

Flawed government budgeting could kill Feed-In Tariffs

The government got the budget for the Feed-In Tariffs so badly wrong that the funds it thought would last until 2015 are already almost fully committed. According to the information providers Feed-In Tariffs Ltd¹, less than 25% of the £867m budget will be left by the time the cuts proposed last week take effect in December.

The problem is caused in part by the delay in recording installations on the FITs register², but mainly by using a flawed estimate of the take-up of the scheme as a rigid spending cap.

“The solar power industry is right to worry that officials are trying to kill it off”, says company director Philip Wolfe. “The only way government could stick to its hopelessly misjudged budget would be to reduce the take-up of FITs to a trickle. Instead, for the benefit of consumers, jobs and the industry, it should revise its estimates to a more realistic level.”

The analysis on the company's website³ calculates the Feed-In Tariffs payable to the systems which have already been installed. It shows that, even with no new installations after this December, the spend for the 4-year period would be about £662m, against a ‘spending envelope’⁴ of £867m.

To keep to that figure, deployment would have to decline by 85% from the current trends, even at the drastically reduced tariff levels now proposed. “Such swingeing cuts could put over 20,000 people on the dole this Christmas”, says Philip Wolfe, who is a leading advocate of the tariffs from his time as Director General of the Renewable Energy Association.

“It’s a fallacy that holding the spend down to this paltry level is good for consumers. In this period, the FITs will add only 0.7% to electricity bills, compared to recent power price rises of 14%. Renewable energy costs, by comparison, don’t rise over time. By throttling it back so hard, the government is relying on ever more imported fossil fuel – and exposing us all to the extreme price volatility that goes with it.”

Notes for editors:

¹ Feed-In Tariffs Ltd maintains an information website on the scheme: www.FITariffs.co.uk.

² This delay (see www.fitariffs.co.uk/statistics/monthly/timing/) has already been highlighted by the company, and now confirmed by the government in their consultation document (see 4 below), where paragraph 32 reveals that 100MW of capacity – equal to over 30% of the total registered in the first 18 months of the scheme – was still awaiting registration at the end of September. Of the 75MW registered in October, at least 20MW was installed before the end of July.

³ See: <http://www.fitariffs.co.uk/statistics/monthly/spend/>

⁴ The government consultation on the latest changes to the Feed-In Tariffs is available on: www.decc.gov.uk/en/content/cms/consultations/fits_comp_rev1/fits_comp_rev1.aspx
Paragraph 21 refers to the ‘spending envelope’

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