

Renewables Obligation

Consultation on changes to inflation indexation in the Renewables Obligation scheme

Closing date: 2 December 2025

(consultation period extended to allow more time for responses)



© Crown copyright 2025

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Contents

Introduction	4
General information	5
Why we are consulting	5
Consultation details	5
How to respond	5
Confidentiality and data protection	6
Quality assurance	6
The proposal	7
Policy context	7
Policy proposal	8
Option 1: Immediate Switch to CPI Indexation	9
Option 2: Temporary Freeze and Gradual Realignment with CPI	10
Consultation questions	11
Next steps	12

Introduction

The Renewables Obligation (RO) has incentivised UK renewable electricity generation since 2002 through a system of tradable green certificates called 'Renewables Obligation Certificates' (ROCs). Three separate but complementary Renewables Obligation schemes cover the UK. The RO and the Renewables Obligation Scotland (ROS) were introduced in 2002. The Northern Ireland Renewables Obligation (NIRO) was introduced in 2005. The UK government is responsible for RO legislation in England and Wales. The Scottish Government and the Northern Ireland Executive are responsible for the legislation of their respective schemes. Ofgem administers all schemes across the UK.

The three schemes closed to most new applications on 31 March 2017, but limited grace periods extended the deadline for certain projects up to 31 March 2019. RO generators will continue to receive payments until they come off the scheme between 2027 and 2037.

The scheme continues to play an important role in powering the country - over 30% of the UK's electricity generation is supported by the RO. Ensuring the scheme provides stable and consistent support to these generators, at a fair cost to consumers, remains a priority for the UK government and devolved governments (DGs).

In an increasingly unstable world, the only way to permanently protect hardworking people and businesses from increased energy bills, caused by volatile global gas markets, is to accelerate our pathway towards greater energy independence through the deployment of clean energy. The UK government, Scottish Government, and Northern Ireland Executive are all committed to lowering consumer energy bills within their respective parliamentary terms. This includes finding efficiencies within the energy system where this offers the potential to improve affordability for consumers.

Making changes to the way that the RO scheme is adjusted for inflation would bring it into line with regulatory best practice, as well as reducing the overall scheme cost in future by decreasing the rate at which costs increase with general inflation. Lowering levy costs will also support wider UK government priorities, including efforts to reduce industrial electricity prices. The Industrial Strategy, launched in June 2025, set out a series of electricity price relief schemes, with a commitment to fund these through reductions in levies and other energy system costs. The proposals in this consultation, if implemented, could contribute to that goal.

The UK government, the Scottish Government, and the Northern Ireland Executive recognise the important balance that must be achieved between ensuring that generators continue to receive an appropriate return on their investments and managing costs to consumers.

Under the previous UK government, a call for evidence was published in July 2023 seeking views on options for a future Fixed Price Certificate (FPC) system across the RO scheme¹. The government committed to consulting further on this matter in that call for evidence, and as such a separate consultation on transitioning to using FPCs will be published in the coming months. This consultation will seek views on how an FPC system could be most effectively designed and implemented.

¹ [Introducing Fixed Price Certificates into Renewables Obligation schemes: call for evidence - GOV.UK](#)

General information

Why we are consulting

The UK government, the Scottish Government, and the Northern Ireland Executive are seeking views on proposals to change how the cost of the RO scheme is adjusted annually for inflation.

Consultation details

Issued: 31 October 2025

Respond by: end 2 December 2025 (consultation period extended to allow more time for responses)

Enquiries to:

Email: RO@energysecurity.gov.uk

Consultation reference: Changes to inflation indexation of the Renewables Obligation scheme

Audiences:

We are seeking the views of Ofgem, Citizens Advice, Consumer Scotland, suppliers, generators in receipt of support via the RO scheme, and any bodies who represent them. We are also interested to hear from consumers and groups that represent their interests.

Territorial extent:

The RO operates as three separate but complementary schemes, in England and Wales, Scotland and Northern Ireland. This consultation seeks views on all three schemes.

How to respond

Your response will be most helpful if it is framed in direct response to the questions we have asked, though further comments and evidence are also welcome. When responding, please state whether you are responding as an individual or representing the views of an organisation. Electronic responses are preferred, but we will also consider hard copy responses sent to the address below. Please send your response to the DESNZ RO team (email below). The responses will be shared with the respective devolved governments.

Respond online at:

<https://energygovuk.citizenspace.com/clean-electricity/indexation-changes-for-ro-scheme>

Email to:

RO@energysecurity.gov.uk

Write to:

Legacy Schemes Team
Renewable Electricity Directorate
Department for Energy Security and Net Zero
6th Floor, 3-8 Whitehall Place
London
SW1A 2AW

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

Quality assurance

This consultation has been carried out in accordance with the [government's consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: bru@energysecurity.gov.uk.

The proposal

Policy context

The RO scheme was introduced at a time when renewable electricity was significantly more expensive and wholesale electricity prices and capacity market payments were relatively low. Generators faced higher capital costs than those building new generating assets today. The support provided by this scheme, alongside other schemes such as the Feed in Tariff (FiT), has played a large role in bringing forward the successful renewable electricity sector that we see today in the UK, as well as contributing to reductions in technology costs.

However, the schemes leave a cost legacy and one that is ultimately borne by consumers through levies on electricity bills. This cost has been rising over time; the scheme's value is forecast to total over £8.5bn a year in 2026/27. Though the RO scheme is closed to new applicants, support will be provided to generators on the scheme across the UK until 2037. In the context of persistent high energy prices that consumers face, the UK government, the Scottish Government, and the Northern Ireland Executive think it is right to explore all avenues to bear down on costs in the energy system to support energy bill affordability.

In this context, we are considering changes to the way that both the RO and FiT scheme costs are adjusted for inflation. We are consulting separately, but in parallel, on similar changes to the FiT scheme. Currently, all schemes are – in different ways – adjusted for inflation by Ofgem annually in line with the Retail Prices Index (RPI).

Under the RO scheme, it is the buy-out price which is adjusted annually. These adjustments were included in the scheme design to ensure that the value of the financial support kept pace with overall UK inflation. This was intended to maintain investor confidence, ensure the long-term viability of projects and avoid any erosion in the nominal value of subsidy over time. At the time of their design, RPI was a commonly used metric across government contracts and financial instruments and was seen as the lead measure for general inflation.

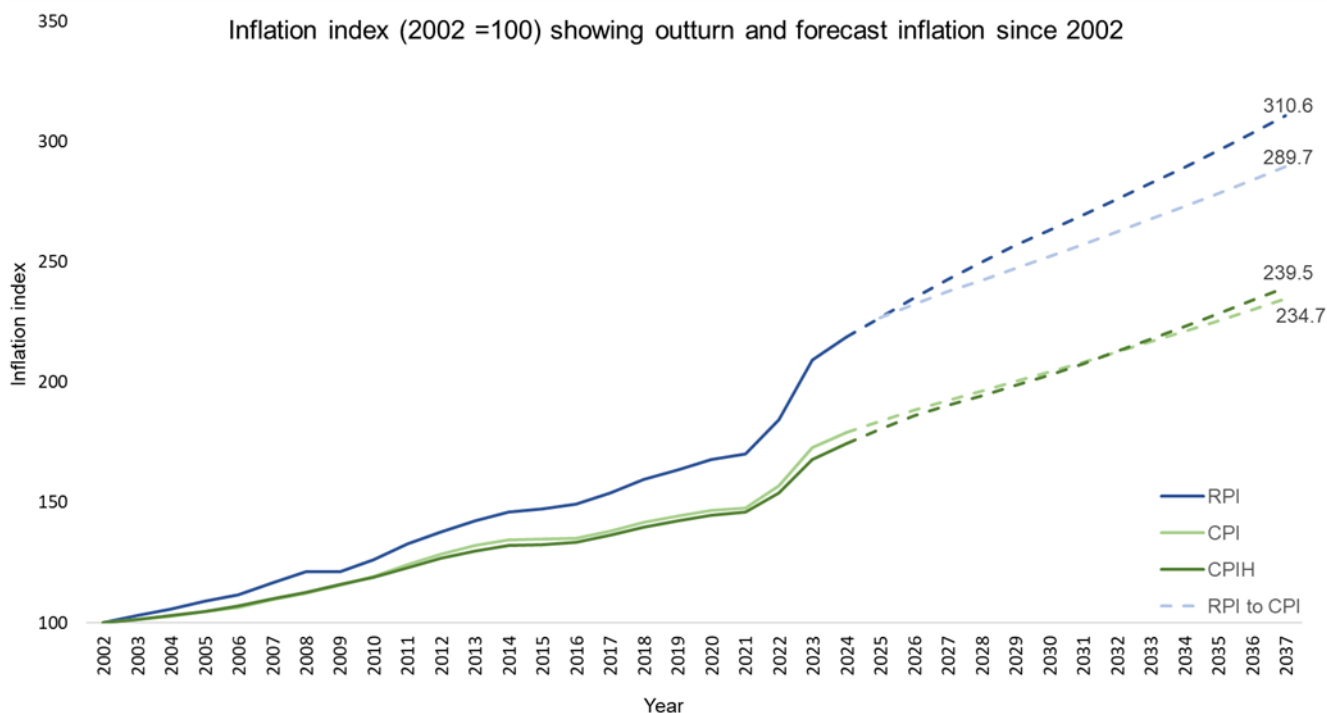
Historically, RPI has reflected a higher rate of inflation compared to other indices such as the Consumer Prices Index (CPI) (see below Figure 1). This is largely due to the differing methodologies of RPI and CPI, with RPI tending to overestimate annual growth compared to CPI².

The Office for National Statistics (ONS) have been vocal on the shortcomings of RPI as a measure of inflation, stating that any use of RPI over superior alternatives should be closely scrutinised. Accordingly, in 2019 the UK Statistics Authority proposed replacing RPI with CPI including owner occupiers' housing costs (CPIH)³, citing its historical shortcomings. Following a joint consultation, the UK Statistics Authority and HM Treasury confirmed in November 2020 that the methodology for calculating RPI will be phased out by February 2030 and replaced with the methodology for calculating CPIH.

² [ONS- Shortcomings of the Retail Price Index](#)

³ [UK Statistics Authority Statement on the future of the RPI - Office for National Statistics](#)

Figure 1: OBR projections for RPI, CPI and CPIH. The plot also shows the rate of change for RPI if the CPI methodology was used (which will occur from 2030)



We believe it is important to uphold the original intent behind inflation indexation of the RO scheme – namely, to provide a stable revenue stream that maintains its value over time. However, the government considers that indexing to the RPI has overcompensated generators and increased the policy costs of the schemes over time. This effect was heightened by unexpected inflation surges from 2022, which increased scheme costs beyond original expectations.

Policy proposal

The UK government, the Scottish Government, and the Northern Ireland Executive are proposing changing how the cost of the RO scheme is adjusted for inflation in future. Without pre-emptive action, changes to indexation would otherwise take effect in 2030, in line with the ONS' decision to realign the RPI to the CPIH. This would see scheme costs continue to rise in line with RPI in the short-term.

The UK government, the Scottish Government, and the Northern Ireland Executive believe that alternative methods should be considered. We consider that a more proportionate and fair approach would be to change the price index used to annually adjust the RO buy-out price for inflation from the RPI to the CPI. This approach would ensure generators continue to receive a stable and predictable return, whilst making savings in the energy system, and preventing further overcompensation. The UK government, the Scottish Government, and the Northern Ireland Executive believe this change should be implemented at the earliest opportunity to prevent overcompensation and, subject to legislative schedules, intend to implement changes for April 2026 ahead of the next scheduled annual adjustment.

The rationale for change is as follows:

- **CPI is generally a more stable and widely used measure of inflation** – CPI is the UK government's preferred inflation measure due to its international recognition and consistency. It is used in uprating various state benefits and pensions. It also underpins the Bank of England's inflation targets. The RPI is now widely considered to be an outdated and unsuitable measure of general inflation in the UK.
- **Avoiding overcompensation of generators** – The RPI overestimates inflation, resulting in higher revenues for generators than they would have received had their payments been indexed to CPI or CPIH. Changing indexation to CPI will continue to give generators a reasonable and predictable rate of return and protection against inflation whilst making savings in the energy system. The RPI and CPIH include housing costs such as mortgage interest payments and private rents, which we do not consider relevant to the RO scheme. The scheme was designed to encourage renewable energy generation and was not meant to account for housing costs. The CPI excludes these costs, making it a more accurate reflection of the cost pressures faced by scheme participants for their renewable electricity generation.
- **Reducing the burden on consumers** – The costs of the RO scheme are recovered through levies on electricity bills, passed on to consumers via suppliers. Changing inflation indexation to the CPI would reduce future consumer bill costs. For example, in inflation indexation for the RO was switched to CPI in April 2026, there would be an estimated saving of £80m in FY26/27. This would rise to an estimated saving of £250m in 2030/31 or approximately £3 per year for an average UK household. We are also consulting on changes to the FiTs scheme, if the indexation of both schemes was switched to CPI, there would be a total estimate savings of £100m in scheme compliance year 2026/27 and £310m in 2031/32, or approximately £5 per year for an average GB household. The savings are greater if indexed to CPI vs CPIH.
- **Alignment with broader policy and regulatory direction** – Transitioning to CPI indexation would reflect a more consistent approach across government support mechanisms toward a more accurate and equitable inflation metric. Many of the major support schemes in the energy industry use CPI-based indexation to ensure that these reflect economic conditions without overcompensating. For example, Contracts for Difference (CfDs), Renewable Heat Incentive (RHI) tariffs and aspects of the Capacity Market (CM) are all CPI-indexed in different ways.

To address concerns around overcompensation and ensure a fairer inflation adjustment mechanism for the RO, the UK government, the Scottish Government, and the Northern Ireland Executive are considering two options for transitioning from the Retail Price Index (RPI) to the Consumer Price Index (CPI). Both options aim to deliver a more proportionate approach to inflation indexation, reduce costs to consumers, and align with broader government and regulatory policy.

Option 1: Immediate Switch to CPI Indexation

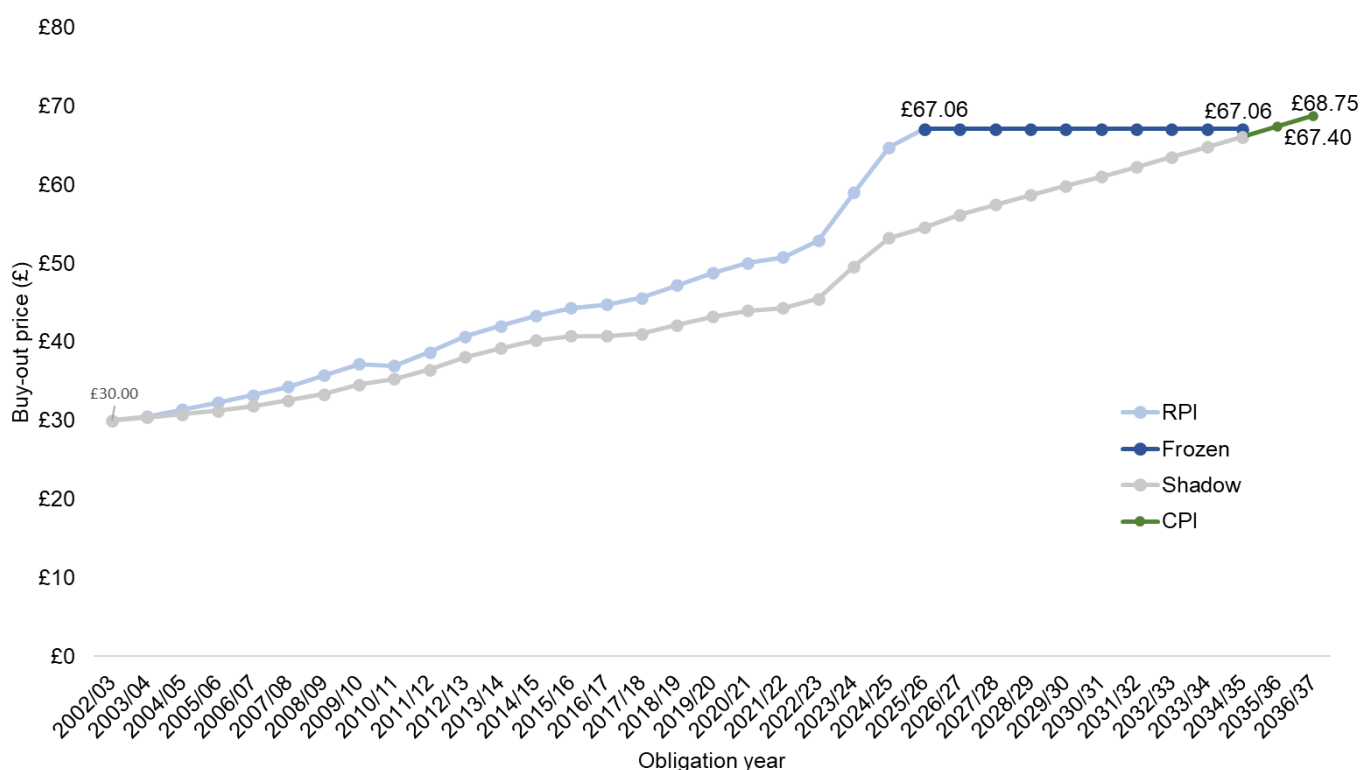
This option would involve a simple switch in the the price index used to adjust the RO buy-out price from the RPI to the CPI. Subject to legislative schedules, the UK government, the Scottish Government, and the Northern Ireland Executive would look to implement ahead of

the next annual adjustment scheduled in March 2026 which would see the RO buy-out price increased in line with CPI. This approach would ensure generators continue to receive a stable and predictable return that maintains its value, whilst making savings in the energy system.

Option 2: Temporary Freeze and Gradual Realignment with CPI

This alternative would involve freezing the RO buy-out price at the 2025/26 level (£67.06 per ROC), taking effect from April 2026 (subject to legislative schedules). The government would construct a 'shadow' price schedule for the RO buy-out price from 2002, annually adjusted using CPI instead of RPI. No further inflation-linked increases would be applied until the cumulative effect of CPI-based inflation on that shadow price matches the current RPI-adjusted buy-out price. At this point of realignment, annual indexation would resume using CPI.

Figure 2: Estimated Renewable Obligation buy-out price per ROC



This option goes further than Option 1 and would not only prevent further overcompensation in future but gradually realign scheme costs after presumed historical overinflation caused by RPI's tendency to overstate inflation. It could stabilise scheme costs in the short term and transition to a more sustainable inflation measure over time. This would bring with it greater long-term savings for consumers, as scheme costs would be held steady until CPI and RPI inflation realign. We estimate that in scheme compliance year 2026/27 this could save consumers around £300m, rising to an estimated saving of around £820m in 2031/32.

The UK government, the Scottish Government, and the Northern Ireland Executive are seeking views on which of these proposals presents the best alternative to the current methodology of RPI-indexation of the RO scheme. We are particularly mindful that any change needs to be balanced against the broader impacts on renewables investment in the UK, which is essential to protect consumers against volatile fossil fuel prices. This is particularly pertinent in a period where the sector is focused on delivering the UK government's Clean Power 2030 mission.

Consultation questions

1. **Do you agree that CPI is a fairer and more accurate measure of inflation for adjusting the RO scheme costs than RPI? If not, why not?**
2. **Of the two options, which do you think is the best alternative to the current methodology, and why?**
3. **Do you have any comments on the likely impacts of the proposed change for generators, consumers or investors?**
4. **Do you think there are alternative approaches that should be considered, and if so, what are these and why?**

Next steps

All responses to this consultation will be reviewed and analysed by the Department of Energy Security and Net Zero (DESNZ) as well as relevant representatives from the Scottish Government and Northern Ireland Executive. We will publish a joint response to the consultation, which will provide a summary of the views expressed by the respondents. It will also detail whether the UK government, the Scottish Government, and the Northern Ireland Executive intend to proceed with the proposed changes, in what form, and when.

Subject to the consultation outcome and ensuing legislative process, the respective governments, intend to make changes to inflation indexation before the start of the next scheme compliance year on 1 April 2026. The UK government, the Scottish Government, and the Northern Ireland Executive will lay their own secondary legislation to change the inflation indexation. The proposal would, if implemented, affect all accredited UK generators (England, Wales, Scotland and Northern Ireland).

This publication is available from:

www.gov.uk/government/consultations/renewables-obligation-ro-scheme-indexation-changes

Any enquiries regarding this publication should be sent to us at: RO@energysecurity.gov.uk

If you need a version of this document in a more accessible format, please email alt.formats@energysecurity.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.