UKERC
UK Energy Research Centre

REA – REMA conference
Session 4: Investment

Transition risk and implications for CfD design

Dr Will Blyth

@UKERCHQ

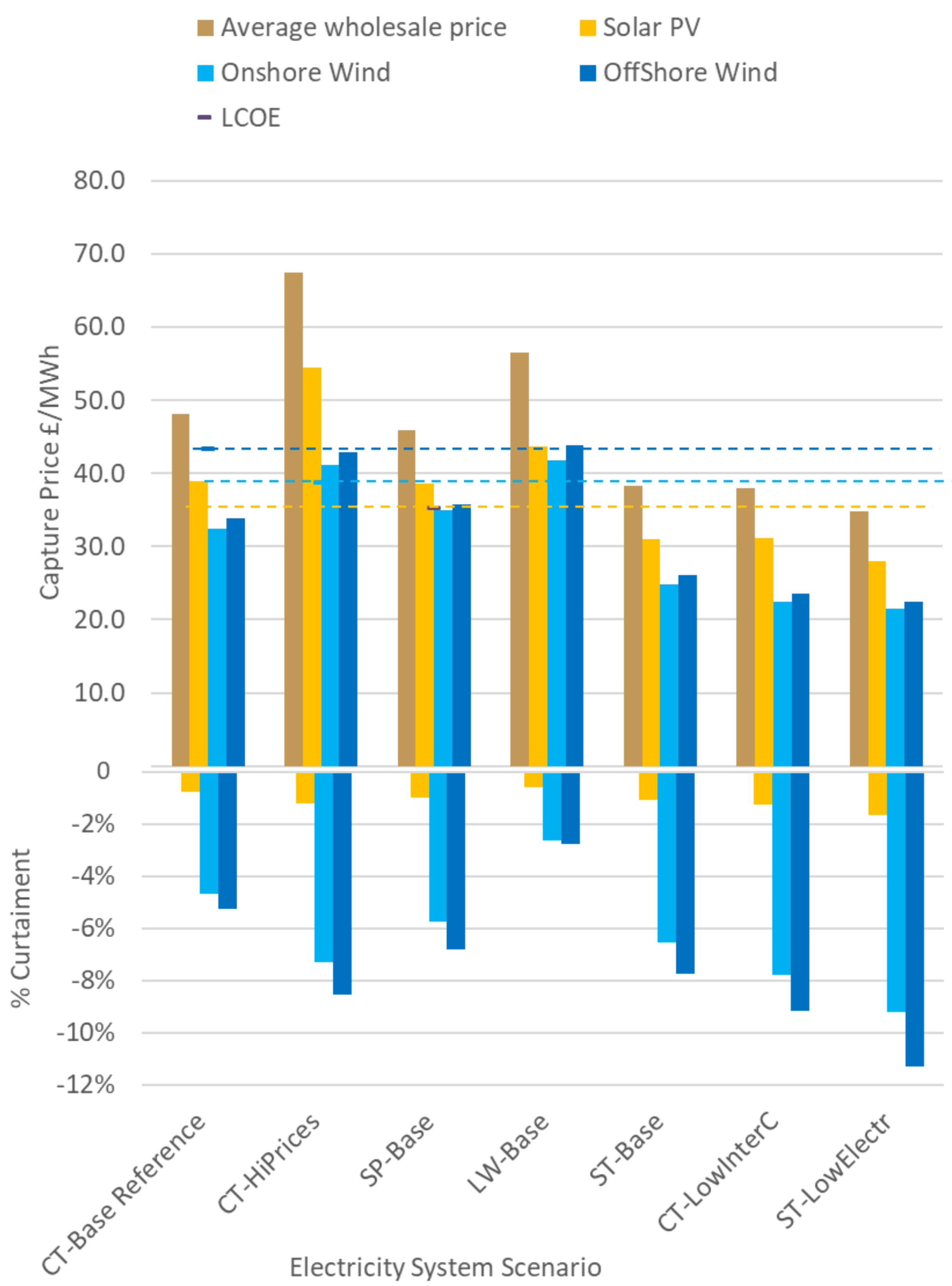
Quantifying transition risk

Price risk

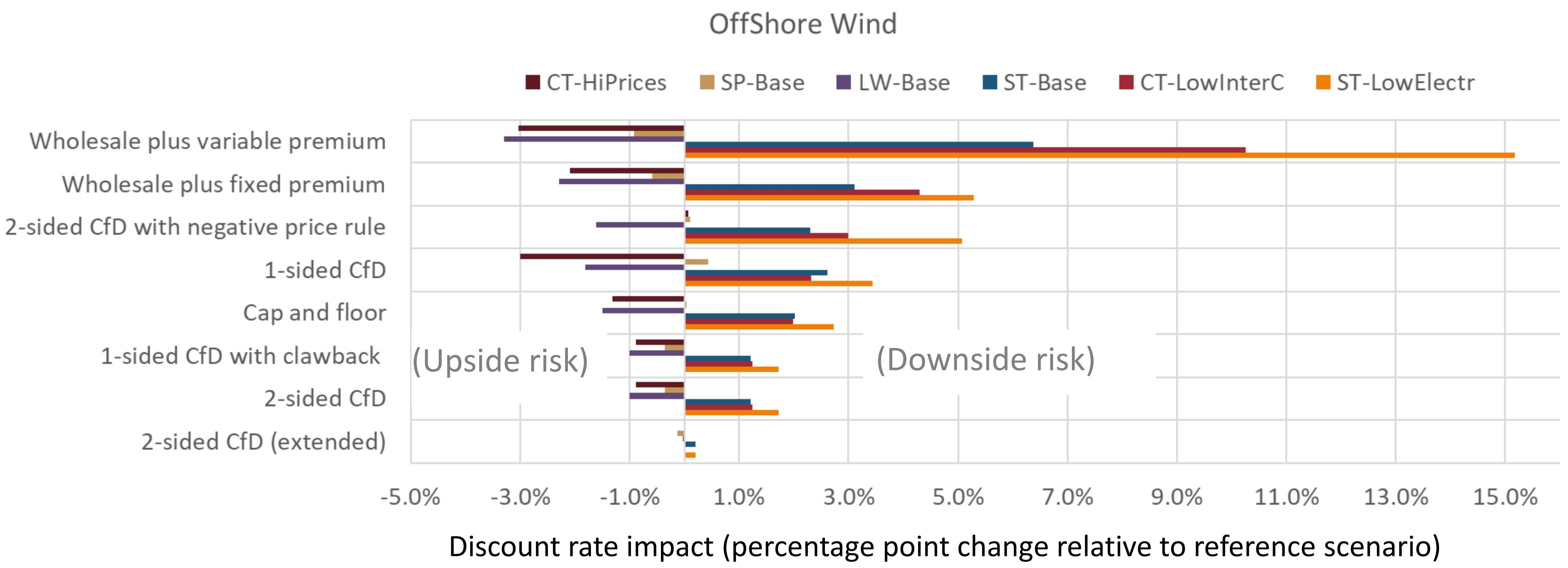
- Reduction in average prices
- Reduction in ‘capture’ prices

Volume risk

- Curtailment (& periods of negative pricing)



Risk exposure by policy type



Source: UKERC Risk and Investment in zero-carbon electricity markets,
https://ukerc.ac.uk/publications/zero-carbon-electricity/

Key messages

- Transition risk creates additional costs (that project developers / investors may not be best placed to efficiently manage)
- These risks relate to wider system uncertainties – i.e. extent and speed of transformation of:
  - the transmission system,
  - solution to seasonal storage for heating
  - transport decarbonisation
- Policy design for renewables has a big impact on extent to which these risks feed through to financing costs