

Notice of Motion: Renewable Energy Subsidies

Briefing Paper by the Head of Planning, Transportation and Environment

1. Summary

The County Council, at its meeting held on 10 December 2015, considered a Notice of Motion on renewable energy subsidies, from Councillor Wright, as follows:

“This Council is working hard to promote economic growth during a very difficult period in the UK’s finances. Unfortunately, thousands of jobs across the south west could now be lost as a result of dramatic cuts in subsidies to renewable energy schemes. This Council regrets the government’s proposal to reduce subsidies for renewable energy schemes at the speed and scale proposed and agrees to write to all Devon MPs, urging them to publicly support the community energy groups co-ordinated by Regen SW, that have united to campaign against the cuts”

In accordance with Standing Order 6(6), the Notice of Motion was referred, without discussion, to the Cabinet for consideration. (County Council Minute 160 (e) refers).

This paper provides information to assist Members in responding to the Notice of Motion.

2. Background

2.1 Subsidies

Subsidies for low-carbon electricity generation are paid for through additions to consumer bills. This includes payments made through Feed in Tariffs (FiTs), the Renewables Obligation, Contracts for Difference and Carbon Capture and Storage. The FiT has been very successful at meeting deployment targets well ahead of schedule. The Renewable Heat Incentive (RHI) provides subsidy for low-carbon heat.

2.2 County Council Support for Community Energy Organisations

Communities in Devon are developing their own renewable energy projects, which benefit from the FiT and RHI. Financed through a share offer, the resulting revenue provides a return to investors and a community fund that can be spent on other local priorities. The building occupier benefits from reduced-cost energy and the environment benefits from low carbon energy production. Community-owned projects keep money in the Devon economy and reinvigorate communities by bringing people together with a common purpose.

The County Council supported community energy organisations between 2011 and 2014 through the EU funded SEACS project. Support is continuing via the Community Energy Accelerator, part funded by the County Council and delivered in partnership with RegenSW. Over the past 18 months the project has provided training and networking opportunities as well as start-up grants.

3. Revisions to Subsidies

3.1 Consultation on Revised FiT

A recent Government consultation proposed a set of measures to control costs to consumers under the FiT subsidy for hydro, wind and solar renewable energy. The proposals included reducing the total available budget by 90% to £100m per annum in comparison to the £1b per annum the scheme currently costs. Alongside this, tariff payments were to be reduced by up to 87%, depending on scale. The estimated saving to each consumer was £6 per year by 2019.

The County Council submitted an Officer Response to the consultation stating that Government is right to target a subsidy-free renewable energy sector but that the proposed cuts to the FiT tariff rates were too steep. Instead a shallower trajectory of degeneration from 2016 with a more rapid degeneration towards 2019 would enable the industry to adapt and prepare for a subsidy-free industry while enabling Government to achieve financial savings for consumers.

Thirty Community Energy Organisations in the southwest worked together to lobby their MPs during a coordinated day of action on 16th October 2015. This was coordinated by RegenSW, which provided a lobbying pack via its website.

Government has revised the tariffs, based on evidence received during the consultation about the cost of the technologies, to provide attractive rates of return to investors e.g. 4.8% for solar. In most cases, the tariffs have increased beyond levels proposed in the consultation. The maximum tariff cut is 72%. The total available funding for FiTs each year remains at 90% below 2015 levels; deployment rates will be significantly lower than in previous years.

3.2 Changes to the Renewable Heat Incentive

In the Government's 2015 Autumn Statement the Chancellor announced that the RHI will be reformed to achieve £1.5b cumulative savings over the period to 2020/21. This represents a saving of 7.5% in 2016/17 rising to 38% in 2020/21. A date for this review has yet to be set.

Dave Black
Head of Planning, Transportation and Environment