

## Feed-in Tariff Review: The end for on-farm solar PV?

November brought a chill to more than just the weather this year. The shock proposals for the Feed-in-Tariff (FIT) Review have set the renewable industry reeling, and almost certainly scuppered a number of on-farm projects, causing farmers and landlords to lose money invested in unfinished projects.

Tariff rates have been cut before, but only for large-scale arrays (over 50kW). The new review proposes to pretty much half the tariff for all solar PV under 50kW. Whilst a sharp fall was foreseen, it was always expected to come into force in April 2012. The shock of this announcement was that the changes would affect all installations installed from 12th December 2011. Given the time it takes for a grid connection, only well-advanced projects will manage to meet this deadline, leaving the rest floundering. The consultation on the review is currently open until 23<sup>rd</sup> December, so there is a chance that the proposals may not yet be set in stone. Given the result of the last review, however, it seems unlikely that the response of the consultation will make much of a difference to the policy.

The aim of the proposals seems to be to bring down the investment return of a PV system to about 4% (up until now we have seen returns of 8% or even 10%). The result is likely to kill off the industry. We have clients who have invested a great deal of money in a new agricultural building, in the hope that it will be effectively paid for in the long run by the feed-in-tariff from a roof full of PV panels. They will not make the deadline, and are now considering whether to push ahead and tie up valuable capital in a long term scheme with a low return, or cut their losses and lose the money spent on planning, financial and other advice.

So is there any point in continuing with PV? That would depend on your circumstances, but we believe that there is:

- A 4% return on investment is not nothing, and more than you would receive for many other investments (after all, you don't get a return on the money you spend on your electricity bill each year)
- It seems unlikely, given current energy trends, that electricity will get cheaper, so anything which farms can do to reduce their vulnerability to price hikes should be considered. Price hikes may also mean the 4% return improves in the long run due to the savings made on buying electricity.
- If you are planning to put up a building anyway, PV panels on the roof can help provide an income from the building
- PV can be a good choice for off-grid electricity demands
- Many people consider the environmental benefits of renewable energy to be worthwhile investing in.

If you would like advice on renewable energy systems, including, solar, biomass boilers and wind turbines, get in touch with Creedy Associates.