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MEPB PMG MEETING NOTE

Tuesday 21 July 2015

14:00 – 16:00

In Room G31 – 3 Whitehall Place, London

Attendees:

Trevor Raggatt (Chair)	DECC – Head of Small Scale and Emerging Renewables
Ian Ellerington	DECC – Head of Innovation Delivery Team
Stephanie Merry	REA
Christophe Banos	EDF Energy
Tim Cornelius	Atlantis Resource Ltd
John Leggate	Carnegie Wave Energy
Rob Stevenson	Alstom
Garrett Connell	DCNS Open Hydro
Neil Davidson	Aquamarine
Ifediba Egwuatu (secretariat)	DECC – Wave and Tidal Stream Policy Lead

Apologies:

Dee Nunn	Renewable UK
Adam Bond	BIS
Graham Barlow	ABB

Actions Arising

Action No	Action	Due by
01	Tim Cornelius (with input from others) to draft a note outlining requirements from DECC to help the tidal industry continues to thrive and grow in the UK.	Complete
02	Neil Davidson to speak with Scottish Renewables regarding taking a lead on developing innovation proposal needs to feed into CSR process and providing support to the finance working group.	Complete
03	Ifediba Egwuatu to recirculate REA paper on stranded assets to the wider MEPB membership list.	30/09/15

Item 1: General Introduction

1. The Chair welcomed all attendees to the refreshed MEPB Programme Management Group (PMG) following the rotation of membership.
2. There were no outstanding actions from the last PMG meeting.

Item 2: DECC Policy Update

3. **Post-Election:** The Chair confirmed the Wave and Tidal brief was part of Minister Andrea Leadsom's portfolio, while the Innovation brief was part of Parliamentary under Secretary Lord Bourne's portfolio. The Chair also confirmed the addition of two Special

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Advisors, Mo Hussein (who would focus on media and communications issues) and Guy Newey (who would advise the Secretary of State and junior ministers on policy issues). An update on the re-organisation of the renewable related team was provided, confirming that the EMR CfD teams and the Office for Renewable Energy Deployment (ORED) had merged creating a new directorate – Clean Electricity Directorate – headed up by Jonathan Mills.

4. The Chair noted that there had been no formal steer from ministers on wave and tidal issues. The focus of ministerial time had been on control of the Levy Control Framework (LCF) over budget projections. Officials anticipated providing initial advice to ministers after recess, which would form a basis for discussions on ministers preferred policy direction going forward.
5. **MEPB:** An update was provided on the MEPB going forward. Expectations were that the MEPB would continue in the same or similar format – an annual meeting chaired by the minister in the spring, supported by regular Programme Management Group (PMG) meetings. Advice was being drafted to be sent to the minister recommending this approach but, of course any final decisions were at the minister's discretion.
6. **Financial Incentives:**
 - **RO** – Nothing significant on wave and tidal stream to report on.
 - **CfD** – No confirmed next allocation round timetable or budgets as yet. Currently at an early stage of discussions with the CfD team regarding possible CfDs for test centre/demo facilities – this work is not classed as a high priority by the CfD team in comparison to other priorities. However, the Wave and Tidal team were encouraging them to have some initial meetings with the test centres to discuss the issue. Work has begun on post 2019 admin strike prices for the next delivery period. A consultancy firm has been procured to help with this work and are expected to begin contacting sectors over the summer period. Members were encouraged to participate if contacted, by outlining deployment plans and projected costs where possible. It was suggested that one of the working groups once established would also be able to feed into this work.
 - **FITs** – A review of this scheme will take place in the summer. The idea of including small scale wave and tidal stream (<5MW) after the closure of the RO was put to the FITs team, however there are currently no proposals to include any extra technologies within the scheme.
 - **International Funding** – members were made aware that an announcement regarding the NER400 would be made shortly and this should be a considered avenue of support. A call for the ERA-NET Co-fund (LCE 34) had been released with a deadline of 5 April 2016, and should also be considered as an avenue of support.
 - **Levy Exemption Certificates** – the Chair briefly touched on the recent announcement regarding the Climate Change Levy (CCL) and removal of the Levy Exemption Certificates (LECs) for renewable electricity generated on or after 1 August 2015. The change was being implemented as since, the introduction of the exemption in 2001, more effective policies had been put in place to support renewable electricity generation. These target support directly at renewable generators, whilst the CCL exemption sought to support renewable generation indirectly through stimulating demand. It is expected the CCL exemption change will save the taxpayer around £4bn over the next six years. Members noted that although the monetary value of LECs was relatively small compared to other funding there were concerns that support for renewable energy was being chipped away. In light of other recent UK

government announcements on the removal of renewable energy subsidy support and other policies, the small change to LECs was taking on a greater significance.

7. **CSR Process** – The Chair and Ian Ellerington (Head of DECC Innovation Delivery Team) confirmed that scenario planning regarding the CSR was under way. They cautioned that, given the prevailing pressures on government budgets it was likely that any funding allocated for wave and tidal Stream would be limited. DECC's final CSR settlement figure would be expected to be confirmed near the end of 2015. This would be followed by an internal process for allocating that budget across technologies.

Members discussed how the funding gap of moving from single prototypes to demonstration arrays and then early commercial projects could be addressed. Queries were raised in light of the constrained budgets and the implementation of fixed term governments if there was any way of setting out initiatives which gave visibility beyond the 5-year CSR cycle (and where there was more limited possibility of them being overturned by a new incoming UK government). Members stated that government needed to provide some sort of unequivocal statement of support for wave and tidal energy, which would increase investor confidence that support would be maintained out to the mid 2020's. The Chair underlined the difficulty of doing this effectively in the context of a 5-year electoral cycle.

There were also discussions on how the industry would look in the future; what was next for the tidal stream sector; the different timelines of development progression wave and tidal stream were on.

Points were raised that auctions were not an effective mechanism for wave and tidal stream. The Chair pointed out that this was why wave and tidal stream were the only technologies which benefited from a minimum allocation, within the allocation process. Members suggested that in order to stimulate a market the focus may need to shift to the customer base requirements rather than market base requirements. Members asked whether there was scope for government to adopt a different approach to allocation of revenue support to wave and tidal stream (potentially alongside on-going grant funding). The Chair stated that this was highly unlikely and that any grant or revenue funding would need to operate within existing government structures. That said there could be a place, within the CSR discussion processes, to discuss the use of different funding instruments; the Scottish REIF model was mentioned because of the additional flexibility it provides. Ian Ellerington reminded the group that any innovation funding for the sector was likely to be constrained, so there could be limitations to how flexibly it could be applied while still retaining effectiveness.

Item 3: Working Group Requirements

8. Discussions were had on possible working groups required going forward. It was agreed that there would be a need for a Finance Working Group. Members discussed whether it would be beneficial to have a combined Finance and Innovation Working Group or two separate Working Groups covering Finance and Innovation. Neil Davidson agreed to contact Scottish Renewables to discuss whether they might be prepared to coordinate work drawing together input to the CSR process and provide support for the finance working group. Members also briefly discussed who might chair the group and how the previous finance working group chair could be involved given his experience in the sector.

Item 4: Any other business

9. The Chair indicated that in the initial advice which would go to ministers he was minded to propose an introductory meeting with the minister Andrea Leadsom for the PMG. This would provide her with an early opportunity to discuss her preferred policy approaches with the sectors. If she was agreeable to this officials would try to arrange a meeting to coordinate with the next PMG meeting.
10. Stephanie Merry asked the PMG Secretariat to recirculate an REA paper on stranded assets to the wider MEPB membership for comments.

Date and Time of Next Meeting:

TBC

**Ifediba Ekwuatu
Wave and Tidal Stream Policy Lead, CED
August 2015**