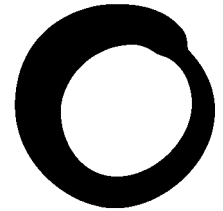


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**Friends of
the Earth**

Briefing

Feed-in tariff review set to wreck community solar energy

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The Government is controversially reviewing a successful scheme that provides financial incentives for new renewable electricity schemes.

Friends of the Earth fears that the proposed new support levels for the feed-in tariff scheme will lead to a reduction in green electricity investment at exactly the time when developing safe, clean energy – free from sudden price hikes – should be an urgent priority.

The environmental campaigning charity is calling on the Government to make the feed-in tariff scheme more ambitious, not less.

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- the world's most extensive environmental network, with around 2 million supporters across five continents and more than 76 national organisations worldwide
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Introduction

Feed-in tariffs (FITs) were introduced in April 2010 following a successful campaign by Friends of the Earth and the Renewable Energy Association.

The scheme guarantees a minimum payment for all the electricity generated by different renewable power schemes such as solar panels and wind turbines.

The payment scheme is currently available to small-scale green energy schemes up to 5 megawatts (MW) in size – equivalent to two onshore wind turbines.

The scheme encourages homes, businesses and communities to invest in the UK's huge green energy potential and helps the UK to reduce its reliance on fossil fuels and meet targets for tackling climate change.

Friends of the Earth says the scheme has been a success so far, but its ambition is too low. It is anticipated that only two per cent of the UK's 2020 electricity needs will be generated from household and community schemes supported by FITs.

In the Comprehensive Spending Review in October 2010, the Treasury capped FITs funding at £400 million, with a further 10 per cent cut planned for 2014-2015¹. The £400 million was based on delivering two per cent of the UK's 2020 electricity needs.

In February 2011, the Government announced two reviews of the FITs scheme: a comprehensive review of all feed-in tariffs (originally planned for 2013), and a 'fast-track' review of solar PV schemes generating over 50kW – prompted by Treasury concerns over the popularity of FITs – alongside a short study into small anaerobic digestion.

Friends of the Earth is urging the Government to get a grip on the urgent need to invest in the UK's green energy – and to make the feed-in tariff scheme more ambitious, not less.

We cannot rely on fossil fuels or nuclear power to meet our energy needs.

Why are feed-in tariffs being reviewed?

Shortly before the General Election both the Conservatives and Liberal Democrats promised to increase the scheme's ambition, subsequently pledging in the Coalition Agreement that *"We will encourage community-owned renewable energy schemes where local people benefit from the power produced. We will also allow communities that host renewable energy projects to keep the additional business rates they generate."* But, since then Government enthusiasm for the scheme appears to have cooled.

The justification for both FITs reviews, and particularly the fast-track review, is Government concerns that solar farms will use up all of the allocated funding for

1 http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

FITs, and that households will miss out on payments². But Friends of the Earth fears that this is a Trojan horse to disguise Treasury attempts to reduce solar payments for all projects bigger than 50kW.

The Government's Impact Assessment defines solar farms as projects above 250kW.³ Yet the proposed support rates for solar projects have been almost cut in half for schemes between 50kW and 150kW – the size of many proposed community-scale installations on schools, hospitals and housing estates.⁴

Most of the solar farm applications in planning (24 out of a total of 31) are in fact at the 5MW level.⁵

What impact could this have?

- The fast-track review consultation proposes to reduce FITs payments for solar schemes over 50kW – around 15-20 homes. This would prevent many planned and potential solar installations by businesses, councils, community groups and schools from going ahead.

For example, West Oxford Community Renewables recently installed solar PV on a secondary school which generates 100kW. Support for such schemes under the review would be almost cut in half.

Councils and housing associations around the country are looking at using income raised through community-scale solar PV projects to fund measures to cut energy waste in the homes of some of our poorest and most vulnerable people.

- The wider FITs review has cast uncertainty over tariff payments for all types of renewable electricity schemes over 50kW. This uncertainty has already put projects on hold, denting investor confidence in renewable energy, and putting jobs at risk.

Since April 2010, over 21,000 projects have been installed under the FITs scheme⁶ and over 7,000 new jobs have been created.⁷

- Limiting the scheme to mainly household projects will make green energy investment less cost-effective.

2 Chris Huhne said: "Large scale solar installations weren't anticipated under the FITs scheme we inherited and I'm concerned this could mean that money meant for people who want to produce their own green electricity has the potential to be directed towards large scale commercial solar projects."

3 http://www.decc.gov.uk/en/content/cms/news/pn11_010/pn11_010.aspx

4 <http://www.decc.gov.uk/assets/decc/Consultations/fits-review/1439-fits-review-small-scale-cons-ia.pdf>

5 From April 1st 2011 support for 10kw to 100kw would have been 32.9p/kWh, proposed support for 50kW to 150kW now 19p/kWh http://www.decc.gov.uk/en/content/cms/news/fits_wms_gb/fits_wms_gb.aspx

6 <http://www.decc.gov.uk/assets/decc/Consultations/fits-review/1439-fits-review-small-scale-cons-ia.pdf>

7 <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=15&refer=Sustainability/Environment/fits>

8 Renewable Energy Association survey <http://www.r-e-a.net/>

What is Friends of the Earth calling for?

The review goes further than the Government's own definition of solar farms of schemes over 250kW. Friends of the Earth believes that the solar farm threat is being used to attack the scheme as whole. It is urging the Government to only review what it says the problem is – large solar schemes over 500kW – and to triple the level of ambition for the scheme as whole to encourage greater take up of green energy.

Studies show that 30-40 per cent of the UK's total electricity could be provided by small-scale renewable energy sources by 2050.⁸ Household and community renewable energy can form part of a 100% renewably-powered economy. Germany's environment has said that Germany can have 100% renewable electricity by 2050; the UK can follow suit, with large-scale wind, wave, tidal and geothermal, alongside community electricity. The proposed cuts to FITs for community schemes threaten to slash investor confidence not just in small-scale projects, but in all UK renewable energy."

Friends of the Earth is calling on the Government to show its commitment to feed-in tariffs to boost investor confidence in the UK's renewable energy sector by:

- **lifting the Treasury's £400 million financial cap on the FITs scheme**
- **increasing the ambition of the FITs scheme by trebling targets for powering our homes and communities with green electricity**
This is equivalent to the electricity generated by the giant Drax coal-fired power station.

Developing renewable energy in the UK – coupled with increased investment in energy efficiency – are essential if the UK is to meet its targets to cut greenhouse gas emissions, secure clean and safe future energy supplies, and boost the economy by creating new green jobs.