

Biggest ever renewable energy support scheme opens

- Biggest ever round of government's flagship renewable energy auction scheme opens with £285 million a year funding for low-carbon technology moving the UK away from volatile foreign fossil fuels
- fourth round aims to secure more capacity than 3 previous rounds combined with additional offshore wind capacity that could generate electricity equivalent to powering around 8 million homes
- offshore wind will be supported by £200 million funding a year, with £24 million initially allocated for floating offshore wind and £20 million on tidal stream projects – with solar and onshore wind included for first time since 2015

The biggest ever round of the UK government's flagship renewable energy support scheme is opening to applications today (Monday, 13 December), with £285 million available a year for building the next generation of Great Britain's green energy projects.

Renewable energy projects across Great Britain can now bid for funding in the fourth round of the Contracts for Difference (CfD) scheme, which is aiming to secure 12GW of electricity capacity – more renewable capacity than the previous 3 rounds combined. The additional offshore wind capacity resulting from the funding alone could generate enough electricity to power around 8 million homes.

Compared to the previous round, this is open to an expanded number of renewable energy technologies, with offshore wind, onshore wind, solar, tidal and floating offshore wind projects, amongst others, all eligible to bid for funding in the scheme's auction process – this will ensure we have a more secure, more resilient energy system and support the UK's transition to net zero through a greater range of energy sources.

The competitive nature of the CfD scheme has been hugely successful in driving the deployment of renewable energy across Great Britain whilst rapidly reducing costs. The scheme's design has led to the price per unit of offshore wind to fall by around 65% between the first allocation round (AR) in 2015 and the third in 2019.

Business and Energy Secretary Kwasi Kwarteng said:

Our biggest ever renewables auction opening today will solidify the UK's role as a world-leader in renewable electricity, while backing new, future-proof industries across the country to create new jobs.

By generating more renewable energy in the UK, we can ensure greater energy independence by moving away from volatile global fossil fuel prices, all while driving down the cost of new energy.

A total budget of £285 million a year has been allocated to the fourth round, with £200 million available for offshore wind, £75 million for emerging technologies, such as remote island wind, tidal stream and floating offshore wind, and £10 million for established technologies, such as solar and onshore wind.

Within emerging technologies, £24 million a year has been ringfenced for floating offshore wind projects and £20 million initially set aside for tidal stream projects, demonstrating the government's support for new, innovative technologies that can make an important contribution to the UK's decarbonisation commitments.

The £20 million per year support for tidal stream projects represents the biggest investment into tidal power in a generation, kickstarting a brand-new chapter for the tidal industry that could also have the benefit of creating jobs across the UK.

Onshore wind and solar are competing in an allocation round for the first time since 2015, and the government is seeking significant capacity from these technologies which will help us achieve the required levels of deployment in line with meeting climate change targets.

Subject to the outcome of the competitive auction, it is expected that AR4 will be a major step towards delivering the government's increased ambition to have 40GW of offshore wind by 2030, including 1GW to come from floating offshore wind, as set out in the Ten Point Plan for a Green Industrial Revolution.

Energy and Climate Change Minister Greg Hands said:

The Contracts for Difference scheme is proof that green and growth go hand-in-hand as it continues to be a key driver behind the world-leading renewable energy sector that is providing us with secure clean energy, creating jobs across the UK and opening investment and export opportunities.

The previous 3 rounds have allowed us to push forward with the Green Industrial Revolution and this round will take us further and faster than ever before while continuing to drive down costs for consumers.

There has also been a strengthening of the supply chain plan process, so the CfD's fourth round can support the effective development of open and competitive supply chains and promote innovation and skills in the low-carbon electricity generation sector.

RenewableUK CEO Dan McGrail said:

This is set to be a landmark auction securing the largest amount of new renewable energy capacity so far, as ministers have listened to

our calls for the overall capacity cap to be lifted to reflect the enormous appetite among companies and investors in UK projects.

More than 16GW of wind could be ready to compete and over 23GW of renewables overall. We could see investment of over £20 billion in this round, creating thousands of jobs and cutting costs for energy consumers.

We need a range of renewable technologies to get us to net zero as fast as possible, so it's great to see the development of innovative floating wind and tidal stream projects supported by ring-fenced funding, as we've been advocating. This will enable us to ramp up the roll-out of these cutting-edge technologies, building up massive industrial opportunities for the future, including exports.

Low Carbon Contracts Company CEO Neil McDermott, said:

We've been supporting new low-carbon power projects through the CfD schemes since its inception, so we're incredibly excited to see what the next Allocation Round brings. The current CfD portfolio features projects located across the length and breadth of Great Britain, including some of the world's largest offshore wind farms to date.

We've seen the scheme's impact on diversifying and increasing the investment needed to support vital new low-carbon power, and this year's COP26 only served to underline the critical timing of this round.

We've learned a fantastic amount to date and we stand ready to support the ambitious infrastructure that will power the UK's transition to Net Zero emissions by 2050, as well as protecting the long-term health of our environment, economies and societies.

Key points (£ budgets in 2011/2012 prices):

Pot 1: Established technologies (includes Onshore wind, Solar and Hydro):

- £10 million pot budget
- 5GW capacity cap
- maximum capacity limits of 3.5GW imposed on both onshore wind and solar PV

Pot 2: Less-established technologies (includes Floating Offshore Wind, Tidal Stream, Geothermal and Wave):

- £75 million pot budget
- no capacity cap
- within the £75 million total, £20 million ringfenced funding for tidal

stream projects and £24 million initially ringfenced funding for floating offshore wind projects

Pot 3: Offshore wind:

- £200 million pot budget
- no capacity cap

The latest round of the CfD scheme supports the Prime Minister's [Ten Point Plan for a Green Industrial Revolution](#), which outlines an ambitious vision of a low-carbon future for the UK, and will ensure that clean energy continues to play a key role in ending our contribution to climate change entirely by 2050.

- the Contracts for Difference fourth allocation round will close to applications on 14 January 2022, with the final results of the auction expected to be announced in spring-summer 2022
- Contracts for Difference are 15-year private law contracts between renewable electricity generators and the Low Carbon Contracts Company (LCCC), a government-owned company that manages CfDs at arm's length from government
- contracts are awarded in a series of competitive auctions, known as allocation rounds, which have been run approximately every 2 years. In the auction process, the lowest price bids within each pot and/or ringfence are successful, which drives efficiency and cost reduction
- CfDs give greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, while protecting consumers from paying for higher costs when electricity prices are high
- the scheme has delivered substantial new investment and helped deliver significant reductions in the costs of capital for some renewable technologies
- CfD auctions (together with the bespoke CfD contracts signed in the early days of the scheme) have so far awarded contracts to around 13GW of offshore wind and around 16GW of new renewable electricity capacity across all technologies in 58 projects
- monetary support (pot budget) estimates in this notice, including the £285 million total figure and split across the 3 pots, are presented in 2011/2012 prices in line with the Control for Low Carbon Levies. These figures are an estimate of annual support in the most expensive year in the first 4 years following deployment. Actual annual figures will vary over the lifetime of the contract depending on future wholesale electricity prices, and outcomes of the competitive auction process

Information on methodology behind 'homes powered' estimates:

- the '8 million homes' estimate is based on the estimated consented pipeline for offshore wind (around 7 GW). Actual generation secured through this allocation round will vary based on the outcome of the competitive auction process, and given the large number of projects from other technologies competing in the round
- this has been calculated using load factor estimates for offshore wind

commissioning in 2025 from the published [2020 BEIS Generation Costs Report](#), and published [estimates of average household electricity consumption](#)

- importantly, wind generation is intermittent – it is not possible to continuously power a home through wind alone