

## **The Perceptions of Salient Stakeholders on the Conversion from ‘Renewable Obligations’ to ‘Contract for Differences’ in the UK Low-Carbon Energy Sector**

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### **Abstract**

*Renewable energy subsidies have become very important in the UK. Within this context, the main purpose of this paper is to assess the changes from Renewable Obligation (RO) to Contract for Differences (CfD). There is very limited research done on this topic because the CfD is still in the implementation stage. The paper will evaluate opinions and perceptions that key stakeholder within the UK low-carbon energy sector have on the change from RO to CfD. Stakeholder theory was selected as the appropriate framework for analysis. This study uses an intensive research approach, by means of in-depth personal interviews with key stakeholders within the industry. The paper concludes by discussing stakeholders views and confronts qualitative collected data with relevant theories.*

**Keywords:** Salient Stakeholders, Renewable Energy, Change, Corporate Social Responsibility

### **1. Introduction**

From the mid 1990's renewable energy has added to the UK's energy supply chains. It started out as an expensive source of energy until the UK government decided to subsidize this industry. The rationale of the UK government has been that by subsidizing the renewable energy sector, investment would be attracted to help developing environmentally friendly sources of energy. This in turn will help the country to reduce its carbon emissions. Investment in technology would also make the production of renewable energy more efficient and therefore, prices would become more affordable and in time the industry will no need government subsidies.

Since 2002 the subsidy has come in the form of Renewable Obligations (RO) which is now changing to Contract for Differences (CfD). Under RO electricity suppliers received a fixed payment on top of the wholesale price of electricity. This type of subsidy created difficulties for investors due to volatility of the final price. The RO would also be 're-banded' each year, making it difficult for companies to predict long-term returns. Unlike the RO, the CfD is a finite subsidy. The total amount for the subsidy is £7.6 billion and this is known as the Levy Control Framework (LCF). The government has decided to put a cap on the CfD subsidy, which will aim to take it to the 2020 EU law (Electricity Market Reform, 2011). There is nothing in the energy bill to say what will happen to the renewable energy industry after 2020. Due to the volatility in electricity price, the 'top up' price that the government owned counterparty will pay to generators will be volatile and changing.

Do the stakeholders feel confident that the government owned counter party has made the right predictions in price or is this an area of concern?

With the RO if a developer was to get a site -to produce renewable sources of energy- through planning then they would be certain of receiving the RO subsidy. However, with the CfD, subsidies are not automatically granted. The idea of the UK government is to implement an auction method by which developers will bid for the contracts, with the lowest bidder winning. However, they have not finalized which auction method they will use and how it will work. The auction method means that investors and developers may carry more risk due to the high chance that their site will not qualify through the auction method for a CfD. This method of allocation was used between 1990 and 1998 where there was a total of 5 auctions, however only 17% of these projects were successful at the bidding stage and actually progressed through to construction and the operational stage (Stenzel & Frenzel, 2008). Mitchell (2000) found that larger companies bid down so far that it squeezed out competition from smaller competitors and consequentially there was a clear trend towards large utility companies gaining all the contracts.

The CfD subsidy aims at providing energy generators with a fixed price level known as the ‘strike price’ (Electricity Market Reform, 2011). There will be a set strike price for each different technology. However, the government has not finalized which technologies will receive funding or how much each will receive (Electricity Market Reform, 2013). There is no clear image of what sort of technologies the government will be pushing for; whether it is for a mix of all technologies or whether it is for the cheapest technologies. With the RO there were clear banding structures for all technologies so investors knew they would get the subsidy, now they cannot be sure and therefore, has the risk increased? Helm (2011) spoke of the dangers of an interventionist way of setting subsidies, saying it could be “wide open to picking winners, picking technologies, political lobbying and rent capture”.

Introducing long-term contracts in the energy sector is not an unusual way of attracting investment. Ismer and Neuhoff (2009) have studied how strike prices have secured investment in low-carbon energy. They found that implementing a strike price subsidy takes the volatility out of the market which in-turn gives investors’ confidence to invest in. Serra (2013) studied the effects of taking away market power - through strike prices - in an oligopolistic electricity market. The results of his study suggest strike prices help maximizing industry profitability but leads to collusion. Strathern (2013) explores the implications for companies competing for CfD’s on an auction based model. The author points that an auction method might favor some companies over others. This is in line with Serra’s (2013) study on the effect of taking away market power leading to possible collusion.

Other scholars such as Lewis and Schapes (2013) have looked into the possible illegality of CfD’s for nuclear energy. They claim that CfD’s are ‘state aid’ subsidies and that state aid is not allowed for mature technologies like nuclear. The EU legislation makes it illegal because it causes market distortion and unfair advantage. Does the renewable energy sector feel as a whole that it is being used as a “political football”? Within this coming new scenario, it is interesting to investigate how salient stakeholders perceive this change and what effects they feel the change will bring about.

## **2. Government Subsidies and Stakeholders**

Energy subsidies are used by many Governments, in different ways and for different reasons. Brazilian and Onyeji (2012) studied the impact of energy subsidies on energy prices and industrialization in developing economies. The authors found that there were many negatives to energy subsidization; including less money available to be spent on health care and infrastructure which can also have a major impact on a country’s economy. Other scholars have also been very critical about the adverse effects that subsidies have on the society (Myers, 2009).

The UK Government subsidizes renewable energy and grants substantial tax exemptions to the fossil fuel industry (Electricity Market Reform, 2013) with the aim of keeping fuel bills to a minimum for the consumer. Historically, the rationale for the introduction of energy subsidies has been to stimulate economic growth and to enhance the security of the energy supply chain. Ritschel and Smestad (2003), whose study was on the Californian energy subsidies, have found that energy subsidies have benefited the economy of this country.

They argue that energy subsidies have a positive impact if they correct market failure, for example, they can stimulate the development of new technologies that would not be adequately supported in fully competitive markets.

Any study that aims to assess the effect of different subsidy strategies must also consider the role played by legitimate and powerful stakeholders (Freeman, 1984; Hill & Jones, 1992; Vilanova, 2007). Urgency is another important factor to be considered and refers to the degree to which stakeholder claims call for immediate attention (Mitchell *et al.*, 1997). The introduction of CfD's would lean towards investors holding the most power, legitimacy and urgency. This is due to the fact that the CfD has been modeled to incentivize them. Investors directly affect the production of low-carbon energy in the UK because they are funding it. They hold legitimacy because there is an exchange in money from the government in return for the investment in low-carbon energy. They also have urgency as their claims call for immediate action due to the 2020 EU law in place. However, the hike in energy prices has led to the legitimacy of the consumer to become more substantial due to the government wanting to attract votes and stay in power (Stenzel and Frenzel, 2007; Whatt, 2013). Alves *et al.*, (2005) would class the consumer in this instance to be a dormant stakeholder as they have the legitimacy to impose their wills on the organization but lack either power or urgency. Lockwood (2012) depicts the saliency of environmental policy as declining compared with policies affecting the financial crisis or immigration. Therefore, this may give the Government confidence to implement the new environmental policy. This raises a question regarding what will happen to the low-carbon energy sector once the LCF has been spent and whether the salient stakeholders feel that the Government has done enough to protect it.

Lockwood (2012) found that the expectations of special interest groups are likely to drive political decision making more than the public good. It must be clear what the 'public good' is, whether it is for cheap energy supply or it is for cleaner energy solutions to tackle climate change. The public interest is always changing; the recent hike in electricity bills may have led the public interest to lean more towards cheap energy. On the other hand, the expectation of climate change activists may have put the government under pressure to act. However, for the purpose of this paper, the benefits of having renewable energy will not be discussed. This is because the UK government is in a legally binding contract with the EU to make sure that by 2020, 20% of energy in the UK is sourced from low-carbon energy (Electricity market Reform, 2011). One of the biggest challenges that the government will face is getting the best deal for consumers while keeping the low-carbon energy sector profitable for everyone involved, and battling with bureaucrats over the price of the subsidies.

The sustainability of the new policy depends on the reconfiguration of political dynamics. To achieve its objectives, it may be necessary to disrupt longstanding patterns of governance, recast institutions, upset existing power monopolies and create policy feedback effects that render it difficult or unattractive for the government to reverse course. It would, however, be a major risk for the government to upset the existing power monopolies as the government is in a legally binding contract with the EU to make sure that by 2020, 20% of energy is sourced from low-carbon generation (Patashnik, 2008). Therefore, by upsetting existing power monopolies might imply that they do not reach their targets and break EU law. This opens up a question whether the energy bill has given salient stakeholders the confidence that CfD's are secure and that they will not be changed. If the industry does not trust the new policy, and investors pull out, then the Government will need to reverse the policy to make sure that the target is met, thus looking weak and losing the confidence of all stakeholders (Lockwood, 2012).

Many policy changes fail to build a constituency, a situation that is characterized as "winner-less reform" (Patashnik, 2008). This suggests that for the policy to work there will have to be a "winner." This is to avoid the Government "sitting on the fence". Patashnik views contradict Moir (2001) claims. Moir (2001) states that claim for humanizing are equal to the claims of economizing. This suggests that it needs to be a balance between consumers' tariffs, investors' investment and government subsidies. If the right balance is not achieved the policy can fail as it happened in Spain where the government was forced to U-turn losing all investor confidence. According to Patashnik (2008) Spain may have done the 'right thing' by rewarding investors and avoiding a "winner-less reform" but due to the lack of humanizing (Moir, 2001) and creating bad value-for-money the consumers 'urgency and power' increased according to stakeholder theory (Vilanova, 2007). Thus the Spanish government was forced to U-turn. The government has taken a strong stance with this, and cannot be blamed for "sitting on the fence," which according to Patashnik (2008) is a strong move.

Notwithstanding this, it will be difficult to get the right balance between energy bills being too high for the consumer and the margins being too low for the investor to make money, but there is also the point that by producing clean energy in itself will address a social need for the consumer and the wider public. As Galbreath (2008) claims it is descriptively wrong for a firm to address all social issues and there can be an imbalance if you spread yourself too thin.

The auction policy has not yet been finalized which may lead to uncertainty within the industry, which can lead to potential vulnerability to change (Lockwood, 2012). There are many positives, however, from an auction based method, because the power of economic interest groups can be eroded through market process (Oliver & Holzinger, 2008; Patasnik, 2008).

The reason that the government has not finalized the auction method could be seen as a positive element. The government should seek tools that enable them to maintain the required flexibility and adaptability they need to answer in a timely manner to the market's volatility and changing environment. Van Der Voet (2013) adds that to contribute to the implementation of change, challenging objectives should be set for the stimulation of new ways of thinking. Has the Government done enough to set challenging objectives, or has it been unclear to the industry of what it wants? Kotter (1996) and Loecke (2003) all highlight the importance of creating a vision, or a challenging objective. Has the CfD created a clear vision for all involved within the low-carbon energy sector or are salient stakeholders left wondering what will happen and how secure these changes are? Attempting to create a stable environment; through reducing market power can adversely affect the original goal for change. The government has made it unclear of exactly how the auction method will be used, but it has been clear on the returns a company will get through the CfD. Has this been enough to create a clear vision through setting strike prices, or will the investors and developers be wary of the change and lack of direction from the Government?

Galbreath (2008) suggests that it is wrong for companies to address all social issues. This stance suggests that the government should look at the interests of the industry and the investors within that. Once the needs of the industry have been satisfied they should look at the social responsibility of the consumers paying high tariffs for their energy. Slater (1997) contradicts Galbreath (2008) by suggesting that the sole purpose of an organization is to create value for money for the customer. Which stakeholder group has the government incentivized and have they managed to achieve this or have they achieved this at the expense of another stakeholder group? This research will attempt to answer this question.

### **3. Literature Gap**

There is a vast literature on the subject of government policy towards climate change and low carbon energy (Lockwood, 2012; Patashnik, 2008; Stenzel & Frenzel, 2008; Strback *et al.*, 2009). Patashnik (2008) focuses on how the government should act, and which stakeholder groups it must bear in mind to effectively implement the policy change. Stenzel and Frenzel (2008) have researched what has happened previously in Spain, UK and Germany with other forms of long-term contracts and how that has affected the industries. Lockwood (2012) has written a paper about whom, and what companies, are the driving forces behind the political changes and how this affects market power. Strback *et al.*, (2009) writes his paper on the auction method of allocation and who is set to benefit and lose out through this method. However, there is little or no literature on the CfD system. Hence, this research can contribute to the literature by linking theories of policy change and stakeholder theory to the implications of the change from RO to CfD.

### **4. Research Method**

An exploratory research design was used to achieve the aims of this study. Semi-structured in depth interviews were conducted with key stakeholders to collect the relevant data to understand the perceptions of salient stakeholders on the conversion from 'Renewable Obligations' to 'Contract for Differences' in the UK low-carbon energy sector. This research strategy recognizes that gathering data from salient stakeholders can provide an invaluable starting point for an analysis such as this. To establish validity, the questionnaire was scrutinized by a panel of experts in the field.

An interpretive deductive approach was adopted to investigate the views and perceptions of key stakeholders on the transition from RO to CfD. The aim of this study is to delve into these views and therefore it does not aim at achieving generalizable conclusions. Therefore, this research has adopted a non-random sampling. Interviews were conducted with two industry representatives, four developers and three investors.

Dominant stakeholders were selected because they can influence the decision making process and receive a lot of attention (Alves *et al.*, 2005). Qualitative data was reduced and analyzed using 'thematic analyses'.

## 5. Research Findings

### 5.1 Government motives for changing from RO to CfD

The results of this study indicate that there are three main motives for the government to introduce CfD's.

#### 5.1.1 Incentivize Investors

##### Positive

This theme was apparent in all interviews and fitted well with that in the literature. The industry representatives believe that the proposed model is more attractive for "...equity investor, insurance companies and pension funds..." as in the past the finance has had to come from "...utility companies and government schemes..." Investors also support this view and claim that more competition - due to the stable returns - will inevitably benefit the industry. However, their financial assessment suggests that they might be worse off with the CfD than they were with the RO. In conclusion, investors perceive the stable, government backed scheme as more appealing than the larger, but there are some concerns about final returns.

##### Negative

Developers stated that "...the investors were extremely comfortable with the existing system..." It was also mentioned that there are other investment opportunities offering less uncertainty than the renewable energy industry.

#### 5.1.2 Protecting the Consumer

##### Positive

Investors' views are that "...an advantage is that it protects the consumer..." They also claim that "...it also protects investors from receiving too little..." Thus, it can be interpreted that interviewees feel that the RO was too volatile and that with the CfD the price of energy will be 'right' and neither investor or consumer will be getting a bad deal. Interviewees emphasized that protecting the consumer is very important, because from an investment point of view "...if consumers are happy, politicians are happy and therefore it will be better for investors in the long run..."

##### Negative

Most interviewees agree with government's motive behind the introduction of the CfD. However, one investor stated that "...the numbers are not quite as positive as they were at the beginning..." It appears to this investor that the government has the right motive but has not implemented it as well as they could have. The same investor also mentioned that it would be possible for the government "...to get a better deal for the consumer through a simple re-banding of the RO and that the change to CfD maybe a bit drastic..."

#### 5.1.3 Technologies

##### Negative

All interviewees were concerned about which technologies will be supported by the government. They all mentioned that the lack of clarity had caused confusion and uncertainty within the industry. All interviewees were "in the dark" as to whether the funding mechanism was going to look for the cheapest possible energy, which would include just wind and solar, or was there going to be a balance of all the technologies which would include new and expensive technologies like geothermal. "...They are not providing predictability over what they want..." says one of the developers. There was also a lot of pessimism over nuclear and how much money that would drain from the LCF. All interviewees mentioned this as a concern but one of the developers was very pessimistic as to how this funding mechanism will be able to work across all technologies.

## **5.2 Mechanisms in Place to Protect the Renewable Energy sector once the £7.6 Billion Envelope has been spent**

This section will present the industry perspective of how well thought out the energy bill has been and whether it gives the stakeholders confidence within the sector.

### **5.2.1 Lack of Clarity and Uncertainty**

All developers saw this as a negative attribute to the bill, however, investors and industry representatives thought of this as a positive aspect to the bill.

#### **Positive**

Investors' and industry representatives' interviewees stated that the government had correctly decided to leave the new policy "open ended" because it gives the opportunity for change and decide upon what needs to be improved. One investor stated: "...the fact that they haven't fully designed it gives us the confidence that we might get a say in what happens..."

#### **Negative**

This is in stark contrast to what developers think. They argue that the lack of certainty could scare investors off into completely different industries altogether "...there is going to be more attractive industries that have less uncertainty..."

### **5.2.2 Lack of Money**

#### **Negative**

The consensus of investors was that the lack of money will not help the development of the industry. For instance, one investor alleged: "...it is as if they have tried to get as much as they think they can charge the consumer rather than for the benefit of the industry..." Industry representatives' expressed similar worries but they look at the problem from a different angle. They are concerned about the government not committing to spend the whole of the LCF and not addressing properly the volatile price of the electricity market. If the wholesale price of electricity falls then the CfD will have to pay more, meaning the budget will not go as far. However, one industry representative stated that the more likely thing to happen is that the wholesale price of electricity will go up and therefore the money will go further as the difference in price between the wholesale price and strike price will fall.

## **5.3 Positive and Negative Aspects of CfD on the Renewable Energy**

This theme has been broken down into the following 3 aspects:

### **5.3.1 Who Goes First?**

One of the industry representatives claimed: "...It will be a challenge at the beginning for whoever goes first..." The majority of interviewees feel that the uncertainty about the policy is a worry and will become an obstacle to overcome. Three developers and one investor also raised the same point as the industry representative in that "...no one wants to be first through the CfD..." A developer also pointed that "...we have only just got comfortable with the RO and then the CfD came along..."

One of the investors expressed concerns about financial issues. The interviewee insinuated that finance maybe difficult to get at the beginning because they will have to run through all the risks and details with banks and other form of investors before they are comfortable with this new process. Therefore, the interviewee believes that this will slow down investment in the early stages which will harm the industry.

### **5.3.2 Auction Method**

Many interviewees stated their concerns over the uncertainty and lack of clarity over the auction method. However, most of them also claimed that there is always uncertainty when you change a mechanism, so it would appear that the concerns over the uncertainty, to them, could not be huge. All developers had concerns with the amount of collateral that the government counterparty actually has.

### 5.3.3 Projects Failing to Get Funding

#### Positive

One of the investors brought up the point that more projects will fail to get funding, however he saw this in a positive light. He believes that *“...it encourages people to invest in the best technologies, at the lowest cost therefore making it more politically stable and viable...”* The other two investors stated that this will create the best value for the consumer and therefore is a benefit to the industry.

#### Negative

All developers and one industry representative were negative about this aspect of what the CfD will do to the industry. The industry representative claimed that *“...there will be a higher attrition rate; more projects will fall through which means that the development cost will go up...”* Two developers also stated that small developers will have to sell their sites and portfolios to larger companies so that this risk can be counteracted by the size of the portfolio. Therefore, they perceive this to be a negative impact of the CfD.

### 5.3.4 The Certainty of Revenue

#### Positive

This was an element that all interviewees were positive about. One developer mentioned that the long-term contract in place was good because *“...you are not at the whim of the government...”* One investor stated that *“...renewable energy projects are becoming increasingly attractive as there are stable revenues for 15 years which are also backed by the government...”* Most developers were also positive about the stable returns but one did however express concerns that *“...a change in government would change things again...”* One of the industry representatives raised the point that the certainty over the contract will mean that the interest on borrowed capital should come down and therefore this will be beneficial to the industry.

### 5.4 The Energy Bill

#### Negative

The majority of developers expressed concerns about this theme. For example, one developer stated that *“...the government can't resist tinkering...”* Other two developers expressed they were to get in power at the next election. One of the industry representatives made an important point while referring to the security of the industry. He claimed: *“...actual risk is very difficult to assess but it is perceived risk which affects our behavior...”* He highlights the point that there needs to be a clear distinction between the two; *“...if we were able to know how much money the government will actually spend on each technology the actual risk maybe very small, however the government has not finalized this so the perception of risk is much greater...”* This was also mentioned by two investors.

### 5.5 Possible Changes in the Energy Industry

The auction method has caused a degree of uncertainty when it has been introduced in the past so it will be interesting to work out the different tactics associated with the choosing of sites and how this will affect the industry.

#### 5.5.1 More difficult for Small Companies

##### Negative

Industry representatives and developers stated that it will become easier for the bigger players within the industry to get ahead of the smaller players. Industry representatives believe that this is due to bigger players being able to spread the risk of their portfolios meaning they can offer a lower price in the auction. Developers mentioned that smaller developers might sell their projects to larger developers so that the risk of the portfolio can be spread in the way industry representatives' claim.

#### 5.5.2 No Change in Tactics

All investors and one developer argued that they will not change the way they go about their business and they will keep going as they have.

## **6. Discussion**

### **6.1 Incentivizing Investors**

The investors perceive the stable, government backed scheme as more appealing than the larger, but more volatile returns from the RO. This proves the point highlighted by Alves et al. (2005) in that the government has paid most attention to the dominant stakeholders, who have significant influence and expect to receive a lot of attention. One developer raised a negative point; “...*the investors were extremely comfortable with the existing system...*” however Lockwood (2012) would suggest that to achieve policy change must “disrupt existing power monopolies.” Therefore, if the investors were extremely comfortable with the RO system, then this alone would not be a strong enough argument against the introduction of CfD’s.

Hence, it can be interpreted that overall the salient stakeholders feel positive about this element of the CfD. The point raised by a developer must be taken into consideration.

### **6.2 Protecting the Consumer**

Another theme that arose as a result from data reduction was that the government had tried to protect consumers’ against excessive prices. This point ties in with the argument presented by Moir (2001) who states that from a CSR stand point the claims for humanizing are equal to the claims of economizing. This theme was contradicted by one investor who stated that “...*they have tried to get as much as they think they can charge the consumer rather than for the benefit of the industry...*” Galbreath (2008) claims that it is wrong for firms to address all social issues when CSR is involved. This is where the differing views of the stakeholders become apparent and this was also the case with the differing views that were discussed in the literature. On one hand, an investor believes the government has had equal claims for economizing and humanizing however, another investor, one industry representative and three developers believe that the government has favor the consumer over the industry. The literature review indicates that the consumer held little power, legitimacy or urgency which are the classifications of a salient stakeholder. However, targeted interviewees believe the consumers to be regarded as dominant stakeholders by the government within the realms of this energy bill.

Through analyzing the views and perceptions of targeted stakeholders it does appear that they feel that the government has the right motive but has not implemented it as well as they could have. This is a point raised in the literature review when Lockwood (2012) argues how difficult it is for policy makers to get bureaucrats to implement policy in the spirit it was intended without being undermined or distorted by the interests of those bureaucrats. Collected data also suggests that interviewees believe that the government has not implemented this energy bill with the right stakeholders in mind and have sided too much with the consumer.

### **6.3 Auction Process**

The theme running through all the interviewees was the lack of clarity surrounding the auction process. The auction process will endeavor to increase market power which is a good policy for the government to implement, however there is increased uncertainty within the sector. This uncertainty was highlighted in the literature by Stenzel and Frenzel (2008) who studied a similar auction process in the 1990’s where only 17% of these auction processes actually progressed through to the operational stage.

Patashnik (2008) suggested that many policy changes fail to build a constituency, a situation characterized as “winner-less reform.” For a policy to work there will have to be a winner and this is to avoid the government “sitting on the fence.” Through collating the views of the uncertainty around the auction process would lead to the belief that the government has increased the perceived risk and could be seen to be creating a ‘winner-less reform’ through the lack of clarity within their decision making in the auction process. If the government had been clearer then it would be possible to work out the ‘actual risk,’ however this has not happened so the ‘perceived risk’ from the salient stakeholders is very high.

### **6.4 Room for Change**

This theme had contradicting views, some perceiving that the government had left it open for the good of the industry and leaving room for change. Others however had lost confidence in the government due to the lack of clarity and uncertainty. The government should seek tools to enable them to maintain the required flexibility and adaptability they need to answer in a timely manner to the market’s volatility and changing environment.

The dormant stakeholders (developers) who rely on another stakeholder group (investors) for their claims to be taken into consideration have not been given enough attention in this bill from the government. This has left them with a lack of confidence. It would be difficult to build a tentative theory around this theme as there are such stark contrasts in the views and perceptions of interviewees. However, there are similarities in the findings to the literature review. To regain the confidence of the developers change theorist Kotter (1996) and Loecke (2003) all highlight the importance of creating a clear vision, which the developers feel is not there at the moment. Is this an area that the government needs to focus on, or is this particular dormant stakeholder group not taken into consideration by the government?

Overall it is found that the stakeholders felt that the uncertainty surrounding the auction process was hindering them and was a major cause for concern, whereas in other areas of the CfD they felt more comfortable with the uncertainty and looked at it in a more positive light.

### **6.5 Funding**

All interviewees were uncertain about which technologies the government was going to support and what their vision of the CfD would create. This has created a lack of confidence. Helm (2011) spoke of the dangers of setting subsidies in an interventionist way as it could be wide open to picking winners, picking technologies, political lobbying and rent capture. The theme of more projects failing to get funding was perceived in contradicting ways by different interviewees. From a CSR stand point Galbreath (2008) agrees with investors who perceive this in a positive light as it will mean only the best sites get the CfD and therefore it will be cheapest for the consumer. However, the developers feel that the new policy leaves them worst off because they carry more risk.

### **6.6 Change in Tactics**

Some interviewees alleged that the smaller developers may have to sell their sites to larger companies who would have the ability to spread the risk of the portfolio. Oliver and Holzinger (2008) talked about how larger players can become defensive and use their political power for lobbying to increase barriers for entry to smaller players within an industry. From evidence in the findings and the related literature there is a possibility that larger companies have acted defensive. This could be a discussion point from this research to lead onto another study, however to make an assumption like this there would need more evidence.

Some investors and developers stated that they will not change their tactics and that they will go about their business as they have. This point would be argued by Oliver and Holzinger (2008) who would suggest that investors and developers need to be anticipatory and focus on adopting new strategies for this public policy change. Van der Voet (2013) would also suggest that to contribute to the implementation of change, challenging objectives should be set for the stimulation of new ways of thinking. Evidence would suggest that some interviewees have been anticipatory and are finding new ways of thinking to overcome a problem. It must also be taken into account that some targeted stakeholders might be withholding company strategy and would not want to delve into the detail of their strategies with a researcher.

## **7. Conclusion**

Based on the discussion above, it can be tentatively concluded that the investors and industry representatives who were classed as dominant stakeholders felt that the openness of the bill was a benefit as they felt that they could influence the change. This fits in with political change theorists such as Patashnik (2008). Whereas the developers who are classed as dormant stakeholders perceived this as a negative attribute to the CfD because they are looking for certainty as they do not have the power to impose their wills on the CfD. The timing of the research needs to be taken into consideration. At the beginning of the research, there is still change happening, and this could be a possible reason for the developers feeling a lack of confidence over this theme as they are dormant stakeholders who rely on another stakeholder group for their claims to be taken into consideration. If the same research was to happen in a year then it is possible that the findings could be different.

The majority of interviewees felt that the government had the right intention but the execution was not correct. The CSR theory studied in the literature depicts that firms should not stretch themselves too far with CSR as it causes an imbalance. There is the case that low-carbon energy already addresses a social need for climate change. The tentative theory here is that the interviewees view is that the consumer was given too much attention by the government.

The views and perceptions from the interviewees were positive about the mechanics of the CfD and that the stable revenues will encourage investment and create competition for investment which will benefit the industry. This tentative theory however links to uncertainty as the stability of the revenue might be unstable as there are concerns that the government owned counterparty may not have enough money due to the aspect of protecting the consumer. The views and perceptions of salient stakeholders was that the government had not been clear enough; dominant stakeholders viewed this as an opportunity, whereas dormant stakeholders viewed this as a negative and caused a lack of confidence within the sector.

The significance of this research is that there is now an understanding of how the salient stakeholders view the change from RO to CfD. This research could be used as a building block for further studies into how the views of the stakeholders tie in with the effects that the CfD bring upon the industry in the future and whether their concerns will amount to a change within the industry or not.

## 8. References

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