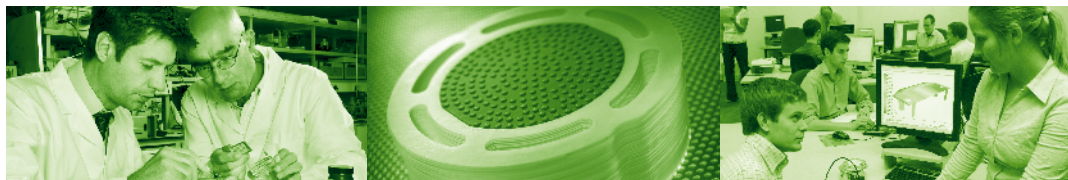


what the industry needs

To meet the UK's economic and environmental goals, the development of fuel cells needs focused, ongoing support and forward commitment.



Realising potential

In order to realise the potential of fuel cells, there are some important steps to put in place.

Focused support for commercial development

There is a need for focused support for development of near-commercial fuel cells (inc. materials and components). This could play an important role in helping to bridge the gap between research and demonstration, and facilitate longer-term cost reduction through manufacturing volume increases.

Ongoing support for demonstration activity

The 4 year fuel cell and hydrogen programme needs to be extended and resources need to be made available to enable demonstrations in a wide range of applications and locations including schools, public buildings and social housing.

The existing 25% funding cap is limiting the industry's capacity to finance the necessary programmes. This, in turn, restricts the potential of these technologies to deliver policy goals. Increasing funding levels to 50% for future programmes will open the potential for fuel cells.

Forward commitments to buy

Forward commitments to purchase products that are not currently commercially available, but which offer significant potential, provide the market with the certainty necessary to justify intensive product development effort and "underwrite" significant financial risk.

Furthermore, this approach offers a powerful mechanism for the market to deliver innovative solutions to meet policy needs which is particularly appropriate in the fuel cell sector where consumer driven mechanisms may be weak.

By focusing on technologies, which deliver CO₂ benefits and improve energy security, such mechanisms can align with and help to deliver wider Government objectives. They also provide supplier companies, their suppliers and their investors with long-term confidence against which to commit resources for demonstration and manufacturing scale-up.

Capital grants

To help fuel cells to penetrate the energy market, the Government needs to commit to the extension of capital grants.

The level of grant for low carbon technologies should reflect the potential contribution of that particular technology to reduce CO₂ emissions and meet policy goals.

This will help to ensure that technologies that offer considerable energy and carbon saving potential, but are currently at a higher cost than other technologies, receive the support that they deserve.

Mandating fuel cell use

In order to deliver policy objectives, the Government should, over time, introduce legislative requirements to purchase fuel cells.

A requirement that a certain level of fuel cell capability should be installed in new buildings will help bring this technology forward. This approach would be similar to the precedent already set for boilers.

An extension of ROCs

Extending ROCs (Renewable Obligation Certificates) to cover fuel cells, could help them to achieve their potential in delivering key policy objectives, whilst accelerating the development of the UK industry.

Export rewards

It is currently very difficult for domestic customers to obtain rewards for exported power. To facilitate this:

- Energy suppliers need to offer and publish terms for purchasing
- Microgeneration output needs to be 'deemed' at a fixed annual level of kWh, according to type approved product and installation standards for each technology. This amount should then be subtracted from a customer's actual gross consumption.

The industry needs...

– Focused support for development

– Ongoing support for demonstration activity

– Forward commitment to buy

– Capital grants

– An extension of ROCs

– Export reward schemes