REF
RENEWABLE ENERGY FOUNDATION

21 John Adam Street, London, WC2N 6JG
Tel: 020 7930 3636
Web: http://www.ref.org.uk

Press Release

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**Treasury Forces DECC to Cut Costs by Replacing Wind with Biomass**

The Renewable Energy Foundation[1] today welcomed DECC's announcement of cuts to overall renewables subsidies that will contain costs to the domestic consumers and the wider economy.

In a shock announcement Ed Davey has today made public sweeping changes to the Renewables Obligation subsidy system, including cuts to wind power subsidies and a major change of emphasis to encourage the use of biomass in converted coal power stations, which is one of the cheapest ways of generating green electricity.[2] The UK already has one such conversion, at Tilbury, thought to be the world's largest biomass generator.

Renewable Energy Foundation notes that the DECC's cost cuts are very close to those required in a leaked letter from Mr Osborne to Mr Davey which was made public over the last few days, where the Chancellor said that: "We need to set out an approach which puts the cost to consumers at its heart."[3]

Mr Osborne's letter made it clear that DECC was about to overspend its renewables support budget by £500 million in the year 2013/14. DECC's plans published today are aimed at preventing that overspend by switching emphasis to the use of biomass. DECC estimates that this shift, together with the rebanding of wind, could save £6 a year on domestic electricity bills in 2013, which, when savings to the industrial sector are included, will total about £480 million a year.[4]

Dr John Constable, director of REF, said: "This dramatic reorientation in favour of biomass is a welcome diversification of the wind-centric policy and should reduce costs to consumers."

Dr Constable continued: "There are genuine concerns about the sustainability of biomass feed-stocks, and the industry must deliver high standards in order to retain public confidence, but the potential for low cost, fully controllable, biomass electricity is large."

For further information contact REF: 020 7930 3636; research@ref.org.uk

**Notes for Editors**

1. The Renewable Energy Foundation (REF) is a charity registered in England and Wales (1107360) publishing information and analysis on the energy sector. REF is not in

receipt of state funding, has no political affiliation or corporate membership, and is not a trade lobby.

2. DECC's announcement is on http://www.decc.gov.uk/en/content/cms/news/pn12_086/pn12_086.aspx

3. http://www.guardian.co.uk/environment/2012/jul/24/victory-libdems-onshore-wind-subsidies?intcmp=122. For REF's comment see our Blog: http://www.ref.org.uk/ref-blog/267-decc-on-the-verge-of-breaching-treasury-spending-limits

4. £6 x 26m households = £160m approx. Domestic consumers use about 1/3 of all electricity, so industrial and commercial consumers will be saving about twice this amount (£320m), totaling about £480m.