

# New reforms to renewable energy scheme to boost supply chains

- Proposed changes to Contracts for Difference scheme to boost supply chains
- tougher examination of developers' plans to make supply chains more competitive, productive and efficient
- proposals include expanding supply chain plans to cover new technologies such as floating offshore wind

The UK government has today (Friday 4 February) launched a consultation seeking views from industry on how to make supply chains across the low-carbon electricity generation sector more competitive, productive and efficient as part of the Contracts for Difference (CfD) scheme.

CfD is the government's primary method of supporting renewable energy, driving down the cost of technologies and encouraging private investment by providing projects with a stable income.

Consultation proposals include more rigorous questioning and scoring of questionnaire responses, along with introducing an interview – allowing for greater scrutiny of CfD applications – and raising the pass mark to make qualification more robust.

The potential changes will ensure generators commit to a range of actions to increase competitiveness of supply chains, driving down the cost of energy generation.

Energy Minister Greg Hands said:

The Contracts for Difference scheme has helped the UK become a world leader in renewable energy, drive down costs and reduce our exposure to volatile global fossil fuel prices.

The consultation also includes a suggestion to extend the Supply Chain Plan process to cover some emerging renewable energy technologies, including floating offshore wind, to ensure Supply Chain Plans are included for technologies expected to experience significant growth and mass deployment in the next CfD round.

The government's main tool to ensure CfDs can grow the low-carbon economy are Supply Chain Plans, which are put forward by developers of projects that have a capacity of 300MW or more in their CfD application and assessed in a questionnaire before they can compete in the CfD auction.

Within the CfD questionnaire, applicants choose the Supply Chain Plan commitments they wish to make, these are then tested for their quality and

ambition ahead of an application being passed, while ensuring the UK fully abides by its international obligations set out by the World Trade Organisation and in the EU-UK trade agreement.

Having already strengthened the supply chain plan assessment process in the CfD's fourth allocation round – the results of which are due to be announced in the spring/early summer – further changes will help ensure the fifth round delivers increased benefits when it opens in 2023.

The Business and Energy Secretary, Kwasi Kwarteng, has the ability to terminate a contract as a last resort if generators do not fulfil the Supply Chain Plan commitments they have made, with the consultation also inviting views on excluding sites from future application either for not signing the contract offered or for termination of the contract before or for failing to meet the delivery milestone.

The effectiveness of the CfD scheme's market-based design has been demonstrated in cost reductions seen between the first allocation round in 2015 and the third in 2019, when the price per unit (MWh) of offshore wind fell by around 65%.

Within today's consultation, the government is also launching a Call for Evidence seeking views on the potential for further changes to Supply Chain Plans for future allocation rounds.

- [Consultation on Contracts for Difference Supply Chain Plans](#)
- [Call for Evidence on future changes](#)
- the Contracts for Difference (CfD) scheme is the government's primary method of supporting low carbon electricity. It encourages investment in renewable energy by providing projects with a stable income, while protecting consumers from paying increased costs when electricity prices are high
- 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 arms' length from government
- developers of projects that have a capacity of 300MW or more must apply for a Supply Chain Plan Statement from the Secretary of State for Business and Energy if they are planning to take part in a CfD allocation round
- 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
- the scheme has delivered substantial new investment and helped deliver significant reductions in the costs of capital for some renewable technologies
- the fourth CfD round, which launched in December 2021, is aiming to secure more renewable capacity than the previous 3 rounds combined
- 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 the emerging technologies allocation, £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