

Renewables: Finance and Funding

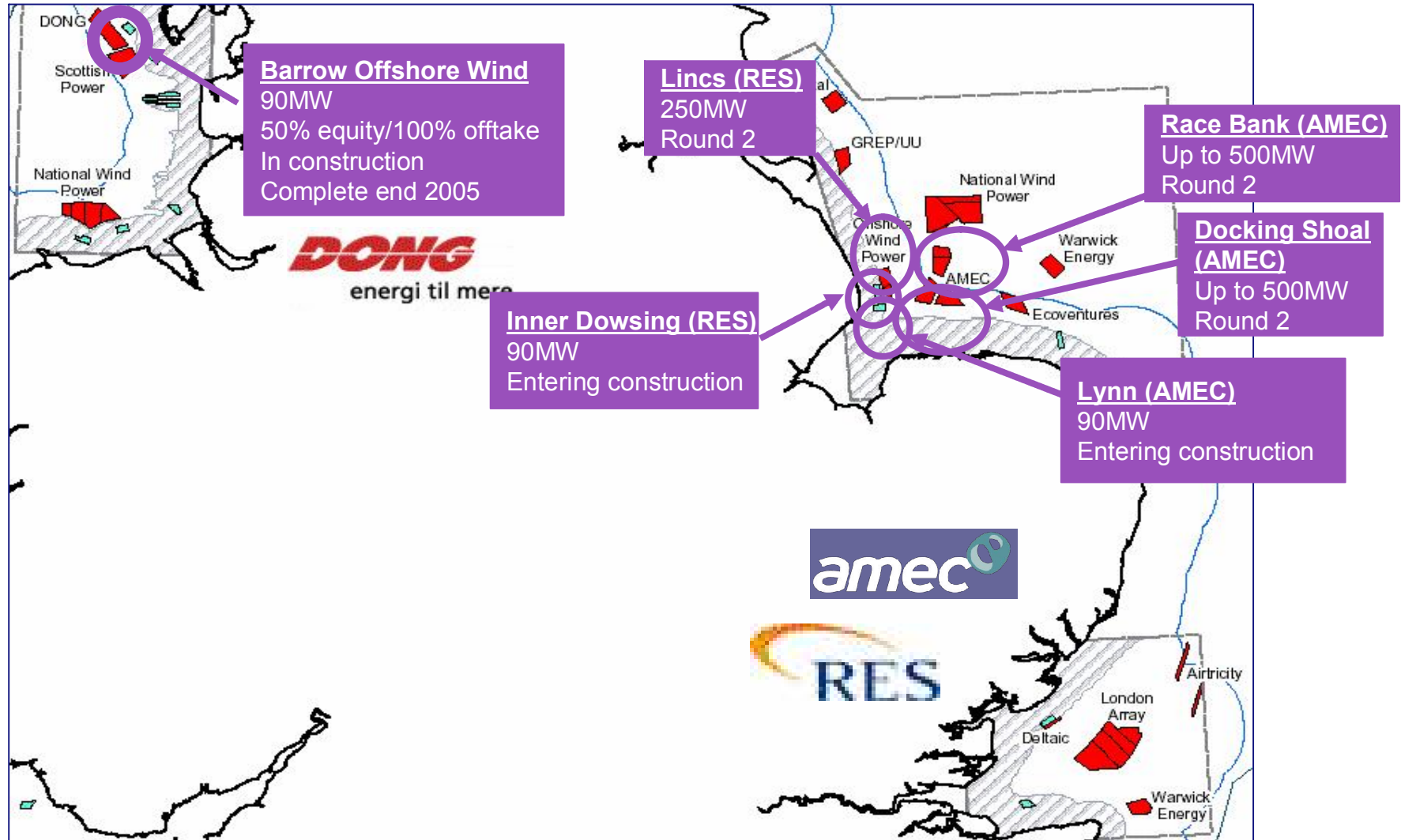
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Centrica Renewables Strategy - Progress

We have made excellent progress in executing our Renewables Strategy

- PPA contracts with independent developers
 - Executed a number of offtake contracts which have given projects the ability to finance
 - Some long term, some mediumterm
 - number of different counterparties
 - Over a range of technologies
- Onshore Asset Development
 - Taken ownership of an onshore asset
 - Glens of Foudland, Aberdeenshire - 26MW
 - Commissioning now - first renewable power generated April 05
- Offshore Asset Development
 - Round 1 - Barrow - 50% JV with DONG
 - Round 1 - Inner Dowsing and Lynn
 - Round 2 - Lincs, Docking Shoal, Race Bank

Offshore Asset Development



What We Need - Stability

In renewables investment **POLITICAL RISK** is one of the biggest risks we are taking on

- No tinkering - give the market a chance to work
- We need a 2005/6 Review which reinforces investor confidence by
 - Grandfathering of eligibility
 - Gives visible financing horizons of sufficient length
 - Demonstrates it is a mature mechanism by well thought out exit strategies
 - No market shocks
- Serious concern over proposal to remove ROC eligibility from NFFO sites - threatens grandfathering, and has shocked the market

What We Need - Offshore Wind

Delivery of the Renewables Obligation is important in reducing Political Risk

- Offshore wind program is crucial in delivering the Renewables targets
- Recognition of funding gap for Round 2 projects
- Exploring ways of bridging this gap
 - grid connection
 - tax incentives
 - government grants