

## The Implication of the UK Renewable Energy Strategy For Development Projects

The department for Energy and Climate Change has recently published the UK Renewable Energy Strategy. In this article I take a closer look at what this means for development projects in the UK. Since the Planning and Energy Act came into force in 2008, local authorities have the power to require that development proposals will meet ambitious energy performance standards. Firstly they can require that the energy performance of buildings is greater than that required by the building regulations. Furthermore the planning authority may require that a proportion of the energy that is used by the new development will be produced on the development site by using renewable sources. Many local authorities have now adopted policies that require that a certain percentage of the energy use of new development will be generated on the site using low or zero carbon technologies. A description of the selected mix of technologies and the rationale behind them is laid down in an Energy Statement.

Some development proposals could use "Renewables Obligation Certificates" to part fund the additional cost of providing renewable energy. For the majority of development projects, however, the requirement to provide on-site renewable energy only adds to the cost. The UK Renewable Energy Strategy and the UK Low Carbon Transition plan introduce a "clean energy cash-back" system for energy generating plant with an installed capacity of up to 5MW. Two schemes that are currently proposed are the "Renewable Heat Incentive" which will be available from April 2011 and the "Feed-in Tariffs" (FITs) for the generation of small scale electricity, which will be available from April 2010. The FITs will be available for both small-scale community facilities and installations that serve only one unit. Implementation of the scheme will mean a higher return on electricity that is fed back into the grid than under the current arrangements. The level of the tariffs will vary for different installations, as the tariffs are set to reflect the return on investment for the various technologies. The technologies that are likely to be eligible include: biomass, hydro, photovoltaic cells and wind turbines. The details of the scheme are currently under consultation, but for new development projects the tariffs vary from 31p/kWh for small installations of photovoltaic cells to 4.5 p/kWh for wind turbines with a capacity of up to 5MW. This is of course good news for a large number of developers. Although the capital cost will not be affected, at least during the operation of the building there will be a higher return on the investments made. For certain development projects this new mechanism can even mean that providing renewable energy as part of the development project may have a positive financial effect.