



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

1

RPA
RENEWABLE
POWER
ASSOCIATION

Renewable energy National and regional policy issues

Philip Wolfe

Renewable Power Association



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

2

RPA
RENEWABLE
POWER
ASSOCIATION

Introduction

- Energy White Paper
 - Targets and challenges
- Meeting the Targets
 - Meeting the 2010 target
 - Diversity in industry and technology
- The larger view
 - Towards 2050



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

3

RPA
RENEWABLE
POWER
ASSOCIATION

Energy White Paper: Targets and Visions

- Target for 2010
 - 10% of electricity from renewables
- Vision for 2020
 - Wind, wave, tidal off every shore
 - Biomass in every community
 - Solar in every building
- Path to 2050
 - The sooner we start
 - The easier (cheaper) it will be



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

4

RPA
RENEWABLE
POWER
ASSOCIATION

Delivery: The Big Questions

- Progress
 - How can we reach the 2010 target?
- Diversity
 - How can we achieve the Government's vision for 2020?
- Longer term
 - Will renewables be a part of the longer term energy mix?



SEEDA Conference 11th December 2003

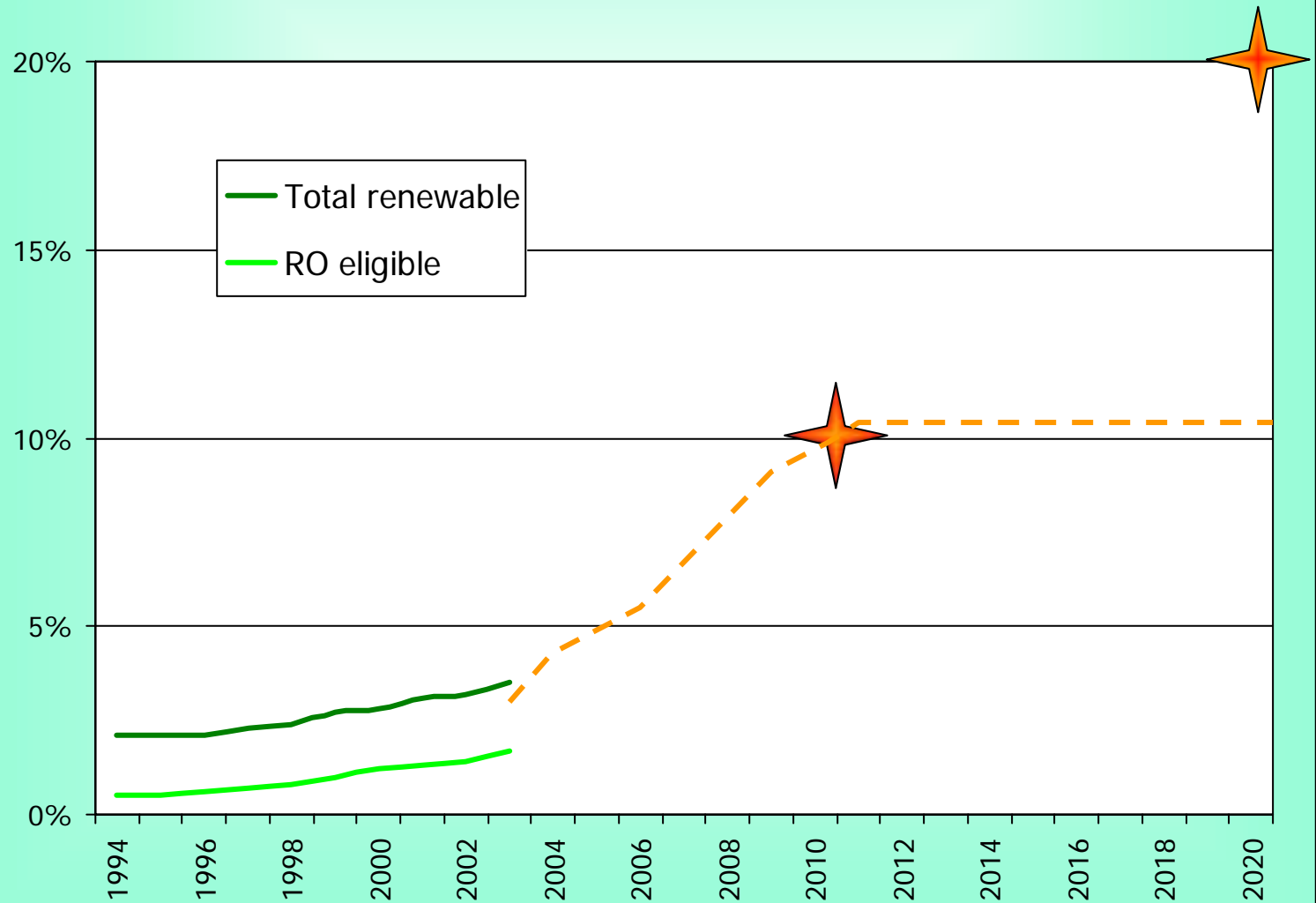
Philip Wolfe

Renewable energy nationally and regionally
the major policy issues

5

RPA
RENEWABLE
POWER
ASSOCIATION

Hitting the 2010 Target: We Need a Quantum Leap





SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

6

RPA
RENEWABLE
POWER
ASSOCIATION

Getting a Quantum Leap

- New investment needed = £10bn
 - mainly from 'the City'
- Financial world needs
 - certainty
 - stability
 - consistency
- Remember how markets work!



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

7

RPA
RENEWABLE
POWER
ASSOCIATION

The Renewables Obligation: Political Risk

- A 'market mechanism', but ...
 - Government sets 'demand' side
 - and can change 'supply' side
- Needs investor confidence, but . .
 - Mixed messages from Government



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

8

RPA
RENEWABLE
POWER
ASSOCIATION

Reducing Political Risk: What the Government Must Do

- Gov^t must minimise changes ...
 - once only in 2005/6
 - No reductions in eligibility
 - No reductions in buy-out price
 - No reductions in RO Quota
 - then leave it alone
- ... and balance them
 - increased eligibility
 - = increased RO quota



SEEDA Conference 11th December 2003

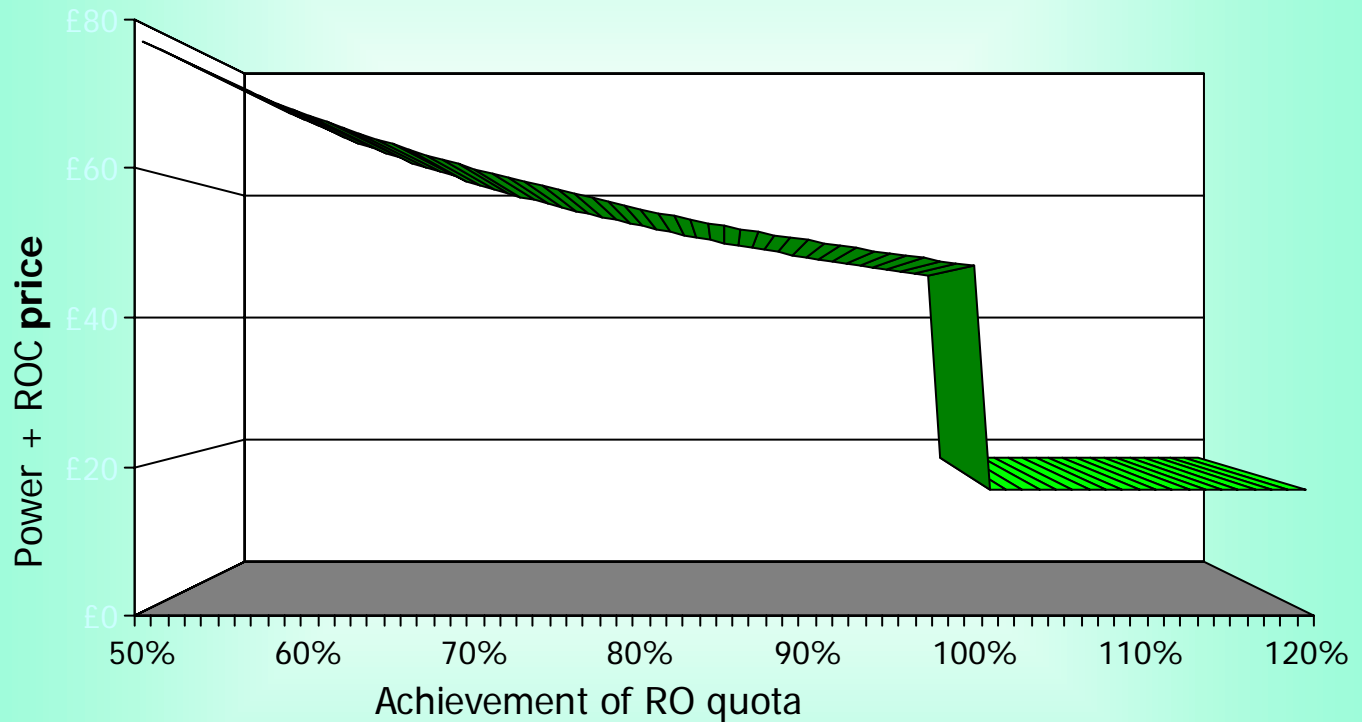
Philip Wolfe

Renewable energy nationally and regionally
the major policy issues

9

RPA
RENEWABLE
POWER
ASSOCIATION

The Renewables Obligation: Understanding Markets



*The market would be mad
to exceed the RO Quota*



SEEDA Conference 11th December 2003

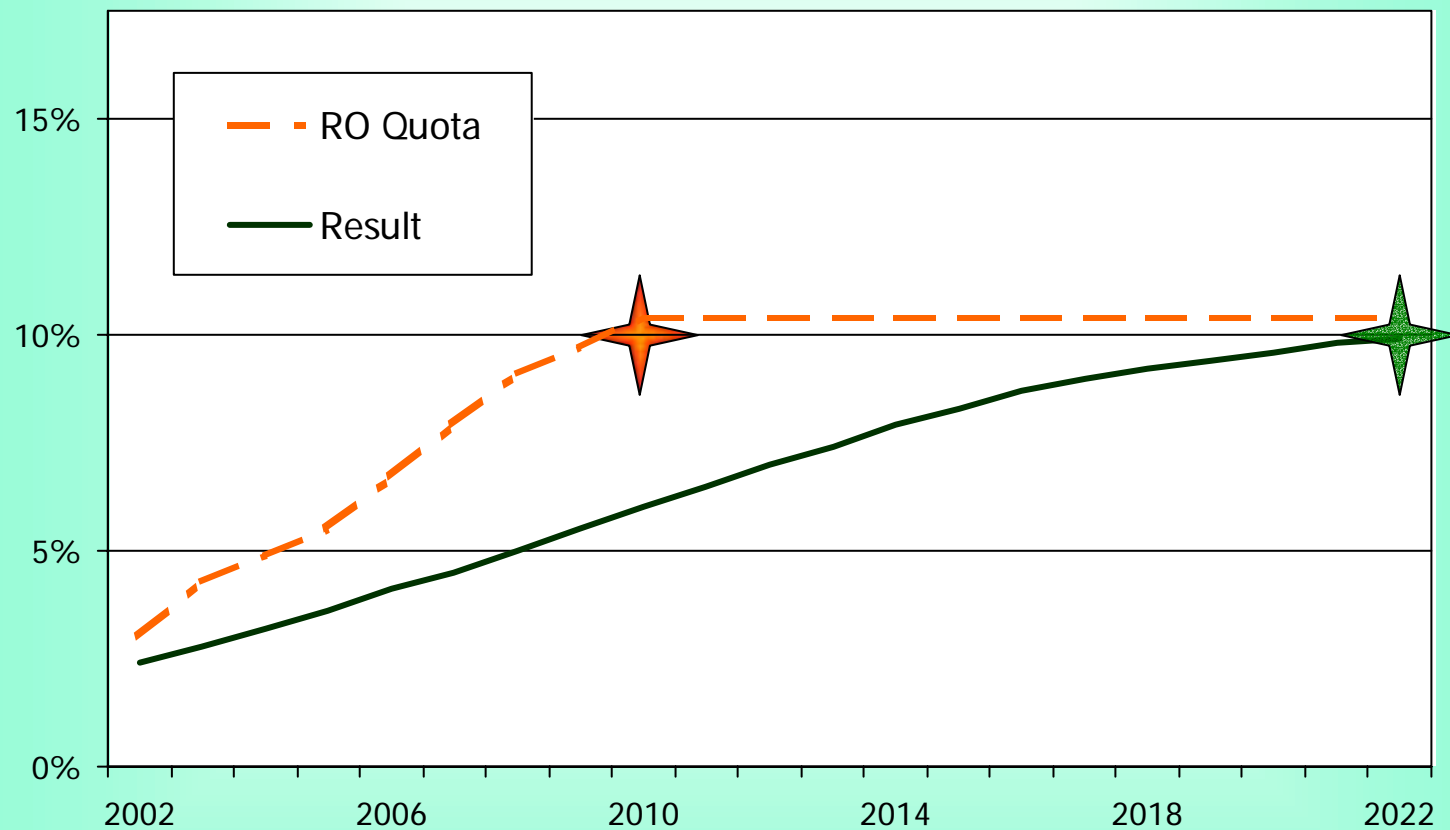
Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

10

RPA
RENEWABLE
POWER
ASSOCIATION

So existing RO targets will miss the 2010 target by a decade





SEEDA Conference 11th December 2003

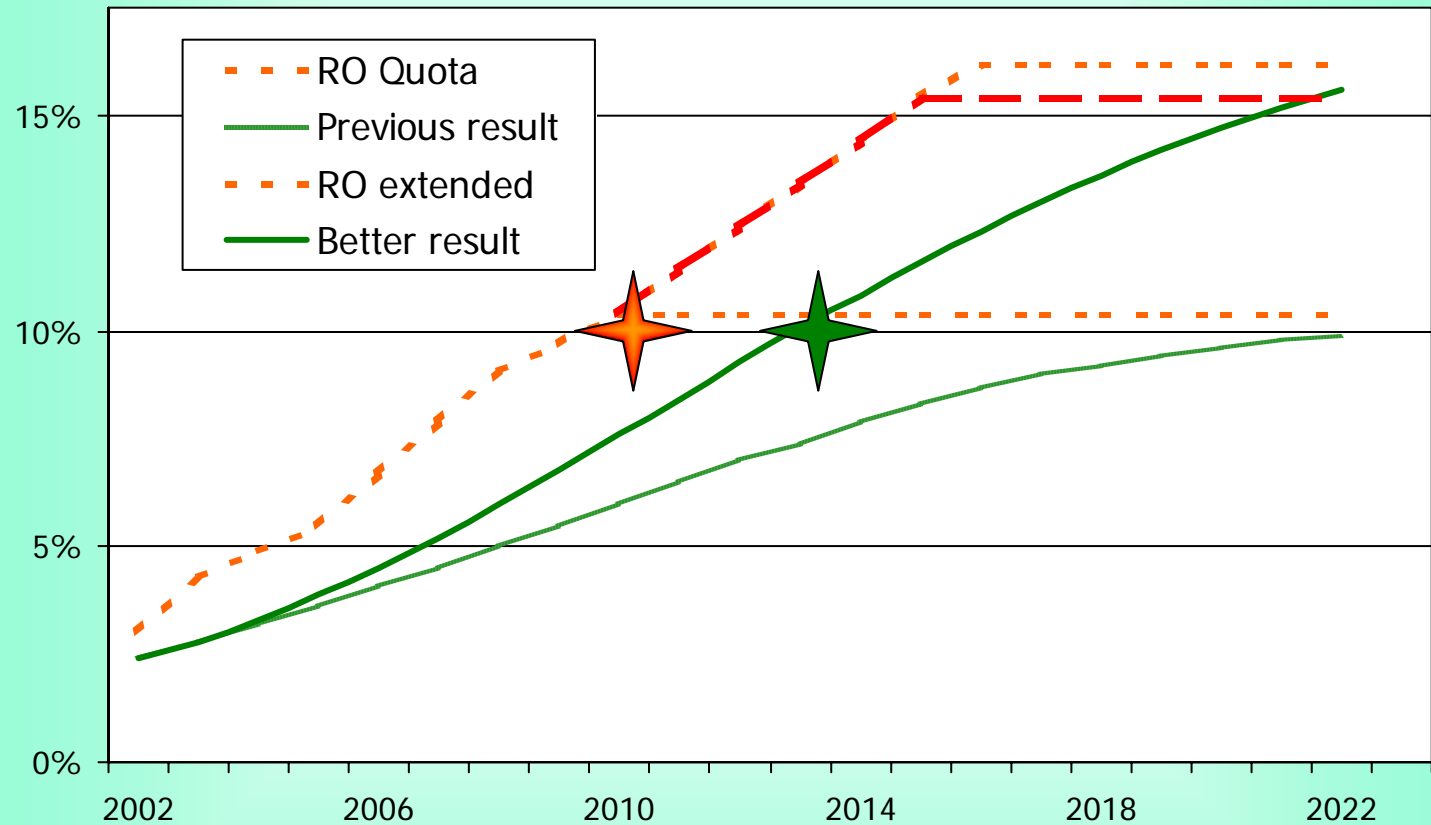
Philip Wolfe

Renewable energy nationally and regionally
the major policy issues

11

RPA
RENEWABLE
POWER
ASSOCIATION

The only way to hit the 2010 target



Extend the RO Quotas



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

12

RPA
RENEWABLE
POWER
ASSOCIATION

Vision beyond 2010: Diversity

- We need broader participation:
 - of energy sources
 - of renewables
- Present policies stifle diversity
 - of industry
 - of technology



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

13

RPA
RENEWABLE
POWER
ASSOCIATION

Supply companies have the most market power

- Integrated supply companies
 - Only ones who can redeem ROCs
 - so control the ROC market
 - Required for off-take PPA
 - so control the power market
 - Ability to finance on balance sheet
- Independents
 - Need PPAs
 - Can't redeem ROCs (face the cliff-edge)
 - Need external finance



SEEDA Conference 11th December 2003

Philip Wolfe

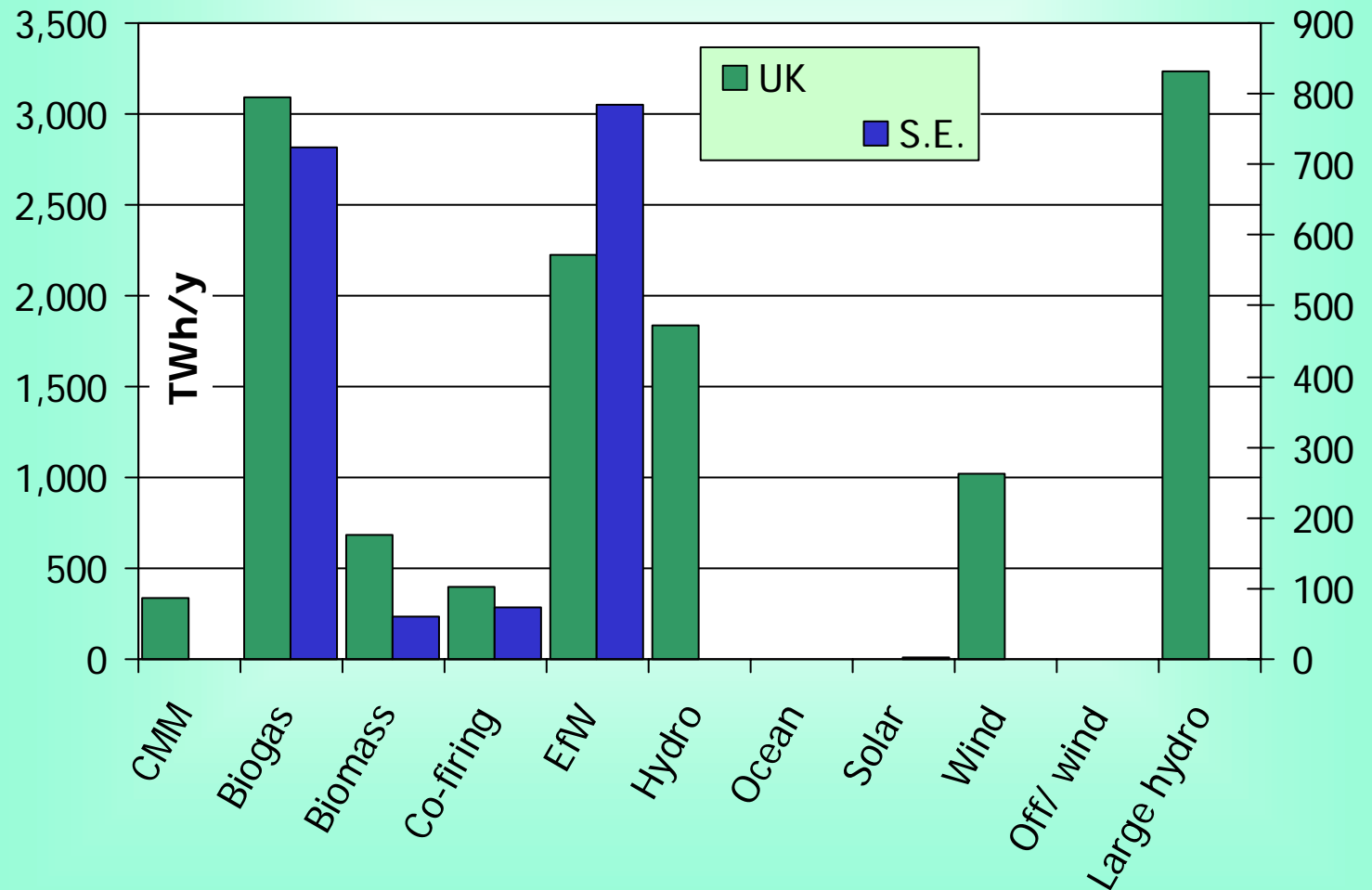
Renewable energy nationally and regionally
the major policy issues

14

RPA
RENEWABLE
POWER
ASSOCIATION

Technological diversity

Who needs it?





SEEDA Conference 11th December 2003

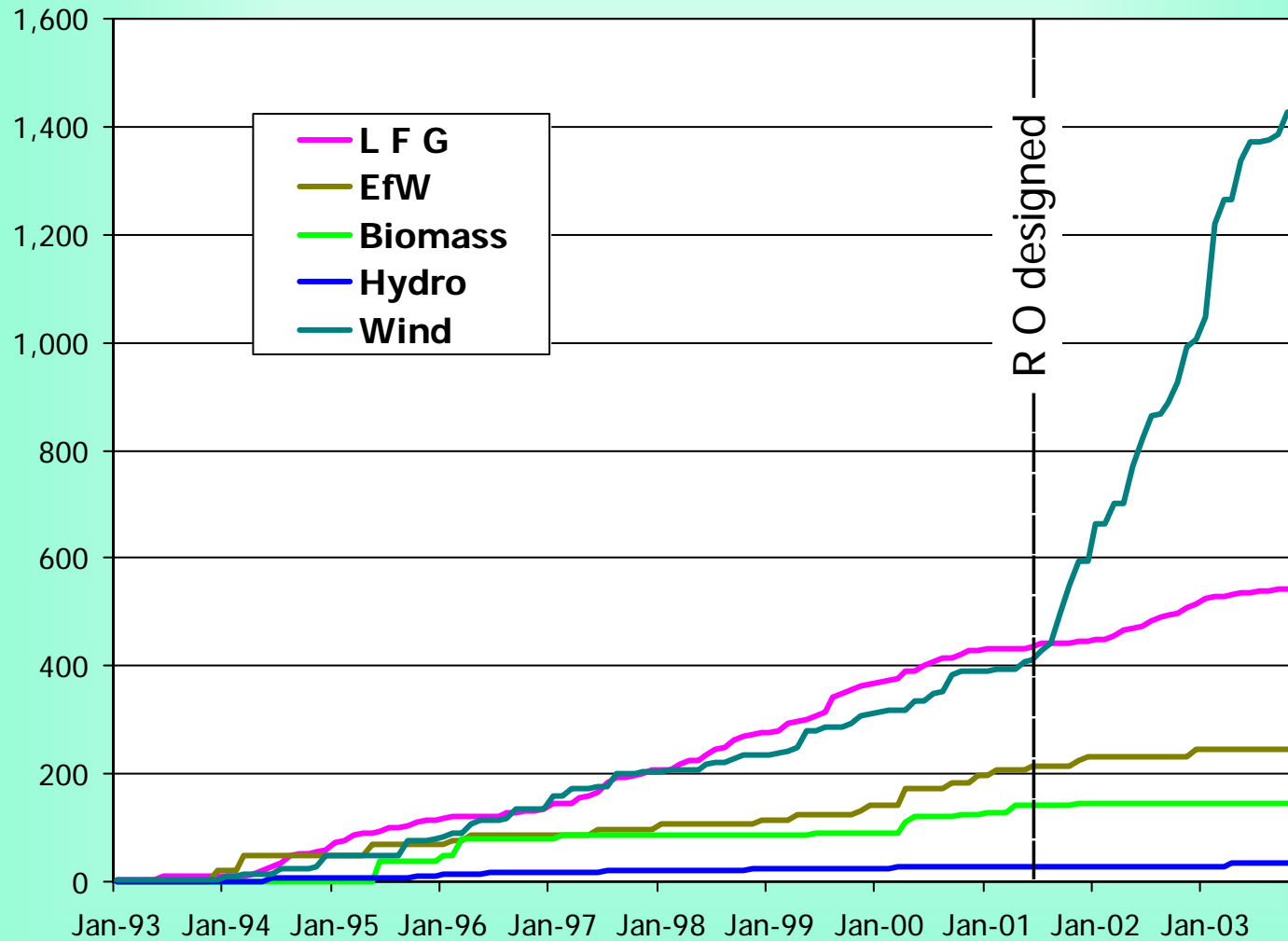
Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

15

RPA
RENEWABLE
POWER
ASSOCIATION

Diversity in technology has been stifled





SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

16

RPA
RENEWABLE
POWER
ASSOCIATION

Diversity: A Transitional Arrangement

- An interim measure to complement the RO
 - for technically 'proven' renewables
 - to break into the RO
 - when they're ready
- Reward their output
- Provide a bankable revenue stream



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

17

RPA
RENEWABLE
POWER
ASSOCIATION

The path to 2050

The Low Cost Option

- Renewables
 - Must be able to compete
 - Not all technologies will make it
- We need to get real
 - Energy has been artificially cheap
 - Externalities must be internalised



SEEDA Conference 11th December 2003

Philip Wolfe

*Renewable energy nationally and regionally
the major policy issues*

18

RPA
RENEWABLE
POWER
ASSOCIATION

We CAN Deliver

We can . . .

- reach the 2010 target
 - avoid tinkering with RO
 - extend RO quotas
- achieve the energy vision for 2020
 - bring in transitional arrangements
- have a sustainable energy mix
 - need fully inclusive energy pricing