UK Government

Feed-in Tariffs

Government response to the consultation on changes to inflation indexation in the Feed-in Tariffs scheme

Department for Energy Security and Net Zero (2026)

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Introduction

Context

The Feed-in Tariffs (FIT) scheme was launched in 2010 with the aim of supporting small-scale electricity generation (up to 5MW), particularly by organisations, businesses, communities and individuals that had not traditionally engaged in the electricity market. The technologies supported are limited to solar PV, onshore wind, hydropower, anaerobic digestion, and micro combined heat and power (<2kW). It provides fixed payments to households, businesses and communities for the electricity they generate and export to the grid. The scheme operates across Great Britain. The scheme was closed to new applicants in April 2019, with existing installations continuing to receive payments under their agreed terms (10-25 years).

The scheme continues to play an important role in powering the country, supporting around 870,000 generators in Great Britain. The majority of FIT installations (829,000) are domestic solar installations who either directly receive or benefit from, FIT payments. Ensuring the scheme provides stable and consistent support to these generators, at a fair cost to consumers, remains a priority for the government. Tackling the affordability crisis is our number one priority, and we are acting to bring bills down now and for the long term. The government is committed to lowering consumer energy bills within its parliamentary term. This includes finding efficiencies within the energy system where this offers the potential to improve affordability for consumers.

On 31 October 2025, the government launched two consultations on changes to the Renewables Obligation (RO) and FIT schemes. The consultations proposed changing the way that both schemes are indexed to inflation in order to bring them into line with regulatory best practice, as well as reducing overall scheme costs in the future. This document provides the response to that consultation. The joint UK and devolved government response to the RO consultation was published in parallel on 28 January 2026.

Overview of consultation proposals

The consultation invited views on two proposed options which would adjust the method of inflation indexation of FIT rates for the foreseeable future. These were:

- **Option 1** – Change inflation indexation of FIT rates from the Retail Price Index (RPI) to the Consumer Price Index (CPI). This would come into effect in April 2026.
- **Option 2** – A temporary freeze of FIT rates at current (2025/26) levels, taking effect from April 2026 and a gradual realignment with the CPI.

The consultation posed the following questions:

1. Do you agree that the CPI is a fairer and more accurate measure of inflation for adjusting the FIT scheme costs than the 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?

Engagement with consultation proposals

The consultation was published online on the GOV.UK website and ran from 31 October 2025 to 12 December 2025. Responses were submitted through an online response tool (Citizen Space) and by email.

The consultation attracted around 2,800 individual responses, of which 10 were from large generators and developers that own or operate FIT assets, 114 were from small-scale or community owned generators, 28 from institutional investors, 6 from suppliers and utilities, 9 from industry bodies, 9 from councils, 7 from solar providers, 2 from consumer bodies and 15 responses were listed as ‘other’.

The majority (2,600) of responses were from members of the public with domestic solar PV installations on their property. The consultation also saw a small number of responses from local governments and authorities and academics. A number of responses (82) to the RO consultation referred only to the FIT scheme and have therefore been analysed as and counted in total FIT responses. A large proportion of responses (617) voiced opposition to any changes to the FIT scheme but did not answer the remaining consultation questions. These responses have been categorised as not in favour of either option.

The government engaged extensively with generators and investors who shared views on changes to both the RO and FIT schemes throughout the consultation period to hear their views and understand the potential impacts of a switch to CPI indexation first-hand. The government is grateful to stakeholders for taking the time to engage with the consultation.

A significant number of respondents expressed disappointment that they had not been informed directly about the publication of the consultation. The government does not hold the contact information for individual FIT generators. This is held by the FIT licensees (suppliers). At the government’s request, Ofgem contacted FIT licensees on the 24 November 2025 to enable licensees to notify individual FIT generators of the live consultation.

Analysis of responses

In reporting the overall response to each question, the ‘majority’ indicates the clear view of more than 50% of respondents in response to that question, and ‘minority’ indicates fewer than 50%. The following terms have been used in summarising additional points raised in the responses: ‘most respondents’ indicates more than 70% of those answering the particular question; ‘a few respondents’ means fewer than 30%; and ‘many’ refers to the range in between 30% and 70%.

Summary of responses

Question 1: Accuracy of CPI compared to RPI

Question 1 sought views on whether CPI would be a fairer and more accurate measure of inflation for the purpose of indexing FIT. The majority of respondents disagreed that the use of CPI would be either fairer or more accurate, while a minority agreed. In addition, around 200 respondents answered neutrally, or not at all.

Many of those who disagreed were individual FIT generators who receive FIT payments, or benefit from the scheme via other means (e.g. through a 'rent-a-roof' type arrangement). A large proportion of individual generators used a campaign-style response which disagreed with the use of CPI in indexing tariff rates for a number of reasons. Firstly, they believed they had entered into a 25-year fixed FIT contract, indexed to RPI, under which the terms and conditions could not be changed. They therefore viewed any proposed modification as a breach of those expectations. Secondly, that the proposals would reduce their trust in government schemes and therefore negatively affect future investment in low carbon technologies. Lastly, some respondents stated their belief that RPI better reflects real household cost pressures including mortgage interest payments, council tax and rent. However, individual generators did not provide evidence to suggest that these costs were directly related to the ongoing operational costs of FIT installations.

Larger FIT generators (including community generators) and institutional investors with FIT assets in their portfolios argued that a move away from RPI-based indexation would have significant commercial impacts. Among respondents who disagreed, most argued that RPI better reflects material generator cost bases faced by these assets, including (but not limited to) debt repayments, transmission charges, contractor costs, land lease payments and long-term operations and maintenance contracts, though with limited evidence to support.

Many noted that indexing costs to CPI in future would therefore create an immediate and permanent revenue/cost mismatch which in turn would compress margins and undermine the financial resilience of these assets, though respondents did not provide evidence to suggest that changes would cause projects to shut down or cease generation prematurely.

Several investors – in consultation responses and in direct discussions with the Department - raised concerns about the wide-reaching, longer-term impacts that these changes could have on investor confidence and regulatory stability. It was clear that investors and generators almost unanimously view any change to existing indexation as retrospective in nature, citing risks to policy predictability and trust. Many argued that this would raise risk premia, depress valuations, and would likely increase the cost of capital on new investments which they claimed would deter future investment and ultimately impact consumers and the government's ability to achieve the Clean Energy Superpower Mission, including Clean Power 2030. Most also suggested that in their view, both options would represent a breach of legitimate

expectations based on prior commitments from the government, and some believed that proposals would likely attract legal challenge.

Stakeholders representing a range of renewable technologies noted that assets had been developed and built, and secondary transactions undertaken, on the presumption of a stable policy framework, and that retrospective changes to the terms on which investments were made would introduce additional policy risk for investors. However, many cited the challenges in quantifying the precise impact of reduced investor confidence.

Many highlighted their view that the estimated consumer bill savings from switching to the CPI would be modest or otherwise offset elsewhere by increases to the cost of capital of future projects. Several respondents drew parallels between these changes and proposals related to zonal pricing, arguing that increases in the cost of capital could spill over to future Contracts for Difference (CfD) auctions. There was no consensus provided in responses over the scale of potential increases to cost of capital in future.

Few noted that whilst CPI is more statistically robust and accurate, it is not fairer because it would ultimately impact pension investors by reducing their asset values. They emphasised a preference for retaining RPI to avoid potential revenue-cost mismatches.

Few agreed that a switch to the CPI is necessary at all, noting that the RPI will naturally align to the Consumer Prices Index including owner occupiers' housing costs (CPIH) by 2030 as confirmed by the UK Statistics Authority.

Local council respondents (4 responses) and consumer bodies (2 responses) provided a mix of responses, with equal numbers agreeing and disagreeing with the proposals. A small number of consumer-related bodies favoured a switch to CPI on the basis that it could reduce the value of policy costs that are ultimately borne by electricity consumers, both domestic and non-domestic.

Among respondents who agreed with proposals to move away from RPI to CPI, many highlighted the CPI's methodological robustness or supported the use of the CPI for improving consumer affordability and reducing levy costs. Many also emphasised how a switch to the CPI would align with other regimes that are already indexed to the CPI such as Contracts for Difference, Capacity Market, and the RIIO (Revenue = Incentives + Innovation + Outputs) price control framework. Many also supported a switch to the CPI on the basis of the UK Statistic Authority's inevitable alignment with the CPIH by 2030 which effectively phases out the RPI methodology. Few noted that a switch to CPI would address the current inconsistency in indexation rules across support schemes which currently create regulatory confusion.

Question 2: Preferred approach

Question 2 asked respondents to indicate which of the proposed options they preferred. Many responses (55%) did not select either Option 1 or Option 2 as their preferred approach, simply leaving this question unanswered. Individual FIT generators almost universally offered a nil

response (c. 90%), stating elsewhere in responses to the consultation that their preference was to maintain the 'status quo' of RPI-based indexation, and that they didn't feel that this option had been presented to them in the consultation itself. Question 4 asked consultees for any alternative approaches to the government's proposals – these are summarised below.

Of those who did answer directly, Option 1 (RPI to CPI) was marginally preferable (32%), with the sentiment being that this option was the least damaging of the two options presented. Many responses expressed a preference, however, for retaining RPI indexation until the already signalled CPIH alignment by 2030, which they claimed would meet existing expectations.

Only a small minority of respondents (11%) supported Option 2 (temporary freeze and gradual realignment with CPI), typically on the grounds that this would provide greater bill relief for electricity consumers – though, this later point was disputed by those who disagreed with proposals altogether.

Many argued that whilst they do not prefer either option, Option 1 was perceived as less harmful to investors and generators, providing greater clarity on returns, and avoiding prolonged uncertainty. Several framed Option 1 as simply the "least damaging" compared with Option 2's freeze. Many respondents argued that Option 2 would be far more damaging and impose far greater financial stress on assets because it could see tariffs frozen for a prolonged and uncertain period of time, and leave assets exposed without inflation protection whilst project costs could continue to rise. Some owners and operators of assets reflected that ultimately, this could jeopardise their financial viability though in most cases respondents were not able to provide evidence to support this.

Many also claimed that Option 1 would be simpler to administer in comparison to Option 2, ultimately applying less burden on generators – a view shared by the Delivery Body, Ofgem. Many claimed that Option 2 offers a more robust, structured pathway, but recognised that it would be more complex to administer.

While many raised concerns over Option 2 due to potential impacts on investor confidence and perceptions that it would be more exposed to legal challenge, a small number of respondents (largely those representing domestic or non-domestic energy consumers) expressed a preference for Option 2. This was largely down to greater potential in reducing consumer bills and effectiveness in tackling a perceived historic overcompensation under the RPI-based indexation. There were a number of representations from private individuals and/or consumers who supported Option 2 as it offers a way of correcting perceived windfall gains that generators have benefitted from during periods of high inflation. Many acknowledged the challenge of this switch for aligning prior RPI-linked obligations but argued Option 2's correction was still warranted or could be carefully managed with sufficient lead-in time.

Question 3: Stakeholder impact

Question 3 sought views on impacts of the switch from the RPI to the CPI on generators, consumers and investors.

The majority of responses expressed the view that the proposals constituted a breach of contract or that the changes would undermine trust in the government. These views were raised by 58% of respondents. Concerns around trust were prevalent among private individuals and investors. Private and community generators repeatedly emphasised that policy stability is essential for participation in the sector and that the changes (which they perceived to be retrospective) would erode the government's legitimacy in future schemes. Many individuals expressed the view that early adopters had acted in good faith and that weakening indexation could slow future uptake by eroding confidence in similar schemes.

Many participants highlighted that a switch from RPI to CPI would reduce projected lifetime returns, lengthen payback periods, and undermine the basis on which investments were originally financed. Some private individuals shared that they rely on FIT income for supplementing household budgeting, retirement planning or meeting loan obligations. These views were echoed by industry and investors, highlighting that assets financed on RPI-linked cost structures could experience reduced margins, debt-service pressure, or difficulty refinancing. Investors also expressed concern that reduced inflation-linked increases would materially impact Net Asset Value, cash-flow projections, and long-term investment performance.

Investors also expressed concern over the proposed timeline, emphasising that an abrupt change to indexation would increase perceived regulatory risk and prompt investors to apply higher risk premia to future UK energy projects. Wider impacts mentioned included increased cost of capital, reduce appetite for participation in future CfD rounds, and decreased interest in the UK market. Respondents also argued that uncertainty generated by changes that they perceive to be retrospective could slow the deployment of small-scale renewables and community energy projects.

Across renewable technologies – particularly those with RPI-linked cost bases such as AD and biomass generators – respondents warned that the mismatch between RPI-linked operating costs and CPI-linked revenues could threaten project viability, shorten asset life, or discourage reinvestment in maintenance.

A common theme throughout responses was that the benefits to ordinary consumers would be negligible and any savings produced would be offset by higher long-term investment costs. A very small minority of responses (9), stated that Option 2 could provide meaningful consumer savings due to addressing perceived historical over-compensation.

Question 4: Alternative approaches

Question 4 sought views on alternative approaches to indexation. A majority (78%) of responses proposed maintaining the status quo, preferring that FIT continue to be adjusted in line with RPI on an annual basis. Several responses (28%) proposed that CPI-based indexation only apply to future schemes or projects, avoiding application to any FIT assets. Several responses suggested that if the scheme indexation change to CPI is pursued, that generators could be offered a one-off 'buy-out' or voluntary switch on to CfDs – akin to the 'Pot Zero' proposals put forward by academics in relation to RO assets. A small number suggested that RPI should be phased out gradually (4%), though responses did not offer suggestions as to how this could be applied. Several responses (11%) suggested the use of CPIH or a blended index instead of CPI. Other suggestions included targeting savings elsewhere in the energy system, limiting changes to large or commercial generators or moving costs of the FIT scheme on to general taxation.

Government response

The government would like to thank all respondents for taking the time to engage with the consultation. The detail and breadth of responses have been invaluable in shaping our assessment. The government wishes to acknowledge the important contribution made by early adopters of renewables in the development of the UK renewables sector. The collective participation of homeowners in domestic solar PV has supported driving down technology costs and normalising the deployment of rooftop solar across the UK. More widely, we recognise that legacy renewables form an integral part of the UK's generating fleet, and that a stable and predictable policy framework is critical to maintaining investment appetite across the energy sector

The government has carefully considered the full range of stakeholder views and recognises that both options received limited support from most respondents. However, respondents were clear that Option 2 was the least preferred due to its higher financial impact. On balance, we consider Option 1 to be the least disruptive approach, avoiding the prolonged uncertainty and more severe impacts associated with a temporary freeze, while still delivering savings for electricity consumers. The government therefore intends to proceed with an immediate switch to CPI-based indexation of FIT rates ahead of the next annual adjustment (1 April 2026). Following publication of this government response, a licence condition modification will be laid in Parliament to enact this change.

We consider that this approach strikes the most appropriate balance between reducing the cost burden for all consumers whilst still ensuring generators continue to receive a stable and predictable return on their investments. This approach will also align with the parallel decision to change inflation indexation on the RO scheme to the CPI.

In reaching this decision, the government has been guided by the following overarching principles:

Reducing the burden on consumers and ensuring the energy system remains fit for future demands

Projects that were successfully accredited under the FIT scheme were eligible to receive support for up to 25 years from their date of accreditation, and we remain committed to supporting generators for the remainder of their support period. However, the government considers it reasonable to periodically review and revise the scheme to offer better value for money for households and businesses that bear the costs of the support, as well as appropriate rates of return for generators and investors. This is particularly relevant in light of the affordability pressures on electricity billpayers.

Over the next 10 years, the total scheme cost savings under Option 1 are approximately £600m (2024/25 prices), equivalent to an average annual saving of approximately £60m. Whilst the government acknowledges that this may appear a modest saving, taken together

with RO changes, these form part of a wider package of measures aimed at bearing down on the costs of electricity. In addition, at the last Budget the government announced it will take an average of £150 of costs off energy bills from this coming April. This includes the announcement to move 75% of the domestic share of the cost of the RO to the Exchequer from April 2026, which represents a major further contribution to easing pressure on consumers.

Energy costs and price increases are felt disproportionately, as lower income households spend a higher proportion of their income on utility bills and are more likely to be in fuel poverty[1]. The Institute of Fiscal Studies estimate that due to the RPI inflation spikes, in 2022, the bottom 10% of the population in terms of income faced an inflation rate of 10.9%, 3 percentage points higher than the inflation rate of the richest 10%. This difference was largely due to energy costs, which made up 11% of the total household budget for the poorest households, compared to 4% for the richest households[2].

The government considers that taking action to constrain the rising costs of the FIT scheme, while maintaining appropriate and sustainable support for generators, through the immediate implementation of a switch from RPI to CPI (Option 1), represents a balanced and justified approach in pursuit of these objectives.

Ensuring long-term stability and confidence for investment

We fully recognise the importance of regulatory stability for maintaining the UK's attractiveness to global capital. The government has carefully weighed the strength of stakeholder sentiment in arriving at a final decision, mindful of the key role that private individuals and investors play in delivery of the clean energy mission. The government notes that many respondents highlighted that Option 2, involving a temporary freeze of inflation indexation, presented materially higher impact to investor confidence and valuation risks. Stakeholders were also clear that prolonged ambiguity could elevate risk premia, raise the cost of capital and potentially depress investment appetite in future energy infrastructure. In proceeding with Option 1, the government is seeking to minimise further uncertainty for legacy assets and send a clear signal that the UK remains committed to ensuring a stable and transparent regulatory environment, in addition to an attractive investment environment for renewables.

Alongside these changes, the government is committed to supporting consumers to invest in low carbon technology through the Warm Homes Plan. The government is investing £13.2bn to help households take up measures like solar panels, heat pumps, batteries and insulation. Through the policies in the Warm Homes Plan, we could increase the number of households with rooftop solar to 3 million by 2030.

[1] Office for National Statistics (2022) 'Energy prices and their effect on households'
[2] Institute of Fiscal Studies (2022) 'Inflation hits 9% with poorest households facing even higher rates'

Alignment with broader energy schemes

Stakeholders emphasised that some projects – particularly those with cost bases linked more strongly to RPI (including O&M and debt costs) – could experience tighter financial headroom as a result of these proposals. We recognise these concerns and have taken them into account during our assessment, though we were provided with limited evidence to suggest that this is a significant or widespread concern, particularly for the many domestic solar PV installations supported by FITs. In addition, we note that for assets where a portion of the debt is longer-term, fixed-rate debt, the real value of this debt will have been reduced by the recent period of high inflation. This would have enhanced the return on equity for some assets compared to returns had inflation remained low.

At the same time, CPI is now the standard inflation measure across government and aligning RO scheme indexation with CPI brings consistency with other energy schemes such as the CfD and the Capacity Market. It also aligns with an economy-wide shift away from the use of RPI, supported by the UK Statistics Authority's previous de-designation of RPI as a "National Statistic".

Based on the evidence presented, the government considers that on average, CPI indexation will continue to offer sufficient inflation protection for FIT installations – the original intent of the methodology. This ensures a sustainable long-term balance between the interest of consumers, and of generators, asset owners, operators and investors. We do not consider that there is sufficient rationale or evidence to suggest that, on average, ongoing project costs will rise above the level of inflation as measured by CPI. The government appreciates that this will not be the case for all projects, and some technologies may experience greater inflation. We judge that, while some projects may face financial adjustments, the aggregate sector-wide impact is likely to be modest and manageable.

Consideration of alternative options

The government considered suggestions from respondents that the Consumer Price Index including Housing costs (CPIH) might be a more suitable alternative to CPI, due to the majority of FIT generators (approx. 95%) being homeowners with solar installations. The CPIH metric includes owner occupiers' housing costs, which are costs associated with owning, maintaining and living in one's own home, including mortgage interest payments, council tax and maintenance and repair costs[3]. The FIT scheme was designed to encourage renewable energy generation and was not meant to account for housing costs. The CPI excludes these costs, which makes it a more accurate inflation metric for the cost pressures faced by FIT scheme participants for their renewable electricity generation.

We acknowledge several responses suggested that a switch in indexation should only apply to new contracts. As the FIT scheme closed to new applicants in 2019, any changes can only be applied to the administration of the scheme which will apply to all FIT generators for the

[3] Office for National Statistics (2020) 'Measures of owner occupiers' housing costs, UK'

remainder of their support period. The government reviewed a number of alternative proposals, including a voluntary switch to the Contracts for Difference scheme and the introduction of dynamic pricing. Although these options were considered, they were not judged to provide the same level of consumer benefit or coherence with broader policy objectives.

To conclude, the UK government intends to pursue Option 1, which it considers a proportionate change. While we acknowledge the concerns raised by many FIT individual and small-scale generators, we consider this approach a reasonable means of safeguarding all consumers from rising energy costs whilst maintaining a stable environment for investment within renewables. Making an immediate switch to CPI best supports long-term regulatory stability by aligning the FIT scheme with other energy schemes and with the UK's wider shift away from the RPI. This decision ensures that the government can continue supporting FIT-accredited generators for the remainder of the scheme whilst delivering better value for money for consumers.

A number of responses from private individuals suggested that any change to their FIT tariff would constitute a breach of contract. As set out above, the FIT scheme does not involve any contracts between the government and FIT generators. When they join the scheme, FIT generators enter into a "FIT Agreement" or "Statement of FIT Terms" with their electricity supplier. Suppliers make payments to FIT generators based on tariff rates. The means by which these rates are indexed to inflation is set out in legislation. The government is entitled to amend this legislation, subject to established parliamentary and legal processes.

Next steps

In order to enact this change ahead of the 2026-2027 scheme year, a draft negative statutory instrument was laid in Parliament on 7 January 2026, which delayed the publication deadline for FIT rates from 1 February 2026 to 1 April 2026. For subsequent years, the original publication deadline of 1 February 2027 will apply.

To change the inflation indexation metric for the FIT scheme for the 2026/27 financial year, the Secretary of State intends to make a modification to license conditions before the 1 April 2026 (the temporary tariff publication date for 2026). Once the licence condition modification has been made, Ofgem will publish updated CPI-indexed tariff rates for the 2026-2027 period, along with any supporting materials.

This publication is available from:
www.gov.uk/government/consultations/feed-in-tariffs-fit-scheme-indexation-changes

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