viewpoint

Daniel Argyropoulos, strategic and policy studies group at **Garrad Hassan**, argues that a broader approach to support for the renewable energy sector is needed

One of the main elements of the integrated energy and climate change policy adopted by the EU, in December 2008, is a framework directive for renewable energies which sets an ambitious target of renewable energy providing for 20 per cent of the EU's Final Energy Consumption by 2020. This overall target translates into binding national targets which each country must take appropriate steps to meet. This puts the UK in a particularly challenging situation as it is obliged to provide 15 per cent of its Final Energy Consumption from renewable energy sources by 2020 (from only 1.3 per cent in 2007). In the UK, these targets provide the clearest driver for the development of governmental policy in renewable energy technologies but lurking close to the surface are the long-running factors of energy security and climate change.

In many ways the UK is in a privileged position. Wind energy offers capacity that can be deployed in the short- and medium-term while wave and tidal technologies show promise in the long-term. Not all countries are blessed by nature with such enviable resources.

Onshore wind is now being deployed at a much improved rate than at any previous time, although woefully short of what is being achieved in the most successful EU deployers - Germany and Spain. There remain structural issues with that market that need to be addressed if the potential is to be realised. However, let's focus on offshore wind about which so many headlines have been generated of late.

Raw resource for offshore wind in the UK is world class and, because of UK involvement in offshore wind from the outset, the potential is there for national industry to prosper. This will be an industry of the same scale as the UK oil and gas business in the 1970's and 1980's. It's not a mature industry yet and in the UK and elsewhere it has gone in fits and starts over the past decade (more or less its first decade). The good news is that over the past two years, largely due to UK projects, the industry has gained momentum and contractors have started to see it as a sector they want to work. This is a good indicator of maturing and, in time, cost reduction.

Given this, the Government's improving of policy incentives to award two Renewable Obligation Certificates for every MW hour of offshore wind produced from near-term projects (floundering as a result of sterling devaluation) was an essential step to maintain momentum not just for the UK but for the whole sector. We must acknowledge it is a kick in the teeth for those who proceeded with projects on less-favourable conditions - and sends an unhelpful signal about the market.

At Garrad Hassan, we have grown up with renewable energy and, because of our involvement across multiple technologies, with multiple stakeholders, across the world, we understand that frequently, when policy changes to promote a fast track solution, it usually has unforeseen impacts on other technologies and can make a serious co-ordinated future more difficult to envisage.

Continual modifications to the Renewables Obligation banding also begs a question about whether it is the right mechanism for delivering national objectives, or driving market convergence. To some extent, the modification to it serves to highlight the need for active intervention in the face of pressing national need for clean sustainable energy and raises doubts about whether a complex system that delegates substantial influence to incumbent utilities is the right way to go. If it is, then the UK is treading a lonely (and so far fairly unproductive) path.

Other European countries have taken a broader approach. They genuinely develop their policy with a broader focus. In countries like Spain, Germany and Denmark hundreds of thousands of new jobs, exports and tax income have already been created as a result of wind energy. This is a virtuous cycle for the industry as it also feeds back into public and state support. Were UK companies substantial suppliers to offshore wind projects, sterling devaluation would not have cut so deep on the current crop of projects and the recent Budget initiative may have been unnecessary.

While the offshore wind business has international maturity issues, perhaps it would benefit UK policymakers to look at what has worked in nations more successful at deploying wind energy. Our burgeoning Offshore and Strategy Groups at Garrad Hassan have just produced a thorough report that analysed policy and support mechanisms for offshore wind in the most dynamic markets geographically and drew conclusions about what constitutes the most effective regulatory framework. What jumps out loud and clear from this is the complexity of the ;UK market.

Earlier this year, the International Agency for Renewable Energies (IRENA) was founded by more that 75 countries. Its aim is to intensify international co-operation on renewable energy, to foster capacity building and technology transfer. The most recent country to sign up was India. For reasons which are not yet clear, the UK has decided not to join, a decision which could mean missed opportunities for the British renewable energy industry, particularly in sectors where it is currently perceived as leading i.e. offshore wind, wave and tidal.

In conclusion, while UK support for renewable energy is definitely increasing and, as a result, the roll-out is gathering momentum, the current approach is unlikely to achieve the Government's 2020 renewables deployment target. The UK business is also failing to capitalise on an enormous business opportunity - and until that changes we must fear that wind energy will continue to find it is built on sand. □

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Garrad Hassan writes from the perspective of a successful global wind energy player founded in the UK and whose success is driven by exports - due to the long-term under-performance of renewables policy in the UK.