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Legacy Schemes Team
Renewable Electricity Directorate
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02 December 2025

Dear DESNZ,

Energy UK response to DESNZ consultation “Renewables Obligation (RO) scheme: indexation changes”

Energy UK welcomes the opportunity to respond to the Government’s proposals on inflation indexation for the RO.

Households and businesses in the UK continue to face extraordinary pressure on their energy bills. Reducing the cost of bills and tackling the affordability crisis is a [key priority](#) for Energy UK. We welcomed the announcement in the Budget that 75% of the RO’s costs would be taken off electricity bills and moved into general taxation.

However, Energy UK has significant concerns about the proposals put forward in this consultation. We believe that the Government should not fast-track the phaseout of RPI for the RO or manipulate the buyout price with a freeze. This would undermine regulatory stability and damage investor confidence, increasing political risk and the cost of capital.

Energy UK does not support either option put forward in the consultation as the wider economic consequences for consumers, generators and investors will likely outweigh the headline, short-term benefit of the switch to CPI itself.

Option 1: Immediate switch to CPI indexation

Energy UK acknowledges the conclusion of the House of Lords’ Economic Affairs Committee (2019) that the RPI is generally considered an outdated methodology.¹

Energy UK does not support the immediate switch to CPI indexation in 2026. We believe that the Government should continue to adjust the RO buy-out price annually using RPI until it is phased out in 2030.

Switching away from RPI goes against previous assurances made during the EMR programme. Implementing a switch from 2030 would preserve the value of the RO until such a point as a switch is required in line with the Government’s wider policy to

¹ [House of Lords Economic Affairs Committee \(2019\), Measuring Inflation](#)

phase out the methodology for calculating RPI by February 2030 in favour of CPIH. This would better reflect the nature of the agreements based on RPI and the legitimate expectation for significant investment decisions.

An eventual switch in 2030 to CPIH indexation would provide the necessary caution and anticipation in making changes to investment terms.

Timeframe

Energy UK is especially concerned with the unprecedented speed and scale of this proposed change.

This short notice is likely to be highly damaging to investor confidence in the UK electricity sector and risks undermining both investment in generation technologies as well as forecasted supplier decisions for the coming compliance period.

Moving away from RPI requires a managed transition in a timescale that is consistent with fundamental economic principles² and does not undermine long-term integrity and trust in UK markets.

For example, Energy UK notes that indexation changes for Offshore Transmission Owners (OFTO) and interconnector assets by Ofgem proposed a move to CPIH with longer lead times for implementation of around 18 months. In the water sector, a three-year lead up to potential changes from RPI to CPI was provided. Proposals also outlined how a staged move from RPI to CPIH would occur and gave a clear transition path to this approach.

Therefore, at the very minimum, if a change is implemented, Option 1 should take place in the following compliance year (2027/28) to allow more time for generators and suppliers to adjust to these proposals than currently proposed.

CPIH

CPIH has been the ONS's lead inflation index since 2017 and is commonly used across the sector for:

- The RIIO framework (Revenue = Incentives + Innovation + Outputs)
- TNUoS (Transmission Network Use of System) charges,
- 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
- The Interconnector Cap and Floor Scheme.

Energy UK believes that CPIH would be a more appropriate measure of inflation for the eventual switch in 2030, in line with wider RPI reform.

Option 2: Temporary freeze and gradual realignment with CPI

² [Department for Business Innovation & Skills \(2011\), Principles for Economic Regulation](#)

Energy UK strongly opposes this proposal, and we urge the Government to confirm as soon as possible that it will not move forward with its consideration. The impact of its proposal is already being felt by the market.

Freezing the RO buy-out price at the 2025/26 level would constitute a retrospective change to policy, fundamentally altering the basis on which significant investments were made. Members report that there has never been a retrospective change to key support schemes that underpin UK renewables investment policy (i.e. changes to the RO, FIT and CfD).

Energy UK is deeply concerned about the precedent this would set, not only for renewables but to policy frameworks for all technologies. We note that retrospective changes to finance-raising decisions are extremely detrimental to investor confidence.

Option 2 would undermine investor certainty and materially impact RO investor returns. Many of the international investors in RO projects are also those who are looking to invest billions of pounds in future UK energy projects and this would harm their appetite for future investment.

It is short-term thinking and a counterproductive approach. This change would increase political risk for future investments, raising hurdle rates and future CfD prices. It would push up future investment costs across all technology types, offsetting any potential savings while damaging the UK's attractiveness as a destination for investment.

Wider economic impact

Investors in other sectors linked to RPI, such as Public Finance Initiative (PFI) agreements across healthcare, and housing and other infrastructure investments such as roads and rail, may see their future investment confidence and appetite changed if the Government proceeds with the approach and options considered in this consultation.

Overcompensation

The Government should reconsider its framing of RPI as overcompensation in the consultation. Investment decisions to proceed (or not proceed) with RO projects were based on the RO scheme available at that time, including the indexation details.

RPI projections will have been included in investment models and final decisions, so it is not correct to refer to RPI as overcompensation. It is the delivery of a commitment that was made by the Government to investors and developers to enable investment to proceed.

Uncertainty of ROC risks

The Government should engage with industry as early as possible on Fixed Price Certificates. Multiple proposals on changes to the RO should be considered as whole

to minimise uncertainty and provide a full view of the scheme. A staggered and piecemeal approach to consultation only increases uncertainty for generators and investors and creates difficulties in assessing the full range of risks of the changes proposed.

Pot Zero

Energy UK recognises the challenge to reduce the cost of legacy schemes while maintaining a positive investment climate which supports the transition to a clean power system. The Government should therefore consider offering RO generators the option to voluntarily take up a CfD contract. The UK Energy Research Centre estimates this could deliver savings of £2-8 billion³.

Conclusion

The Government should not seek to fast-track indexation changes or manipulate the buyout price with a freeze. Both options put forward in the consultation will negatively impact investor confidence, with Option 2 likely to be particularly detrimental leading to serious and lasting consequences on the investability of the UK energy sector.

Finally, Energy UK is concerned with the short consultation period for the proposal of such significant changes. Future consultations on fundamental changes to the RO scheme should be consulted on over a longer period. Energy UK would be happy to support and facilitate further engagement with the sector on changes to the RO.

Kind regards,

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About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

³ [UK Energy Research Centre \(2025\), Pot Zero 2025 Update](#)



The voice of the energy industry

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.