schemes are now competitive with many other forms of clean energy generation.

Government announced in the 2015 FIT Review that the scheme would end in March 2019. However, there has been a very long delay in Government publishing its ‘post-FIT’ proposals. While the loss of the FIT was expected, the industry & diverse stakeholders have been shocked by BEIS’s proposals (finally published this summer) to also remove the export tariff for surplus solar power spilled to the grid with no clarity on what will replace it – if anything. Therefore, an already very challenging situation has become *critical*.

**Current state of solar industry:** Poor design of the 2016 FIT scheme, shock business rate rises for solar, and unacceptable delays from government over consulting on a post-FIT framework have resulted in a steep decline in installations over the past 18 months, during which time many solar companies have shed jobs or gone out of business. Four different surveys undertaken this summer (RECC, HIES, SPP & STA) all confirm that removing the FIT alone will have a severe impact on the solar industry. Further removing the export tariff will cause profound damage. This puts the British public’s investment to date in a domestic solar industry at risk and creates a huge opportunity cost; the UK is now [ranked last](#) of 20 international solar markets for 2018-2022.



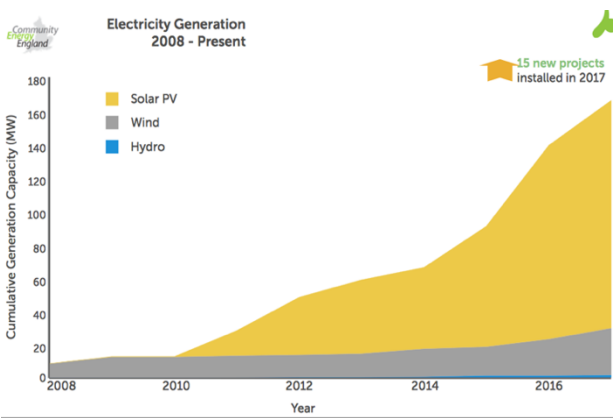
**Why the export tariff is fair and must be maintained:** The export tariff is not a subsidy. It is fair payment for a valuable commodity in markets with a systemic orientation to large-scale generation. Recognising this the EU has recently introduced new laws<sup>1</sup> (REDII) that protect the rights of ‘prosumers’ to fair remuneration for the power they

<sup>1</sup> Article 21 (d) of Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the promotion of the use of energy from renewable sources (recast). “Receive a remuneration, including where applicable through support schemes, for the self-generated renewable electricity they feed into the grid which reflects the market value and may take into account the long-term value of the electricity fed in to the grid, the environment and society.”

put onto the system “*which reflects the market value*”. Currently paid at 5.2p/kWh the export tariff is less than the average System Sell Price in 2018 at 5.4p/kWh. Government has previously said this “*represents the best estimate for the value of deemed electricity exports*”. This is the price that all other generators spilling on to the networks outside of balancing receive. If this is removed households, farmers, community groups and public buildings investing in new solar schemes will be the only generators expected to put their power onto the system for free. They will effectively be subsidising major electricity utilities. We do not believe this to be acceptable.

The BEIS consultation itself makes clear that there is currently no commercial route to market for surplus solar power. This is to be expected, given the regulatory foundations are not yet in place to allow the market to come forward with offers. A ‘spaghetti’ of regulation first needs to be resolved (for example on smart metering functionality, interface with the DCC, and the current need to raise an export ‘MPAN’). These issues will take years to resolve despite live and intensive work by industry and the regulator.

**Threat to society engagement in clean energy:** Climate change requires massive public participation in the transition to clean energy. No other technology empowers individual and community action as effectively as solar power. Two-fifths of [farmers have invested](#) in renewable energy. Hundreds of [churches](#) have installed solar roofs. There are 230 [community energy groups](#) in England & Wales, with solar by far the largest enabling technology and schemes were



starting to take off (see graph left). Over 1000 [schools](#) in the UK have solar power and nearly 30,000 businesses. It is estimated that a third of domestic rooftop solar schemes are on social housing. 85% of local authorities have invested in solar power and the technology is vital for local leadership on clean energy, such as the Mayor of London’s [Solar Action Plan](#). Ambitions for local clean energy generation must be encouraged; the UK is not on track to meet its carbon or renewable energy targets, and the importance of local power generation is growing with the electrification of heat and transport. Young people want to see the positive effects of solar in their local schools and community buildings. Without the guarantee of fair payment for surplus energy,

encouraging local investment in solar will be much harder and it is the young generation who will bear the brunt of climate change. Many churches are currently working to install solar panels, not only to generate energy for their own use, but as an indication of commitment to a low carbon future. Removal of the export tariff in addition to the loss of the FIT will impact on the ability of places of worship as public buildings visible in every community to be part of the transition to clean energy. Given the high uptake of small-scale renewable generation among farmers, it is not only thousands of jobs in the low-carbon energy industry that are at stake, but also jobs in the agricultural sector supported by diversification income from renewable energy production - a critically important factor in the transition to a post-Brexit economy.

**Threat to smart energy and consumers:** The STA’s letter to Energy Minister Claire Perry calling on her to retain the export tariff is [signed by over 300 organisations](#) including leading battery storage companies & innovative suppliers. They recognise the regulatory barriers above must be overcome before market innovation can blossom. The export tariff currently provides an essential floor without which the route to market is severely constricted. Solar, batteries and smart meters will be the bedrock of the smart home, and will play a vital role in allowing decarbonisation at least cost. Currently around 60-70% of residential battery installs are alongside new solar installations, and so a threat to the solar sector throws this nascent industry into difficulty. Meanwhile protections coming into force for prosumers across the EU will allow their smart energy sector to thrive. Furthermore, not paying households for the clean power they generate will negatively inhibit consumer engagement with the grid. It is essential that households are encouraged to engage positively with the grid, as they have a huge role to play in a smart system. Recent analysis by [Imperial College for OVO Energy](#) shows that savings of up to £6.9billion per annum are achievable from the domestic sector if it engages strongly with smart technologies. Finally, the current regulatory difficulties around smart export metering risk a very poor experience for consumers, borne out by [Which? research](#) showing difficulties for half of homes with solar trying to install a smart meter for export metering.

**Conclusion: The fair export tariff must be maintained and we recommend a dedicated interim incentive to allow homes to become ‘smart ready’ as well as removal of barriers to battery storage. We urge MPs to make urgent representations to BEIS as soon as possible.**