

Legacy Schemes Team
Renewable Electricity Directorate
Department for Energy Security and Net Zero
6th Floor, 3-8 Whitehall Place
London
SW1A 2AW
Delivered by email to: RO@energysecurity.gov.uk

December 2, 2025

To whom it may concern,

Consultation Response: Changes to inflation indexation in the Renewables Obligation scheme

Scottish Renewables is the voice of Scotland's renewable energy industry. Our vision is for Scotland leading the world in renewable energy. We work to grow Scotland's renewable energy sector and sustain its position at the forefront of the global clean energy industry. We represent over 370 organisations that deliver investment, jobs, social benefits and reduce the carbon emissions which cause climate change.

Our members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

SR recognises the UK Government's goal to provide consumer savings amid fiscal pressures and a need to tackle the rising cost of living. We understand the rationale for considering a change in the indexation methodology, but we have concerns about the potential consequences of the proposed changes. Any policy changes should be proportionate and uphold the UK's reputation as a stable investment environment. Furthermore, any modifications to the scheme should be communicated with enough notice for projects to assess their impact.

SR does not support either proposed option in its current form, given the short notice both offer to generators. Option two would significantly reduce generators' revenue and would be a retrospective policy change, which presents a significant risk to renewable energy investment and would set a dangerous precedent. The Government should avoid enacting retrospective policy changes, as this could damage the UK's reputation for regulatory stability. If the Government alters the terms of support mechanisms after investments are made, it will result in higher capital costs for future projects, deter inward investment and ultimately likely raise consumer costs over time. Under option 1, the move to CPI in 2026 is estimated to save an average UK household £3 per year in 2030/31. However, both options pose significant risks that outweigh the potential savings in consumer bills. The proposed approach is counterintuitive, as it will reduce investors' appetite for investments in the UK and increase political risk for future investments. The impact on investment will cause projects to factor the risk of retrospective policy changes into the cost of capital for future projects, increasing costs. This would ultimately increase costs for consumers in the long term. The impact on investment will not be limited to renewables; it will apply to investment in other sectors if the Government is seen to make retrospective policy changes.

The Government should retain its original position as conveyed to the industry by HM Treasury in the 2020 consultation on Reform to RPI methodology, which was a change to CPIH in 2030, and which has been the basis for many investment decisions and lease and O&M agreements. With the upcoming consultation on moving Renewable Obligation Certificates (ROCs) to Fixed Price Certificates, there is a lack of clarity for investors and generators. This makes it difficult for generators to conduct a full assessment of the risks presented by both options. Scottish Renewables would support the Government in conducting a consultation on reforms to the RO scheme as a whole. An overarching consultation would ensure that decisions on scheme changes are fully understood and that the industry has full sight of the implications of proposed changes.

Scottish Renewables would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P Bottomley', with a stylized, cursive script.

Poppy Bottomley
Economics and Markets Policy Officer
pbottomley@scottishrenewables.com
Scottish Renewables

Consultation Questions

1. *Do you agree that CPI is a fairer and more accurate measure of inflation for adjusting the RO scheme costs than RPI? If not, why not?*

No – While SR recognises the need to bring down energy bills, any changes to the RO should be made whilst maintaining investor confidence, and without eroding the value investors place on government subsidies. An immediate switch to the Consumer Price Index (CPI) under either proposed option would represent a significant and unforeseen change to the conditions set by the Government, on which generators had a legitimate expectation. Given that generators made substantial investment decisions based on Retail Price Index (RPI) indexation for the 20-year duration of the scheme, any change before 2030 would not be fair and would constitute a retrospective adjustment with significant impacts on investor confidence.

With the use of RPI being phased out by 2030 due to identified drawbacks, the Office for National Statistics (ONS) recommendation is that it be replaced with the Consumer Price Index including owner occupiers' housing costs (CPIH). This anticipated change created a legitimate expectation in the sector and investment community that RPI would be replaced with CPIH. We acknowledge that the Government's rationale for moving towards a more representative measure has the potential to reduce consumer bills. However, we are concerned about the proposed timeline for the proposals in the consultations. Any changes to the RO indexation should follow ONS guidance and be deferred until 2030.

The change in 2030 is of a different nature to an immediate switch to CPI because RPI will effectively cease to exist, as its methodology will align with CPIH. This would provide investors and operators with adequate notice and preserve consistency with previous government commitments. The Government must ensure that changes are aligned with wider reforms to the RO, such as potential transitions to fixed-price certificates rather than being introduced in isolation. Additionally, it is a widely anticipated and understood shift that generators have been preparing for since 2020.

The intention on the part of the Government to provide certainty to investors around the long-term value of ROCs through a robust 'vintaging' approach was clearly reiterated in the [Government's EMR Technical Update](#) (published in December 2011) as follows:

"Our intention is for the price of the Fixed ROC to be set at the long-term value of the ROC. In 2027, this will be the 2027 buy-out price, plus 10 per cent. The Fixed ROC price would remain inflation-linked from 2027, in the same way that the buy-out price is currently inflation linked"

Onshore substation tariffs for TNUoS remain indexed to RPI each year, and onshore transmission-connected RO assets will pay these charges as part of their TNUoS charges. Under the CPI proposal, RPI-linked TNUoS tariffs will continue to rise faster than the RO subsidy received, driving up the relative cost of TNUoS. For example, Scottish RO assets face TNUoS charges, which constitute a significant source of annual cost that is increasing substantially faster than inflation. NESO forecasts TNUoS costs for Scottish wind to increase 78% on average out to 2029/30. This is over six times higher than the Office of Budget Responsibility's RPI forecast over the same period. According to NESO's [five-year view of TNUoS tariff](#) forecasts, the most Northern zones are expected to see increases even greater than 100%. Given that the Office for National Statistics has considered CPIH the lead inflation index since 2017, and the UK Statistics Authority and HM Treasury's decision to phase out the methodology for calculating RPI by February 2030 in favour of CPIH, we do not think it's appropriate for the RO scheme to move to CPI.

Discounting CPIH because it includes housing costs not relevant to energy infrastructure and adopting CPI due to its alignment with broader policy and regulatory direction is also misleading. For

example, several government regimes across the sector use CPIH, including the RIIO framework (Revenue = Incentives + Innovation + Outputs), the Offshore Transmission Owner (OFTO) regime, the Sizewell C Nuclear RAB (Regulated Asset Base) mechanism, the Long Duration Electricity Storage (LDES) Cap and Floor scheme and the most recent window of the Interconnector Cap and Floor Scheme.

The Government's view that RPI has overcompensated generators does not consider that investment decisions to proceed with RO-accredited projects were based on the RO scheme available at the time, including the indexation details, and at a time when the Levelized Cost of Electricity (LCOE) was much higher and renewable assets were deemed riskier investments, commanding higher internal rates of return (IRR) than today under the CfD scheme. Investment models and final investment decisions, including refinanced or acquired via mergers and acquisitions, would have incorporated RPI projections. Therefore, it is not accurate to say RPI has been over-compensating; it has been fulfilling a commitment made by the Government to investors and developers to enable investment to proceed.

Additionally, the Government must consider the market context in which the generators have been operating; generators faced low prices during the COVID-19 pandemic and the Energy Generation Levy during the gas crisis. The assumed windfall gains of RO generators are misguided, and this change would harm project finances more significantly than any financial benefits they have gained during periods of high market prices. Additionally, for projects that reached FID based on anticipated wholesale market revenues, the wholesale market has consistently underperformed, except in 2022, and has not delivered the expected revenues to generators.

2. Of the two options, which do you think is the best alternative to the current methodology, and why?

Under option one, in March 2026, the buy-out price would be increased in line with CPI rather than RPI. With option two, from April 2026, the buy-out price would be frozen at the 2025/2026 level. The Government would construct a 'shadow' price for the 2002 buy-out price and model annual adjustments using CPI. No inflation-linked increases would occur for RO-accredited assets until the CPI shadow price reaches the current RPI buy-out price.

Both options would be damaging to generator revenue however, of the two options, option one would be preferable, as it is the least damaging to investor confidence. Nonetheless, neither option will result in an investor-neutral response. Regarding the Government's history of inflation-indexation changes, the priority has been to give sufficient notice and preserve investor confidence; the same should be prioritised for renewable generation assets, for example the water sector's shift from RPI to CPIH was announced over 12 months before implementation.

SR strongly opposes option two, as this would be a retrospective policy change that would have a profound impact on investor confidence in any UK policy mechanism. There have been cases of companies litigating against governments in EU markets due to retrospective support cuts, and there would be a risk of this happening in the UK if option two were implemented. The second option is a clear breach of legitimate investor expectations and would set a dangerous precedent that would be incredibly damaging to investor confidence and the renewable energy industry.

Although the impact of option one would not be as severe as that of option two, it would nonetheless substantially undermine investor confidence and generator revenues. This could adversely affect trust in the Government to sustain policy stability, particularly given the short notice provided. If option one were introduced alongside fixed-price certificates, the price would be frozen at the 2026 buy-out level, which may be viewed as a reduction in support scheme provisions and a retrospective policy change.

3. *Do you have any impacts of the proposed change for generators, consumers or investors?*

Generators

With the proposed changes to be implemented in early 2026 and being consulted on in late 2025, generators do not have sufficient time to plan. They require a longer notice period or a phased realignment to mitigate the impact. According to [Ofgem's Annual RO Report](#), over 35GW of renewable assets remain supported by the RO, with assets starting to taper off the scheme between now and 2037. It is therefore vital to avoid undermining longer-term commercial planning around repowering and life extension options in respect of existing RO generation plant in a way that could otherwise significantly set back progress towards decarbonising the GB power system (contrary to the Government's Clean Power ambitions). Reneging on previous government assurances regarding the RO in a way that undermines the expected value of RO projects based on those assurances would hinder such life-extension and repowering plans.

Over the next 10 years, generators would expect to lose revenue which is underpinning business cases and investment decisions if option two were to be implemented. Any actions by the Government that are perceived as reneging on its obligations regarding ROCs or undermining their stability and predictability are likely to erode confidence in future CfD auctions. This could discourage buildout and result in missing the Clean Power 2030 targets. Among developers participating in CfD auctions, this may lead to more conservative bid prices to avoid the risk of the Government "moving the goalposts" again and an increase in the perception of regulatory uncertainty when making Final Investment Decisions. Reduced buildout will decrease competition in bidding and risks prompting more developers to opt for Corporate Power Purchase Agreements (CPPAs) or pure merchant routes where they can receive higher prices.

Many RO projects will have RPI-linked leases, explicitly designed to stabilise cash flows by aligning with revenue. Both options will result in a higher proportion of project revenue going to landowners rather than being reinvested in renewable energy. It is unlikely that any projects will include clauses that address this switch, and such clauses will diminish the financial resilience of RO projects overall. If project revenue is not as forecast, there is also a risk that projects might default on their debt repayments. Many assets have been refinanced to fund development and repowering activities; this change will have a significant impact on the available capital and the debt that can be leveraged through future refinancing.

The options presented will undermine present developers at a time when nascent technologies such as tidal stream are progressing in their development. This will delay commercialisation and the creation of an export market, which will have a negative impact on the UK economy.

The UK hosts the world's most powerful tidal turbine and leads international efforts to decarbonise using marine energy. Without the RO, a significant portion of these developments would not have been possible. The Gross Value Added (GVA) to the UK economy by these projects and developments has resulted in significant payback to the consumer. Any projected savings made by the proposed changes will be eclipsed by the losses the UK economy will suffer if this nascent industry cannot grow.

Consumers

The Government believes changing the indexation to CPI will save consumers £250 million in 2030/31. The Government should ensure this will be a saving, and that the costs aiming to be saved will not be reallocated to consumers in other forms, e.g., political risk factored into future CfD auction rounds. SR recognises the need to bring down energy bills, but retrospective changes of this nature would undermine investor confidence and erode the well-earned stability and policy certainty of GB

energy regulation more widely. Any savings would be outweighed by even a small increase in the cost of capital across UK infrastructure investment, ultimately resulting in higher costs for consumers in the long run.

Investors

A retrospective change to the scheme would be hugely damaging to existing and future investors, who will need to add risk premiums to new projects, and when refinancing existing portfolios, or investing in countries with policy stability. Moreover, separating these proposed changes to indexation from the broader consultation on options for a future Fixed Price Certificate (FPC) system within the RO scheme creates a staggered and piecemeal approach, which only further increases uncertainty for industry. For instance, by expediting these proposed changes ahead of the FPC consultation and without clarity on how the 10 per cent headroom will be treated, the Government is seeking views without providing industry with the necessary information to offer a fully informed view of the potential overall impacts.

The UK has maintained a strong reputation with investors. However, this change will undermine renewable investment when billions of pounds are being mobilised, posing a high risk to investor confidence. Regulatory stability is crucial to maintaining investor confidence, which is necessary to meet political deployment targets. The Government should not underestimate the long-term impact this will have on investors. Both options will reduce the attractiveness of investments in UK renewable energy projects, thereby directly conflicting with the Chancellor's priority to mobilise pension fund investments into infrastructure.

There have already been declines in the share prices of many projects due to the proposals. Several funds have estimated that under option two, drops in net asset value (NAV) would be significant, reaching as high as 8.5% for solar fund NextEnergy Solar (NESF) and 6.2% for Greencoat UK Wind (UKW). The impact on investor confidence and the associated costs is not addressed in the call for evidence and should be thoroughly reviewed and quantified. While option one sees less severe declines, it will still negatively affect the NAV of funds.

4. *Do you think there are alternative approaches that should be considered, and if so, what are these and why?*

Yes, the Government should continue to adjust the RO buy-out price annually using RPI until 2030, when it will be replaced with the methodology for calculating CPIH. This approach better reflects the terms under which generators had a legitimate expectation when significant investment decisions were made, while also aligning with the UK Statistics Authority and HM Treasury's decision to phase out the methodology for calculating RPI by February 2030 in favour of CPIH.

The Government's 2020 announcement of a move to CPIH in 2030 should be upheld, as four months' notice is not sufficient for industry planning. Projects have made financial decisions on the assumption that a change to CPIH would commence in 2030; by going back on this, the Government jeopardises investor confidence, and any change that varies from this will have a significant impact.

With a substantial number of RO-accredited projects exiting the ROC in 2027, implementation of any change should be delayed until then at the earliest. As mentioned, the proposed options would have a significant impact on investor confidence and on the UK as an appealing investment opportunity. CPIH will align with Treasury and ONS guidance and more accurately reflect infrastructure-related inflation.

The fixed-price certificate consultation expected at the start of 2026 should be combined with this consultation to get a holistic view of the RO scheme and implement any changes in a measured way.

If early CPI indexation is introduced, the Government should refrain from making any further changes to the RO scheme to prevent the UK from appearing unattractive to investors.

The Government should explore options that wouldn't cause significant detriment to investor confidence in the UK's policy stability and potentially lead to an increase in consumer bills through increased cost of capital. One mechanism the Government should consider exploring is a voluntary private law CfD contract, originally proposed in a [publication](#) by the UK Energy Research Centre (UKERC), which would allow RO-accredited assets to enter the CfD scheme. This is an option that would need to be explored and consulted on to ensure the design allows consumer savings while providing projects with revenue certainty.

END