

Government set to hike prices to put offshore wind auction back on track

The government will this week increase the price offered to offshore wind farm developers after the total failure of its last auction round left the UK's net zero targets in jeopardy.

The target price for the next auction round, known as AR6, is expected to be around £70 to £75 per megawatt hour.

That is a dramatic increase on the £44MW/h offered last year in an auction that attracted [not a single bidder](#) for offshore wind capacity.

Industry leaders had warned the Department for Energy Security and [Net Zero](#), then headed by Grant Shapps, that the price was too low to meet the rising costs of building wind farms, driven up by material and supply chain inflation.

Sky News understands the industry has told government it needs a figure closer to £70 for new projects to be viable, and it appears the new Energy Secretary Clare Coutinho, appointed in the same week as the last failed auction, will meet that demand.

The price offered effectively guarantees the amount generators will receive for power.

It sets the bar for the auction of 'Contracts for Difference' (CfD), the mechanism by which renewable power projects are subsidised.

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Under CfDs, if power prices fall below the “strike price” agreed at auction, the government makes up the difference.

Should prices go above the agreed figure, as has been the case for much of the last two years, the generator returns the excess to the Treasury.

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Until recently CfDs had been hugely effective in delivering new renewable energy capacity, particularly in offshore wind.

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The government has a target of trebling offshore wind capacity by 2030, from around 14 gigawatts currently, to 50GW.

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It's a crucial plank of the UK's net zero strategy, which requires the decarbonisation of the power grid and a shift to electrification of home heating and transport.

An already stretching target was jeopardised by the failure of AR5, so ministers may also increase the capacity of new projects they try to secure, and the budget allocated to fund them.

Soaring costs have slowed the rollout of offshore wind projects around the world, with rising costs meaning governments, and ultimately consumers, will have to provide more incentive for projects that in time deliver cheaper energy than fossil fuel alternatives.