

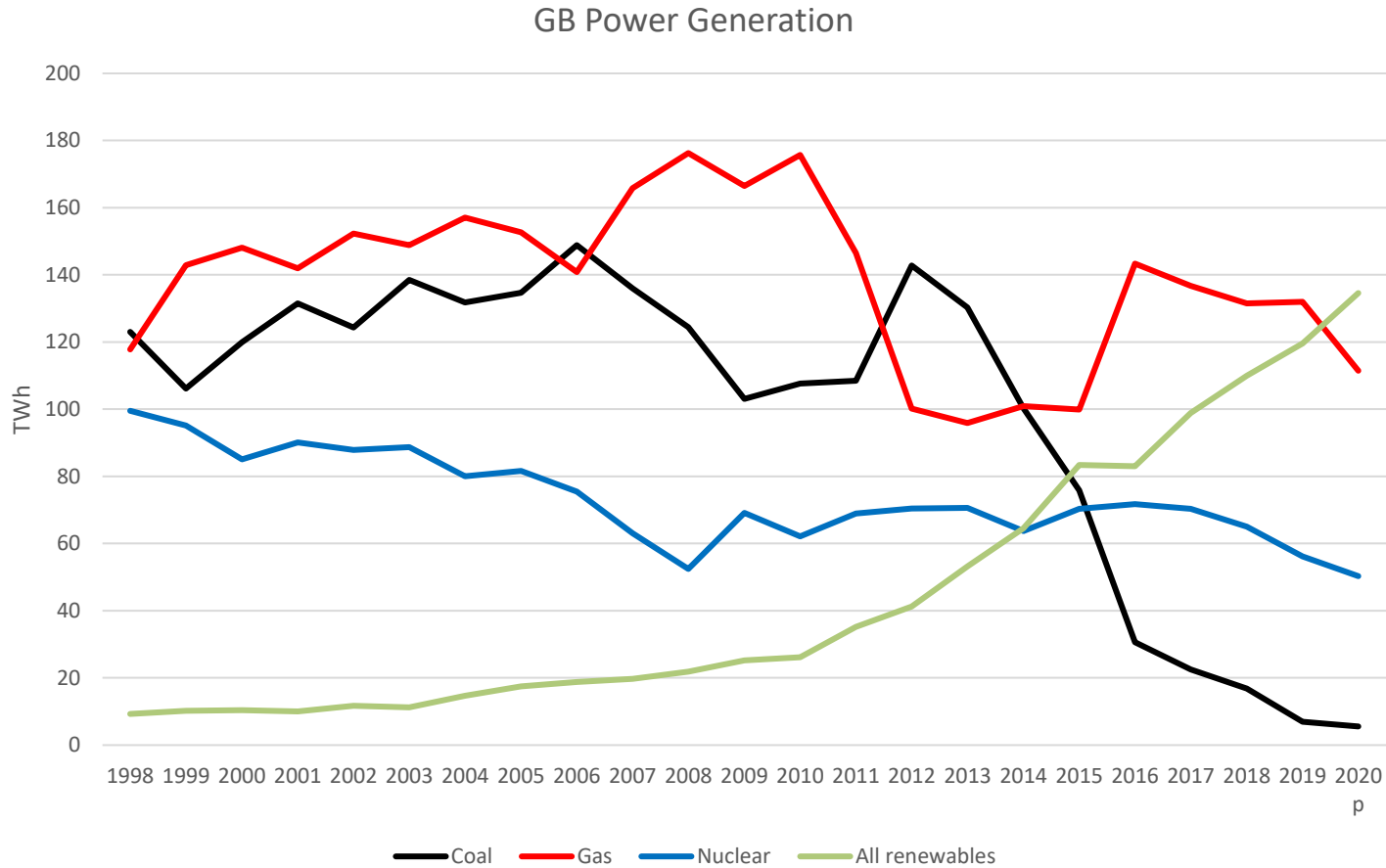
# UK Renewable Energy

## The Contracts for Difference Scheme



11 August, 2021

# We've achieved a huge amount over the last 20 years



# Our legislation has underpinned this success



Climate Change Act 2008



First legally binding climate mitigation set by a country

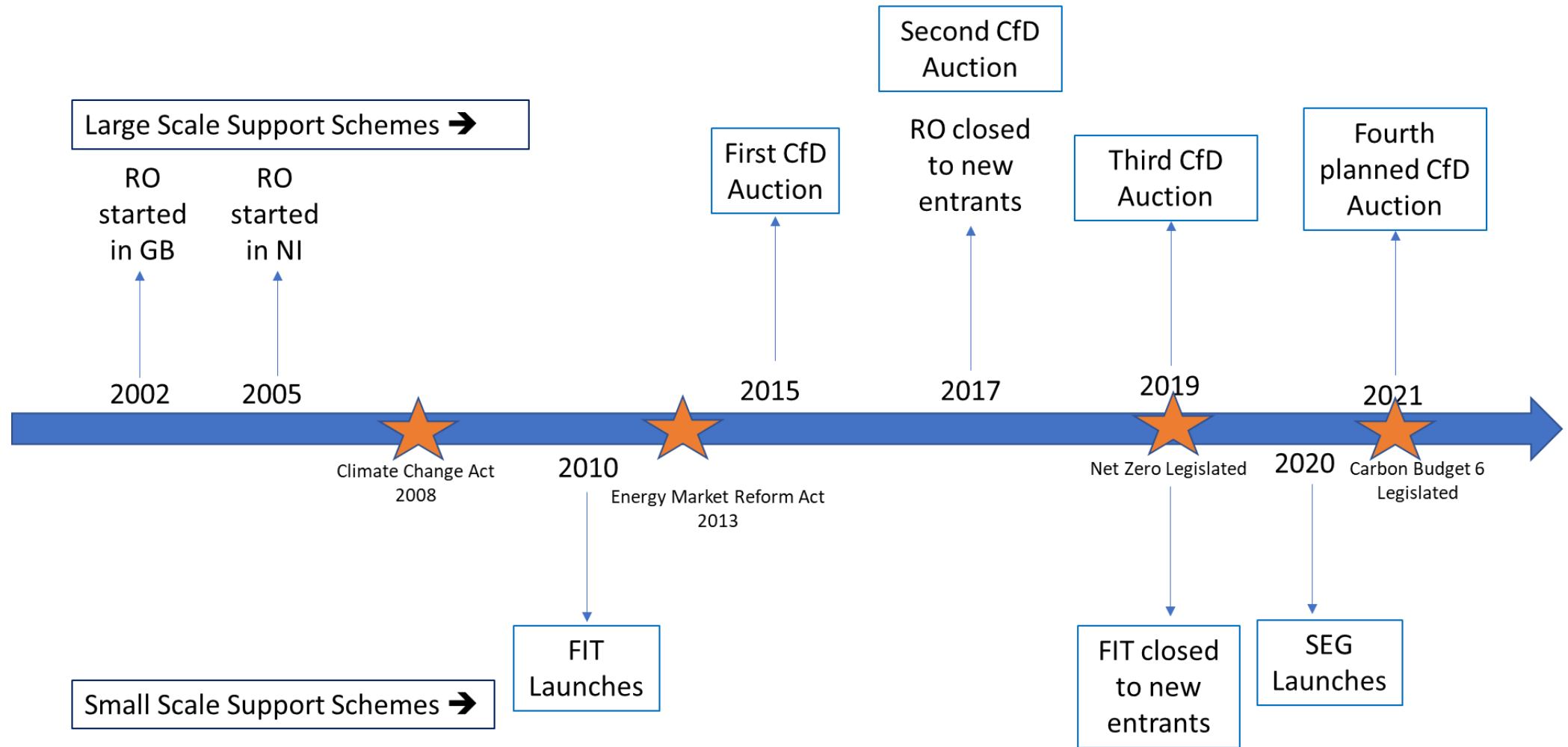
2019 – first major economy to commit to Net Zero by 2050

2020 – ambitious 40GW offshore wind target by 2030

2020 – strategic approach for wider energy system

2021 – CB6 passed into law setting 78% emissions reduction target by 2035

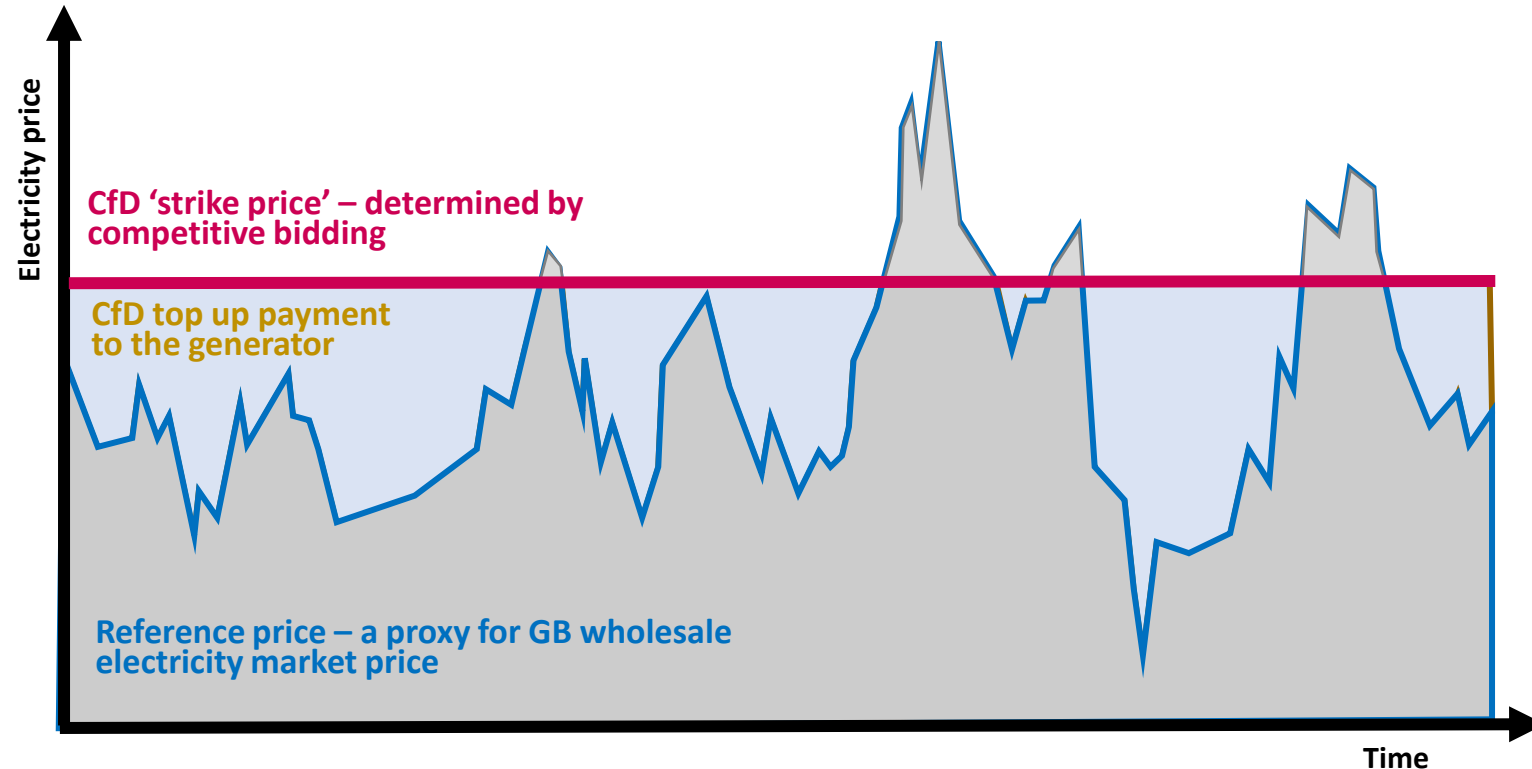
# Renewable support schemes have catalysed our decarbonisation journey



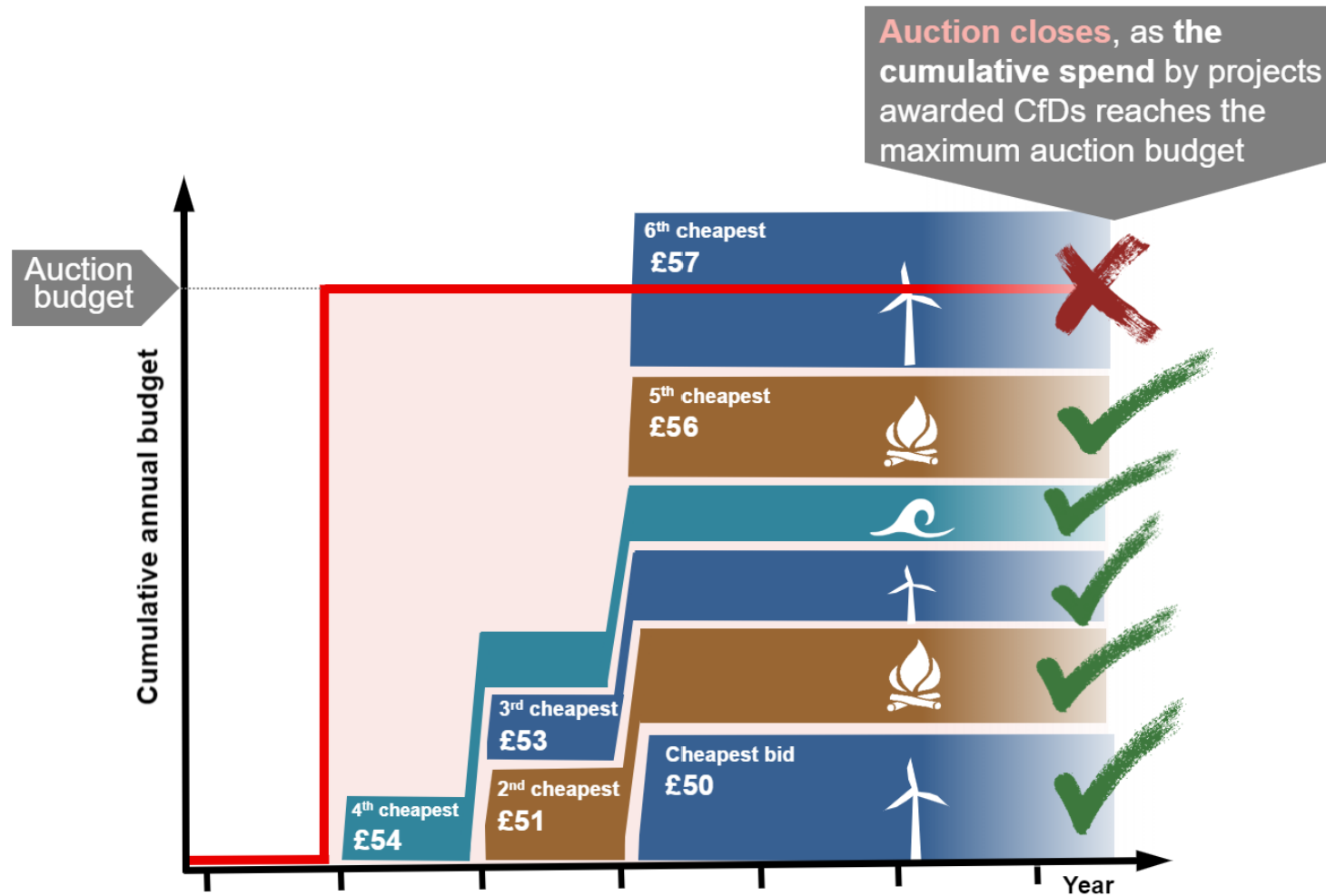
# Contracts for Difference – what is it?

## What are CfDs?

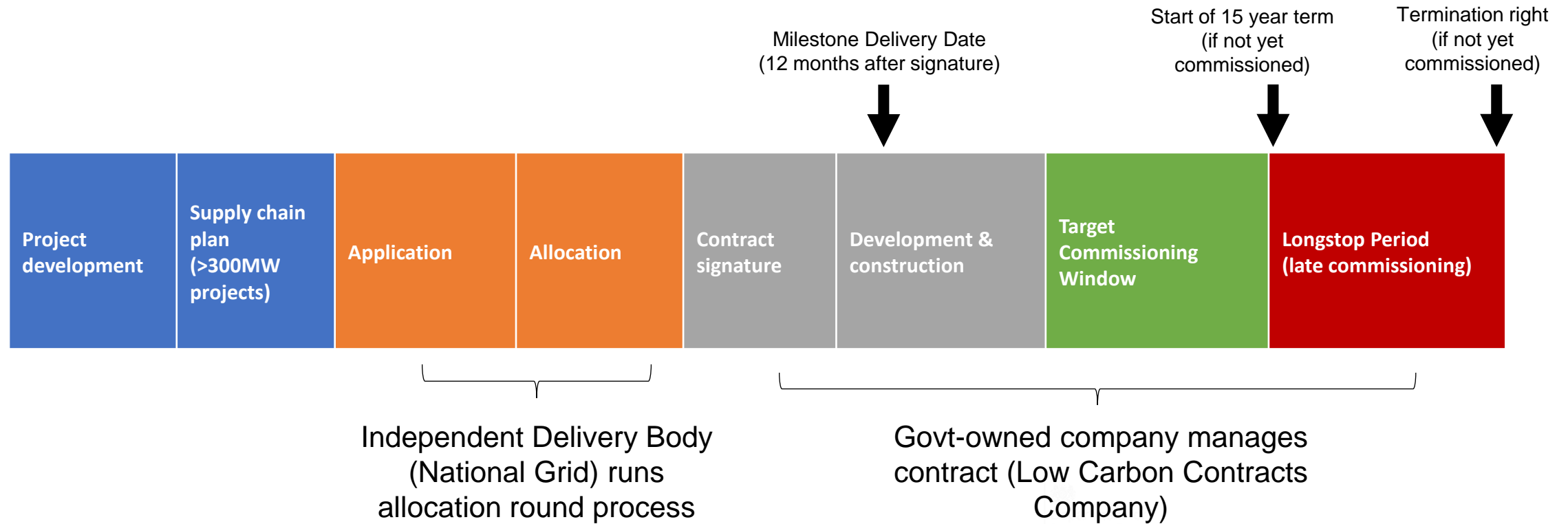
- Introduced to support deployment through **competitive auctions**.
- Contracts are provided for **new GB sites**.
- Purpose is to provide **long-term price stabilisation**.
- **Private law contracts** between generators and LCCC (a government-owned company).
- The cost of the scheme is recouped via the **Supplier Obligation**, a levy on all electricity suppliers.



# How does the auction work?



# Delivery – who's involved?



# The benefits

## Investors

- Removal of wholesale electricity price exposure
- Lowers cost of capital

## Developers

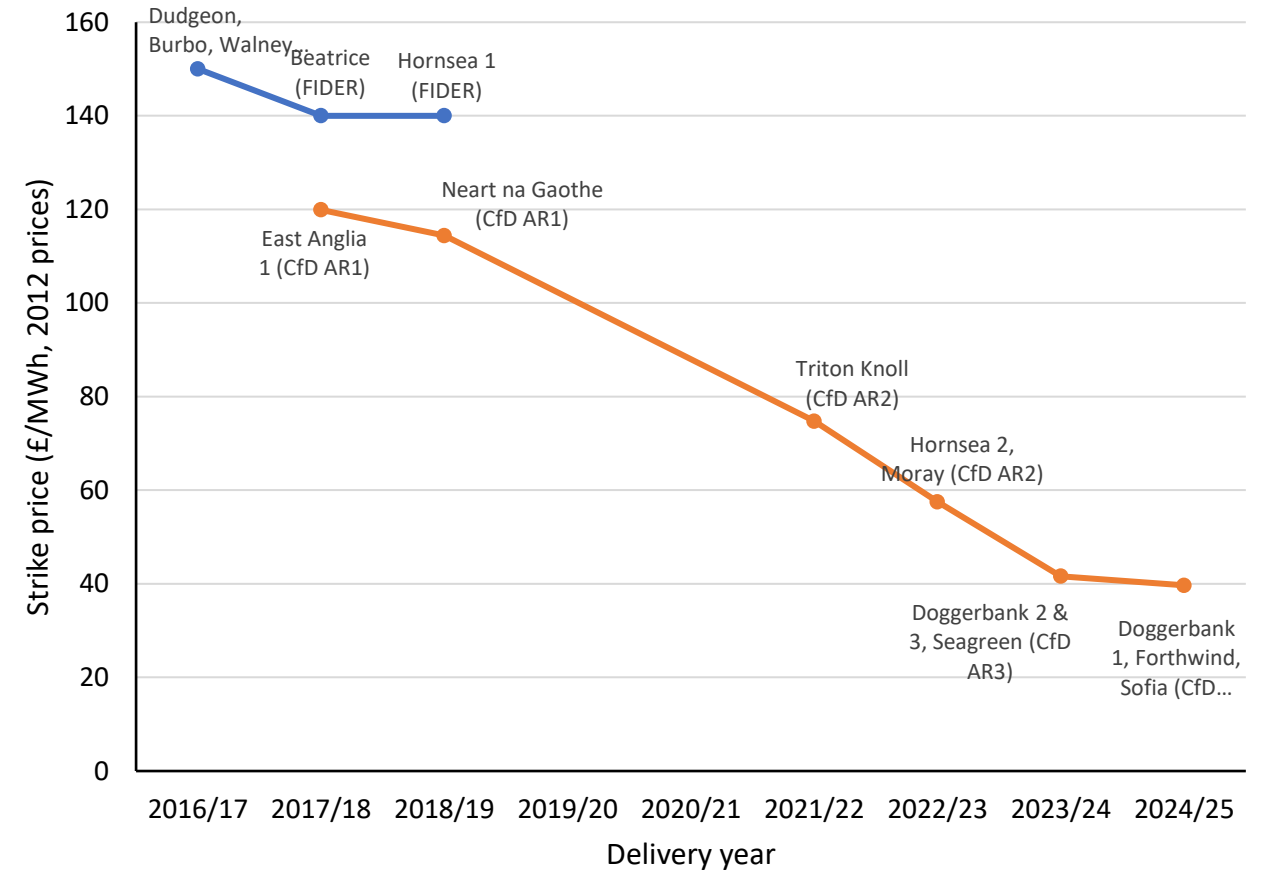
- Early certainty and security of support levels
- Reduced capital costs

## Government

- Control over spend
- Decarbonisation targets

## Consumers

- Competition drives costs to consumers down
- If wholesale prices go up, consumers are protected





# Lessons learnt

## Determine your long-term ambition early

- The CfD started as an add on to the renewables market but has slowly become the market itself.
- Decide if you want the merchant market to flourish independent of government early on.
- Also consider domestic appetite for renewables and how you can get the public to support these investments.

## Think about system integration

- Schemes like the CfD bring forward high volumes of renewables, but these renewables need to plug into the system. It's crucial you understand the impacts early on, so you can determine the best course of action.
- E.g. do you want a centrally planned energy market, or a more market-based one?

## Give yourself flexibility

- The CfD was established under legislation (Energy Act 2013).
- This prescribed that policies must consider certain factors, such as value for money, but left less room for other considerations – like strategic value.
- When developing legislation, consider how much flexibility you'll need in future.