

May 2010



**Friends of
the Earth**

Consultation Response

**Allowing Local Authorities to Sell Electricity.
Consultation on making regulations under The
Local Government (Miscellaneous Provisions)
Act 1976 and The Local Government (Scotland)
Act 1973.**

Friends of the Earth makes life better for people by inspiring solutions to environmental problems.

We are:

- the UK's most influential national environmental campaigning organisation
- the world's most extensive environmental network, with around 2 million supporters across five continents and 77 national organisations worldwide
- a unique network of campaigning local groups, working in more than 230 communities throughout England, Wales and Northern Ireland
- dependent on individuals for over 90 per cent of our income.

To join or make a donation call us on 0800 581 051

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Introduction

Friends of the Earth is a campaigning charity. Our campaigns change the world by changing politics, because to make real and lasting changes we need governments to act on our behalf.

We're the only organisation whose main focus is involving people in taking political action together to solve the environmental problems we all face.

We campaign at all levels of politics – in communities, nationally and internationally. We research practical and fair ways to solve environmental problems, then work with supporters to put pressure on politicians and build alliances that rally more voices behind our demands for change.

Campaigning with our supporters and volunteers in this way has achieved real change – including the world's first law to set legally binding limits on greenhouse gas emissions.

We have more than 230 voluntary groups campaigning in communities across England, Wales and Northern Ireland. We're part of a unique global federation of 77 national campaigning organisations – Friends of the Earth International – that brings together more than 2 million supporters worldwide.

We aim to tackle climate change and nature's devastation by making sure our economic system respects natural limits, that those that cause environmental damage are held to account in the courts, and that affected communities are equipped to defend their right to a healthy environment.

Friends of the Earth, alongside the Renewable Energy Association and over forty other organisations led the campaign to introduce feed-in tariff legislation in the UK to support small scale renewable heat and electricity generation.

We welcome this consultation.

Consultation Question:

- 1) Should local authorities be given the power to sell electricity generated by them from all forms of renewable generation as defined in the Renewables Directive?*

Answer:

Yes.

It is Friends of the Earth's understanding that the current provisions of the Local Government (Miscellaneous Provisions) Act 1976 would mean local authority (LA) owned renewable electricity installations covered by the feed-in tariff would be unable to receive the 'Export Tariff' for the electricity they generate and export to the grid as this constitutes the payment for the sale of the capacity to the energy supplier. The same would apply if the LA opted not to receive the fixed Export Tariff but wished to negotiate a Power Purchase Agreement (PPA) instead. This too would be barred by the current regulations.

Consultation Response: Allowing Local Authorities to Sell Electricity.

The feed-in tariff levels have been calculated by DECC to give a return on investment of between 5 and 8 per cent. However, this is based on the combination of the generation tariff, export tariff and value of avoided electricity imports: “It should be noted that tariffs have been set to provide an approximate 5-8% return on investment (ROI) for well-sited installations, taking into account all three potential benefit streams (generation tariff, export tariff and bill savings).”ⁱ

If local authorities are denied access to one of those benefits (the export tariff) the return of investment for local authority owned installations would be negatively affected, meaning that they would be discriminated against by the scheme over other potential generators from the commercial or not for profit sector. It is Friends of the Earth’s strong understanding that this was never an intension of the scheme.

The Government’s final design for the scheme does not at any point mention that one significant sector might be given a different treatment to the household or commercial sector. In fact it assumes that the public sector will be able to access the scheme: “In addition, the Renewable Energy Strategy stated the Government’s intention to ensure that the public sector leads by example, through tough low-carbon targets for government departments, robust assessment of renewable potential and, crucially, through increasing the incentives for renewable deployment on its own land. The public sector operates within a tight fiscal context where capturing future income streams is essential to viability and delivery of buildings and services. Therefore, FITs can be a major driver in leveraging the potential of on-site renewables in the public sector.”ⁱⁱ

In a recent speech the former Secretary of State for Communities and Local Government, John Denham MP, stated that “councils will be able to draw on the income from the renewable heat incentive and feed in tariffs.”ⁱⁱⁱ

The potential for small-scale local renewable electricity generation is huge. A study for the Department of Energy and Climate Change concluded that it would be technically possible to get one third of the UK’s electricity from small-scale renewable electricity installations covered by the feed-in tariff. We could get 13% of our electricity just from solar PV panels on buildings.^{iv}

Local authorities are ideally placed to play a major role in helping the UK meet its renewable energy targets. For example, they own considerable amounts of land which might be suitable for wind turbines and have a large stock of properties such as schools, libraries and social housing which could be equipped with solar PV panels.

Waste collection duties mean LAs should be major investors in anaerobic digestion. The new coalition government has committed itself to “introduce measures to promote a huge increase in energy from waste through anaerobic digestion”.^v This is welcome but the ability to deliver this could be made more difficult if LAs are unable to access the all the income streams on which the FIT return on investment has been calculated.

LAs can also ensure the benefits of renewable electricity come to low income communities who lack access to capital or don’t own their own home in order to directly take up the scheme. One of the key features of the structure of the UK tariff which Friends of the Earth campaigned for is the ability to benefit from onsite generation as well as ‘feeding in’ or exporting to the grid. It is this ‘shared benefits’ ability which Birmingham City Council is exploiting in its Green New Deal^{vi} where households reduce their electricity bill while the LA

collects the tariff, and funds energy efficiency advice. Failure to allow local authorities to receive the Export Tariff could restrict their ability to support such innovative schemes.

During the recent General Election both the Conservatives and Liberal Democrats set out their support for expanding the ambition of the UK feed-in tariff in letters to Friends of the Earth.^{vii}

The new coalition programme for Government commits itself to promoting: “the radical devolution of power and greater financial autonomy to local government and community groups.”^{viii} Allowing LAs to benefit from selling electricity would be entirely consistent with this approach.

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ⁱ Impact Assessment of Feed-in Tariffs for Small-Scale Low Carbon, Electricity Generation, DECC, February 2010.

ⁱⁱ Feed-in Tariffs Government’s Response to the Summer 2009 Consultation, DECC, February 2010.

ⁱⁱⁱ From Copenhagen to Croydon, John Denham, 28 January 2010.

^{iv} Design of Feed-in Tariffs for Sub-5MW Electricity in Great Britain, Quantitative analysis for DECC, Poyry and Element Energy, June 2009.

^v The Coalition: our programme for government, HM Government, May 2010.

^{vi} <http://birminghamnewsroom.com/?p=6828>

^{vii} http://www.foe.co.uk/resource/briefings/decentralised_energy_letter.pdf

^{viii} The Coalition: our programme for government, HM Government, May 2010.