



**Friends of  
the Earth**

# **MPs Briefing**

# **Feed-in Tariffs for small scale renewable energy**

**December 2009**

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## Summary

Friends of the Earth welcomes the introduction of feed-in tariff legislation into the Energy Act 2008. The UK has historically been one of the worst international performers on renewable energy.

The introduction of the Feed-in Tariff in April 2010 (or Clean Energy Cashback as it will be known to the public) and Renewable Heat Incentive (from April 2011) gives the UK the opportunity to put in place two world leading schemes to promote decentralised renewable electricity and renewable heat.

This summer the Government consulted on the detailed proposal for the structure of the scheme and proposed the tariff levels that would be paid to generators of small scale (defined as installations below 5MW) renewable electricity. The proposed scheme contains ground-breaking innovations in its structure, such as the ability to benefit from onsite generation, but overall Friends of the Earth is deeply disappointed by the lack of ambition of the feed-in tariff – it aims to generate just 2% of UK electricity by 2020 – and believes that the scheme falls short of what MPs expected to see when they voted for Feed-in Tariffs in 2008.

There are also notable technologies - wave and tidal – missing from the scheme entirely and a worrying lack of support for community scale projects (such as community owned wind generation). The lack of any accompanying policies to address the problems that some businesses and households may have (such as SMEs and the fuel poor) in getting access to capital and finance is also a major concern.

An ambitious Feed-in tariff could deliver more than decreased carbon emissions. It would allow farmers, local authorities, businesses, social landlords and others to benefit from reduced energy bills and increased energy security which small-scale renewable electricity generation can bring, while at the same time cutting carbon emissions and generating much needed green jobs. It could also be a much needed tool in the fight against fuel poverty.

Research by Poyry and Element Energy commissioned by DECC identifies a maximum technical potential of 131TWh available from sub 5MW renewable sources in the UK<sup>1</sup>. This is equivalent of approximately one third of the projected UK electricity demand in 2020.

The Impact Assessment for DECC's consultation on Financial Incentives for Renewable electricity shows that the proposed scheme will just see 2% (or 8TWh) of UK electricity generated from sub-5MW renewable electricity installations by 2020.

According to the modelling commissioned for the consultation from Poyry and Element Energy<sup>2</sup> tariffs set to deliver a 10% Return on Investment would result in 25TWh of small scale renewable electricity generation by 2020. This is more than 6% of projected UK electricity demand - triple the proposed scheme.

**This is the equivalent of the output of Drax power station (25.4TWh in 2008)<sup>3</sup> or two and a half times the output of Sizewell B (9.8TWh in 2008)<sup>4</sup>.**

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<sup>1</sup> Qualitative issues in the design of the GB feed-in tariffs, Poyry and Element Energy, June 2009

<sup>2</sup> Design of Feed-in Tariffs for sub-5MW Electricity in Great Britain, Quantitative analysis for DECC, Poyry and Element Energy, June 2009

<sup>3</sup> [http://www.draxpower.com/aboutus/ourbusiness/key\\_facts/](http://www.draxpower.com/aboutus/ourbusiness/key_facts/)

<sup>4</sup> <http://british-energy.com/pagetemplate.php?pid=96>

Given the huge potential for decentralised electricity under 5MW and the urgency of tackling climate change. Friends of the Earth propose the Government should triple the current ambition of the scheme **and to kick-start the programme should therefore adopt tariffs consistent with a 10% Return on Investment (ROI) until the first review in 2013.**

**This would raise the cost of the average household bill by just £2.10 in 2013 more than is already planned by the scheme proposed by DECC or an average of £1.20 extra per household per year over the next four years.**

Following the first review they can potentially be reduced below 10% as the UK market matures, the cost of technologies comes down and to account for the development of other supportive policies - **while maintaining the level of ambition to 2020.**

The Sustainable Energy Partnership's Green Energy Charter released on 18 November 2009 calls for a minimum of 5% (approximately 20TWh) of UK electricity to be generated by small-scale (sub 5MW) renewable by 2020.

The feed-in tariff has the potential to revolutionize small scale renewable energy in the UK and provide a significant contribution to meeting the UK's renewable energy targets. But supporting the deployment of small-scale renewable electricity generation has advantages beyond its role in cutting carbon emissions. Businesses generating their own clean electricity will reduce their energy bills, increasing their competitiveness and reducing their vulnerability to future fossil energy price rises. Communities can gain an income and a stake in the creation of a low-carbon economy, and households, social and private landlords and local authorities can cut energy bills and tackle fuel poverty. And whoever installing renewable electricity will generate much needed jobs.

**As Ed Miliband notes:**

***The crucial thing about feed-in tariffs is that they do speak to people's wish to do their bit and to see benefits flowing back to their community from renewable energy generation.***<sup>5</sup>

We agree.

Please sign EDM 276 calling for a more ambitious feed-in tariff.

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<sup>5</sup> Ed Miliband, BBC1, The Andrew Marr Show. 12 July 2009

## **How the feed-in tariff will work**

Many aspects of the structure of the scheme are to be welcomed. Indeed some aspects are ground-breaking, this only increases Friends of the Earth's disappointment at the low levels of the tariffs.

All the electricity generated by eligible renewable installations will receive a tariff payment (fixed for twenty or twenty-five years). This "Generation Tariff" payment is different for different technologies and for different scales of installation. The payment is the same regardless of whether the installation is owned by a household, business, community or local authority etc. Installations up to 5MW of each of the eligible technologies are covered by the scheme (though installations between 50kw and 5MW have a one off option to be covered by the RO instead).

The payments vary from 4.5p/kWh for the largest wind generation covered by the scheme to 36.5p/kWh for the smallest scale solar PV panels. Tariffs are proposed for generation by: wind, solar PV, hydro, Anaerobic Digestion, biomass and biomass CHP.

In addition to the payment for the electricity generated and payment will be made for electricity which is exported to the grid (ie it is not used onsite). This "Export Tariff" is fixed at 5p/kWh for all technologies at all scales for the duration of the tariff ie 20 or 25 years (though generators can choose not to accept this export tariff and negotiate their own contract with the supplier).

The level of the tariffs which are paid to new installations entering the scheme will be reviewed in 2013 (however once an installation enters the scheme it gets the same tariff level for the contract period but a scheme starting the following year may get a different tariff which will also be fixed for the contract length) and every 4 years alongside the regular review of the Renewables Obligation (RO).

The tariff for new wind and solar PV installations entering the scheme declines each year by a certain percentage. This is known as 'tariff depression'.

In addition to the Generation and Export Tariffs, generators will get the benefit of using their own electricity onsite first. This means they may import less electricity from the grid and therefore reduce their energy bill.

The income/benefit to the generator of the scheme will therefore be a combination of the two tariffs plus their reduced energy imports. The balance of these elements for any individual installation could vary enormously between different technologies and different types of generator (for example a standalone community owned wind-turbine which exports everything it generates or a business with a solar roof which uses most of its generation on-site).

Tariffs will be paid by electricity suppliers who will then equalise (or 'levelize') the cost of the scheme among themselves (so no supplier is disadvantaged against another) and recover this cost by placing an increment on the electricity bill of all consumers (business or household).

## **Ignoring the evidence: Why the tariff rates have been set so low?**

The UK has ambitious renewable energy and climate change targets to meet, but the tariff as currently proposed fails to realise the potential of sub 5MW renewables by setting the

tariff rates too low to attract the majority of potential investors from businesses, social landlords, the public sector and communities.

A report by Poyry and Element Energy commissioned by DECC to recommend a methodology for setting the FITs states<sup>6</sup>: *“Financial support will need to be set at a level that is sufficient to deliver investment, but which does not over-compensate investors.*

*“The initial feed-in tariff level should at a minimum apply a rate of return, equal to the hurdle rate of a standard investor class to the specific cost of generating electricity from the RES-E [renewable electricity] plant.”*

The research then models the rate of return that would be required by different types of investor to encourage them to invest: Households (between 3% and 20% annual return), commercial building (6-15%) and commercial investors and utilities (8-14%)

The Government’s proposed scheme (or “Lead Scenario”) ignores this modelling and the recommendation of the report and sets tariffs to offers a Return On Investment (ROI) of between 5-8 % across different technologies and scales (however the real return on investment is even lower once costs such as depreciation and the cost of capital are included – for example the Energy Saving Trust in its consultation response shows that a 20 year payback for a domestic PV system would be typical based on the proposed tariffs).

The DECC consultation quotes respected German MP Hans-Josef Fell stating that the German scheme bases its tariffs on a ROI of between 5-7% as its sole justification for the UK tariff levels. Friends of the Earth believes that Mr Fell is being misused by DECC as an excuse for ignoring its own commissioned modelling. There are a number of important reasons why the German ROI cannot be read across to the UK in such a crude way. Firstly, the premium tariff model chosen by the government for the UK feed-in tariff increases hurdle rates by approximately 1%. Secondly, the German state provides low interest loans to businesses and households. This lowers the hurdle rates for investors but currently the Government has chosen not to opt for a similar scheme.

The context in which the German scheme operates is also markedly different. In Germany, the feed-in tariff operated across all levels of technologies, not just small scale, and in a mature market with investors who are used to renewables.

Finally the German Return on Investment is calculated after taking into account the full range of possible costs including capital costs, insurance, and operating and maintenance costs. The costs on which DECC bases its ROI have not been made public.

Even tariffs set at 8% (the top end of the Government’s proposed level) would be insufficient according to Poyry/Element Energy research: *“At a rate of return of 8%, there is no investment in technologies by developers or utilities since 8% is equal to the minimum point on the hurdle rate distribution for these investors.”*

However the research shows that tariff levels set just slightly higher based on a 10% ROI absolutely transform the prospects for small scale renewable generation (and are considerably more cost effective than an 8% ROI because they bring in new groups of

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<sup>6</sup> Qualitative issues in the design of the GB feed-in tariffs, Poyry and Element Energy, June 2009

investors<sup>7</sup>). According to the Poyry/Element Energy quantitative study tariffs set at this level of return could deliver 25TWh by 2020 – triple the proposed scheme.

**That is the equivalent of the output of Drax power station (25.4TWh in 2008)<sup>8</sup> or two and a half times the output of Sizewell B (9.8TWh in 2008)<sup>9</sup>.**

Friends of the Earth recommends that DECC revisit the tariff levels and set them to deliver approximately a 10% ROI for the first three years of the scheme, until the first review in 2013. Following on from this at the first review specific tariff rates should be revised to ensure that investors receive an adequate return without excessive reward. Rates could be revised below 10% while continuing to maintain the overall level of ambition by, for example, the introduction of soft loans such as apply in Germany. This would reduce the cost to the consumer.

This level of deployment is stretching but achievable. The research states: “At a rate of return of 10%, most technologies are being deployed at their maximum rate, given supply and demand side constraints.”<sup>10</sup>

A tariff scheme based on this approach will kickstart the UK small scale renewable industry and set the UK strongly on the pathway to delivering 6% (or 25TWh) of the UK’s electricity from decentralised renewable schemes by 2020. It would do so at much greater value for money than tariffs set at a lower rate of return by bringing in new groups of investors.

Friends of the Earth believes that the tariffs in the consultation have been set to limit the scale of the scheme to 2% of electricity rather than by any serious analysis of what could be achieved if tariffs were set according to the methodology recommended in DECC’s own commissioned research. In effect the scheme has been designed to fall short of its potential.

## **The cost of an enhanced FITs scheme**

Friends of the Earth recommends that DECC revisit the tariff levels and set them to deliver approximately a 10% ROI until the first review in 2013. A tariff scheme based on this approach will kickstart the UK small scale renewable industry and set the UK strongly on the pathway to delivering over 6% (or 25TWh) of the UK’s electricity from decentralised renewable schemes by 2020.

The table below shows the annual costs to all consumers (business and households) for the Lead Scenario and the 10% ROI scenario until the first review in 2013. The figures are discounted 2008 prices i.e. future prices discounted at 3.5% per year.

Annual costs to consumers (discounted 2008 £m)

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<sup>7</sup> 141£/MWh for 10% ROI compared with 204£/MWh for 8% ROI. Design of Feed-in Tariffs for sub-5MW Electricity in Great Britain, Quantitative analysis for DECC, Poyry and Element Energy, June 2009

<sup>8</sup> [http://www.draxpower.com/aboutus/ourbusiness/key\\_facts/](http://www.draxpower.com/aboutus/ourbusiness/key_facts/)

<sup>9</sup> <http://british-energy.com/pagetemplate.php?pid=96>

<sup>10</sup> Design of Feed-in Tariffs for sub-5MW Electricity in Great Britain, Quantitative analysis for DECC, Poyry and Element Energy, June 2009

<b>Scenario</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Total</b>
Lead scenario	£22	£57	£109	£169	£358
10% ROI	£55	£124	£216	£330	£725

These are previously unpublished figures released to Friends of the Earth by DECC and Element Energy.

Assuming 26m households this means that by 2013 households will be paying on average an addition to their electricity bill of £4.31 a year to pay for an enhanced FITs scheme, compared with an additional £2.21 under the currently proposed scheme. **In other words setting tariffs based on a 10% ROI until the first review would raise the cost of the average household bill by just £2.10 in 2013 more than is already planned by the scheme proposed by DECC.**

In the years to 2013 the addition to bills would be much less, making the average cost to consumers of a 10% ROI over the 4 year period just £181.25m annually or £2.37 per household per year (assuming 26m households by 2013). **The average addition above the cost of the proposed scheme is £91.75m to all consumers annually or £1.20 per household per year over the period from 2010 to 2013.**

## **The long term cost to 2020**

The Poyry/Element Energy modelling estimates that the annual cost to all consumers (commercial or household) of setting tariffs based on a 10% ROI all the way through to 2020 would be £3.2bn in 2020 or £12.359bn cumulatively. Whereas the DECC lead scenario has an annual cost to consumers of £560m in 2020 or £3.2bn cumulative cost.

This means that by 2020 the cost of the 10% ROI scenario is 3.8 times the DECC lead scenario and the capacity generated is also 3.8 times bigger.

DECC works on the assumption that 34% of the cost falls on household consumers and 66% on businesses. So the cost to households would be £1.088bn or £37.5 per household in 2020 (assuming 29m households by then).

**However it is vital to note that campaigners are not calling for tariff's to be set based on a 10% ROI all the way through until 2020, so the costs above are not a consequence of our demands of Government for improvement of the proposed scheme.**

From 2013, following the initial boost of tariffs based on 10% ROI, as the market matures we would expect it to be possible to continue to drive mass deployment with tariffs giving a ROI of slightly below 10%. The provision of other supportive policies such as zero interest loans for SMEs and households would mean a ROI of below 10% should be acceptable. Both these factors would reduce the impact on consumers bills while maintaining a higher level of ambition that is essential to tackle climate change.

We accept that the precise ROI that is required by different investors for different technologies at different scales covers a range and that at the first review specific tariff rates should be revised to ensure that investors receive an adequate return without excessive reward.

It is also worth noting that while it is consumers who are paying for the scheme it would also be consumers (businesses, households and communities) that would be getting paid too. This contrasts with the Renewables Obligation where it is consumers who pay and energy companies who get paid for generating renewable electricity.

### **Benefits to the fuel poor**

A more ambitious scheme is also needed to help those in fuel poverty and on lower incomes to benefit from access to renewable energy projects and reduce their energy bills. While the cost of the tariffs will be born (like many other schemes such as the Renewables Obligation) by all consumers, unlike many other schemes it will also pay directly back to communities, both directly to consumers through FITs payments to local businesses, social landlords, farmers, communities and households and through local job created by the expansion of the renewables industry.

Far from helping relieve the burden on the fuel poor to any significant degree, the proposed low level of tariffs will limit their opportunity to benefit from the income and reduced fuel bills that would come from local renewable energy generation.

**According to the Energy Saving Trust *“Whilst FITs will increase average energy bills, concerns about fuel poverty must not limit the ambition of the scheme. Instead, fuel poverty measures should be ramped up outside of the scheme. This is consistent with the approach on other levies such as the RO and CERT.***

***“FITs could actually be used as a tool for reducing fuel poverty. A number of pilots, including those by the Energy Saving Trust and NEA have shown the potential for renewables to combat fuel poverty.”***

The level of fuel poverty in the UK - approximately 5m homes – is a national disgrace. Friends of the Earth is campaigning for a permanent solution to fuel poverty through the improvement of homes to a high standard of energy efficiency and the provision of renewable energy for all those homes vulnerable to fuel poverty.

Friends of the Earth is particularly enthusiastic about the prospects of using the avoided imports benefit and assigned rights aspects of the tariff to enable those in fuel poverty and on low incomes to benefit from reduced bills and increased energy security but avoid the upfront capital costs or even owning the technology. The proposed tariffs are too low for social landlords or local authorities to finance investment in renewable electricity installations for the homes of the fuel poor (who disproportionately live in hard-to-treat properties which can't be made fuel poverty proof just by insulation measures alone but require renewable energy). There is a real danger that if left as it stands the feed-in tariff will be a scheme restricted to those with access to their own capital.

The cost of the scheme is intended to be borne on the electricity bills of households and businesses. This will clearly have an impact on the fuel poor which must be considered and addressed. As figures above show the costs to 2013 of tariffs based on a 10% ROI will be insignificant and in fact with a strong tariff many fuel poor and low-income households could see their energy bills significantly reduced during this time.

It is worth noting that 90% of homes in the UK are heated by gas, so an addition to the electricity bill should not affect the cost of heating the majority of homes. In addition, the fuel poor should be protected by the provision of mandatory social tariffs for all those vulnerable to fuel poverty, as the Government committed to in July of this year.

## **Benefits to the economy**

Small-scale renewable electricity has many benefits beyond reducing carbon emissions. DECC's Impact Assessment lists the benefits which it has not valued when calculating the cost and benefits of the scheme:

- Consumer engagement (including greater energy awareness potentially leading to demand reduction),
- Diversifying the energy mix;
- Reducing dependence on (imported) fossil fuels;
- Greater energy security at the small scale;
- Business and employment opportunities in developing and deploying renewable energy technologies;
- Avoidance of / reductions in losses through transmission/distribution networks;
- Innovation benefits and potential reductions in technology costs as a result of roll-out.

These are very significant benefits which should have weighed more heavily on the Government when deciding the level of ambition of the scheme. A return of investment of 10% for the first three years would be sufficient to kick start the renewables industry in the UK without adding an unnecessary burden onto the consumer. In addition, it would allow the scheme to benefit the fuel poor – who are in danger of missing out of the benefits if the current scheme were to go ahead.

## **Other concerns with the proposed scheme**

### **Lack of support for support for community scale projects**

The lack of support for community scale schemes in the current proposal needs to be addressed. For wind projects over 500kw the tariff drops off from 16p/kWh to 4.5p/kWh. This will prevent a large number of community scale schemes between 500kw and 5MW from getting off the ground. Energy4All, who manage ninety percent of Britain's community renewable projects, note that the tariff paid for 500kw – 1MW wind is "ineffective as an incentive" and the tariff paid for 1-3MW projects is "unlikely to prove attractive to communities". This contrasts dramatically with the aspirations of Ministers to support much greater levels of community renewable electricity schemes.

On announcing the Government's commitment to introduce the feed in tariff last October Lord Hunt said: *"Such a mechanism must incentivise the individual householder. More than that, however, schools, hospitals, community projects and businesses will play a role in our fight to reduce carbon emissions."*

Friends of the Earth entirely agrees but this will not be possible unless community scale generation receives considerably greater support than is proposed.

### **Index linking**

Friends of the Earth advocates index linking the export price to wholesale electricity prices so that it rises as the wholesale price rises (but the export mustn't fall below the initial 5p/Kwh floor price). Failure to do so will see the real value of the export tariff decline over time and its effect as an incentive for energy saving disappear. A fixed export price would, as wholesale prices inevitably rise, produce an entirely unearned windfall for energy supplier (i.e. they will pay 5p/KWh but it will be worth much more on the wholesale market). An index linked export price could prove a powerful incentive for energy efficiency but it adds

complexity and risk to the scheme so if the export tariff is not index linked then it may be better to dispose of the export tariff and to transfer the value onto the generation tariff.

Generation tariffs must be index linked to inflation. Many other countries directly index link their tariffs (France, Spain and Greece) or allow for it in tariff calculation (Germany). Index linking the generation tariff is essential especially for those technologies which have any significant level of ongoing maintenance and operating costs and which require a renewable fuel (eg biomass CHP). These costs will rise with inflation and with increased demand so the generation tariff must rise too if the installation is to remain viable. In the worst case it is possible to foresee circumstances where with tariffs set too low and not index linked it simply becomes more expensive to generate using a renewable electricity installation than to turn it off and return to grid electricity.

The failure to index link the generation tariff to inflation means higher initial tariff rates are required as compensation for the fact that returns will fall over time.

### **Missing technologies**

We also believe that the scheme should include tariffs for wave, tidal and geothermal generation. Marine technologies are not just an important part of the UK's future energy mix but an area in which the UK could have an international competitive advantage and capture considerable export markets in other developed countries. Allowing them support in the FIT would be an important step in supporting the growth of a UK manufacturing base from R&D stages to mass deployment.

### **Tax treatment**

While the DECC consultation document is silent on the tax treatment of FIT revenues to generators – pushing decisions to HMT – it has always been understood that DECC officials have assumed that tax will be payable on the revenue from FITs by all but domestic generators (thus extending the existing tax break given to household income from ROCs to FITs) and built this into their tariff models.

Forcing households to complete a tax return has been seen to be a huge disincentive for both the reduced final revenue and 'hassle factor' reasons. Making FIT revenue tax free for households will contribute considerably to help promote the scheme to the public.

The Pre-Budget Report confirmed that households will not pay tax on FIT income. While in itself a welcome measure it is one that was already built into assumptions and does not in any way constitute an improvement of the scheme from that set out in the consultation.

Friends of the Earth is concerned that while DECC understands that making FIT revenues taxable for non-domestic generators will increase hurdle rates, the tariffs have been calculated without taking this into account. However it is likely that HMT intend to make revenues taxable for non-domestic generators. The proposed tariffs are already far too low to encourage investment from many investor types. The lack of clarity on tax treatment means they could be even lower than they appear.

Friends of the Earth wants onsite generation by businesses to be seen as a normal activity and to provide a significant part of UK businesses energy needs and giving it a tax exemption may not be the best (or in the long term most sustainable) way of doing this. However it is vital that if non-domestic generators are to pay tax on revenue that this should be included in tariff calculations to ensure the ROI is high enough to support investment and pay tax. Conversations by Friends of the Earth with DECC officials indicate that making the

FIT tariff exempt from tax for all generators is estimated by DECC reduced the hurdle rate of investors by 1%.

### **Additional policies to help boost small-scale renewable**

While crucial the feed-in tariff will not deliver a transformation of UK decentralized energy alone. Other policies are important.

### **Relationship with the Carbon Reduction commitment**

It is vital that larger businesses are not penalized for investing in generating their own renewable electricity by having that clean generation ignored in their Carbon Reduction Commitment reporting. This will act as a deterrent from businesses taking part. By allowing renewable generation to count under the Carbon Reduction Commitment hurdle rates could be decreased for this sector.

### **Low-interest loans**

The qualitative analysis provided by Poyry/Element Energy states that: "it may be prudent to consider specific instruments targeted at removing investment barriers or lowering hurdle rates for specific investors such as households."<sup>11</sup>

"Interest rates and repayment periods of loans have a major impact on the overall cost of RES projects. New technologies, smaller projects or project developers without a proven track record often experience difficulties in obtaining commercial loans at reasonable conditions. Offering low interest loans with lower interest rates and/or longer repayment periods or loan guarantees tailored for specific technologies through subsidies to commercial banks could significantly increase the commercial viability of projects. Low interest loans have been applied successfully in Spain and Germany. The scheme could also provide guarantees for debt repayment to the lending bank, thus reducing risk and hence interest rate (e.g. 1 to 2%), debt term and debt service conditions of the loan."

The current proposal from DECC proposes no scheme to help those with low access to finance and sets tariff rates so low that commercial finance will make payback periods unacceptably high to everyone bar those that are highly motivated and with their own capital. In the short term revised tariff rates are needed.

### **Enhanced Capital Allowances**

Renewable electricity technologies are currently not eligible for Enhanced Capital Allowances. Changing this may result certain commercial investor classes reducing their hurdle rates.

### **Planning and local government support**

Planning permissions for most installations covered by the FIT will be given by local authorities. It is therefore essential that a planning policy guidance which promotes to decentralized energy is introduced. The forthcoming publication of new planning policy guidance on renewable energy and climate change will be crucial in setting the agenda for local authority planners. Friends of the Earth is part of a coalition of 30 organizations who have come together to propose a set of recommendations which acknowledge the scale of

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<sup>11</sup> Qualitative issues in the design of the GB feed-in tariffs, Poyry and Element Energy, June 2009

action required by local authorities required in mitigating and adapting to climate change - [http://www.tcpa.org.uk/data/files/pccc\\_position\\_statement.pdf](http://www.tcpa.org.uk/data/files/pccc_position_statement.pdf)

Friends of the Earth believes that LAs must play a much more pro-active role in expanding decentralised energy in that UK than just refusing or consenting permission – and many are keen to do so and the introduction of feed-in tariffs provides a potentially powerful mechanism. For example an LA could raise capital to install solar PV panels or a biomass CHP unit in its own housing stock then collect the generation and export tariff to pay back the capital and provide a return for local taxpayers to cross subsidize other services, which the tenants receive the benefit of lower energy bills.

This means LAs not just installing new technologies on their own estate but acting as promoters, catalysts and partners in encouraging and enabling local households, voluntary and community organizations and businesses to install onsite and co-operatively owned renewables energy schemes. Friends of the Earth is calling for LAs to develop local renewable energy opportunity maps and take action to exploit these opportunities through their local plans and policies.

It is important that local government play its role if national carbon budgets set under the Climate Change Act are to be met. To ensure that all local authorities take action Friends of the Earth is calling for a system of local carbon budgets (covering all relevant emissions generated within the LAs geographic area) to be introduced. For more information on our campaign for local authorities to “Get Serious About CO2” please visit: [www.foe.co.uk/campaigns/climate/get\\_serious/index.html](http://www.foe.co.uk/campaigns/climate/get_serious/index.html)

Please sign EDM 276 calling for a more ambitious feed-in tariff.

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