

## CfD Allocation Round 4 Results – a briefing

07/07/2022

### Introduction

The results of the fourth competitive Allocation Round (AR4) for the Contract for Difference (CfD) were released by the Department for Business, Energy and Industrial Strategy (BEIS) today. The role of the Low Carbon Contracts Company (LCCC) is to manage CfDs, in particular, enabling generators to deliver CfD projects in accordance with the milestones set out in the contract, and to manage payments to and from generators once the projects are operational.

Following today's notification from the Electricity Market Reform (EMR) Delivery Body, LCCC will now offer CfDs to the successful applicants, and once they have signed those contracts and passed their Initial Conditions Precedent, the projects will be officially added to the CfD portfolio. This briefing has been produced by LCCC, the CfD Counterparty, to illustrate these results, and their expected impact on the CfD portfolio once contracts with the successful applicants are signed.

### New low carbon capacity in the mid-2020s

The total generation capacity of projects successful in the allocation round was 10.8GW. Figure 1 shows the expected CfD capacity from the successful projects based on their Target Commissioning Dates across the delivery years 2023/24 to 2028/29. The total estimated notional monetary budget impact is less than zero in the first three delivery years but increases significantly in 2028/29. The budget usage is dependent on assumptions about wholesale prices, while actual money flows under the CfD will depend on actual prices at the time of generation. At current market prices, the AR4 portfolio would be returning money to consumers.

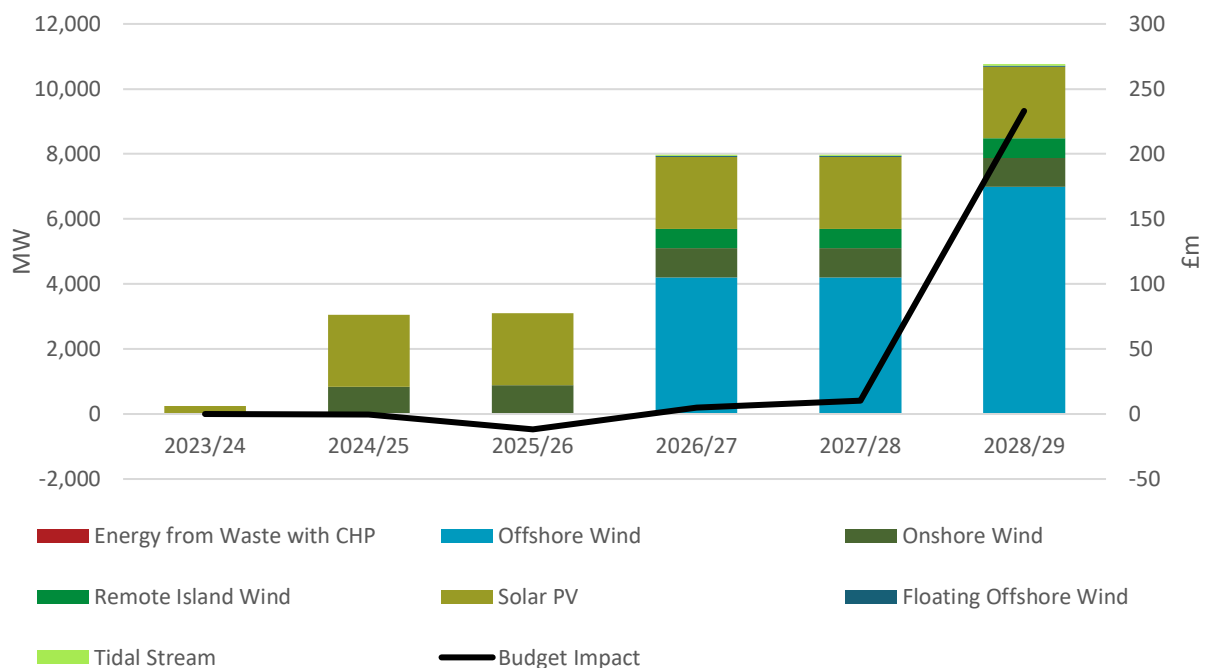


Figure 1: Successful capacity and budget used in CfD Allocation Round 4 (MW and £m [£2012])

Source: LCCC

**Lower CfD costs benefit consumers**

The strike prices achieved in this round are roughly in line with the level that was seen in AR3, though offshore wind projects cleared at lower prices than in AR3. Figure 2 shows the weighted average strike prices of the AR4 projects, along with the Final Investment Decision Enabling for Renewables (FIDER)/AR1/AR2/AR3 strike prices.

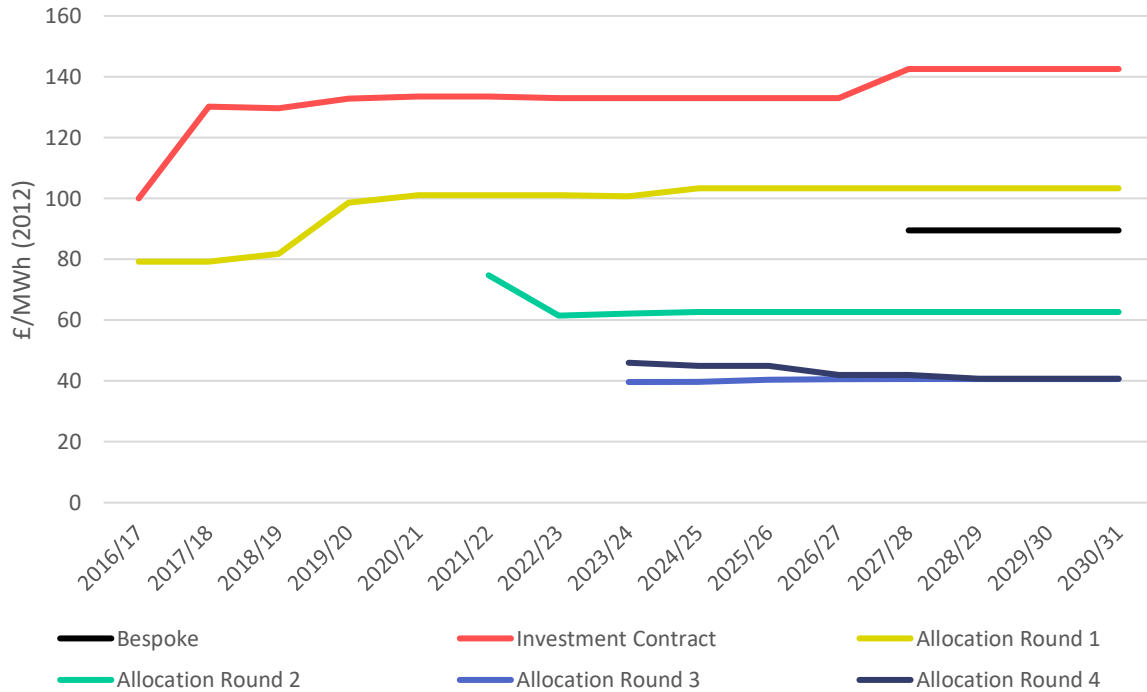


Figure 2: Weighted average strike prices for the CfD portfolio (£2012)

Source: LCCC

*Note: The weighted average strike price is calculated as the sum of the product of the CfD capacity and the strike price of each project in a given allocation round, divided by the total CfD capacity of the same projects. The process is repeated for each allocation round.*

**Offshore wind to make up 70% of the renewable CfD portfolio of AR4 in 2030**

The 10.8GW of capacity awarded today will increase overall renewable CfD capacity by 60%, assuming all projects go ahead. In terms of the numbers of contracts, the 99 new AR4 contracts (including phased projects) increase the portfolio by nearly 150%. For the first time, tidal and floating offshore wind projects have been successful in the CfD allocation round. Figure 3 shows how the CfD portfolio is expected to start generating up to 2030, separated out by which allocation process it was awarded under: the FIDER non-competitive process, and the four competitive rounds held since 2015, plus the bespoke contract for Hinkley Point C. Figure 4 shows the same data, but split by technology, while Figure 5 shows the split by country.

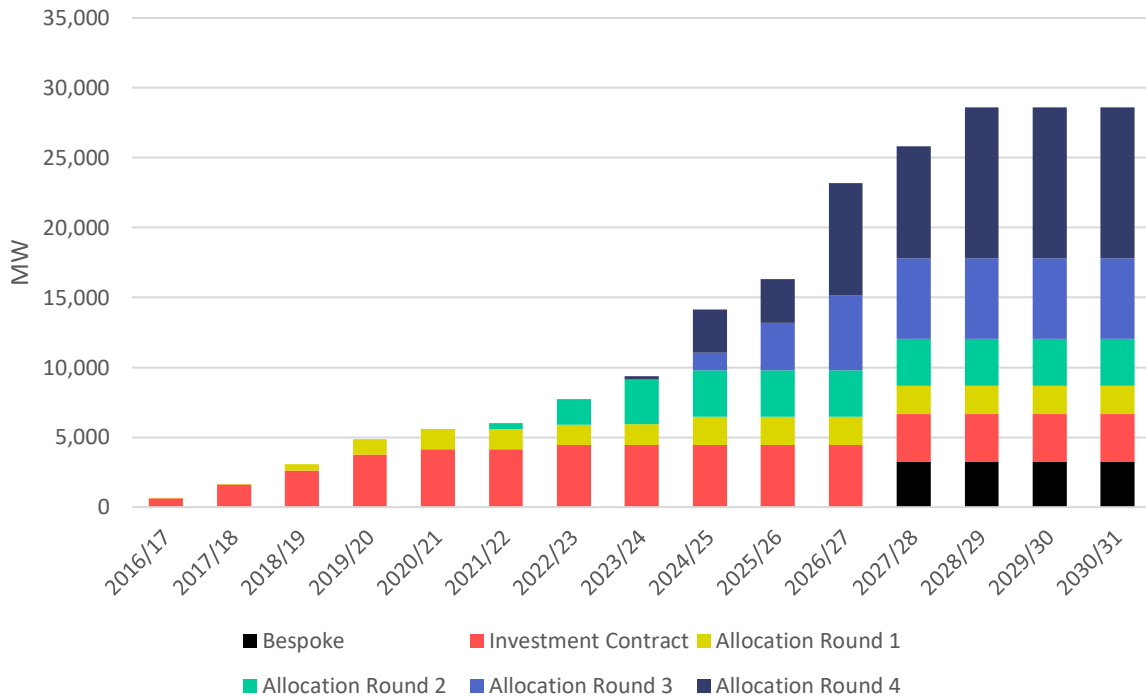


Figure 3: Expected capacity of the CfD portfolio up to 2030 (in MW), by allocation process  
Source: LCCC

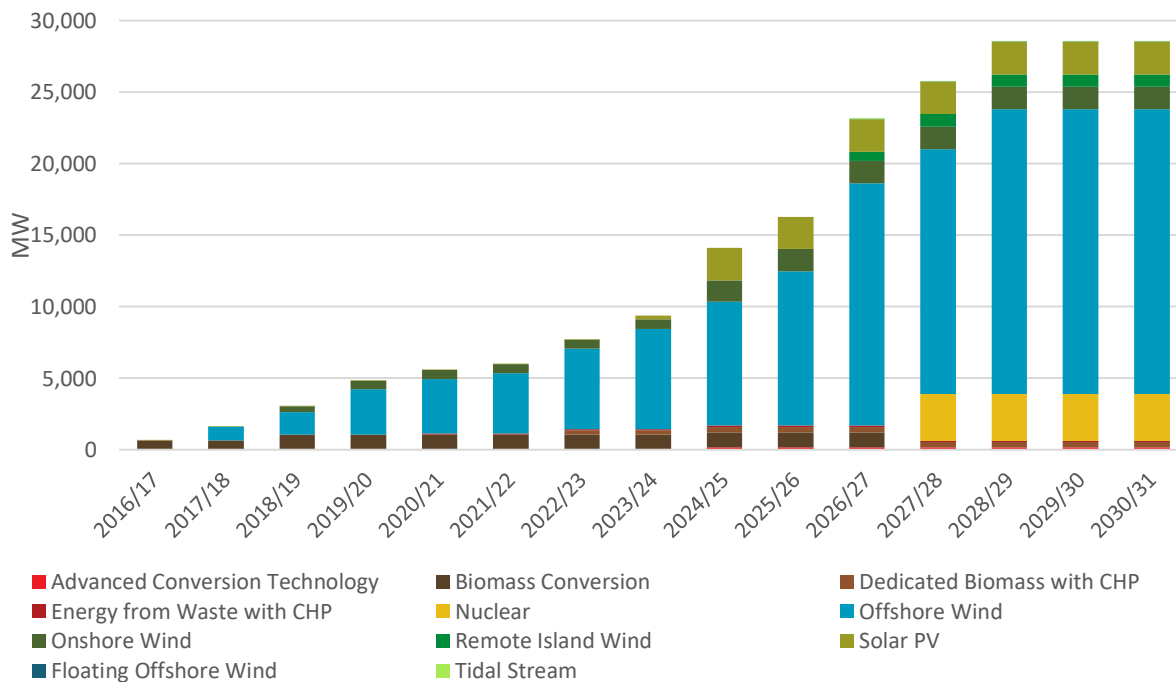


Figure 4: Expected capacity of the CfD portfolio up to 2030 (in MW), by technology  
Source: LCCC

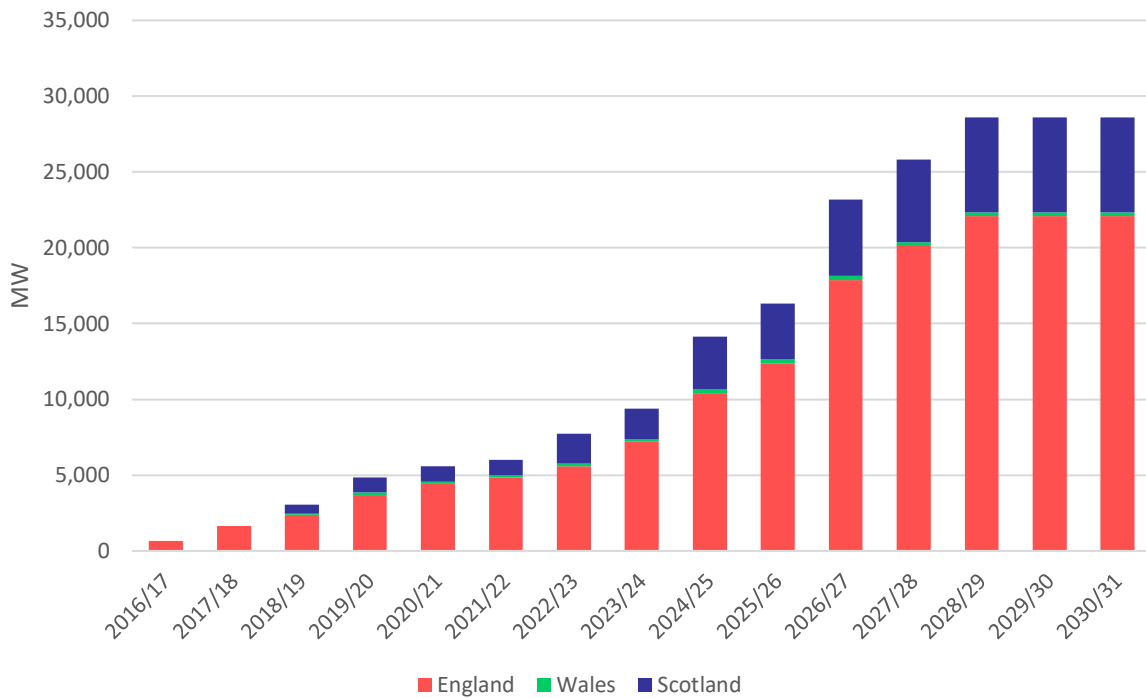


Figure 5: Expected capacity of the CfD portfolio up to 2030 (in MW), by country  
Source: LCCC

- BEIS' results announcements can be found at [Contracts for Difference \(CfD\) Allocation Round 4: results - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/contracts-for-difference-cfd-allocation-round-4-results)
- All material in this briefing is free to be reproduced, but we ask that any reproduction is credited to LCCC.
- Further queries on the CfD and LCCC's role in the system can be directed to Sandra Zugaj ([sandra.zugaj@lowcarboncontracts.uk](mailto:sandra.zugaj@lowcarboncontracts.uk), 020 8187 9295), or the email address [info@lowcarboncontracts.uk](mailto:info@lowcarboncontracts.uk).
- Background materials on the CfD and how it operates can be found at [www.lowcarboncontracts.uk/the-cfd-scheme](http://www.lowcarboncontracts.uk/the-cfd-scheme)
- More data on the CfD portfolio can be found on our live dashboards ([www.lowcarboncontracts.uk/dashboards](http://www.lowcarboncontracts.uk/dashboards)). AR4 projects will be added to these dashboards once they have passed the Initial Conditions Precedent in the CfD contract.