Changes to financial incentives for solar power: Consultation on the Feed-in Tariffs Scheme

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1. Summary

1.2 Feed-in tariffs are a financial incentive for renewable energy to make investment more attractive. A tariff is paid to the generator for the electricity used on-site, and another tariff is paid to the generator for the electricity they export.

1.3 The Department of Energy and Climate Change (DECC) have announced that the feed-in tariffs (FITs) for solar energy (solar panels, photovoltaics or PV) are too attractive and have been, according to their statistics, bringing in returns on investment higher than 5%.

1.4 The popularity of the scheme has meant that the 'cap' on expenditure is in danger of being exceeded before the end of the financial year.

1.5 As a result, the Department for Energy and Climate Change are proposing:

- **To reduce the generation tariff for a single installation of solar panels on an average home by over 50% from 43.4p per kWh to 21p per kWh.**
- **TO INTRODUCE THIS CHANGE BY 12 DECEMBER 2011. This would require any schemes in the pipeline to have confirmation of registration from Ofgem in the *next 5 weeks*. This date is also before the end of the consultation.**
- **To make a further reduction where councils have schemes for social housing, on several of their own buildings or public buildings, of another 20%, bringing the tariff to 16.8p per kWh.**
- **To require minimum energy efficiency standards for homes and buildings before the new reduced tariff can be claimed.**

2. LGA Position Statement

2.1 The LGA agrees that energy consumers should have safeguards on the amount of money that is raised from their bills to pay for schemes such as the feed-in tariffs.

Briefing

Local Government House, Smith Square, London SW1P 3HZ
Email info@local.gov.uk
Tel 020 7664 3000 Fax 020 7664 3030
Information centre 020 7664 3131 www.local.gov.uk

2.2 As such we support the review of the FITs and understand that measures are needed to gradually reduce the size of the incentive as solar panels reduce in price.

2.3 However, to expect councils and the solar industry to not only deliver their projects, but also have them registered by Ofgem, in 6 weeks is not acceptable.

2.4 Councils have been encouraged by Government to roll out renewable energy and to take advantage of the feed-in tariffs, helping their poorer communities to benefit from an incentive that they are, in effect, paying for. As such, the LGA supports the safeguarding of schemes that are for local community benefit.

2.5 What is at risk now is millions of pounds of local taxpayers money as a single government department seeks to rectify its mistakes.

2.6 The LGA has had strong representation from councils of all political make-ups from around the country about the effect these changes will have on their finances, projects, and relationships with their communities. It will be extremely difficult for councils to explain to their local people about why local schemes cannot now go ahead.

3. Next Steps

3.1 The LGA is seeking information from councils on the following:

- Whether or not their local plans to roll out solar energy for their communities, own estate and on public buildings can go ahead, and are financially viable, with these proposed changes;
- The likelihood of achieving the 12 December 2011 deadline and any additional costs achieving this will incur;
- Whether councils were expecting a 5% or greater return on investment before the changes, and whether this figure will be achieved after the changes;
- The impact on local jobs and industry.

3.2 The deadline for the consultation is 23 December 2011, but given that the changes are due to be introduced by 12 December 2011, we are seeking feedback from councils by **25 November 2011.**

3.3 The LGA will then formally respond to the consultation.

3.4 The link to the consultation is: http://www.decc.gov.uk/en/content/cms/consultations/fits_comp_rev1/fits_comp_rev1.aspx

4. More information

For more information please contact:
Abigail Burridge
Senior Advisor – LGA
0207 664 3245
Abigail.burridge@local.gov.uk