Renewables auction reaction as record low-cost green energy capacity secured

Record low prices will save consumers £58 a year compared to the cost of power generated from gas, according to trade body RenewableUK.

The auction process, revealed on Thursday, has secured 10.8 GW of green energy – almost the same as the previous three rounds combined. It amounts to 14 per cent of the UK's total current electricity capacity.

Nearly two-thirds of this will be new offshore wind as five projects secured 7GW of new capacity, with Renewable UK saying it was "demonstrating that this technology is central to the UK's transition to clean power".

Read more:Ørsted's Hornsea Three leads the way as 93 projects secure backing in fourth renewable auction

At £37.35 per megawatt hour it is the lowest cost of all renewable technologies, and significantly cheaper than the current cost of electricity, which has been trading at over £150/MWh for much of this year.

RenewableUK's deputy chief executive, and recently named Humber Renewables Champion, Melanie Onn, said: "The cost of living crisis and the war in Ukraine have pushed affordability and energy security to the top of everyone's agenda, with billpayers desperate for relief from fossil fuel price hikes. Today's record-breaking auction results show that there is a way to replace unaffordable gas with low-cost clean power generated by a wide range of renewable technologies led by wind, both offshore and onshore. Thanks to the rapid construction times of renewables, billpayers will start to

feel the benefits of today’s auction next year.

“The auction also showed that the UK is maintaining its position as a world-leader in innovative renewable energy technologies like tidal stream and floating wind, which will both play an increasingly significant role in our transition to clean power to meet our net zero goal.

“To achieve this, we need to replicate the success of this auction in every subsequent annual allocation round to attract the £175 billion of private investment in wind needed to achieve the Government’s 2030 targets. So it’s important that we get details of the next round as soon as possible so that developers can get projects ready for next year’s auction.

Melanie Onn is presented with the Humber Renewables Champion

award by Andy Sykes, Siemens Gamesa's plant director.
(Image: Richard Addison)

"Renewables are two to three times cheaper than the alternatives and these prices provide great value to consumers, especially in light of the impacts of inflation and global commodity costs, like steel, on the industry. The CfD has delivered a huge amount of new clean energy capacity. Now we need to see an evolution in the way contracts are awarded so that we can secure the massive supply chain and project investment needed for 2030 and beyond, as well as low and stable electricity prices for billpayers. The prize is huge: offshore wind alone is set to employ 100,000 people in the UK by the end of the decade.

"Working closely with Government, we need to make this country the most attractive place to invest in. This is particularly important if we want to develop our supply chain in new technologies like floating wind, tidal stream and green hydrogen, in which we can lead the global market and seize the export opportunities this offers."

Onshore wind competed in the auction for the first time since 2015, after a long-running campaign by RenewableUK to end its exclusion from the competitive process. It proved it is one of the cheapest ways to generate new power, with strike prices at £42.47.

With a quicker lead time projects will start generating within two years.

A total of 16 onshore wind projects won contracts, all of which are in Scotland, representing a total of 1.5GW. The allocation round saw 44 solar projects included, adding a further 2.2GW.

Energy Minister Greg Hands said: "This fourth round shows the government's Contracts for Difference scheme continues to be a roaring success.

“Not only has it secured a record capacity of clean electricity, it ensures the UK will have a future powered by a resilient and diverse supply of homegrown energy by bringing forward a greater range of renewable technologies than ever before.”