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Press Release

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REF Calls for Renewables Subsidy Cuts to offset the "Carbon Price Support" Windfall

In yesterday's *Sunday Telegraph* it was revealed that wind power investors are expecting a 40% increase in subsidies to existing wind farms (and those built before 2017) due to the effects of the Carbon Price Support (sometimes called the Carbon Price Floor) that will be introduced in April.[1]

The Renewable Energy Foundation (REF)[2] has seen the leaked Barclays investor briefing reported by the *Sunday Telegraph*. This document predicts the effect of the Carbon Price Support will be to boost renewables subsidies by an extra £20/MWh within a matter of years. This is an increase of more than 40% on the index-linked subsidy under the Renewables Obligation which is currently about £45/MWh.

REF calculates that the **extra** subsidy paid to operational wind farms and those likely to be built before 2017, when the Renewables Obligation closes, will reach £1 billion a year around 2016/2017, with about half this going to onshore wind farms.

It is important to realise that onshore wind farms will receive a much larger proportional additional subsidy (up by 45%) than offshore (up by 22%). Thus the Carbon Price Support has had the unintended consequence of making onshore wind farms extremely attractive in the closing years of the Renewables Obligation as their subsidy will increase from £45/MWh to nearly £65/MWh. This is a long term increase since subsidies are guaranteed for twenty years from the date of construction of the generator.

REF estimates that this extra subsidy to all renewable generators built before 2017 will add a further £90 a year cost-of-living impact per household in 2020. This is in addition to the existing subsidies commitment predicted to cost households £300 a year in 2020. About 1/3 of that cost will appear directly in electricity bills, the rest hitting household budgets through the increased cost of goods and services.

There is now a clear, evidence-based case for retrospective reductions in the Renewables Obligation to offset the increase in subsidy via the wholesale price caused by the Carbon Price Support.

Dr John Constable, director of REF, said:

"These leaked documents show that investors are set to reap a major subsidy windfall on top of subsidies that are already thought to be excessive. As a matter of priority the Prime Minister and the Chancellor must step in to protect the consumer by making retrospective reductions in the Renewables Obligation to offset the effects of the Carbon Price Support tax."

For further information contact the REF office (0207 637 4847), or John Constable (07867 592 085), john.constable@ref.org.uk.

Notes for Editors

1. The Carbon Price Support or Carbon Price Floor is described in this House of Commons Library briefing: http://www.parliament.uk/briefing-papers/SN05927
2. The Renewable Energy Foundation is a UK charity publishing data on the energy sector. It has no political affiliation and does not represent any industrial sector. See www.ref.org.uk.