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Has the Sun Been Shining too Brightly in the UK?

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Last week (13th May) the **Department of Energy & Climate Change** ("**DECC**") unveiled proposals to "maintain the growing momentum behind renewable electricity investment in the UK, while continuing to deliver value for money for consumers." DECC's paper[1] has been published to consult with the industry regarding the financial support available for solar power generation. Whilst it has been recognised that solar photovoltaic (PV) is an important part of the UK's energy mix, the sector's growth in recent years is considered to be already significantly ahead of expectations.

In 2013, the Government revised that the Renewable Obligation Credits (ROC) for solar PV in the expectation that there would be approximately 900MW of new large scale solar PV development by the end of 2016/2017. The latest published data has recorded around 545MW of solar PV projects had been accredited by March 2014. The growth has been stronger than anticipated due to support from the small scale feed in tariff (FIT) scheme and ROCs as well as the decreasing costs as a result of global development in large solar markets like China and Germany.

Given the interest in the sector remains buoyant and the Government's prediction that by April 2015 there could be around 3.2GW of large scale solar PV, more than half of projected solar development by 2020 would therefore be achieved five years ahead of target. The Government has considered it necessary to control the continued growth of the solar PV market and proposes to do so by closing the ROC scheme to new solar PV (both ground-mounted and building-mounted) schemes generating 5MW from 1 April 2015. There is an exception proposed so as to protect developers that have already made a "significant financial commitment to projects". The consultation paper sets out four condition[2] that need to be achieved to satisfy this, being:

1. a grid connection offer dated before 13 May 2014 for connection to grid on or before 31 March 2016 (or confirmation that no grid connection is required);
2. relevant planning consents which are dated no later than 13 May 2014 (or confirmation that no planning consent is required);
3. a director's certification confirming, as at 13May 2014, the developer or proposed operator owns the land or has an agreement to lease the land on which the project is to be built; and
4. evidence that either the developer or proposed operator has spent more than £100,000 per MW of expected consented capacity in pre-commissioning costs as at 13 May 2014 or that all material equipment contracts have been entered into for the project by 13 May 2014.

The proposed strategy, however, seeks to retain the financial support for commercial and industrial building-mounted solar PV and to incentivise community based projects (which will be allowed to double their size from 5MW to 10MW).

Regardless of the changes proposed in the consultation paper, solar PV schemes above 5MW would be eligible to apply for financial support under the new Contract for Differences auction (CfD), with the first allocation round being expected to open in October 2014.

Initial reaction from the developers and trade associations across the industry so far has been united. As summarised by the chief executive of the Solar Trade Association, this major shake-up of the subsidy regime is a “crippling blow to the fledging solar industry.” The consultation closes on 7 July 2014.

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[1] Consultation on changes to financial support for solar PV

[2] Paragraphs 32 and 33 of the “Consultation on changes to financial support for solar PV”, dated 13 May 2014, by the DECC.

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