

PRESS NOTICE

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NEW FEED-IN TARIFF LEVELS FOR LARGE SCALE SOLAR AND ANAEROBIC DIGESTION ANNOUNCED TODAY

- **Government confirms outcome of fast track review on Feed-in Tariff (FIT) levels of support for large scale solar and Anaerobic Digestion installations**
- **New tariffs for large scale and all stand-alone solar and farm-scale anaerobic digestion to start from 1st August for new installations**
- **Money protected for householders, small businesses and communities and a range of technologies ensuring scheme longevity**

New generation tariffs for large scale solar and anaerobic digestion under the Government's green electricity scheme have been confirmed today.

Today's announcement follows the recent public consultation on large scale solar and anaerobic digestion which closed on 6th May 2011. The fast track review looked at reducing the tariffs for large scale solar to protect the money available for small scale projects and the range of technologies supported under this scheme. The review was launched following initial evidence showing the number of large scale solar projects in the planning system to be much higher than anticipated.

Energy and Climate Change Minister Greg Barker said:

"I want to drive an ambitious roll out of new green energy technologies in homes, communities and small businesses and the FIT scheme has a vital part to play in building a more decentralised energy economy.

“We have carefully considered the evidence that has been presented as part of the consultation and this has reinforced my conviction of the need to make changes as a matter of urgency. Without action the scheme would be overwhelmed. The new tariffs will ensure a sustained growth path for the solar industry while protecting the money for householders, small businesses and communities and will also further encourage the uptake of green electricity from anaerobic digestion.”

From the 1st of August 2011, new entrants into the FIT scheme will receive amended tariffs as set out below:

Solar PV:

>50 kW – ≤ 150 kW Total Installed Capacity (TIC) - 19.0p/ kWh
>150 kW – ≤ 250 kW TIC - 15.0p/ kWh
250 kW – 5 MW TIC and stand-alone installations - 8.5p/ kWh

Anaerobic digestion:

≤ 250 kW - 14.0p/ kWh
>250 kW – ≤ 500 kW - 13.0p/ kWh

Over 500 responses were received and carefully analysed before a decision was made regarding the change in tariffs. The fast track review showed that the number of planned larger PV projects is much higher than originally expected. Without urgent action, the scheme would have been overwhelmed within a very short period of time. Every 5 MW large scale solar scheme would incur a cost of approximately £1.3 million per year, which means that 20 such schemes would incur an annual cost of around £26 million, money that could support PV installations for over 25,000 households.

The changes, to take effect from 1st August for new installations and subject to Parliamentary and State aid clearance, will help manage the finances of the Feed-in Tariffs to ensure value for money for the

consumer and to help protect the scheme in the future. Solar schemes under 50kW are unaffected by this review.

Notes for Editors

1. The FIT scheme started in April 2010 and to date over 40,000 installations have registered for this scheme. The scheme aims to encourage the deployment of additional small scale low carbon electricity generation by individuals, householders, businesses and communities who have not traditionally participated in the electricity market.
2. Figures on uptake can be found on the Ofgem website via their live data reports:
<https://www.renewablesandchp.ofgem.gov.uk/Default.aspx> (View Public Reports)
3. The Government response to the fast track review is available to download via the DECC website:
http://www.decc.gov.uk/en/content/cms/consultations/fit_review/fit_review.aspx
4. The Government will not act retrospectively and any changes to generation tariffs implemented as a result of the fast-track review will only affect new entrants into the FITs scheme. Installations which are already accredited for FITs at the time the changes come into force will not be affected.
5. Further details on how the costs of the FIT scheme are managed via the control framework for DECC levy funded spending are published on the HMT website: see <http://bit.ly/DECCLEVYQANDA> and http://hm-treasury.gov.uk/psr_controlframework_decc.htm
6. A consultation on the comprehensive review of the scheme will be launched this summer with intention that resulting changes to the scheme take effect from 1st April 2012, unless the review itself reveals a need for greater urgency.

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WRITTEN MINISTERIAL STATEMENT

GREGORY BARKER MP: MINISTER OF STATE FOR ENERGY AND CLIMATE CHANGE

9 JUNE 2011

FEED-IN TARIFFS SCHEME: OUTCOME OF FAST-TRACK REVIEW CONSULTATION

On 18 March I announced the start of a consultation on proposals to change Feed-in Tariffs (FITs) for solar photovoltaic (PV) installations larger than 50 kilowatts and farm scale anaerobic digestion (AD) of up to 500 kilowatts.

Having carefully considered the responses received, of which there were more than 500, I can now confirm the outcome of that consultation and the fast-track review of FITs.

It is clear from all the evidence received as part of the consultation that the demand for feed-in tariff subsidy has grown so substantially that it now significantly exceeds the amount of funding available during this spending review period. Without urgent intervention, the scheme would have been completely overwhelmed within a very short period of time. That is why it is so important for us to act now: it is vital that we protect the integrity of the scheme and can continue to support the ambitious roll-out of new, green, decentralised energy technologies in homes, communities and small business.

With that aim in mind, the coalition has decided to proceed with the proposed tariff reductions for solar photovoltaic (PV) installations larger than 50 kilowatts and all stand-alone installations, and increases for farm scale AD as set out in the consultation document. The detail of this decision and the analysis underpinning it are set out in "Feed-in Tariffs Scheme: Summary of Responses to the Fast Track Consultation and Government Response" which the Government is publishing today and will be available at

http://www.decc.gov.uk/en/content/cms/consultations/fit_review/fit_review.aspx.

I recognise that this decision will be unwelcome to some, including those involved in large solar PV projects who disagreed with the proposals relating to PV. I can assure the House that it is not a decision that has been taken lightly. All the concerns raised by respondents, together with alternative approaches suggested, have been carefully considered, analysed and taken into account.

However, these concerns have to be balanced against the need for a responsible approach to public subsidies like FITs, to ensure value for money for consumers and ensure scheme longevity. The fact remains that under the current tariffs, large scale solar PV projects are securing much higher returns on investment than the scheme

intended. This is reflected in the unanticipated number of such projects now in the pipeline.

Put simply, the FITs scheme has a vital role in building a more decentralised energy economy, but if we don't act now to keep short-term expenditure on solar PV more closely in line with the forecast that we inherited from the last government, the negative impacts on the scheme will be considerable and the amount of funding for other technologies and smaller, domestic scale solar PV will be severely constrained.

To give effect to these tariff changes, today a set of licence modifications to amend the Standard Licence Conditions of electricity supply licences in Parliament. Subject to any necessary state aid clearance and the parliamentary process required by the Energy Act 2008, the generation tariffs changes will apply from 1 August 2011.

The Government will not act retrospectively and these changes to generation tariffs will only affect new entrants into the FITs scheme from 1 August 2011. Installations which are already accredited for FITs at the time will not be affected.

Announcement on the FITs Fast-Track Review Consultation – 9 June 2011

Lines to take:

- Government confirms outcome of fast track review on Feed-in Tariff (FIT) levels of support for large scale solar and Anaerobic Digestion installations.
- New tariffs for large scale and all stand-alone solar and farm-scale anaerobic digestion to start from 1st August for new installations.
- Money protected for householders, small businesses and communities and a range of technologies ensuring scheme longevity.
- We are cutting the tariff available to the largest PV projects, while protecting the scheme for the intended beneficiaries - householders and small community developments. We're also increasing the tariff for AD.
- From the evidence submitted, it became clear that the demand for feed-in tariff subsidy has grown significantly; it now exceeds the amount we've available during this Spending Review period.
- We know of around 250MW in the planning system (i.e. both schemes which have applied for planning permission, and those which have received planning permission). Even if 30% of these were commissioned (equal to 75MW) and received the current tariffs, the cost would still be around £20million, or a quarter of the entire FITs spending envelope for 2011/12.
- So without urgent action, the scheme would have been overwhelmed within a very short period of time. That is why it is so important for us to act now.
- This is not a decision that has been taken lightly. All concerns raised have been carefully considered, analysed and taken into account. But these concerns have to be balanced against a responsible approach to public subsidies to ensure value for money for energy consumers.
- We want to ensure a sustained growth path for the solar industry and support a range of technologies including Anaerobic Digestion. We don't want to see boom and bust like we have seen in other countries.
- We are currently developing the comprehensive review of the whole FITs policy and will announce further details this summer.

Q & A: FITs Review

Fast-track Review

What are the main outcomes from the fast track review?

- After careful consideration we have decided to introduce the new bands and reduced tariffs for solar PV installations over 50kW that we consulted on.
- We have also decided to introduce new tariffs and introduce new bands and increased tariffs for farm scale AD.

Why are you changing the tariffs for solar PV?

- FITs were intended to provide a rate of return of 5% for well sited solar PV installations. It was expected that this rate would be sufficient for smaller, domestic and community schemes, but not for larger, commercial schemes.
- Emerging evidence shows that the capital costs of PV have fallen by around 30% since the FITs scheme started. This and other factors have meant higher returns are available which has attracted significant and unforeseen investor interest in larger scale solar PV.
- As well as the risk of overcompensation, the prospect of large amounts of large scale solar PV also has the potential to impose significant pressures on the FITs spending envelope, severely limiting the funding available for smaller PV installations and other FIT technologies.

How much will solar projects over 50KW now get then?

- For installations after 1 August 2011 the following rates will apply, these will be indexed in line with the retail price index on an annual basis. The tariffs and bands are:

Band (kW Total Installed Capacity - TIC)	Tariff (p/ kWh)
>50 kW – ≤ 150 kW TIC	19.0p/ kWh
>150 kW – ≤ 250 kW TIC	15.0p/ kWh
>250 kW – 5 MW TIC and stand-alone installations	8.5p/ kWh

What are the reasons for the new tariff levels for installations of 50kW to 150kW and 150kW to 250kW?

- Emerging evidence shows that the capital costs of PV have fallen by around 30% since the introduction of the FITs scheme. The proposed new tariffs for installations of 50-250kW take into consideration the fall in capital cost to ensure that the tariffs deliver the target 5% IRR. For 150-250 kW, the tariff provides a transition to the lower tariff for the largest installation. We believe however, that a number of projects may be commercially viable at this tariff.

What are the reasons for the new tariff levels for installations of 250kW to 5MW? Why are the cuts for such schemes so dramatic?

- We do not believe it is sustainable to continue to support large scale solar PV installations at levels which are well above those that are available to other large scale installations either within the FITs scheme or in the Renewables Obligation. The proposed tariffs for above 250kW and stand-alone installations broadly reflect the equivalent, in financial terms of the level of support per unit for the marginal renewable technology – offshore wind.

What evidence do you have on the number of large scale solar projects? Is this a real risk or are you just acting on the back of hearsay and Daily Mail scaremongering?

- We have undertaken an assessment of the number of schemes applying for planning permission.
- From the information we have seen, we are aware of at least 150MW of large scale solar PV projects with planning permission. At least another 100MW of schemes have applied for planning permission.
- This is more than we were aware of at the time of publishing the consultation (at which point we knew of at least 169MW in the planning system). We are also aware of a number of schemes which have approached DNOs for grid connections.

But surely not all of these projects would actually have been developed. Aren't you basing your decision on a worst case scenario?

- We know that the hurdles are high, but many developers were developing portfolios of projects, not just individual schemes.
- Some councils were actively promoting uptake in their areas and as a result we are confident that many tens of large roof mounted and ground mounted schemes were in the pipeline.
- If anything, the number and nature of responses to the consultation (which included general information and that on and specific projects) indicated that the scale of interest in large scale solar is greater than our estimates, strengthening the case for urgent action.
- Even if only half of the schemes which currently have planning permission went ahead, this would cost the scheme around £20 million per year. That's a quarter of the total spending envelope available for FITs in 2011/12.

Are there no transitional arrangements for projects with planning permission/grid connection/finance agreed?

- No.
- We are aware that many respondents suggested possible transitional arrangements.
- We have considered all these suggestions carefully but have decided to take forward the proposal as set out in the consultation. This is because we continue to believe that urgent action is necessary, not least because of the wider risk to the funding available for FITs.

Will these new tariffs be degressed in future?

- The comprehensive review provides an opportunity to look at all aspects of the FITs scheme.
- In the meantime, the new tariffs assume that degression will continue to apply from April 2012 for the >50 kW – ≤ 150 kW and >150 kW – ≤ 250 kW bands at the same rate as applies to other solar PV installations.
- The 250 kW – 5 MW and stand-alone installations band will remain constant at 8.5p.

When will the change of tariffs come into effect?

- From 1 August 2011

Do you know how many large scale solar projects now won't go ahead because of the changes in tariffs?

- It is impossible to say how many plans may have been on the drawing board or at various stages of development.
- We are aware of 250MW of large scale solar in the planning system. Responses to the consultation suggest that the majority of schemes are likely to progress under the new tariffs.
- We are also aware of at least 10 companies no longer developing projects as a result of the fast-track review.

Lots of large scale projects now won't go ahead. Won't this have an impact on the local economies of those areas in terms of jobs as well as an impact on solar industry's growth in the UK?

- PV schemes generate most jobs during the development and building phase of a scheme. However the period is short in comparison to other renewable technologies and once complete, PV schemes require only limited maintenance and active management – this is one of their main assets – as a result large scale PV will not provide as many jobs as other forms of renewable energy.
- The vast majority of PV installations in the UK are at the domestic (<4kW) scale, these schemes are unaffected by the fast-track review.
- The UK solar industry has never relied on large scale installations and this change will therefore not impact on the majority of the industry.

Are you going to change the tariffs for other bands now too?

- Not as part of the fast track review. However, the comprehensive review will consider all aspects of the scheme and will proposed changes to other bands if there is a clear need to act

Why wasn't a tariff and tariff band introduced to for community based schemes?

- The FITs scheme was designed based on technology and generating capacity of an installation and not on type of organisation.
- The changes proposed under the fast track review was therefore based on the banding and tariffs levels.
- However, in the fast track review we considered the scale of solar PV installations likely to be deployed at the community scale in proposing the revised tariffs and banding levels.

Anaerobic Digestion

Why have you decided to increase the tariffs for farm-scale AD?

- The consultation confirmed the findings of our short study on the uptake of AD. This suggest that the current tariffs are not enough to make farm-scale AD worthwhile, particularly at the smaller scale.
- The proposed new bands for farm-scale AD better reflects the cost differentiation between installations of different sizes under the 500kW threshold. These are:

Band (kW TIC)	Generation Tariff (p/ kWh)
≤ 250 kW	14.0p/ kWh
>250 kW – ≤ 500 kW	13.0p/ kWh

Is this good news for AD?

- Yes. This change should help incentivise more AD schemes as per the original intention of the FITs policy.
- The new bands better reflect the cost differentiation between installations of different sizes.
- There are a range of challenges facing AD and we will address these as part of the Government-Industry AD Strategy and Action Plan, which Defra aims to publish soon.

The new rates are still not high enough to make small-scale AD commercially viable

- We will review all tariff levels as part of the comprehensive review.

Why don't tariffs differentiate between AD plants depending on whether or not they accept waste?

- This would be a fundamental change in the approach to tariffs and is outside the scope of the fast-track review.
- It could, however, be considered as part of the comprehensive review.

Can AD plants using only purpose-grown crops receive the new tariffs?

- Yes, there is no prohibition on receiving FITs for any installation that has all the necessary planning and environmental approvals. However, our policy on AD is focussed on the use of waste, to reduce the amount going to landfill (and so reduce greenhouse gas emissions) and to reduce problems associated with the spreading of manures and slurries on land.
- It is not our policy to encourage the use of purpose-grown crops but we do not object if they are grown as part of a normal agricultural rotation or on land which is not suitable for the production of food crops.
- We do recognise that some farm-grown feedstocks may need to be added to manure-based AD to ensure efficient operation.

Will you act if the new tariffs result in a significant increase in the use of purpose-grown crops?

- We will consider as part of the comprehensive review of FITs, including the need for controls and the vehicle for delivering these controls. This may be internal to the FITs scheme or may involve other regulatory regimes e.g. environmental permitting.

Tariffs are only one problem. What are you doing to remove the other barriers to AD?

- The Government has worked with industry to draw up a joint programme of work to tackle the barriers to deployment of AD.

- This will be set out in an AD Strategy and Action Plan, which Defra aims to publish this month.

Why is it not certain that the tariffs for AD will be implemented on 1st August?

- FITs are an approved state aid and as such, any changes to tariffs may require approval from the European Commission.
- As the changes to the AD tariffs involve an increase in the level of support they can't be implemented until any necessary approval has been received.
- The legislation allows for the new tariffs to be implemented as soon as state aid approval has been received, if that is later than 1 August 2011.

Extensions

I've heard of companies able to get round the rules by extending their sites gradually – have you any views on this?

- The rules on extensions remain unchanged. However, we are aware of this issue and are monitoring the situation closely, particularly given the risks being addressed by the fast-track review.
- Whilst we are not acting at this time we stand ready to do so if it is shown to be necessary. We will also consider this issue further through the comprehensive review.

FITs Finance

How is the FIT scheme paid for?

- The funding for the scheme is raised by the electricity suppliers who are able to recover this cost from their customers

How much has been spent on the scheme to date?

- Due to the way the levy is raised, we only have data for the first nine months of the scheme, in this period, around £6 m was spent

What happens if you go over budget?

- We are not permitted to go over the budget agreed with treasury, this is one of the reasons we are reviewing the whole scheme as part of the comprehensive review – to make it more reactive to the market and to ensure that we remain within our envelope of permitted spend.
- To ensure this does not happen we have worked with Treasury to create the levy control framework.

What is the DECC levy control framework and how will this protect the money put on consumers bills?

- The control framework has been created to help ensure that FITs achieve their objectives cost effectively and affordably. Exceeding spending on an ongoing basis could lead to an unsustainable increase in electricity bills.
- The spending through the policies needs to be monitored so that we achieve our targets while managing tax and spend pressures within the economy. While we

will aim to manage these policies to stay within cost limits, the control framework does provide some flexibility around these limits.

How many FITs generators have been installed to date?

- Over 40,000 installations have been installed to date, of these over 38,000 are PV installations

Which other countries have similar schemes and are they reviewing their schemes too?

- Many other countries have FIT type schemes, some of the larger ones which are under review or who have recently altered their schemes – reducing levels of PV support to reflect falling global PV costs - include Germany, France, Italy, Australia (certain states) and Canada.

Judicial Review

Line to take:-

We can confirm that the Courts has granted permission in response to the application for judicial review in relation to the feed-in tariff review into large scale solar.

Does this mean the fast-track review is on hold?

- No. The fast-track review continues and as the Government response document confirms, we are taking forward the proposals consulted on.

What are the next steps in the JR?

- DECC and the claimants have the opportunity to provide further evidence and arguments before the case is heard. No date has yet been set for the hearing although the court has agreed to an expedited hearing.

Will DECC be contesting the JR?

- Yes

FITs Comprehensive Review

Line to take:

The development of the comprehensive review is now underway, we will put forward proposals later this year.

When will you publish more details on the comprehensive review?

- The comprehensive review is an ongoing process that is already under way. As part of that process, we intend to publish a consultation later in the year.

What will be considered in the comprehensive review of the FITs scheme?

- The comprehensive review of FITs will consider all aspects of the scheme including administration, eligible technologies and tariffs.

- It will focus particularly on mechanisms to ensure that we stay within the spending envelope.
- Further details will be announced in due course

Will solar installations over 50kW and farm scale AD installations be considered again as part of the comprehensive review?

- What we want is a pro-active approach to changing tariffs that will allow us to avoid the boom and bust approach and allow us to deal with issues such as the fast falling costs of solar.
- For the comprehensive review consideration will be given to **all** aspects of the scheme.

What do you mean by having more ‘pro-active’ approach to changing tariffs?

- We have always said the scheme is being monitored to ensure that the scheme operates as originally intended.
- Taking this approach allows for evaluation of any emerging evidence and provide opportunities for mitigating against potential risk to the continued success of the scheme.

Will new technologies be considered for eligibility for FITs?

- This will be considered as part of the comprehensive review of FITs in which all aspects of the FITs scheme will be considered including the eligibility of other technologies.

How much money is earmarked for FITs and over what period?

- In the Spending Review we committed to make savings of £40m in 2014/15. This is equivalent to approximately a 10% saving in 2014/15 based on estimated costs for that year (i.e. reducing those projected costs to approximately £360m in nominal prices).
- Estimates of FIT expenditure are drawn from the analysis and projections on FITs uptake that informed the Impact Assessment published just prior to the start of the FITs scheme. Estimates are presented as net subsidy costs, additional to business-as-usual. The Impact Assessment is available from our website at www.decc.gov.uk/fits.

When will tariff changes become effective?

- Subject to Parliamentary scrutiny as required by the Energy Act 2008, any changes as a result of the comprehensive review will be effective from April 2012 unless the review reveals the need for greater urgency.

Other

Why is FITs no longer eligible to gain tax relief under VCT, EIA & ECA schemes?

- In the 2011 Budget it was announced legislation will be introduced in Finance Bill 2012 to restrict eligibility for companies whose trade consists wholly or substantially in the receipt of feed-in tariffs to these tax relief.

- HMRC are currently consulting on proposals to amend the ECA rules for technologies eligible for FITs/RHI. More details are available from the HMRC website ([http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?nfpb=true&pageLabel=pageLibrary ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_031306](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?nfpb=true&pageLabel=pageLibrary%20ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_031306)).
- Questions on the detail should be directed to HMRC. We understand that the consultation runs until the end of August.

FITs facts and figures:- as at 8 June 2011

Technology	Total Installations	Total Capacity (MW)
Anaerobic Digestion	4	3.926
Hydro	217	12.712
Micro CHP	143	0.144
Photovoltaic	39,018	108.856
Wind	1484	20.496
Total	40,866	146.133