

Impact of 2009 Budget on Renewable Energy

On 22 April 2009, Chancellor of the Exchequer Alistair Darling delivered his latest budget, which included £1.4 billion of extra targeted support in the low carbon sector, including offshore wind, energy efficiency, and small scale renewables.

He confirmed that the UK will become the first country to commit to legally binding targets for reducing CO₂ emissions - a reduction of 34% by 2020.

So how did renewable energy fare in the UK 2009 budget?

Offshore wind - £525 million will be made available through the Renewables Obligation (RO) over the next two years, to push forward the development of offshore wind projects. Budget 2009 announced a banding review, with the intention of increasing the banding of Renewables Obligation Certificates (ROCs) from 1.5 to 2.0 for offshore wind projects which meet specified completion criteria. This is expected to provide £525 million support from 2011 to 2014, protecting 3 GW of proposed investment over the next two years.

Extra funding from the EIB - Budget 2009 announced that UK renewable and energy projects stand to benefit from up to £4 billion of new capital from the European Investment Bank (EIB) through direct lending to energy projects and intermediated lending to banks. The Government is bringing together the EIB, banks and developers to ensure this new framework lending and other products deliver rapid and sustained investment for UK renewable energy. The Government believes that this initiative can bring forward £1 billion of consented small and medium-sized UK renewables projects to deployment.

Small scale renewable - The UK target to generate 15% of energy from renewable sources by 2020 will need more energy to be generated and supplied by small-scale renewable energy technologies (such as solar power and heat pumps) and community heating schemes, where heat is generated centrally and transmitted via pipes. This is expected to be a cost-effective way of generating low-carbon energy.

Budget 2009 announced modest measures to support de-centralised, smallscale renewable and community energy:

- £45 million for small-scale renewable electricity and heat technologies, primarily through the Low-Carbon Buildings Programme;
- £25 million in funding for low-carbon community heating schemes.

Combined Heat and Power (CHP) - The Government's heat and energy saving strategy is expected to be announced late 2009. However, the Budget announcement extended the climate change levy exemption for indirect sales of CHP electricity from 2013 to 2023, subject to State aid approval (worth a total of £2.5 billion). The Government will also commit to continuing other existing levy exemptions for CHP.

Questions for the Rural Enterprise Committee

1. **Should NIRO be extended to 2033 pending the outcome of work being undertaken in relation to the future renewable support mechanisms?**
2. **Do you agree that the criterion for treating projects under either the old 2027 end date or the new 2033 end date should be accreditation before or after 26 June 2008 in line with GB? If not, what should the criterion be and why?**
3. **Do you agree that additional capacity or plant that is refurbished or replaced should be entitled to the full 20 years of support, regardless of when the original capacity started to receive support?**
4. **Do you agree that the 20% ceiling on the NIRO level should be removed and that no new level should be imposed?**
5. **Do you agree that headroom should be used to determine the level of the NIRO after 2015/16 with regional apportionment based at present on any agreed relative fixed target levels?**
6. **Do you agree with the proposal to increase headroom to 10% by 2014?**
7. **Do you agree that the proposed series of 0.5% annual increases in headroom over the time period set out is the best approach to implementing any increase?**
8. **Do you have a view on how we should predict expected electricity use in a subsequent obligation period? What are the advantages/disadvantages of any suggested methods of predicting expected electricity use?**
9. **Do you have a view on how the expected level of ROCs generated from existing generating stations in Northern Ireland in a subsequent obligation period should be predicted? What are the advantages/disadvantages of any suggested method?**
10. **Do you agree with the proposal for accounting for banked ROCs?**
11. **Do you agree with the proposal for predicting new generation capacity for the subsequent obligation period? What are the advantages/disadvantages of this method of predicting this new capacity?**
12. **Do you agree that the proposal to offset redeemed ROCs against a generator's future output presents a proportionate approach?**
13. **Do you agree that the proposal to extend the measurement period for AD feedstock to 3 months rather than 1 month as at present?**
14. **Do you agree that we should not impose a restriction on the use of tallow in the NIRO until clarity of the new marketplace has been established?**
15. **Do you consider the cap be retained at 12.5% going forward?**

16. If you think the cap should be changed, when should this happen and at what level should the cap be set? Please provide evidence supporting your answer.
17. Are there any issues that are specific to Northern Ireland and require separate treatment in this regard?
18. Do you believe a Feed-In Tariff form of assistance should be introduced in Northern Ireland? Please provide an explanation for your view.
19. If a FIT were to be introduced, should it apply to
 - microgenerators only (ie up to 50kW capacity);
 - small scale generators (up to what size?);
 - other generators?
20. Do you agree that enhanced support form 2010 should meet the above criteria?
21. Are there any other criteria that need to be taken into account?
22. Does the support proposed in Table 3.1 represent an appropriate interim level for Northern Ireland in the event of a FIT being introduced in GB from April 2010?
23. What, if any, other changes would you propose if this form of support is to be implemented?
23. Does retention of a support mechanism based on the current offering of 2 NIROCs and availability of capital support (Option 2) represent an appropriate support measure for NI if a FIT introduced in GB from 2010?
25. Does it represent a better longer term solution than the interim proposal detailed?
26. What do you think is the most appropriate way to support microgeneration in the longer term in Northern Ireland?
27. Do you agree that any projects being supported under the proposed new interim arrangements (if implemented) should be grandfathered in the event of a new support mechanism being introduced?
28. Do you believe that a wholesale price stabilisation mechanism would bring benefits to renewable generators by providing a predictable and adequate level of compensation?
29. Do you believe that a wholesale price stabilisation mechanism would bring benefits to customers? In particular, during periods of high fossil fuel prices, could it reduce any over compensation to generators. Would suppliers pass this on to consumers?
30. Do you believe that a revenue stabilisation mechanism could help us meet our renewables target by encouraging more deployment?
31. Do you believe that a revenue stabilisation mechanism should be introduced in Northern Ireland?

- 32. Do you agree that the above approach would minimise undesirable effects on market confidence whilst the introduction of revenue stabilisation is being considered? If not, what further steps need to be taken to maintain confidence in the market?**
- 33. Do you agree that a Contract for Difference option would be the best choice of wholesale price stabilisation mechanism? If not, what would you recommend as the best option and why?**
- 34. Do you have any initial views on whether a stabilisation mechanism should remove wholesale price risk from generators altogether or leave them with some degree of risk, via a “cap and collar” mechanism?**
- 35. Do you have any initial views on whether a stabilisation mechanism after 1 April 2013 should be optional or mandatory for generators under the NIRO?**
- 36. What, if any, additional complications or considerations do you see being involved because of the operation of the NIRO within the SEM as opposed to the GB wholesale market?**
- 37. Do you agree that biomass and generation involving co-firing should be excluded from any new stabilisation mechanism?**
- 38. Overall, considering the balance between the benefits and the implementation challenges, do you think a wholesale price revenue stabilisation mechanism is appropriate for Northern Ireland and should, as such, be implemented?**
- 39. If you believe that a price stabilisation mechanism should be introduced for the wholesale power price, do you think that it should be applied to the ROC price as well?**