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ENERGYBULLETIN

MOVING TO A LOW CARBON ECONOMY

How are we going to do it?

The UK has committed to ambitious and challenging targets for sourcing energy from renewable sources. By 2020, 15% of the UK's energy must be sourced from renewable sources and the policies and financial incentive mechanisms are coming together.

The renewables obligation, introduced in 2002, places an obligation on electricity suppliers to source an increasing proportion of supplies from renewable sources and has significantly increased the amount of renewable generation. However, compliance with the scheme is a heavy burden for smaller generators and the price of renewable obligation certificates (or "ROCs", which are issued to generators and sold to suppliers) is determined by the market and so leaves some uncertainty for investors in renewable projects.

The introduction in April 2010 of the feed-in tariffs for renewable generation not exceeding 5MW is already stimulating the market at the smaller end and bringing in new players, particularly in solar photovoltaics where the tariffs are highest and payment periods longest. The domestic market is now fully open for business and with that comes a whole range of issues and legal requirements over and above those applying when dealing with businesses.

Also in April 2010, the CRC Energy Efficiency Scheme came into force and the costs of compliance with this scheme should encourage investment in energy efficiency and renewable energy.

Renewable electricity generation is moving apace. However, heat production (for space heating and process heating) accounts for significant CO₂ emissions but only about 1% of the UK's heat is currently produced from renewable sources.

In order to meet our binding commitments of 15% of energy from renewable sources by 2020 and greenhouse gas emissions reductions of 34% by 2020 and 80% by 2050 (against a 1990 baseline), the UK needs to make some significant and rapid progress. The new government continues to support the introduction of a renewable heat incentive from April 2011 but more needs to be done. It is expected that, in order to meet our targets, 12 - 14% of heat will need to come from renewable sources.





Bearing in mind this requirement and the fact that renewables are no longer limited to the larger sophisticated energy players, the Government, on 12 July 2010, announced a consultation on a Microgeneration Strategy for England. The Strategy will be aimed at tackling the “non financial barriers” to microgeneration and will cover heat technologies up to 300kW and generation up to 50kW. It will be aimed at householders, communities and small businesses. Unlike previous consultations, there is no draft strategy document, rather the Government is seeking views to inform it in the drafting of the Strategy. The objectives of the Strategy are focused on advice and information and the development of the supply chain.

The Strategy will address 4 key areas:

- Quality. There is some understandable scepticism about this new mass market. Memories of tough sales practices and poor quality products and installations in other markets could seriously undermine this market. The government is keen to ensure that consumers have confidence to enable them to make the right buying decisions.
- Technology. More testing and trials are needed to continuously improve products. This will not only assist our research base but will help to ensure that the UK is at the forefront in the drive to a low carbon economy.

- Skills. There is a great deal of concern that despite high unemployment, the skills needed to meet the targets are simply not available. This in turn leads to lack of confidence. In the current economic climate there is an argument that those who have most to gain from the new markets should be the ones funding the skills growth.
- Advice. Homeowners, communities and small businesses in particular need readily accessible, independent information and advice about microgeneration. Several delivery and funding models have already developed and these need to be understood.

The introduction of the feed-in tariffs from April 2010 and the forthcoming renewable heat incentive, will drive investment by homeowners, businesses and communities but only if all the building blocks are in place and the schemes are readily available and understood. These building blocks are also important for the numerous companies moving in to take advantage of the opportunities that these incentives offer as informed and confident buyers will make sales easier to achieve.

For more information see:

http://www.decc.gov.uk/en/content/cms/consultations/microgen_strat/microgen_strat.aspx

or call:



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This bulletin summarises complicated issues and should not be relied upon in relation to specific matters. You are advised to take legal advice on particular problems and we will be happy to assist.

