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*News John Constable,*

Thank you for your letter dated 4 February, about your estimates of the future subsidy levels for Round 3 offshore wind projects, which were published in the Sunday Telegraph. I apologise for the delay in replying.

I note that the main thrust of your letter relates to offshore wind cost reduction and that you express the view that you doubt significant cost reduction is achievable.

Firstly, I would highlight that the evidence gathered through the Renewable Obligation (RO) banding review showed that the costs of offshore wind are expected to fall as the technology develops and matures, and as industry benefits from learning and economies of scale. Consequently, the level of support for offshore wind projects will be reduced from 2 ROCs in 2014/15 to 1.8 ROCs in 2016/17. I also note that the industry-led Offshore Wind Cost Reduction Task Force concluded that reaching £100MW/h by 2020, a reduction of over 30%, is challenging but achievable. One of the major offshore wind developers has recently stated that they believe they can go further than this by 2020.

The Government is unapologetic when we say that costs must come down. It is not the Government's policy to support renewables at any price. Our ultimate aim is for renewables to become competitive without the need for subsidy. The Government's decisions to reduce some RO subsidy levels, for example, send a strong signal to industry that we expect this to happen over time. In high level terms, the lower the cost of offshore wind, the greater the potential for more being delivered.

In conclusion, it remains the case that we believe cost reduction is very much a 'must have' if the technology is to reach its full potential, and we are encouraged that the industry are well placed to deliver significant cost reduction to 2020 and beyond.

*yours,*

EDWARD DAVEY