

# LCCC's Experience with Contracts for Difference

19 August 2021

**Neil McDermott**

CEO, Low Carbon Contracts Company

[lowcarboncontracts.uk](https://lowcarboncontracts.uk)

# Agenda

1. Introduction to LCCC
2. The story of the CFD and growth in CFD capacity
3. Investor appetite for the CFD
4. The Future of the CFD



# Introduction to Low Carbon Contracts Company

**Independent, non-profit, private limited companies owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS)**

**Created as a part of the Electricity Market Reform**

**Our Vision...**  
“...to accelerate the delivery of Net Zero”

**Our Mission...**  
to shape and implement schemes which enable low-carbon investment at least cost to the consumer

**LCCC's Guiding Principle...**  
Is to **maintain investor confidence** in the CfD scheme and **minimise costs to consumers**

## **Our current roles:**

- ‘CfD Counterparty’ to Contracts for Difference (CfD) for low carbon electricity generation (LCCC)
- ‘Settlement Body’ for the CFD scheme

## **Potential new counterparty & settlement body roles:**

- **Power Sector: Carbon Capture, Usage & Storage Dispatchable Power Agreement**
- **Industrial Sector: Industrial Carbon Capture, Utilisation & Storage Contract for Difference**

# The story of the CFD and growth in CFD capacity

- Allocation Rounds
- Our CFD Portfolio
- Growth of offshore wind
- Price reduction





# Allocation Rounds

## Pots used for grouping technologies:

- Pot 1 – Mature technologies e.g. onshore wind, solar
- Pot 2 – emerging technologies e.g. remote island wind, floating offshore wind, advanced conversion technologies
- Pot 3 – fixed bottom offshore wind

## Allocation Round History & Timing

- |                         |                      |
|-------------------------|----------------------|
| • 2014 – FIDER          | Administered         |
| • 2015 – AR1            | Pot 1 & 2 auctions   |
| • 2016 – HPCs           | Administered         |
| • 2017 – AR2            | Pot 2 auction        |
| • 2019 – AR3            | Pot 2 auction        |
| • 2021 (Expected) – AR4 | Pot 1, 2 & 3 Auction |

# Our CFD portfolio

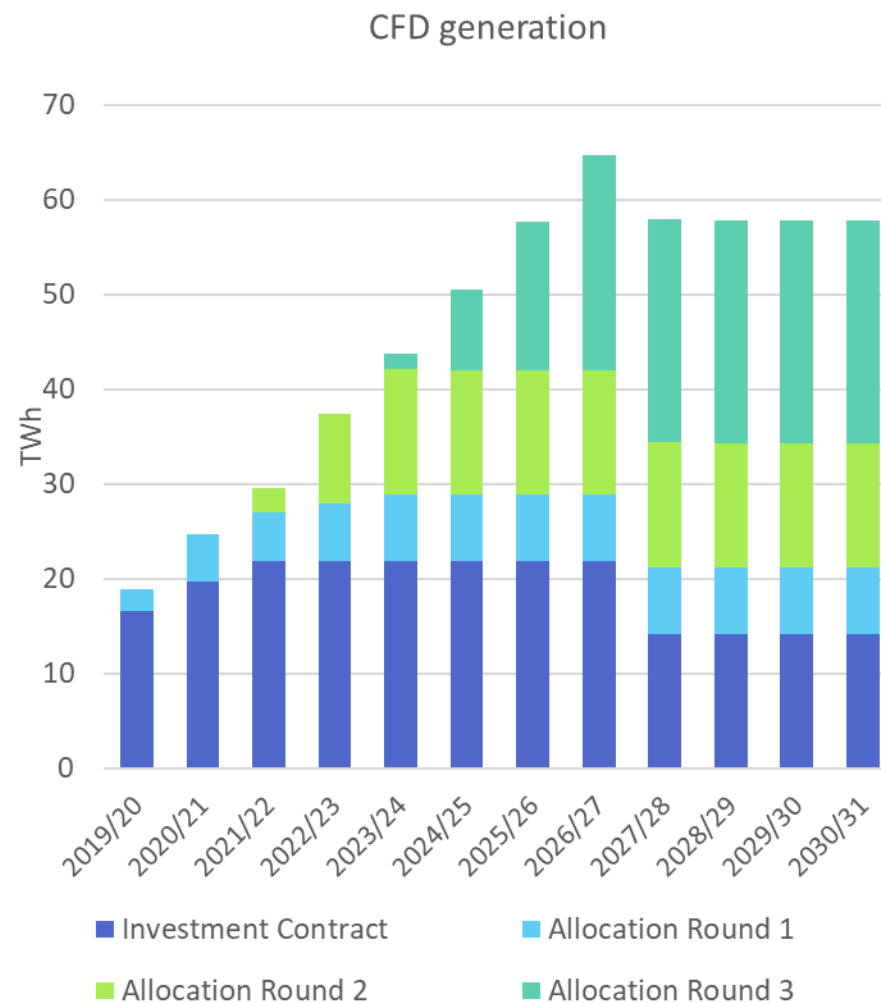
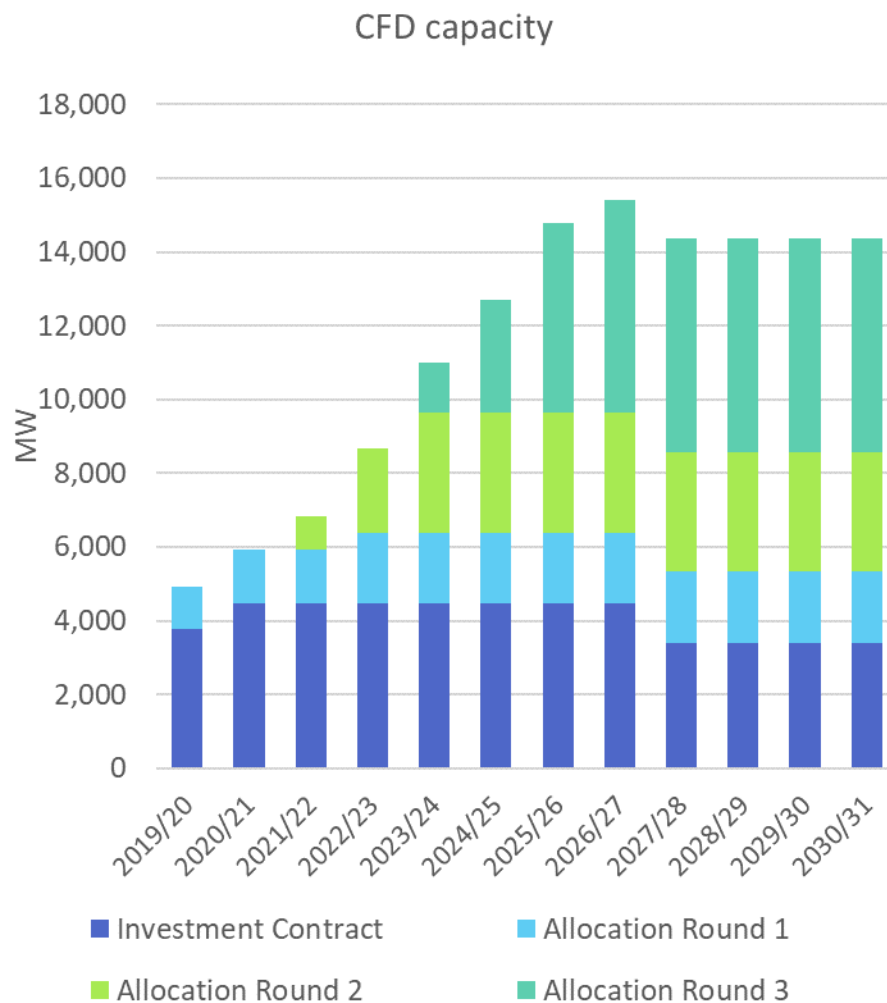
- **CFDs expected to power 22 million homes by the mid-2020s**

## Current technology breakdown

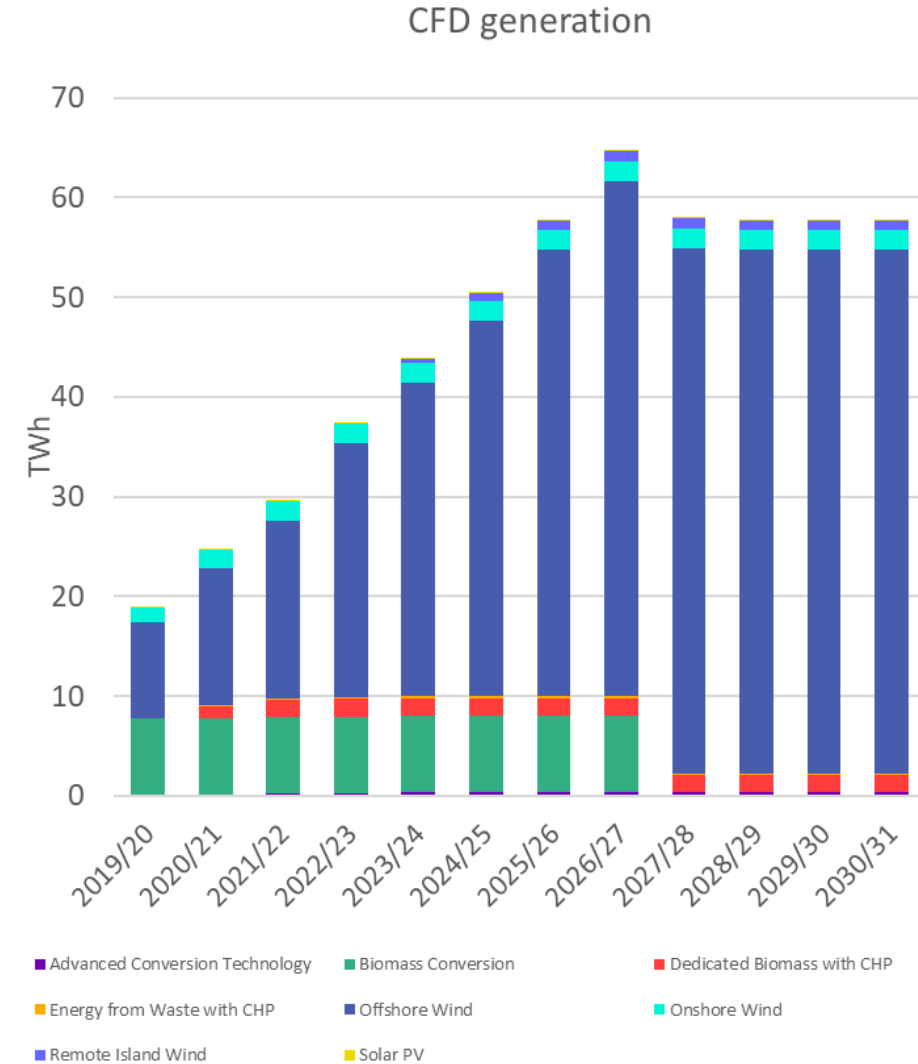
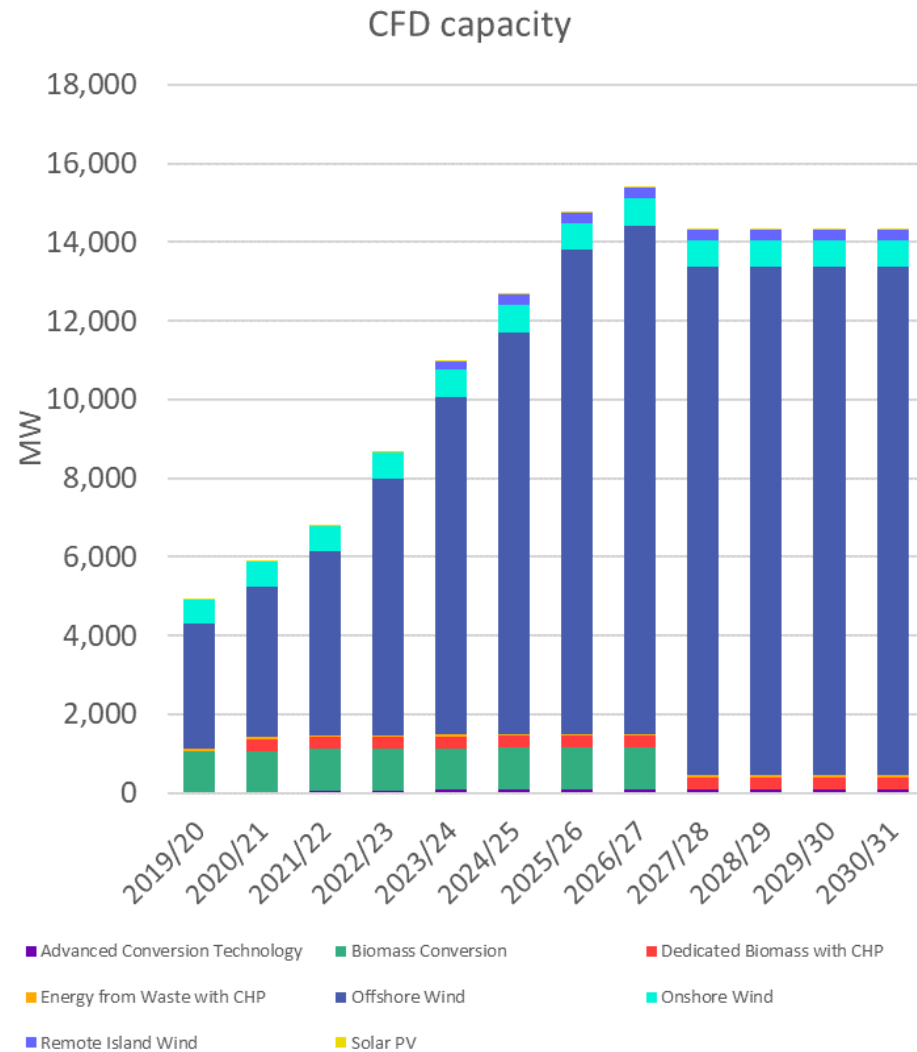
- 40 x Offshore Wind
- 15 x Onshore Wind
- 4 x Advanced Conversion Technology
- 4 x Remote Island Wind
- 2 x Biomass Conversion
- 1 x Dedicated Biomass with CHP
- 2 x Solar PV
- 1 x Energy from Waste with CHP
- 1 x Nuclear



# Our CFD Portfolio

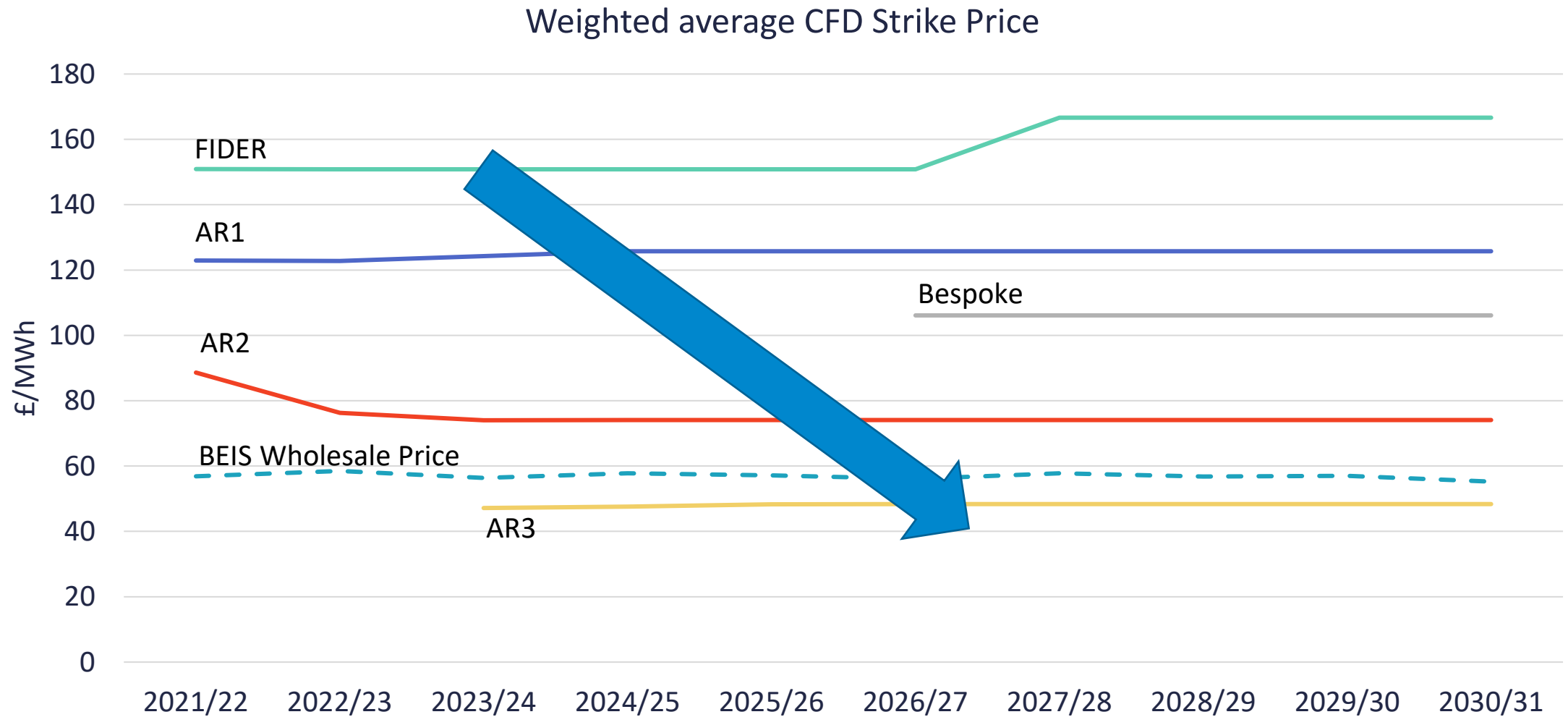


# Our CFD Portfolio - Offshore wind 84% of renewable portfolio





# CFD auction prices have reduced over time



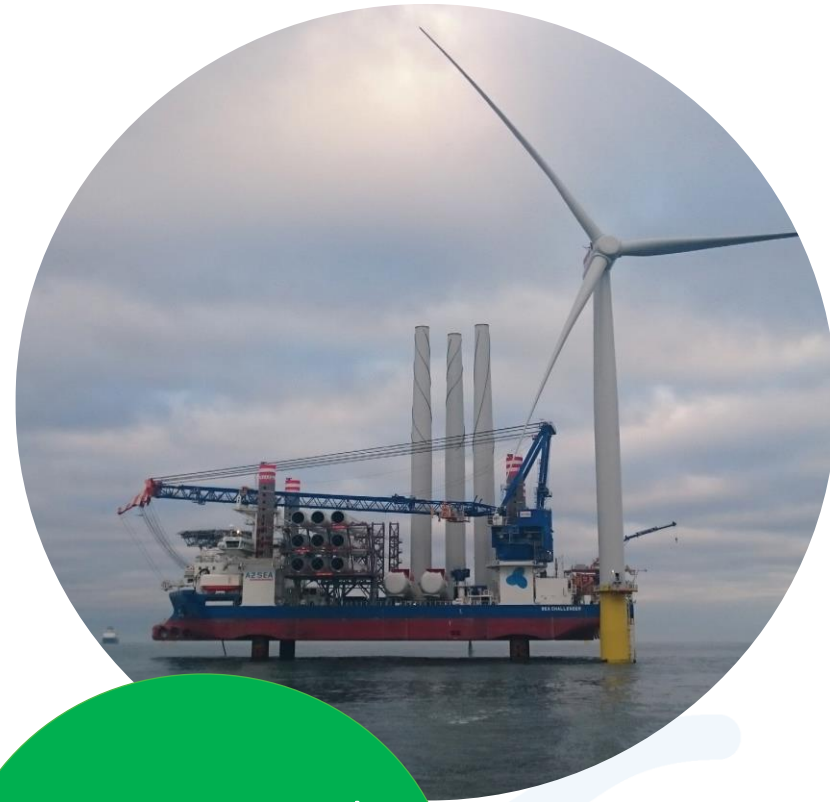
# Investor Appetite for the CFD

Investor Appetite and Protections  
Project Performance  
Investors and Lenders



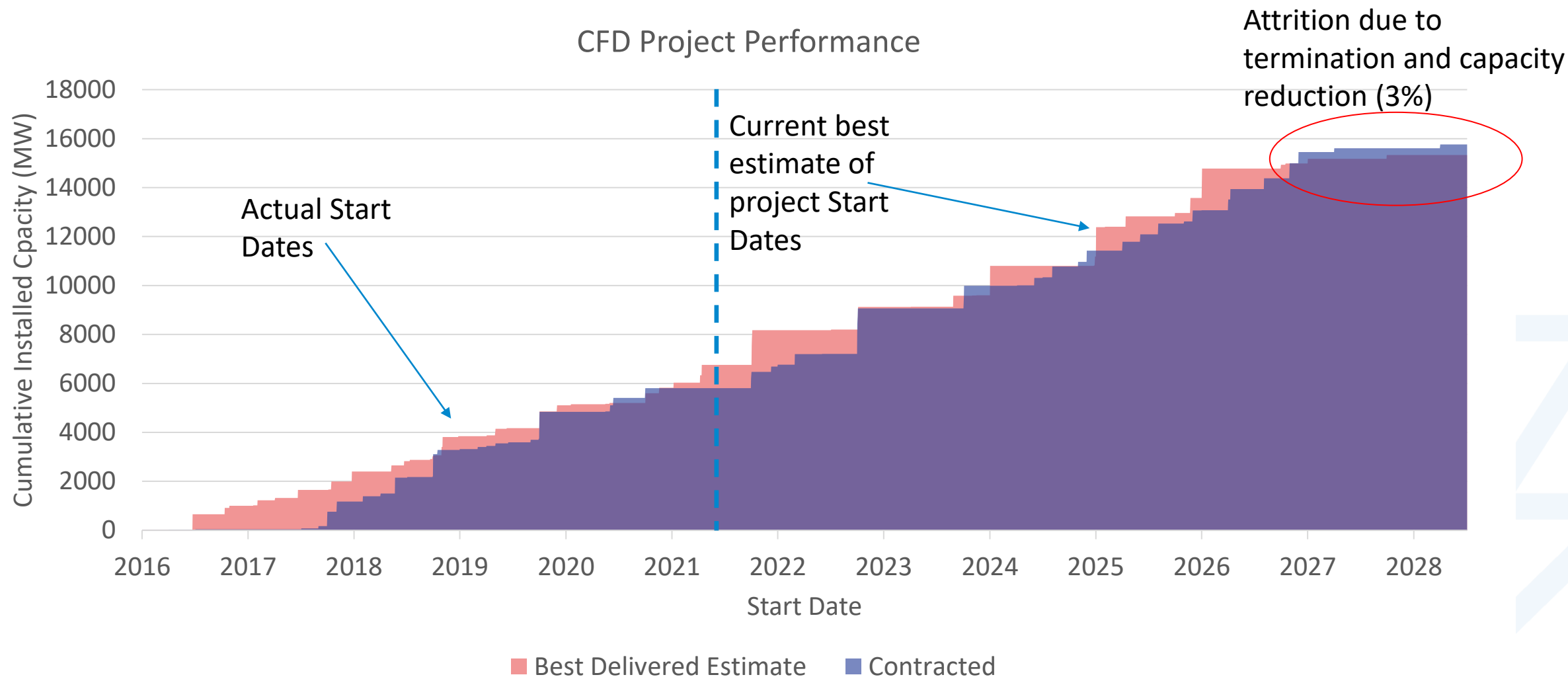
# Investor Appetite & Protections

- Private-law contracts providing price certainty to low carbon generators
- Independent CFD counterparty with legislative rights to collect funds for CFD payments
- A stable CFD regime
- Force majeure and qualifying change in law protection for investors
- CFDs are awarded in the early stages of project development
- Aimed at enabling projects to secure a lower cost of capital
- Competitive allocation rounds run by the EMR Delivery Body deliver increased value for money for consumers



LCCC signs and manages CFDs with 15+ year duration

# Project Performance



# The Future of the CFD

- CFD framework can flexibly accommodate low carbon technologies and different sizes of project (5MW and above)
- The CFD is now being developed to support the emergence of other low carbon technologies including Carbon Capture, Usage & Storage
- We anticipate that the CFD framework can be used for other emerging low carbon technologies to help the UK Government in achieving its decarbonisation goals - for example hydrogen production.







**LOW CARBON**  
CONTRACTS COMPANY  
POWERING NET ZERO



# Thank you

© Low Carbon Contracts Company Ltd  
10 South Colonnade, Canary Wharf  
London E14 4PU  
0208 187 9308

[lowcarboncontracts.uk](https://lowcarboncontracts.uk)

Neil McDermott