

A worst FiT solution

David Elliott, Open University; 2 February 2011

(Addendum to 'FiT for purpose?' SGR Newsletter no. 39)

My article in the latest Newsletter has now been overtaken by events – the government has proposed various types of 'Feed-In Tariffs' (FiTs) to replace the Renewable Obligation. Unfortunately they seem to favour something that's not really a FiT at all.

In a set of proposals for Electricity Market Reform, the government have proposed a form of Feed-In Tariff with variable market determined prices and possibly involving a contract auction/tendering process. That's not really a FiT. What we need is a proper fixed-price Feed-In Tariff, of the sort that has worked so well in Germany.

The old Non Fossil Fuel Obligation (NFFO) used a contract tendering process and led to lots of optimistic bids for renewable energy projects, many of which were then given to go ahead on the basis of price/capacity conflation. Tragically though, very few projects actually happened – developers often found they couldn't deliver at the price they had specified to win the contract.

As with the system that was eventually to replace the NFFO, the Renewables Obligation, the competitive mechanism in the NFFO also meant that only the most developed renewables got supported – sewage gas, landfill gas and then wind. And it could be the same with the proposed new 'auction contracts for difference' system – emerging options, such as wave and tidal stream, could be squeezed out. As Chris Huhne put it, there was the risk that “the contract arrangements exclude technologies that may in the long run actually perform a very useful role in providing low-carbon electricity.” So some other form of support might have to be offered.

It's good that the government has recognised, at long last, that the Renewables Obligation has problems, and is prepared to phase it out. That will cause disruption of course, but we have to make changes – the RO is an expensive way of subsidising a limited range of projects (the relatively high payments may be why some, who get projects supported under it, like it). But the government's new scheme also supports nuclear. If nuclear projects are eligible for support they could well squeeze out renewable projects. Indeed some even see that as the aim.¹

Certainly anti-nuclear Scotland won't want anything to do with it. Scottish First Minister, Alex Salmond, said “it could see support mechanisms for nuclear generation in England at the expense of renewable energy sources and CCS [carbon capture and storage] in Scotland.”

Reference

1. <http://realfeed-intariffs.blogspot.com/2010/12/uk-government-to-subsidise-nuclear.html>