



Joint Statement Reform of the Renewables Obligation

In January 2007, the lead associations with an interest in sustainable energy worked together to develop a joint statement in response to the consultation on the Renewables Obligation (RO).

This statement urged the Government to:

- maintain a stable framework for investing in renewable energy in the UK;
- ensure that any changes to the RO did not have a negative impact on existing and planned renewable energy projects;
- promote action to tackle planning and network constraints to renewable energy projects in parallel to any reform of the RO.

The organisations have now come together to develop a Joint Statement on the next stage of reform of the RO.

Renewable energy has a critical role to play in a secure, carbon-constrained UK energy market, and we welcome the Government's continued support for renewable energy in the UK. In particular, the RO is a key driver of renewable energy projects in the UK.

The current reform of the RO signals another change in the investment framework for renewable energy in the UK. To ensure that this reform of the RO is effective, the following issues should be addressed.

The regulatory framework must be stable and predictable ...

Regular changes to the RO risks undermining investor confidence in the market for renewable energy projects in the UK.

It is critical the Government does not create the expectation that the investment framework for renewables in the UK is subject to unplanned change. If changes to the detailed operation of the RO are made, they should be made in a timely and transparent manner within very clear boundaries to minimise any undue impact on investor confidence.

The principle of grandfathering must be upheld ...

It is important that the Government maintains its commitment to grandfathering and does not make changes to the RO that significantly impact on investment decisions that were made in good faith. This is not acceptable for existing projects, and will undermine confidence in future investments.

Momentum in deployment must be maintained ...

The prime objective of the review process should be to ensure that the obligation is delivering additional energy from renewable sources to support achievement of the UK's targets.

Reviews of banding levels should be carried out in a manner that provides as much forward visibility for developers as possible.

The right level of support must be set ...

The approach of setting bands based on the commercial stage of development of a technology, and minimising the number of bands is welcomed.

Setting bands at an appropriate level requires consideration of all the factors that impact on the commercial viability of a project, such as costs of grid-connection, scale of development, and the existence of complementary support mechanisms.

The administrative burden must be appropriate ...

Consideration must be given to reducing the transaction costs associated with smaller renewable energy projects under the RO.

There is more to renewable energy policy in the UK than the RO ...

It is clear that additional policies will be needed in the UK in response to the 20% renewable energy target across the EU.

It is important that any new policies to drive investment in renewable energy build on the current RO.

More broadly, we support moves by the Government to strengthen the framework for greenhouse gas abatement in the UK through the Climate Change Bill and through its support for the EU Emissions Trading Scheme and other measures.

Targeted support for renewable energy is an important part of the policy mix to ensure that we deliver the challenging greenhouse gas emission abatement targets for the UK.

These views are shared by the following organisations:

- Association of Electricity Producers
- British Wind Energy Association
- Micropower Council
- Renewable Energy Association
- Scottish Renewables
- UK Business Council for Sustainable Energy