

# **Feed-In Tariffs Scheme: Common Weal Consultation Response**

**Gordon Morgan**  
13 September 2018

**COMMON WEAL POLICY**

---



**COMMON WEAL** is a non-profit “think-and-do tank” based in Glasgow which campaigns for greater social and economic equality, environmental sustainability, democratic participation and a higher quality of life based on an “All of Us First” approach. It was founded in 2014 and has since produced high quality, research-based policy proposals across a broad range of topics such as housing, energy, finance, social security and local democracy.

For more information on Common Weal Policy visit [allofusfirst.org/policy](http://allofusfirst.org/policy) or email [craig@common.scot](mailto:craig@common.scot)



# Author

**Gordon Morgan** is an independent campaigner and researcher and has led research on energy policy for Common Weal since 2014.

## Foreword

*The Department for Business, Energy and Industrial Strategy has undertaken a consultation on the UK government's proposal to close the Feed-In Tariffs (FIT) scheme on 31st March 2019. The FIT scheme was introduced in 2010 and provides subsidies to encourage the deployment of small-scale, low-carbon electricity generation installations. This paper forms Common Weal's response to the consultation and argues that the scheme must be retained.*

*Common Weal believes that the installation of solar panels should be encouraged for all suitable new domestic buildings and the FIT scheme has played an important role in this regard. Closure of the scheme will reduce the take up of solar energy, undermining efforts to reduce energy demand and cut carbon emissions. Moreover, the proposal could lead to job losses and make it harder for the UK to maintain a viable domestic solar deployment industry.*

*Instead, Common Weal's urges the UK Government to retain the FIT schemes for a further five years and proposes measures which can be taken to improve it. As we strongly disagree with the proposal to end the scheme, our response only addresses the first question in the government's consultation paper. The other questions which relate to the process for closing the scheme are included here for reference.*

# Response to question 1

## Q1. DO YOU AGREE OR DISAGREE WITH THE PROPOSAL TO END THE EXPORT TARIFF ALONGSIDE THE GENERATION TARIFF, WHICH WOULD CLOSE THE SCHEME IN FULL TO NEW APPLICATIONS AFTER 31 MARCH 2019?

### PLEASE PROVIDE EVIDENCE TO SUPPORT YOUR REASONING; FOR EXAMPLE, AROUND THE IMPACT ON JOBS, DEPLOYMENT, CONSUMER BILLS AND THE SUPPLY CHAIN.

**Common Weal** strongly disagrees with the proposal to end both the export tariff and the generation tariff on 31st March 2019.

This proposal will:

- Further harm the take up of Solar Energy in particular in homes
- Damage employment, possibly irrevocably, in the Solar industry which employs 5,000 at least
- Cut the slow progress in carbon emission reduction, particularly in England
- Increase the likelihood of the UK not meeting its legally binding carbon emissions budgets, in particular Budget 4 to cut emissions by 51% by 2025
- Not significantly cut household energy costs by 2025. The Department's own Impact Assessment estimate is £1 per household per year between 2019 and 2030.<sup>1</sup>

According to the Committee on Climate Change (CCC)<sup>2</sup>, investment in renewables fell by 56% in 2016/17 and only 90MW of renewable generation was deployed under the FIT scheme. Moreover, the carbon emissions from buildings went up 1% in the same period.

One of the main beneficiaries of FITs has been Solar panels in homes and small businesses. According to the Impact Assessment this, i.e. solar less than 10KW capacity, accounts for 63% of all solar deployed. Clearly most of this energy is used in the home and encouraging households and social landlords to install solar panels reduces the load on the grid and indirectly reduces the carbon footprint of households. Removing the FIT scheme reduces the IRR for this type of scheme from 5.5% to 7.5% to less than 1% to 2.5%. Given the cost of borrowing for domestic consumers of around 4% to 5% this means NO domestic solar panels

will be viable. Yet this with marginal support for both solar and battery or heat storage could dramatically transform the requirements for domestic power.

Common Weal believes Solar Panels should be encouraged in all suitable new domestic dwellings and has made this view known to the Scottish Government.<sup>3</sup>

The Impact Assessment puts the lost generation capacity at between 159MW in 2019 rising to 202MW in 2024 from Solar alone. The Government has no plans to ensure a viable domestic solar deployment industry. Instead it is cutting the only scheme which has worked. So much for evidence based policies. Even the CCC describes Solar along with onshore wind as "the cheapest generation options". Yet ending FITs will close one of the few remaining routes to market.

The lack of FITs will allow CO2 which would otherwise have been abated to continue to be emitted into the atmosphere. This carbon cost is given as £372M to 2030. Given the legally binding carbon budget, this cannot be good for compliance.

Moreover, the Government has reduced enforcement of new homes energy standards and now must retrofit existing homes to meet energy standard C and higher standards by 2050. The cost of this will far exceed the costs of fitting solar panels or district heating schemes under the FIT schemes.

In summary we see no evidence of alternative proposals from the Government which will:

- Maintain a domestic solar industry
- Encourage district heating schemes
- Ensure high building energy efficiency standards
- Ensure Carbon Budget 4 is met by 2025.

<sup>1</sup> "Consultation on the Feed-In Tariffs Scheme – Impact Assessment", July 2018, available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/727193/IA\\_for\\_FITs\\_closure.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727193/IA_for_FITs_closure.pdf)

<sup>2</sup> Committee on Climate Change, "Reducing UK emissions – 2018 Progress Report to Parliament", June 2018, available at: <https://www.theccc.org.uk/publication/reducing-uk-emissions-2018-progress-report-to-parliament/>

<sup>3</sup> K Baker, G Morgan, R Mould, G Wood, I Wright, "Public Energy Company: Common Weal consultation response", September 2018, available at: <http://www.allofusfirst.org/library/public-energy-company-common-weal-consultation-response/>

For these reasons Common Weal opposes the implementation of the proposal to end the Feed-In generation tariff on 31st March 2019 and the proposal to end the export tariff on the same date.

Common Weal urges the Government:

- To retain the FIT schemes for a further 5 years
- To extend the budget limits to permit schemes currently “in the queue” which can presumably be implemented quickly to be authorised and to permit new schemes to be added

- To review the regulations regarding the FIT rates if necessary to ensure both viability at a borrowable IRR by individuals and communities and prudence regarding long term, i.e. post 2025, costs onto the wider electricity consumer
- To follow the course of action advocated by the CCC regarding solar and onshore wind which they estimate will be 25% cheaper by the 2020's.

In light of our opposition to the implementation of the proposal, Common Weal will make no comment on the other questions in the consultation.

## Other Questions

**Q2. DO YOU AGREE OR DISAGREE WITH THE ADMINISTRATIVE CLOSURE AND EXCEPTION ARRANGEMENTS? PLEASE EXPLAIN YOUR REASONING.**

**Q3. DO YOU AGREE OR DISAGREE WITH THE PROPOSAL TO LEVELISE NET METERED EXPORT PAYMENTS? PLEASE EXPLAIN YOUR REASONING.**

**Q4. DO YOU AGREE OR DISAGREE WITH THE USE OF THE AVERAGE TIME-WEIGHTED SYSTEM SELL PRICE TO DETERMINE THE VALUE OF METERED EXPORT TO FIT LICENSEES? PLEASE EXPLAIN YOUR REASONING.**

**Q5. DO YOU AGREE OR DISAGREE WITH THE PROPOSED CALCULATION OFGEM WOULD USE TO MAKE THE NECESSARY ADJUSTMENTS TO QUARTERLY AND ANNUAL LEVELISATION PAYMENTS? PLEASE EXPLAIN YOUR REASONING. QUESTIONS ON REPLACEMENT OF GENERATING PLANT**

**Q6. WHAT WOULD YOU EXPECT THE LIKELY REPLACEMENT RATE FOR GENERATING PLANT TO BE, FOR EACH FIT SUPPORTED TECHNOLOGY, IF THE RULES WERE CHANGED TO ALLOW UNLIMITED REPLACEMENTS? TO WHAT EXTENT WOULD LOAD FACTORS CHANGE? PLEASE PROVIDE EVIDENCE.**

**Q7. WHAT WOULD THE IMPACT BE OF NOT ALLOWING REPLACEMENT OF GENERATING PLANT? PLEASE PROVIDE EVIDENCE.**

**Q8. HOW CAN GOVERNMENT ENSURE THAT ANY BUDGETARY IMPACT FROM ALLOWING THE UNLIMITED REPLACEMENT OF PLANT CAN BE CONTROLLED IN AN ADMINISTRATIVELY PRACTICAL MANNER?**



[www.allofusfirst.org](http://www.allofusfirst.org)

[craig@common.scot](mailto:craig@common.scot)

3rd Floor, 111 Union St,  
Glasgow, G1 3TA

**COMMON WEAL POLICY**

---

