POLICY NOTE

THE RENEWABLES OBLIGATION (SCOTLAND) AMENDMENT ORDER 2026

SSI 2026/160

The above instrument was made in exercise of the powers conferred by sections 32, 32G, and 32K of the Electricity Act 1989. The instrument is subject to affirmative procedure.

Summary Box

This amendment order changes the index used to make inflationary adjustments to the Renewables Obligation (RO) buy-out price from Retail Price Index (RPI) to Consumer Price Index (CPI) from 1 April 2026 in order to generate savings in the energy system. This order is to amend the Renewables Obligation (Scotland) Order 2009. As the RO buy-out price is consistent across the UK, the UK Government and the Northern Ireland Executive are making equivalent changes to their respective legislation.

Policy Objectives

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 for England and Wales, the Renewables Obligation Scotland (ROS), and the Northern Ireland Renewables Obligation (NIRO).

The RO schemes were introduced at a time when renewable electricity was significantly more expensive, and when generators faced higher capital costs than those building new generation assets today. As such, the scheme leaves a substantial cost legacy and one that is ultimately borne by consumers through levies on electricity bills.

The buy-out price is the statutory amount that electricity suppliers must pay to Ofgem for each ROC they fail to deliver as part of their annual compliance requirement. The buy-out price is consistent across the UK. This mechanism ensures the continued financial incentive is to procure ROCs rather than defaulting on the obligation.

The renewables obligation has a mechanism known as mutualisation which seeks to recover a shortfall of payments from suppliers if there is a payment default and the level of default is equal to or in excess of a threshold. There is a cap on the amount of mutualisation payments that can be made in respect of each obligation period (the "mutualisation cap"). Both the buy-out price and the mutualisation cap are indexed to inflation and have changed in line with the RPI each year since the renewables obligation came into force.

This SSI changes the price index used to adjust the buy-out price from Retail Price Index (RPI) to Consumer Price Index (CPI) for the ROS – the UK Government and the Northern Ireland Executive are making equivalent changes for their respective schemes. CPI is the UK Government's preferred inflation measure due to its international recognition and consistency. The RPI also has a tendency to overestimate inflation, resulting in higher revenues for generators than they would have received had their payments been indexed to CPI. Changing indexation to CPI is expected to continue to give generators a reasonable and

predictable rate of return and protection against inflation whilst making savings in the energy system.

UN Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 Compatibility

The Scottish Ministers have made the following statement regarding children's rights:

In accordance with section 23(2) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 (the Act), the Scottish Ministers certify that, in their view, the Renewables Obligation (Scotland) Amendment Order 2026 is compatible with the UNCRC requirements as defined by section 1(2) of the Act.

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

Consultation

The Scottish Government, UK Government, and Northern Ireland Executive published a joint consultation on two options for amending the inflation indexation used in the RO schemes across the UK. The consultation ran from 31 October 2025 to 2 December 2025 with any interested parties being free to submit responses.

The Scottish Government also held a number of discussions with key Scottish based stakeholders to inform this amendment, and the related Business and Regulatory Impact Assessment (BRIA).

Following a recommendation from the Secretary of State for Energy Security and Net Zero, and conclusion of the consultation process, the UK Government, Scottish Government and Northern Ireland Executive have jointly agreed to proceed with Option 1, an immediate switch to CPI-based indexation of the RO buy out price ahead of the next annual adjustment scheduled in April 2026. This will apply across the RO schemes in England and Wales, Scotland and Northern Ireland (subject to respective legislative processes).

Impact Assessments

The following impact assessment have been completed in respect of this SSI:

- Business and Regulatory Impact Assessment (BRIA)
- Equalities Impact Assessment (EQIA)
- Children's Wellbeing and Rights Impact Assessment (CWRIA)

A partial BRIA was included as part of the consultation for consultees to review and provide feedback on. The BRIA was updated following the consultation and will be published to coincide with the laying of this instrument alongside the CRWIA and this Policy Note.

Screening exercises were also undertaken for the following impact assessments:

- Fairer Duty Scotland Impact Assessment
- Strategic Environmental Impact Assessment (SEA)

The screening exercise scoped out full impact assessments for the Fairer Duty Scotland Assessment and SEA.

A screening exercise was also completed for the Islands and Communities Impact Assessment (ICIA). It was determined it was not necessary to proceed with a full ICIA given that the laying of this instrument is unlikely to have an effect on island communities that is significantly different from its effect on other communities across Scotland. However, a partial ICIA will be published to coincide with the laying of this instrument in order to provide transparency in the decision not to proceed with the full assessment.

Financial Effects

A Business and Regulatory Impact Assessment (BRIA) has been completed and published. It is anticipated that renewable electricity generators with assets supported by RO schemes will experience a decrease in forecast revenue from RO projects. Assuming that the number of ROCs issued in Scotland remains consistent between 2023-24 and 2026-27, initial estimates show that the total revenue received by Scottish Developers supported by the ROS in 2026-27 could decrease by around £15 million or around 1%. Following 2026-2027, RO contracts for some Scottish developers will begin to expire, making projecting future revenues more difficult.

Directorate for Energy and Climate Change
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