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Andrea Leadsom MP
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Dear Andrea,

I am writing to follow up the useful meeting you arranged on Monday with Peter Bottomley, Tony Cunningham, Andrew George and others on the role of onshore wind in meeting the country's energy security and carbon reduction goals.

We discussed a number of points and I said I would write with further details on two areas in particular. The first is the impact of the changes we are proposing to windfarm subsidies in 2013 through the Renewables Obligation. A public consultation was launched last month (available on the DECC website at http://www.decc.gov.uk/en/content/cms/consultations/cons_ro_review/cons_ro_review.a.spx). I am clear that the aim of subsidies is to drive down the costs of renewables over time and that the level of support must keep pace with the cost reductions to avoid over-compensating developers of windfarm and other renewables projects. I am therefore proposing that windfarm subsidies will be cut by 10% as costs are coming down. Our analysis shows that as well as providing the right level of support for viable projects this cut is also likely to lead to over 400 MW of less viable projects being abandoned. The Renewables Obligation already forces developers to focus on viability by subsidising the electricity windfarms actually generate rather than their size and capacity. By reducing incentives the test of viability becomes tighter and meets the Government's aim is to ensure that windfarms are built in the right locations and generally where the wind is strongest.

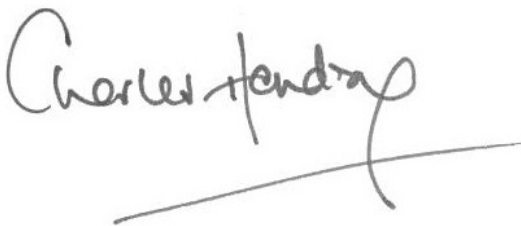
More widely, the new subsidies are intended to bring forward a portfolio of renewables development, mainly onshore and offshore wind, and sustainably-sourced biomass electricity in roughly equal shares. As such, we see a bigger role for biomass and a reduced one for onshore wind in fuelling UK renewable electricity aims for 2020. The prospect of converting existing coal plant to biomass is a new and cost-effective addition to the UK's renewables potential and we are keen to bring forward biomass as a replacement fuel for coal in these plants.

The second area is how communities can benefit from hosting windfarms. As you know, I want local communities to be able to see what they stand to gain from

renewables development and there are interesting case studies where for example developers have funded energy efficiency measures in host community households. These have been paid for by the voluntary contributions developers make to those affected by development, and a wind industry protocol agreed early this year set a minimum level of £1000 pa per MW. In addition, the Government is committed to enabling local authorities to retain the business rates that renewables projects generate annually over the lifetime of the project. All projects are valued individually, but, for an illustrative example, a windfarm development of 14MW, at current business rates, could release £76,000 annually for 20 years, which is intended to be used for the benefit of host communities. The consultation has now closed, and I know that CLG hope to respond shortly, with a view to introducing business rates retention from April 2013.

Finally, as you know, changes to the planning system in England are under consideration by the Department for Communities and Local Government. The Localism Bill has now been agreed by Parliament and, amongst other things (including abolishing regional renewables targets) it introduces the right for communities to come together to produce neighbourhood plans to shape their environment. It is intended that local authorities will provide help and assistance in producing these and that neighbourhood plans must generally be in line with the strategic policies set out in local plans (which are drawn up by local authorities). The Department of Communities and Local Government is currently consulting on Regulations to give effect to this provision. More information on local plan-making and how local planners assess individual planning applications within this overall strategic approach will be set out in the new National Planning Policy Framework for England which is due to come into force by next April. With these changes, I believe that onshore wind will continue to help us meet our energy policy objectives, but in a way that gives more say and recognition to potential 'host communities' and which focuses development where the resource is strongest. I am copying this letter to Peter, Tony and Andrew.

Yours sincerely,

A handwritten signature in black ink that reads "Charles Hendry". The signature is written in a cursive style and is positioned above a long, horizontal, slightly wavy line that serves as a separator or underline.

CHARLES HENDRY