



Briefing 15/45 August 2015

# Renewables and energy efficiency update

To: contacts in England, Scotland, Wales and Northern Ireland.

Key issues Ending of Zero Carbon Allowable Solutions. Ending of funding for Green Deal and Home Improvement Fund Changes to onshore wind and solar PV subsidies
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## 1. Introduction

This briefing includes a precis of recent changes introduced by the Conservative Government with regard to renewable energy and climate change issues.

## 2. Zero carbon Homes target

The government does not intend to proceed with the zero carbon Allowable Solutions carbon offsetting scheme, or the proposed 2016 increase in on-site energy efficiency standards, but will keep energy efficiency standards under review, recognising that existing measures to increase energy efficiency of new buildings should be allowed time to become established. The Government's plans for 'zero-carbon' homes had previously been watered down, allowing developers to buy exemptions rather than install measures into new homes. Nonetheless the move will probably result in the end of zero carbon homes. The reasoning behind removing the scheme is that it is a hindrance to productivity.

## 3. Green Deal Finance Company

The government has announced it will no longer be funding the Green Deal Finance Company and Home Improvement Fund which means it is ending its assistance for the retrofit scheme. Existing applications will not be affected. Energy Secretary, Amber Rudd claimed that the government should not back schemes that encourage a permanent reliance on subsidy. It is difficult to see where the impetus for schemes will come from without some form of subsidy as the market is not yet developed enough for it to be sustainable without intervention. The issue of low take up was also mentioned as a reason for the move.

## 4. Onshore wind

Following cuts to onshore wind subsidies in favour of off shore schemes in 2013, the date for the ending of subsidies for new and existing small scale onshore farms has been brought forward a year to April 2016. There will be a grace period for projects that already have planning permission.

There will also be two new "planning tests" so that councils can only approve windfarms on sites that have been clearly designated as part of a local or neighbourhood plan, and where the proposed project has the backing of the local community.

## **5. Solar PV**

DECC has issued a consultation document on controlling subsidies for solar PV of 5MW and below under the Renewables Obligation (RO) including consulting on the early closure and removing the guaranteed level of subsidy for the duration of the RO.

Solar PV is the most popular renewable energy technology in the UK, with deployment rising rapidly from 8.1Gw in March 2015 to an expected 11GW in 2016. Meanwhile costs are falling, dropping by 70 per cent over the past five years and expected to fall further over coming years.

DECC will carry out a full review of the Feed-in Tariff scheme in 2015 and will consult on a full package of cost control measures in due course.

## **6. Biomass**

There is also a move to remove the guaranteed level of subsidy for coal or other fossil fuel power plants that switch to greener fuels including biomass. The government says the move could save £500m a year from 2020 onwards.

The justification for these changes is that customers' energy bills should be kept as low as possible.

## **7. New suite of polices planned**

The Productivity Plan published by The Treasury on 10 July noted that government "will keep energy efficiency standards under review, recognising that existing measures to increase energy efficiency of new buildings should be allowed time to become established".

## **8. APSE comment**

In terms of Zero Carbon Homes, house builders have spent almost 10 years and a lot of research and money addressing this agenda and it is understandable that they are dismayed at the government removing support in this area as they have made significant progress. Clearly the costs of this investment have been borne by the purchaser and those of a different opinion will see the removal of guidance as a way to reduce the cost of new homes. Again it appears a short term decision.

The government has announced it will no longer be funding the Green Deal Finance Company and Home Improvement Fund which means it is ending its assistance for the retrofit scheme. This will effectively kill off the scheme which was one of the flagship energy efficiency initiatives of the coalition. There had been calls for the scheme to be reformed but ending it is a different matter altogether.

Having a renewable energy sector which is totally dependent upon government support is not a way forward. The ideal position is one where the market in retrofit and renewable energy is subsidy free but it is clear to many that the sector is not developed enough for that to be an option yet. There is a balance to be had

between government support and spending taxpayers' money but it seems that these series of measures are too short term.

In a sector that is still in its infancy in some respects, stability remains vital. The dramatic changes to policy noted within the first few months of the new government alongside the expected reviews of energy efficiency standards and tariff levels mean the industry remains in a state of uncertainty and does not bode well for advances in renewable energy. One message is clear - the government does not consider subsidies for green projects as a priority.

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