UK publishes new renewables strike prices

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By Kelvin Ross Deputy Editor

The UK government has today published subsidies for renewable energy generation from next year.
Strike prices are the minimum sum the government will pay power companies for electricity they generate and form part of the Electricity Market Reform, a package of measures designed to stimulate up to £110bn of investment in low carbon energy.
Draft strike prices for renewables were published in June, but today's figures are different – and lower – for some forms of generation.
Support for offshore wind stays at £155/MWh for next year and 2015/16, dropping to £150 in 2016/17 and £140 from 2017/18 onwards.
Onshore wind, however, is being cut by £5/MWh from June's figure of £100 to £95, and will fall again to £90 from 2017/18.
Other key strike prices published today include £155 MW/h for advanced conversion technologies (with or without CHP); £125 for dedicated biomass (with CHP); £105 for biomass conversion; £145 for geothermal; £120 for large scale solar; and £305 for both wave and tidal projects.
The difference between onshore and offshore wind reflects the maturity of the technology and investment so far for the former, and the need to drive further funding incentives into the latter. The UK also has far greater offshore potential than onshore, with some politicians believing that onshore has reached saturation point.
In July, Prime Minister David Cameron opened London Array (pictured), the biggest offshore wind farm in the world, which is off the east coast of England, and in August the second biggest was opened by Energy Minister Michael Fallon.
However, last month, RWE withdraw plans to go ahead and build the Atlantic Array wind farm off the southwest coast of England, citing "market conditions", which was taken to mean uncertainty over the government's level of renewable support.

The Conservative/Liberal Democrat coalition government will hope that today's strike prices for offshore will prevent a repeat of the shelving of a major project.

The government's deputy finance minister Danny Alexander told the BBC this morning that the strike prices "will unlock a big wave of investment, particularly in offshore renewables, where we think that with the very positive plans we're setting out today we can get about 10 gigawatts or more of capacity in offshore wind between now and 2020".

He said the subsidies for onshore wind and solar has been reduced from the June figure's "because we think that's the best way to get value for money".

Greenpeace policy director Doug Parr said that "given the increasing affordability of renewable energy sources, it's right ministers should now put emphasis on helping drive down the cost of offshore wind so that the UK can reap the rewards of new turbine factories and thousands of new jobs".

And Caroline Lucas, Green party MP, said: "Renewables now are showing that they can wash their own face – they can stand on their own two feet."

Nina Skorupska, chief executive of trade group the Renewable Energy Association, said that "today is a good news day for renewable electricity".

"The real reason that support for solar and onshore wind will go down is that they are leading the race for cost-competitiveness with fossil fuels. Government policy is working and bringing down costs. The important thing is that decisions are evidence-based, not purely political, and we need to see the methodology to assess that."

And she added "the real test for Electricity Market Reform is in the policy design – not just the headline support levels. There is more work to be done to ensure that EMR works for independent generators as well as the big utilities. Independent generators help drive competition and innovation, and can also help communities invest in their own local energy projects."

Two of the UK's biggest consultancies gave a lukewarm welcome to the strike prices and their perceived benefits.

Ronan O'Regan, head of renewables at PwC, said: "The adjustments that have been made to offshore wind, solar and onshore wind strike prices are not likely to be significant enough to affect the plans of developers, although the changes on terms and conditions are broadly welcome.

"Other challenges remain for developers, not least accessing the capital required to build the projects. In that respect, the pensions fund investments also announced today could play an important part." Ben Warren, head of environmental finance at EY, said the strike price announcements "send mixed signals about the UK government's commitment to investment in renewables".

"A closer look reveals that the devil really is in the detail. Not only will levels of support for all other forms of renewable investment will go down by 2018/19, but the positive news about offshore wind seems to be unfounded as the strike price is expected to only go up by £5."

He added: "At a time when developers, investors and industry have been asking for longer contracts to allow much needed renewables infrastructure to materialise, it remains to be seen what the impact of today's announcements will be on investment levels in the UK. At last, however, there is some clarity on pricing that should provide the market with confidence to continue to invest."