

EVALUATION OF DTI SUPPORT FOR RENEWABLE ENERGY UNDER NFFO AND SUPPORTING PROGRAMME

RESPONSE TO EVALUATION REPORT

1. The aim of the evaluation was to assess whether the programmes had been effective in developing the UK renewables industry and reducing the costs at which energy from renewable sources could be made available in the UK.
2. It should be recognised that a significant amount of the information on which the evaluation by the consultants was carried out was sourced in, and before, the year 2000. It has therefore been necessary for the Department to take forward the transition from NFFO to the Renewables Obligation before the detailed report was presented to the Department. In managing this transition the Department has however taken account of the initial conclusions of the evaluation and the extensive dialogue which the Department has maintained with the renewables industry and other stakeholders, including consultations in 1999, 2000 and 2001.
3. The Department welcomes the main findings of the evaluation that:
 - NFFO and the supporting programme had been successful in encouraging the uptake of renewable energy, very little of which would have occurred in the absence of support.
 - a market in renewable energy had been established with a significant number of participants; and,
 - there was an improvement in the availability of finance for investment.
4. We agree with the findings that the programmes had been less successful in developing a UK renewables technology industry to supply domestic and export markets. We also agree that the rate of commissioning of NFFO projects to date has been disappointing, in view in particular of delays in obtaining planning consent.
5. The evaluation made a number of general and technology specific recommendations, many of which endorse current DTI thinking. The Government is taking these forward by:
 - allocating a total direct funding of over £260 million through both the support programme and capital grants to bring forward the deployment of medium and longer term technologies.
 - working with the finance community (including the European Investment Bank) to facilitate the switch from NFFO to the Renewables Obligation and increase investor confidence in the renewable energy sector.
 - helping the renewables industry to access the existing Government support for renewables and other sources of project funding.
 - exploring appropriate mechanisms to ensure that UK industry makes the most of the opportunities that the Renewables Obligation will open up, and to exploit the export potential of the UK renewables industry.

5. The Department does not however believe it is an appropriate time to set up regional Renewable Energy Offices to act as sources of information and advice. We are however working with the English Regions and the Devolved Administrations to assess the most appropriate means of taking forward renewables at a regional level. This will be particularly important in building on the momentum created by stakeholder dialogue during the course of the regional renewables assessments and using the regional fora and mechanisms which were put in place during the consultation process. The Department is also considering its strategy for raising general awareness of renewables and has invited the regions to consider what approaches may be suitable at the regional and sub-regional levels.
6. In terms of the technology specific recommendations we are taking these forward through:
 - Allocation by the Prime Minister of £2.5 million to facilitation of planning for renewables
 - through development of the bioenergy capital grants scheme (some £66 million of support for biomass power, CHP and heat-only projects from DTI and the New Opportunities Fund) and continued support for the bioenergy research and development under the Department's Sustainable Energy Programme.

Sustainable Energy Policy Unit
Department of Trade and Industry
January 2002