

# The benefits of microgeneration and the Feed-in Tariff: evidence from the south west

## Foreword from Merlin Hyman, chief executive of Regen SW

*“I want Britain to adopt microgeneration: small providers, including homes and businesses, producing energy for their own use, using a variety of methods from CHP to wind to photovoltaic power”*

David Cameron, “Power to the People”, 2007

In 2009, there was a rare degree of agreement between all political parties on a revolutionary approach to how we power our lives: agreement that the challenges of energy security and climate change meant a shift was needed away from large scale fossil fuel power stations. Instead, energy would increasingly be generated by decentralised local and community energy technologies. Power was to be put in the hands of the people.

This radical policy was perhaps best articulated by the Conservative 2007 policy paper “Power to the People” written by Greg Barker with a foreword by David Cameron. Liberal Democrats were equally fervent in their support.

The Feed-in Tariff was duly introduced by Ed Miliband in April 2010 as the primary mechanism to invest in this revolution. With cross party agreement and long-term, simple and clear policy in place that business could plan against, the future looked bright for microgeneration.

Less than two year later as the solar industry faces another round of boom and bust the obvious question is, what went wrong?

Undoubtedly two factors have contributed. Firstly, the challenging economic situation led to the imposition of a fixed budget by the Treasury undermining the Feed-in Tariff policy. Secondly, the system was unable to adapt tariff levels clearly and quickly in response to rapid falls in the prices of solar modules.

However, the response to these problems has made clear that the political consensus underpinning the policy has also broken down. At a time of pressure on customer bills solar technology in particular has been criticised for being too expensive and putting up customer bills.

This report looks at the evidence on the benefits that the first steps in the microgeneration revolution have brought - using the south west of England as an example.

It is early days, but already it is clear that the opportunity to generate local energy has delivered the flowering of community groups, local business investing in new skills and new jobs and energy savings that ‘Power to the People’ predicted.

The case for decentralising energy remains as strong now during these challenging economic times as ever. What is now needed is to rebuild the political consensus behind this radical approach to energy and put in place a stable policy framework to invest in microgeneration.

## 1. Executive Summary

Regen SW is a leading centre of sustainable energy expertise and pioneering project delivery. We enable business, local authorities, community groups and other organisations to deliver renewable energy and energy efficiency and build a prosperous low-carbon economy. Regen SW has over 180 members, from installers to manufacturers, consultancies and local authorities.

This report draws on Regen SW's knowledge base and links to the industry and stakeholders in the south west to look at the evidence of the benefits that microgeneration, supported by the Feed-in Tariff, has brought to date.

The levels of renewable energy being installed under the Feed-in Tariff are significant in the south west. The Tariff has been successful in engaging a much broader community of entrepreneurs, businesses, landowners, local authorities and housing providers and public in generating power.

There is early evidence that engagement in generating power has also created greater awareness of the value of energy and that those installing microgeneration are also taking energy efficiency measures.

The interest in microgeneration has created a large investment in new businesses, jobs, skills and training with over 2,000 people employed in the solar sector in the south west and significant investment from colleges in new courses and facilities.

Perhaps the most unexpected impact of the Feed-in Tariff is the extraordinary increase in the number of communities interested in taking control of their own energy use. Community energy groups have sprung up – many with sophisticated models and plans to retain the expenditure going into energy within the community.

The cuts in the Feed-in Tariff have sent a message that the government is no longer committed to the shift to decentralised energy. We need the government to put the microgeneration revolution back on track.

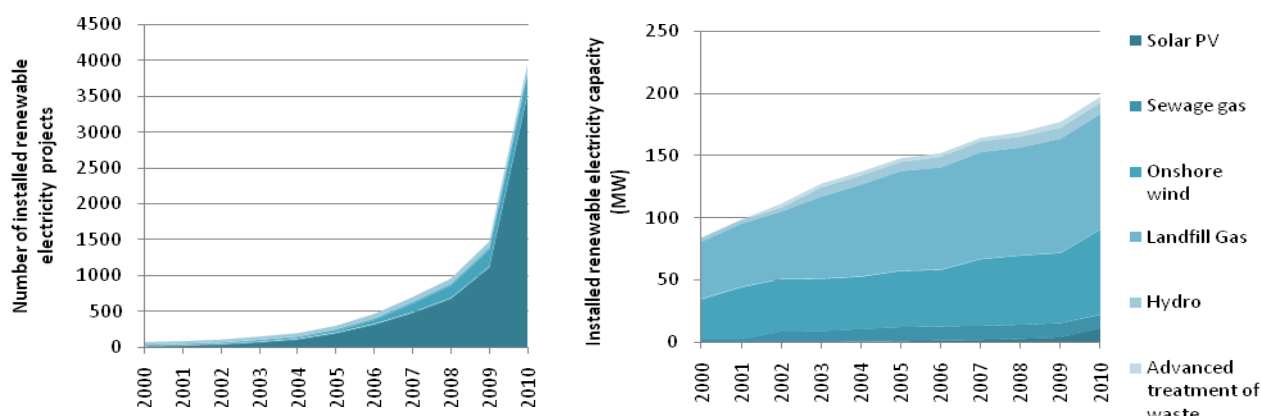
### Recommendations:

- Provide clear political backing and a transparent long-term approach to support for microgeneration, across all technologies
- Replace the fixed cap on the cost of the Feed-in Tariff with a transparent policy that reduces tariffs in line with price falls, to protect public expenditure whilst giving the clarity needed for the industry to invest.
- Keep the introduction of energy efficiency requirements to the Feed-in Tariff scheme simple and flexible
- Introduce a premium Feed-in Tariff for community energy projects.

## 2. Renewable energy installation progress to date in the south west

Renewable electricity in the south west has seen slow growth up until 2009, with planning disputes besetting wind turbine applications and progress for other technologies remaining at a relatively low level. The graphs below are from Regen SW’s 2011 Progress Report<sup>1</sup>. They show that in 2010 solar PV added the largest number of projects of any renewable electricity technology in the south west and made a significant contribution to the total installed capacity.

**Fig 1. Growth of renewable energy installations in the south west**



### Solar PV

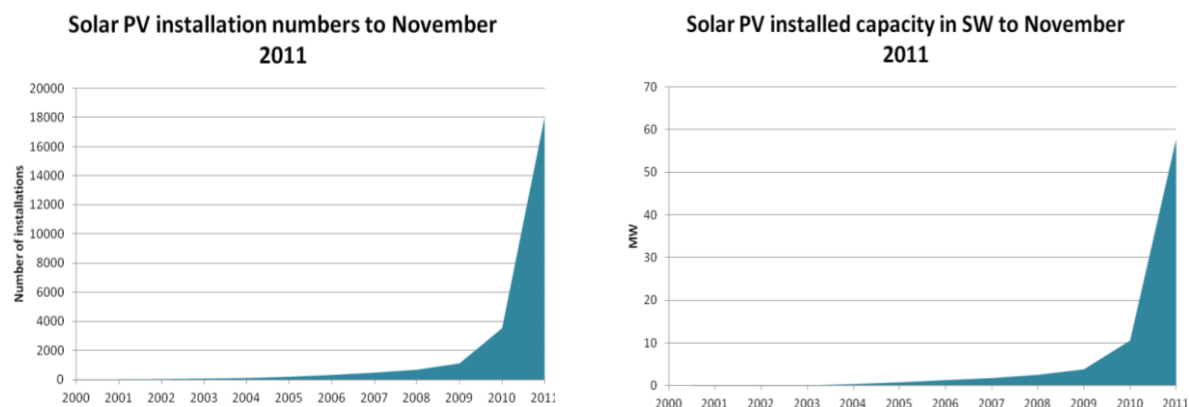
Solar PV has been the major winner from the Feed-in Tariff in the south west with over 98% of installations by number and 94% by installed capacity according to the online FiT register.

Using the online FiT register, Regen SW has added solar PV installations registered with the FiT to its pre-existing database of projects. The increase in the number of projects and the installed capacity as a result of the Feed-in Tariff announcement in 2009 and introduction in 2010 is dramatic. By the end of 2010, there were just under 4,000 renewable electricity installations in the south west, totalling 200MW for all technologies. According to the online FiT register and Regen SW’s database there are now over 18,000 solar PV installations in the south west, contributing 58MW of installed capacity. This represents a significant addition to the total installed capacity in the south west – adding up to over a quarter of the south west’s total renewable electricity installed capacity in 2010. 58MW of solar PV could provide the equivalent electricity to power over 10,000 homes in the south west.

In addition, these figures do not take into account projects not yet on Ofgem’s online register – there are around 20 large-scale solar parks in the south west that were installed in 2011 that do not appear as yet on the register.

<sup>1</sup> <http://www.regensw.co.uk/projects/support-for-decision-makers/annual-survey>

**Fig 2. Growth of renewable energy installations in the south west**



The widespread uptake of solar PV is serving to bring a wide range of people into the sustainable energy revolution. Businesses, householders, community groups, local authorities, housing associations and their tenants, and landowners have all installed renewable energy due to the Feed-in Tariff. The Feed-in Tariff has enabled a broad spectrum of society to claim ownership for the energy that they use and to play a part in a decentralised network. Even those that have not installed systems on their own properties have become engaged in the debate through the increased visibility of installations, leading to increasing public acceptance of the need for and impacts of renewable energy.

### Other microgeneration technologies

Other microgeneration technologies have not seen the same boost in numbers or capacity as a result of the Feed-in Tariff. This can be largely attributed to other barriers impeding their installation; whereas solar PV installations have largely been hindered in the past only by their cost, other technologies either remain prohibitively expensive or are subject to other barriers such as planning constraints. For example, the demand for small wind turbines has increased, with 219 FiT registered projects installed in the south west since the start of the scheme, but growth has been slow due to the need to gain planning permission and the smaller number of suitable sites compared to solar PV.

The Feed-in Tariffs for anaerobic digestion, hydropower, micro CHP and wind need to be maintained at the current level and the other barriers to deployment for these technologies need to be addressed if we are to see greater take up of these technologies, and resulting cost reductions in their installation.

**Table 1. Installations in the south west registered on the FiT register from 01 April 2010 to 04 November 2011**

Technology	Domestic Installations	Domestic Installations Installed Capacity (MW)	Commercial Installations	Commercial Installations Installed Capacity (MW)	Industrial Installations	Industrial Installations Installed Capacity (MW)	Community Installations	Community Installations Installed Capacity (MW)	Total Installations	Total Installed Capacity (MW)
Anaerobic digestion	0	0.000	1	1.100	0	0.000	0	0.000	1	1.100
Hydro	40	0.463	4	0.039	1	0.032	4	0.029	49	0.563
Micro CHP	33	0.033	0	0.000	0	0.000	0	0.000	33	0.033
Photovoltaic	17428	52.054	186	2.959	14	0.196	104	0.660	17732	55.869
Wind	175	1.117	27	0.333	1	0.030	16	0.146	219	1.626
Total Installed Capacity (MW)		53.667		4.431		0.258		0.835		59.190
Total Installations	17676		218		16		124		18034	

## Conclusion

If a shift towards decentralised energy is to be achieved, it needs the widespread support of the public. The Feed-in Tariff has proved an effective means to raise awareness and acceptance of renewable energy as well as incentivising significant new generation capacity.

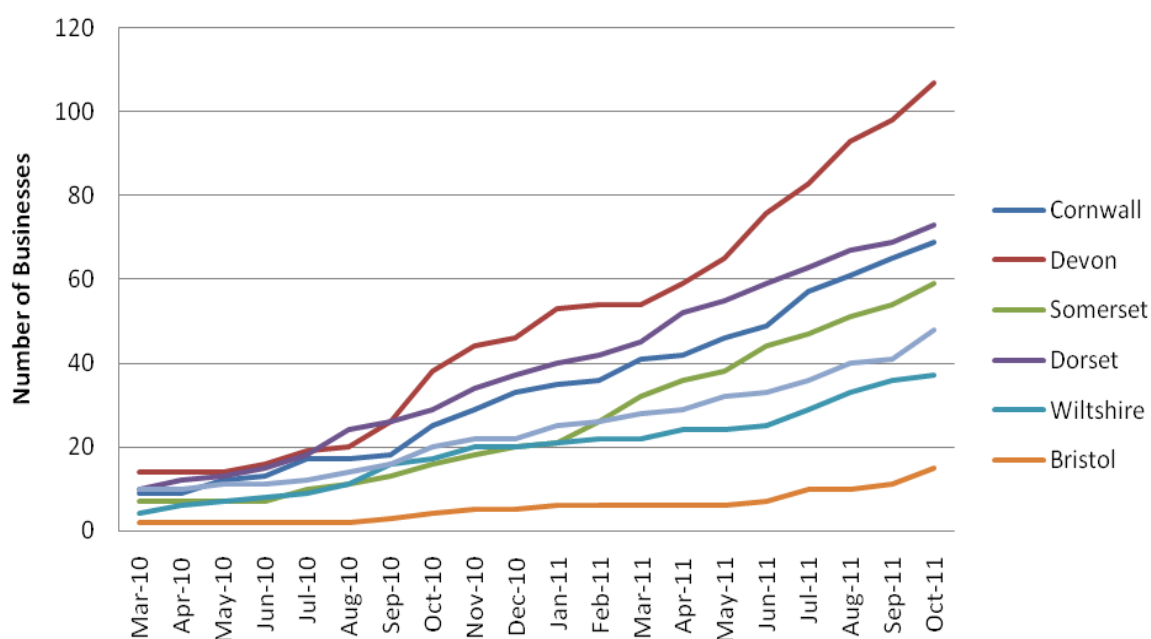
### 3. Economic benefits of microgeneration

#### Jobs

The expansion of the microgeneration sector has brought significant economic benefits to the south west. Over 2,300 people are now estimated to be employed in the south west in companies installing solar PV, with an estimated 1,330 installers. The annual tax and national insurance income from the installers alone in the south west is estimated as over £8.5 million with an additional £1million in pension contributions<sup>2</sup>.

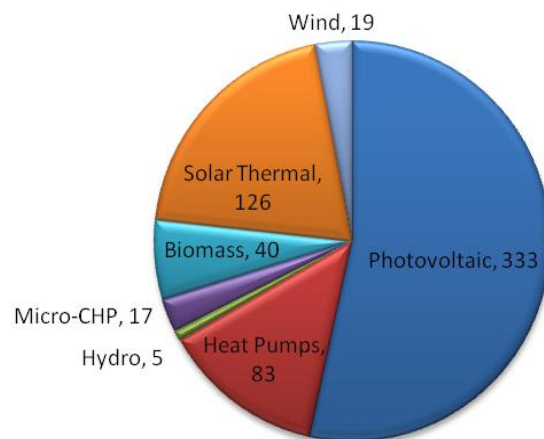
333 companies are Microgeneration Certification Scheme (MCS) registered for solar PV in the south west (as of 1<sup>st</sup> Nov 2011), compared with 35 companies in March 2010. The figures below indicate the growth in MCS registered businesses within the south west region (Cornwall, Devon, Somerset, Dorset, Wiltshire, Bristol/former Avon and Gloucestershire) and the split in numbers of businesses engaged by technology area.

**Fig 3. Growth of MCS registered businesses within south west England – all technologies**



<sup>2</sup> Based on an average installer salary of £28,000

**Fig 4. Number of MCS registered businesses in the south west, by technology**



The Feed-in Tariff has encouraged new companies to start up and existing companies working in related areas, such as electricians, to move into the sector. An example is Mole Valley Farmers, a large farmers cooperative that is supplying its members with renewable energy technology and trusted advice. These new entrants are bringing innovation and competition to the energy market.

**Source Renewable – short-listed for 2011 Green Energy Award for Best Installer**

In only 22 months, Source Renewable has developed from a one-man company operating from a spare room, to an 18-strong team that operates from a large industrial unit. In the past 12 months, Source Renewable’s exceptional business growth has been purely organic, with no borrowing needed to finance the expansion. In its first year of trading, Source Renewable installed 67 kW of renewable energy systems. In the current year, including jobs scheduled in two months ahead, this will rise to more than 1,000 kW.



### **SunGift Solar – Joint winner of 2011 Green Energy Award for Best Installer**

SunGift's business has grown dramatically since it started as a one-man operation in 2006. In 2010, it employed 15 people and by October 2011 this had more than tripled to 46. Many of those taken on are trained plumbers and electricians who were made redundant from the building trade. SunGift has given them valuable skills that will continue to benefit the economy. SunGift has installed more than 350 renewable energy installations in the past 12 months, more than double the number the previous year and totalling 1,600 kW of installed capacity.



### **Training**

Many people have retrained to gain skilled employment in the microgeneration sector, indicated by the growth in courses available within the further education colleges to meet skill transfer needs for the existing local workforce. To date seven south west England based colleges have invested considerable assets in opening new training suites and centres to take advantage of the required increase in skilled workers into the microgeneration sector. These include:

- South Devon College - £1.25m Regional Growth Fund bid secured for creation of new 'Energy Centre' specifically designed for increasing sustainable energy awareness and training in the south Devon area. Also hub college for the new National Skills Academy
- Bicton College - £1.5m ERDF funding secured to create new 'Earth Centre' for the training and promotion of microgeneration technologies
- Somerset College of Technology (SCAT) - £500k invested in the zero carbon 'Genesis Centre' for training and promotion of microgeneration technologies in the built sector
- Weston College - £2m secured for development of low carbon training centre alongside mainstream building services skills. Also hub college for new National Skills Academy
- City of Bristol College - £1.25m Regional Growth Fund bid secured to raise level of green skills training available in the Bristol area to meet 'Sustainable City – Bristol' targets in partnership with 3 other further education colleges
- Filton College – New 'Energy skills' centre developed to include microgeneration courses for existing building sector employees

**South Devon College – short-listed for 2011 Green Energy Award for Most Proactive Public Sector Body**

South Devon College in Torbay launched Phase 1 of its Energy Centre on 10 May 2011. The Centre forms a hub to meet the growing demand for high quality accredited training in renewable energy and sustainable building. Combining this with raising awareness amongst business and domestic consumers, Phase 2 of the Energy Centre, which is planned to open in Autumn 2012 with support from the Regional Growth Fund, will fuel the cornerstone of an economic recovery in Torbay and South Devon. It will drive demand and ensure manufacturers, suppliers and installers have the skilled workforce needed, directly leading to the creation of 407 private sector jobs.

In its first few months, the Energy Centre has already trained over 50 people in renewable technologies installation. In 2011/2012, the Energy Centre plans to train over 500 more people in an ever-expanding renewable technology curriculum. Learner numbers created by the project are projected to grow to 1500 per year by the fourth year of the project with over 10,000 learners being re-skilled and up-skilled over the first 10 years.



**Conclusion**

At a time of job losses and rising unemployment the Feed-in Tariff has undoubtedly enabled the emergence of a microgeneration sector that provides significant and much needed skilled jobs.

Of course, any investment of public money in infrastructure will produce jobs and ministers have argued that microgeneration is an expensive way of boosting the economy with little export potential.

It is too early for a full assessment of the cost in public investment for each job created by microgeneration or how long lasting these are compared to those relating from other public spending. However, at a time when the government is looking to invest in infrastructure to boost growth its clear from the evidence that microgeneration provides significant and welcome skilled local jobs.

#### 4. Reaching for grid parity for microgeneration technologies

The government has pointed out that even at the proposed new levels of 21p kWh for domestic installations, solar remains one of the most expensive renewable energy technologies to subsidise.

So a key question is whether public investment will help put microgeneration on a path to grid parity where it is competitive with traditional forms of energy.

The evidence from the Feed-in Tariff scheme to date is that it has led to significant cost reductions for solar PV installations in the UK, with the government stating that solar PV installed costs have reduced by as much as 30%. Increased demand has increased the number of installers in the market, improving competition and driving down installation costs. This looks set to continue as the market matures.

Module costs have also reduced. However, Ernst and Young's June 2011 report on *The UK 50kW to 5MW solar PV market* found that current module prices in the UK were 30-35% above global prices. The analysis found that if the UK market remained consistent and stable, the UK prices would align with global module prices over a period of two years. The report also estimated that non-domestic, on-site installations could achieve grid parity with retail prices in the UK by 2020.

It is clear that the Feed-in Tariff has had a significant downward impact on solar prices in the UK by creating a robust and competitive UK market for assembly and installation – price falls are not just the result of drops in the global price of solar cells.

#### Conclusion

The Feed-in Tariff has played a key role in kick-starting cost reductions of solar PV in the UK as was predicted – indeed these falls have been much faster than expected both in terms of imported solar cells and local installation costs. The case that ongoing support for microgeneration will reduce UK costs further and put these technologies on course to achieve grid parity is now significantly more robust than when the Feed-in Tariff was introduced.

## 5. Community benefits from microgeneration projects

One of the most notable effects of the Feed-in Tariff has been the flowering of community energy projects with the potential to bring income and wider social benefits to community groups. There are 976 community energy groups currently registered from across the UK on the EnergyShare website. In the south west, to date around 30 communities have contacted Communities for Renewables, a programme co-run by Regen SW aimed at supporting communities to realise their sustainable energy ambitions.

A community energy project brings people together around a common goal, with notable impacts on community cohesiveness. Where community energy projects produce an income for the community there is a multiplier effect on community cohesion: with financial benefits from renewable projects supporting further community activities such as community facilities or events that bring the community together. Community energy also supports the government's localism agenda – it is about local people determining their own energy future.

### **Evidence of the multiplier effect from community energy projects**

The Institute for Public Policy Research (IPPR) *Green Streets, Strong Communities* (2011) report evaluated the impact of the British Gas Green Streets community energy challenge, examining the multiplier effects that a community energy project has within the local area. It found that there were a number of different ways in which community energy projects offer 'social returns on investment'. In particular, the report says: "the projects did bring important benefits for the communities beyond energy and money, including improved community cohesion and local engagement, and new partnerships between existing groups." Multiplier effects also extended beyond those involved directly with the project: people in the local area but not involved in the project were interviewed and it was found that among those that were aware of project, 46% had been inspired to take action on energy efficiency and renewable energy.

Non-domestic take up of the Feed-in Tariff has been relatively slow to date, with over 98% of installations registered as domestic in the south west on the online FIT register. Only 124 community projects have been registered for the Feed-in Tariff in the south west to date. The slow rate of uptake by community groups is in part attributable to the lengthier processes involved in setting up a community project, due to the multiple stakeholders involved. Many have, therefore, been particularly affected by the rapid cuts in the tariffs with projects painstakingly developed becoming unviable.

### **Conclusion**

No one predicted the level of interest from community groups in energy generation that the Feed-in Tariff has stimulated. These projects bring a whole range of benefits to a community, enhancing social cohesion and retaining value in the community and have the potential to play an important role in the development of decentralised energy. They have been particularly hard hit by the proposed changes to the Feed-in Tariff.

**Wadebridge Renewable Energy Network (WREN) – Winner of 2011 Green Energy Award for Best Community Initiative**

Wadebridge Renewable Energy Network (WREN) have set a target of providing 30% of the town's electricity from local renewable sources by 2015, through a range of renewable energy technologies as well as by reducing demand through energy efficiency and behavioural change. One strand of delivering on this target is through an extensive solar PV programme, including options for those with the capital to invest in installations on their own homes, as well as for those not able to afford such an investment but looking to get involved through a "rent-a-roof" scheme. The project aimed to put 1MW of solar panels on roofs across the town, equivalent to some 10% of current domestic consumption. Professor Stephen Frankel, chair of the Wadebridge Renewable Energy Network in Cornwall, said "we planned to install solar panels for free to local homes so benefits are retained in the area and contribute to our community fund. The cuts in the FIT mean our efforts to act upon government advice and encouragement have been for naught."



**Ladock and Grampound Road – Winner of 2010 Green Energy Award for Best Community Initiative**

Ladock and Grampound Road have installed 1 wind turbine, 12 PV projects, 5 solar thermal projects, 2 ground source heat pumps, 1 air source heat pump, 1 biomass pellet boiler and 1 biomass log burner in the community since January 2010.

The projects were funded through the Low Carbon Communities Challenge with the express intention of using revenues from the Feed-in Tariff and Renewable Heat Incentive to fund more installations and sustainable projects in the coming years. There is no doubt that the project has significantly raised awareness of what can be done to make homes, schools, village halls and pubs more energy self-sufficient and at least 3 farmers in this small rural community of 1500 people have since taken the plunge and put up wind turbines.



## 6. Wider social benefits from microgeneration

The Feed-in Tariff has led to a number of public sector organisations planning multiple installation programmes across their stock. In particular, schools, social housing and local authority properties across the south west were poised to take advantage of the FiT. These schemes have lengthy lead-in times due in part to the decision and procurement processes that public sector organisations have to go through.

Renewable energy installations on social housing have the potential to reduce fuel poverty through bill reductions, particularly if they are installed as part of a package alongside energy efficiency measures. For example, bill savings of around £200 per year per household were estimated by Alliance Homes for installations on their own stock (see box).

For schools, the benefits include income and bill reductions that can contribute to the financial future of the school, as well as the educational benefits for the pupils of seeing renewable energy in action. For local authorities, the key drivers for and benefits of multiple install programmes have been the opportunity to produce a sustainable income, reduce bills and play a leadership role on green issues. It is clear from the IPPR's *Green Streets, Strong Communities* that there are wider benefits from installations on buildings used or visible to the community. These projects raise awareness of the energy debate and can inspire individuals within the community to take action to reduce their energy demand through energy efficiency measures and behavioural change.

### **Dorset County Council Schools' Programme**

Dorset County Council Schools' Programme had planned a £1 million investment programme to deliver solar PV installations on 30 schools between December 2011 and March 2012. The PV panels would have provided free electricity to the schools, offered educational benefits to the school pupils, supported the local job environment and at the same time produced a small income return to the council. The announcement of the latest fast track review on solar PV has stopped the programme dead in its tracks as the business case spreadsheet indicates that the new tariffs would result in a net loss of £2000 per installation. There will be a knock-on effect, as it is now likely that there won't be sufficient confidence for the council to plan investments using other government schemes such as the Renewable Heat Incentive or the Green Deal.

A spokesperson for Dorset County Council commented: "We feel particularly aggrieved as Chris Huhne introduced legislation in August 2010 to grant powers to local authorities to sell renewable electricity to the grid. The minister said in an accompanying press release that local authorities could benefit from up to £100 million per year through sales of renewable electricity, based on the income from the Feed-in Tariff."

### **Alliance Homes – short-listed for 2011 Green Energy Award for Most Proactive Public Sector Body**

Alliance Homes is a community-based social enterprise providing a range of services, including social housing, within the West of England. Alliance Homes set up a procurement deal to purchase one million solar PV panels, enough for around 75,000 homes. 1,200 have or will be installed on its own properties, with the rest offered to the public sector on a first-come-first-served basis. Alliance Homes are free gifting with an open OJEU compliant framework to any other publicly funded organisation that wants to get involved. There's no charge for any of the information that has been produced. Alliance Homes are gifting everything they have done over the last 18 months to put together the due diligence and tender framework: the contracts, specifications, tenancy documents, leaflet – everything that they have produced – so that others can use it and engage with their own tenants to get the work done.

For the Alliance Homes tenants, it is estimated the panels will give them up to £200 of free electricity a year, which equates to four weeks free rent. The returns generated from the FiT will support Alliance Homes objectives to invest in further energy efficiency measures, helping to reduce tenants' energy bills. Participants in the open contract negotiated by Alliance Homes can likewise expect to reap such benefits.



### **Conclusion**

Microgeneration has the potential to be an important weapon to tackle fuel poverty, to reduce public sector bills and to support public bodies to achieve their carbon reduction goals, through mass roll out schemes by social housing providers and public sector organisations.

The potential for these schemes was not fully understood in the design of the scheme and the government needs to be clear in how it expects public bodies to work with the FiT, RHI, and Green Deal to play a proactive role in cutting energy costs for those in social housing, helping to tackle fuel poverty.

## 7. Changing attitudes and behaviours of consumers

The widespread installation of renewables has led to rising awareness of energy issues, engaging the population in the energy debate. Furthermore, those who have installed renewable electricity systems on their property report reduced energy consumption. Reducing demand for energy through behavioural change and energy efficiency measures is the most efficient way of cutting carbon emissions and the cost of energy and is vital if the UK is to meet its renewable energy target of 15% of energy from renewable sources by 2020.

There is evidence from Good Energy's *Feed-in Tariff Report October 2011* that installing renewable energy inspires households to take action on energy efficiency. As householders with renewable energy installations begin to understand and take note of their energy generation, they also become interested in their energy demand and in trying to balance the two. Nearly 55% of survey respondents claimed to have reduced their energy consumption since installing their renewable electricity system, with nearly one quarter of respondents cutting their consumption by more than 20%. 60% of respondents to Good Energy's survey of its microgenerators stated that since installing renewable energy on their property they had taken additional energy efficiency measures, including loft insulation, replacing household appliances with more energy-efficient alternatives and installing double glazing.

### Conclusion

The premise of the 'Power to the People' policy paper was that local people and organisations given control on generating energy could make intelligent decisions about its use. Early evidence suggests that the Feed-in Tariff has increased awareness of the value of energy and led to energy efficiency. It is important that revisions to the Feed-in Tariff do not overcomplicate the scheme and lose these benefits.

## 8. Recommendations

Based on these findings Regen SW makes the following recommendations in relation to the future of the Feed-in Tariff:

**a. Provide clear political backing and a transparent long-term approach to support for microgeneration, across all technologies**

Political consensus on the role of microgeneration needs to be restored enabling a long-term, transparent approach to support for the microgeneration market that allows consumers and businesses to plan for the future. Similarly, long-term stable support is needed to ensure investors have confidence in the UK market. Investor confidence is key to unlocking many renewable energy projects of all scales across the UK and vital if we are to meet our 2020 target.

The Feed-in Tariff was supposed to end the cycles of boom and bust caused in the past by grant funding rounds. For this to happen in reality, the scheme needs to be capable of being responsive to market changes, such as falling costs, but also for there to be clarity about how and when changes will be made. Changes to the Feed-in Tariff should be implemented as the result of a clear formula that can be understood by all. This will allow businesses to analyse the market themselves and understand when a change is on the horizon, for example, as the result of high installation rates or falling costs. The German model of degeneration is a good example of this type of transparent model working in practice.

**b. Replace the fixed cap on the cost of the Feed-in Tariff with a transparent policy that reduces tariffs in line with price falls, to protect public expenditure whilst giving the clarity needed for the industry to invest.**

There is broad agreement that substantial cuts in tariff levels should be made – many in industry have accepted the proposed levels in the current consultation are appropriate given public policy objectives. The price of solar panels and installations have fallen rapidly and the money to support them could now be spread out much further by making the Feed-in Tariff less generous. Cuts were expected from April 2012 and businesses had planned a strategy to cope with changes from April. It is the speed of the proposed changes that has come as a shattering blow to businesses that install PV and the individuals, communities and organisations looking to benefit from it. Businesses that have entered into contracts, taken on staff, or purchased stock have very little time to adjust. Major job losses are inevitable. We have already seen an announcement from Carillion, for example, of over 1,000 jobs at risk.

Instability in the FiT regime may impact on confidence in other government policies such as the Green Deal and the Renewable Heat Incentive – if the government can pull the rug out from one scheme, why not others. Businesses that invest in good faith on the basis of government schemes should have reasonable timescales to adapt to changes.

Similarly, a large number of community groups have invested considerable sums in planning renewable energy projects that are now not economically viable. The planned cuts represent a considerable financial loss to the community sector.

The Impact Assessment that accompanies the FiT consultation estimates that introducing the cuts in December 2011 rather than April 2012 will save less than £1 on the average consumer bill.

The 12 December deadline has led to a short term rush that was not helpful to building a sustainable solar industry. Whilst we strongly disagree with the approach that has been taken it is clear that simply reinstating the higher rates until April will not now achieve that aim. We urge the government to work together with the sector to overcome the current uncertainty and agree a clear, transparent way forward.

For this planned approach to be possible, the government needs to remove the fixed cap that has been placed on spend under the FiT regime and to replace this with a clear degression policy that limits the cost to the public in a more transparent manner.

**Jamie O’Nians, Managing Director of solar company Your Power**

“For Your Power the impact of the sudden cut to the tariffs is significant. It is difficult to see how we can continue to grow, create jobs and add value to local economy. Demand has grown hugely and turnover is six times higher than last year. At the beginning of the year we had a team of 5 and now we are a team of 40. As a result of the cuts we have lost around £0.5 million in investments and in the order of £10 million in orders have been cancelled, meaning that 60 new jobs have not been created. But the biggest losers from this reduction, apart from the Government’s credibility, are the environment and the consumer.”

**c. The introduction of energy efficiency requirements to the Feed-in Tariff scheme should be kept simple and flexible**

Regen SW supports the principle that energy demand reduction and energy efficiency measures should be prioritised prior to the installation of renewable energy. Introducing the energy efficiency requirements as currently proposed is expected to significantly reduce demand through the FiT. It is estimated that 86% of householders would have to spend an average of £5,600 to achieve EPC level C.

The Feed-in Tariff has been successful to date as a result of its simplicity of design. Furthermore, there is evidence from Good Energy, that microgenerators become interested in reducing their energy demand and installing energy efficiency measures as a result of installing renewable energy on their properties. This evidence demonstrates that the Feed-in Tariff has had a positive effect on energy demand reduction without the need for complicated energy efficiency requirements.

A key issue with introducing energy efficiency requirements is that this will favour large vertically integrated firms, rather than the current open marketplace that the FiT has created which has benefited all scales of installer firms. We recommend the energy efficiency requirement should be introduced alongside the start of the Green Deal so that they can be properly linked together.

Should the government wish to bring in a requirement now, Regen recommends that this is kept simple with a requirement for an MCS installer to certify at least one green deal energy efficiency measure has been done to the property – ensuring energy efficiency is considered and allowing householders to choose what works for them.

**d. Introduce a premium Feed-in Tariff for community energy projects**

There is clear evidence from the IPPR and from discussions with community groups that community energy projects have the potential to bring a wide range of benefits. However, community energy projects face greater barriers to development, including access to finance. Even with the potential for revenue income through the Feed-in Tariff, community projects struggle to raise the capital required to invest in a project.

A number of financing mechanisms are possible, including community share offers, private sector sponsorship or partnerships and bank loans. However, the lengthy decision processes involved in community projects mean that these are often perceived as risky and upfront capital can be difficult. The government has introduced a range of welcome measures to support community energy including tax advantages. An enhanced Community Feed-in Tariff would help to overcome the problem of upfront capital, as the higher returns would offset the higher risks involved.

In a new report for Regen by ClimateChangeMatters, it is recommended the simplest way of achieving this is through an exemption for community projects from the 20 per cent deduction for single ownership multiple installation (aggregated) schemes in relation to the PV FiT. This alone will not have sufficient impact to tackle the extra costs for communities, but would make an impact as part of a co-ordinated package of support.

**T** +44 (0) 1392 494 399  
**F** +44 (0) 1392 420111  
**E** [admin@regensw.co.uk](mailto:admin@regensw.co.uk)  
**W** [www.regensw.co.uk](http://www.regensw.co.uk)  
**t** @RegenSW

Regen SW  
The Innovation Centre  
Rennes Drive  
Exeter  
EX4 4RN