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Response to UK Government Consultation on Feed-in Tariffs for solar PV (ref 11D/912)

Chapter 2: Proposed Tariff Changes for Solar Photovoltaics

Including responses to questions 1-5

Question 1

Do you agree or disagree with the proposed new tariffs for solar PV? Give reasons to support your answer.

1. I strongly disagree with the proposed new tariffs for solar pv.

2. The serious and ongoing risk of runaway climate change has not yet been responded to effectively by the international climate talks. The failures of the Copenhagen talks (COP 15) and very little progress at COP 17 in Durban in 2011, means that a wide range of policy tools need to be utilised ambitiously to extend the reach and effect of carbon emission reductions.

3. Carbon emissions reduced today are, by definition, of greater value in tackling climate change than emissions saved in the future.

4. The Feed-in-tariff regime is long-established in many other European countries as a successful policy to increase the volume of renewable energy investment and installation. It is particularly helpful to strengthen the emergent renewables industry, including the solar industry. Due to a wide range of factors (including public support for other energy sectors), the renewables and solar industry cannot easily compete with existing established fossil fuel-based energy production in an open free market regime. Interventions like the Feed-in-tariff are extremely important if renewables and solar energy are to succeed, and if renewable energy is to become a key part of energy provision, meeting at least the 15% of all UK energy use over time. A greener approach would be to set even higher targets.

5. The importance and threat of climate change means that responses to the current economic crisis must not undermine progress and targets on emissions reductions. Indeed, it is possible to address both challenges simultaneously through targeted public investment and subsidies.

6. In the current economic climate, support for renewables, and in particular solar, becomes even more vital, if they are to develop rapidly and make the important contribution needed to our emissions reduction and climate objectives. The use of solar pv as an-ongoing source of supply, makes a contribution to reducing energy imports.

7. The proposed reductions to the Feed-in-tariff (FiT) undermine existing plans to install solar and there have been numerous examples of projects being cancelled or put on hold as a result of the proposed cuts to the tariff.

8. A wider and potentially even more damaging impact of these FiT reductions is the message it sends to the industry and investors. Industry success requires a stable and encouraging framework. Precisely at a time when the industry is developing, these proposals downsize the Government's commitment to the sector, and threaten its success and future investment prospects.

Given the importance of the sector for emissions reduction policy and it's need for support in the current climate, there is no case for reducing the tariff.

9. The 5% rate of return

i) The consultation document refers to the objective of maintaining a 5% investment return, and argues that production cost reductions mean that this investment return will be maintained even with the reduced FiT.

ii) Whilst I take issue with the Government's approach of calibrating the policy to restrict investment return to only 5%, even within these terms, the proposals arbitrarily reduce the real-value returns to 4.5% for installations of 4kW or below. **This reduced return for smaller installations is both arbitrary and unfair.**

10. UK's EU renewable energy obligations

i) As part of EU climate change policy, UK is committed to meeting 15% of its energy from renewable sources by 2020 (Renewable Energy Directive 2009/28/EC). Many other EU countries have more ambitious targets, and it could be argued that this target is inadequate to the need and challenge of climate change and it's impacts.

ii) Given the UK has an EU-agreed obligation to meet 15% of it's energy from renewables by 2020, I am concerned that this policy undermines this objective. The EU Commission has confirmed to me that it would take action against the UK if policy changes lead to a failure to meet this target.

iii) The Commission also highlighted to me the need for changes not to destabilise the industry:

"..Whenever Member States revise their support for support schemes for renewable energy, they need to do so in a manner which does not destabilise the renewable energy industry or risk undermining their own plans to achieve their 2020 targets." [1]

As many involved in the industry have also highlighted, these proposed changes will do precisely what the Commission is rightly concerned about: they will undermine and destabilise the industry.

iv) The reality of climate change means that meeting, and ultimately exceeding, these targets, should be at the heart of Government policy priorities and development. **The proposal to reduce the Feed-in-tariff for solar installations represents not only a failure to lead or keep up with best policy practice, it is a policy which is likely to destabilise the industry.**

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1 Jean Lambert MEP *Question to European Commission: 'UK downgrading of feed-in tariff'*, 11 November 2011; Energy Commissioner Günther Oettinger, written reply on behalf of the Commission, 5 December 2011. See also http://www.jeanlambertmep.org.uk/news_detail.php?id=746, 8 December 2011.

Questions 2 and 3 – Eligibility dates

Q2: Do you agree or disagree with the proposal of applying the new tariffs to all new solar PV installations with an eligibility date that is on or after a reference date that comes before the legal implementation of those tariffs? Give reasons to support your answer.

Q3: Do you agree or disagree with the proposed reference date of 12 December 2011? Give reasons to support your answer.

i)Although I disagree with the proposals to reduce the tariff rates, if the Government proceeds with reductions, it is doubly unfair to apply tariff reductions retrospectively.

ii)**The reference date of 12 December is wholly unacceptable, especially given that it predates the close of the consultation.** Setting a date prior to close of the consultation period makes it hard not to conclude that the consultation process is nothing other than a formal exercise.

iii)Indeed, Friends of the Earth and two solar companies, Solarcentury and HomeSun, are seeking a ruling that these proposals are unlawful, and the Judicial Review will be heard on 20/21 December 2011. Mr Justice Mitting said the proposals had given rise to "economic risk" for those engaged in the solar industry. The outcome of this case could well be highly significant. There is little doubt that the proposals are destabilising to the industry and the timing of the early reference date unacceptable.

iv)If a decision is taken and announced, following the close of the consultation, any change to tariff rates should give investors, the public and the industry a generous notice period before new rates apply.

v)There have been numerous reports of solar projects being cancelled as a result of these proposals. Further damage and destabilisation will be inflicted on the solar industry if changes are not applied with generous lead-in times.

Questions 4 and 5 – reduction for multi-installation rates

Q4: Do you agree or disagree with the proposal to introduce new multi-installation tariff rates for all new solar PV installations that meet the definition set out above and have an eligibility date of on or after 1 April 2012? Give reasons to support your answer.

Q5: Do you agree or disagree with the proposed multi-installation tariff rates? Give reasons to support your answer.

For the reasons given regarding question 1, I disagree with the proposal to reduce the rates for multi-installation PV. The key objective should be to incentivise and maximize solar installations, as part of a commitment to maximum renewable capacity and a strengthened industry, and penalising multiple installations is counterproductive to that end.

Chapter 3: Proposal to strengthen the link between energy efficiency and FITs

Including responses to questions 6-11

Question 6

Do you agree or disagree with the proposal that for solar PV attached to a building, eligibility for the standard tariffs proposed in chapter 2 should be contingent on a minimum energy efficiency requirement being met? Do you have views on whether such a requirement should apply in relation to all buildings or just to dwellings or non-domestic buildings? Give reasons to support your answer.

1.It is right to identify energy inefficiency of housing and other buildings as an important issue to be addressed as part of climate change and energy policy. Indeed, I drew attention and explored this issue in my publication *Hothouses: Climate change and London's housing*. Effective policies are needed to significantly improve energy performance of housing and other buildings and use of the EPC should be part of that, as laid out in EU legislation in the *Energy Performance of Buildings Directive*.

2.However, it does not follow that it is appropriate and effective to apply an energy efficiency condition upon eligibility for full Feed-in-Tariff solar pv rates. **Indeed, it is not appropriate and I disagree with the proposal to include any such conditionality.**

There are a number of reasons for this being unsuitable.

3.Distinction between solar pv and building energy performance

i)Solar PV applies primarily to electricity generation, whilst energy efficiency improvements relate to space heating and a reduction in energy demand. Whilst the two are connected in terms of broader energy reduction and emissions, efficient functioning of solar pv in no way relies upon the thermal insulation/energy performance of buildings.

ii)The main deciding factor in the suitability for solar installation (and therefore maximising solar pv net gains) is not building energy performance, but the direction, angle and suitability of the roofspace. Roofs well-suited to solar pv installation which fail to have solar pv installed should be understood by Government policy as a wasted resource, regardless of the energy performance of the building upon which they are sited. Policies which fail to make maximum use of roofspace are in effect failing to maximise the value of the renewable energy resources potentially available.

1.Perverse outcomes

i)Whilst an ideal might be for a significant number of people to increase the energy performance of their homes as an incentive to obtain the full FiT rate, other outcomes are in fact highly likely.

ii)If costs and hurdles are too high to obtain a decent FiT rate, a likely outcome is reduced take-up of both solar pv and improved building insulation. Higher standards, if combined and applied in the wrong way act as barriers rather than incentives.

Question 7

Which of our two lead options for the energy efficiency requirement - requiring a building to achieve a specified EPC rating , or requiring the installation of all measures that are identified on an EPC as potentially financeable under the Green Deal - do you prefer for (1) dwellings, and (2) non-domestic buildings? Give reasons to support your answer.

i)I oppose bringing in an energy efficiency requirement as a condition for a higher FiT rate, as explained above.

ii)Before the Green Deal is up and running, it is impossible to assess how successful it will be. It will not be launched until late 2012. Making FiT rates conditional on energy improvements likely to be funded via the future Green Deal is highly problematic and begs too many questions. There is no guarantee that funding would be available for both parts of the project.

iii)Given that major energy companies are supposed to be involved in the delivery of the Green Deal, there is a potential for them viewing solar installations as detrimental to their interests.

iv)As a proven policy tool in many European countries, the Feed-in-tariff system should stand on it's own terms, and not be made over-reliant on a yet-to-be-introduced future initiative.

v)There are also problems making FiT rates conditional on particular EPC ratings: not least as this adds an additional layer of complexity to the scheme

vi)Some schemes could aim to use income from FiT as a means to provide finance for energy-efficiency measures: this would be blocked by the proposed conditionality

Question 8: Utilising EPC C rating

Under the first option for the energy efficiency requirement, do you agree or disagree with the proposal that the EPC rating required to be achieved should be level C or above? Give reasons to support your answer

i)Whilst I disagree with the proposal to make payment of higher FiT rates conditional on energy efficiency, if such a system were to be introduced, setting the level at EPC C rating would be far too high.

ii)The Consultation document makes it clear that this would mean 86% of UK dwellings would currently be ineligible, and this clearly sets the bar prohibitively high, and would massively undermine the functioning of the FiT system and could be seen as designing-in failure. If such a system were brought in a much lower threshold would be needed, which could be viewed as another perverse effect. In addition, I remain unconvinced that the energy rating threshold is the best one to use.

Question 9 onwards – transitional arrangements

In the event of changing rates, transitional arrangements need to be as generous as possible, with the primary objective of increasing installed capacity and ensuring that the industry grows and is not destabilised by sudden, unfair, retrospective and draconian changes to tariffs.

Current proposals do not offer these assurances.

General comments: overall policy

The FiT policy needs to aim for significantly increased installed capacity, increased investment in the industry, in terms of jobs, capacity and training. Growing the domestic solar industry offers great potential in terms of developing the green economy, which is good for jobs, climate change, long term energy security and more affordable electricity provision.

As the EU Commission has warned, sudden changes which destabilise the solar industry are unacceptable and risk possible intervention by the Commission. Any change in tariff needs to be signalled well in advance so that investment decisions, by individuals or business, can be well-considered. The current rapid change seems to penalise success, rather than encourage its continuation.

These policy proposals have the clear potential to destabilise the industry. We have already seen projects being cancelled and industry jobs being lost. The Government needs a major rethink, and should not proceed with these proposals.

ENDS

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