Business, Energy and Industrial Strategy Committee
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Chris Skidmore MP
Minister of State for Universities, Science, Research and Innovation
Interim Minister of State for Energy and Clean Growth
Department for Business, Energy and Industrial Strategy

Dear Chris

4 June 2019

I am writing on behalf of the Committee regarding concerns over the policy landscape in which the small-scale renewables industry, including solar, is currently operating.

We wrote to Rt Hon Claire Perry MP back in October 2018 with a series of questions in relation to the closure of the export tariff. We remain concerned that consumers who installed these technologies after the export tariff closed continue to be the only generators not paid for the power they feed into the electricity network. You will also be aware that HMRC is proposing to change the way that the reduced-rate of VAT is applied to solar and other household renewables. We are concerned that the potential VAT rise poses a threat to the most cost-effective collective purchase schemes; premium schemes such as those combined with complex ‘smart’ technologies; and installations of solar and battery storage. We would therefore be grateful if you could provide answers to the below questions.

1. When was BEIS first made aware of this potential change in VAT treatment?
2. Did the Government account for the potential VAT rise in the decision to end the Feed in Tariff (FiT) and export tariff?
3. What is your assessment of the net effect of these recent and proposed policy changes on solar and other small-scale renewables in the round, including the impact on the uptake and commercialisation of battery storage?
4. What types of schemes are caught by the 60 per cent equipment cost threshold for access to reduced-rate VAT?
5. How are the VAT proposals consistent with your Department’s decarbonisation priorities? What steps have you taken to engage with HMRC and the Treasury on this?
6. When will small-scale generators who installed their technology after March 31st receive payment at a fair market rate for the clean power they provide to the grid for others to use? How will the Smart Export Guarantee pricing levels be set, will they be linked to wholesale prices, and if so, will there be a minimum floor price?
7. The Government’s most recent estimates show that the monthly installation rate of solar was at its lowest in April 2019 since May 2010, what steps have BEIS taken to monitor the impacts of this on the industry?

We would appreciate a response by 17 June.

Rachel Reeves MP
Chair of the Business, Energy and Industrial Strategy Committee