Summary

This afternoon the Government released details of the budgets for the next contracts for difference allocation round. Some key messages:

- The UK Government announced nominal budgets of £1 for pots 1-4 within Allocation Round 8 (AR8), which includes all forms of offshore wind. The move gives Government significant flexibility to support additional deployment where projects come forward at competitive prices. This builds on the approach taken in AR7, which resulted in record offshore wind awards and demonstrates a continued commitment to securing good-value renewable generation.
- The ability to view bids that breach the budget (now set at £1 for offshore wind), means that the Secretary of State will now be able to view all bids going into AR8, and make decisions off the back of what deployment is considered of good value to the consumer. The publication of the draft Strategic Spatial Energy Plan (SSEP) around the same time as the AR8 auction suggests that final award decisions could be used to complement the emerging spatial strategy, with the added benefit of having greater visibility of technology costs and bidder appetite.
- If the UK still wants to achieve the original Clean Power 2030 targets, at least 4.5 GW of offshore wind needs to be awarded CfDs in AR8. If clearing strike prices are anticipated to be similar to AR7, final budgets for offshore wind in pot 3 need to be between £0.95 bn – £1.2 bn. To provide support for the three eligible floating wind projects expected to bid into AR8, a budget of between £145 m and £195m is likely required for a range of clearing strike prices up to £260/MWh.
- The zero budget statement for pot 5 means that no tidal stream or wave projects will be given revenue support in AR8.

AR8 Budget Announcement: The Facts

All £ figures provided in this report are in 2024 terms.

On the 19th November 2026, the UK Government announced nominal budgets of £1 for all pots within Allocation Round 8 (AR8), except for emerging technologies in pot 5, which will not be given support. This follows on from July's announcement of updates to the pots, and details of Administrative Strike Prices (ASPs) for each technology type. This is the final announcement ahead of the results, which are expected in February 2027. The announcement covers four offshore renewable energy technologies. Their respective ASPs are provided in Table 1.

The news has been slightly surprising, but was accompanied with commentary within the official notice, on the desire to gain visibility of all bids so that the most capacity can

be awarded at the best possible cost to the consumer. The final awarded budget will only be provided if bid prices are in consumers interests.

The main surprise for the emerging technologies will be the decision to not allocate budget to pot 5 in AR8. Clearly the focus on consumer costs means that the higher expected clearing strike prices for all the technologies in pot 5 were not acceptable and will be paused this round.

Table 1: AR8 administrative strike prices for offshore renewable technologies.

Technology	AR8 ASP (2024 terms, £/MWh)
Offshore Wind	113
Floating Offshore Wind	271
Other Deepwater Offshore Wind	271
Tidal Stream	371

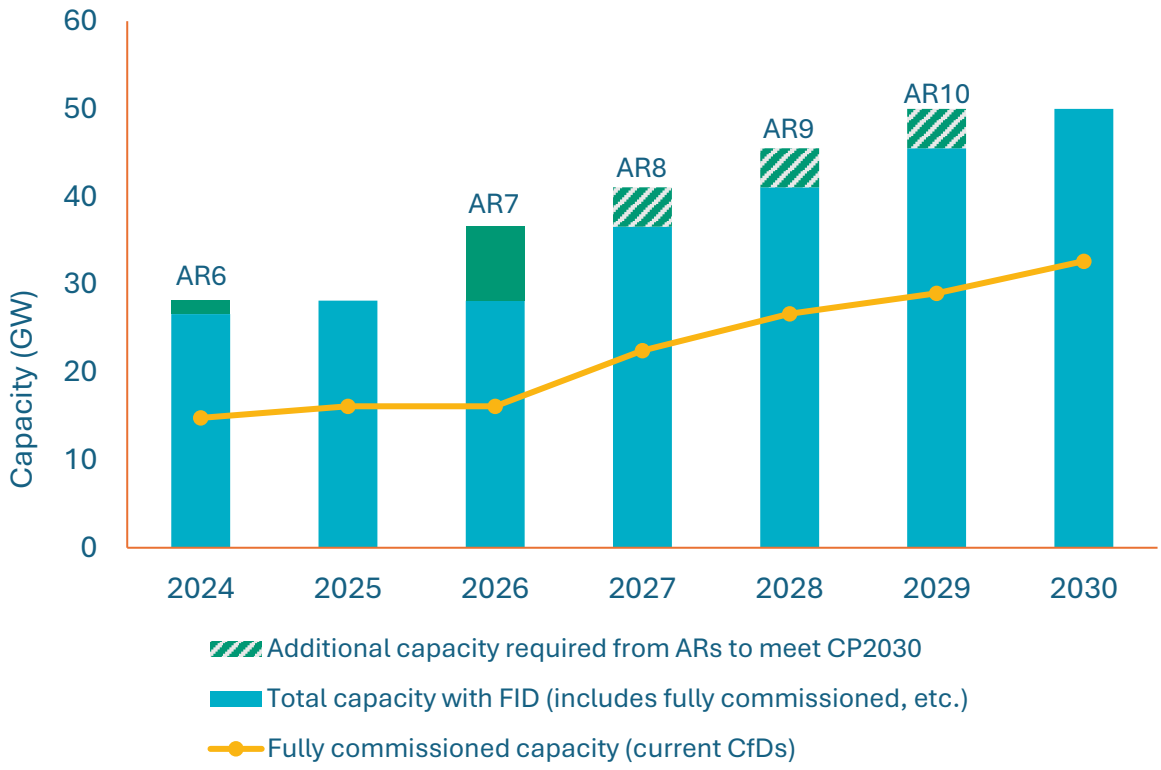


Figure 1: Capacity Requirement to meet Clean Power 2030.

Possible Budgets for AR8

As shown in Figure 1, following the record 8.4 GW awarded in AR7, around 4.5 GW of offshore wind capacity is required in each allocation round from AR8 onwards to maintain a pathway to 50 GW of capacity with at least Final Investment Decision (FID) by 2030.

Given today's announcement, some estimation can be made on the budgets that might be made available depending on the final clearing strike price. If the target of 4.5 GW capacity to stay on track for Clean Power 2030 is considered a benchmark, budgets need to be between £850 m and £1.35bn, depending on clearing strike price. Figure 2 shows a range of how much capacity could be secured at various clearing strike prices and gives an indication of how much the budget might shift to achieve particular awarded capacities.

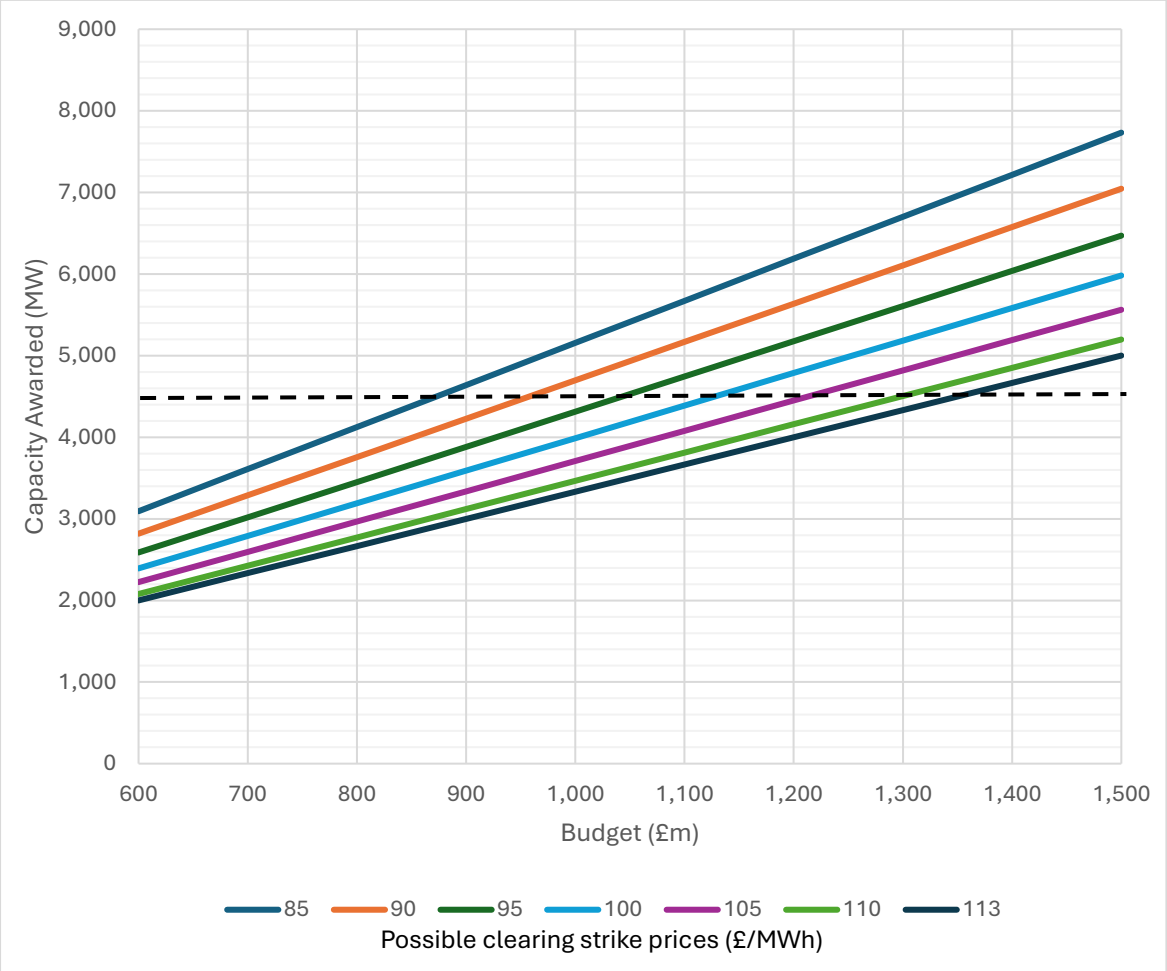


Figure 2: Fixed-Bottom Offshore Wind capacity awarded with variable clearing strike prices and budgets. starting at the ASP of £113/MWh . Horizontal dashed line indicates 4.5 GW awarded capacity requirement for Clean Power 2030 targets

For Floating Offshore Wind, only three projects with a total capacity of 232 MW are eligible to bid into AR8. Figure 3 provides an indication of the different budgets that would be needed in order to successfully award all those projects CfDs. If the clearing strike prices sit between £200/MWh and £260/MWh, the budgets for pot 4 need to be between £145 m and £195 m.

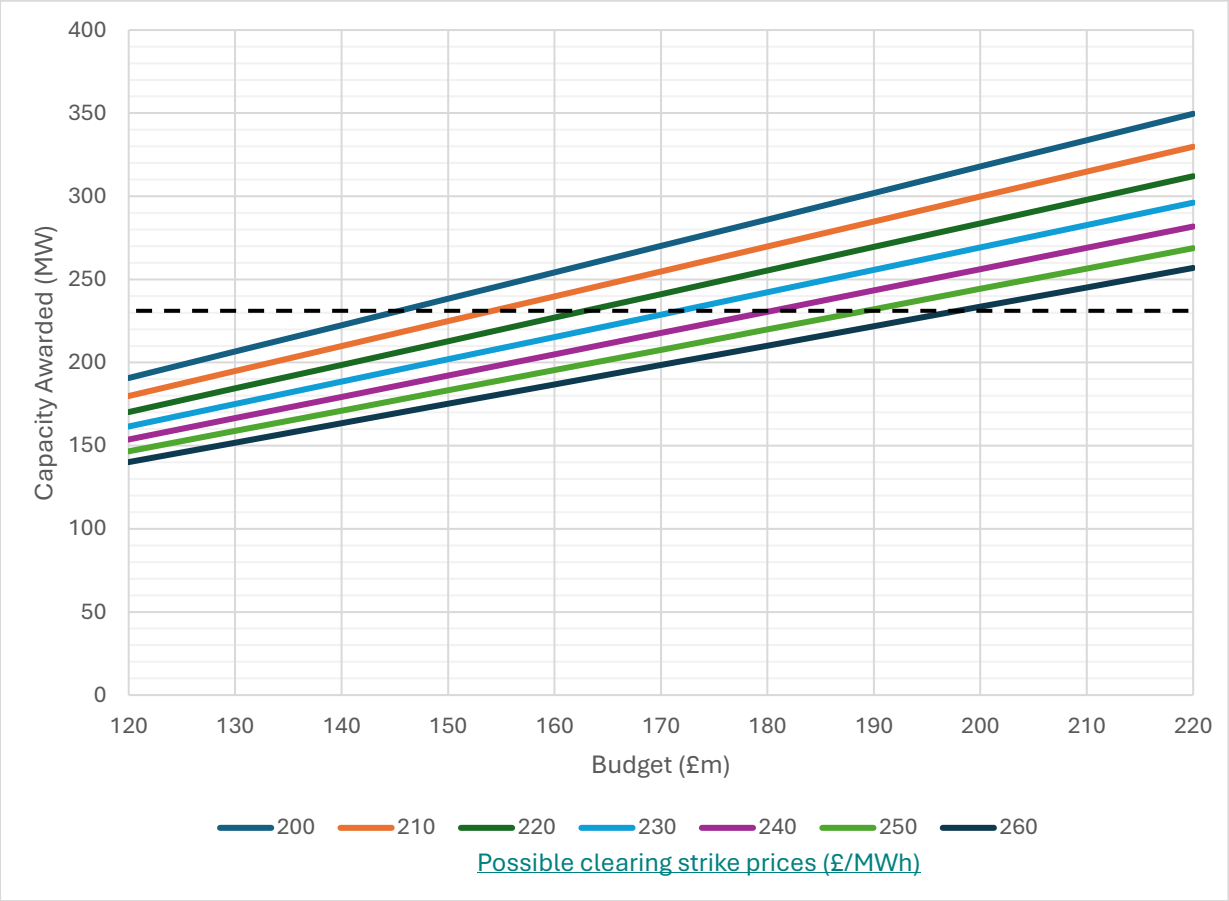


Figure 3: Floating Offshore Wind capacity awarded with variable clearing strike prices. Horizontal dashed line indicates the total capacity eligible to bid into AR8.

AR8 Eligible Projects

As described in our response to the AR8 parameter announcement earlier this year, a total of 20 offshore wind projects are eligible to bid in AR8, representing 17.1 GW of capacity. All eligible projects are outlined in Table 2.

The introduction of the Other Deepwater Offshore Wind (ODOW) technology category has many speculating about the likelihood of any projects applying for CfDs under that category. As discussed in the ORE Catapult "At a Crosswind" article from September 2025, much of the current UK floating pipeline sits within a water depth that could utilise ODOW technologies rather pure floating substructures. Of the projects in Table 2, the Caledonia South project has water depths potentially in the ODOW range, but it is not anticipated that any bold moves will be made to secure CfDs in this category in AR8, as the technology readiness level of ODOW substructures is just too low.

Table 2: AR8 eligible offshore wind projects. (F) = Floating. Projects in bold are yet to receive development consent

Project Name	Capacity (MW)
West of Orkney	2,000
Mona	1,500
Outer Dowsing	1,500
Norfolk Boreas	1,380
Berwick Bank - Phase A	1,360
Berwick Bank - Phase C	1,360
Rampion 2	1,200
Five Estuaries	1,100
Caledonia North	**1,000**
East Anglia One North	900
North Falls	900
Caledonia South	**650**
Dudgeon Extension	540
Seagreen 1A	500
Morecambe	480
Sheringham Shoal Extension	442
White Cross (F)	100
Salamander (F)	100
TwinHub (F)	32
Forthwind	20
Total	**17,064**

The lack of a dedicated AR8 budget suggests that the future growth of tidal stream will depend on a broader package of measures beyond CfDs alone. With successful projects such as MeyGen demonstrating the potential of the technology, the focus now shifts to addressing financing barriers for first-of-a-kind commercial projects, an area expected to be considered by the marine energy taskforce.

What this could mean for the consumer.

The Government are being very clear that value for consumers around renewable energy is top of mind. By retaining full control of the budget and projects that will gain CfDs, they are ensuring the energy pathway is right for the UK. If AR8 secures a significant volume of offshore wind capacity, the long-term implication for consumers is likely to be lower, not higher, electricity costs, but public perception around this has to be managed considerately.

Contrary to common perceptions, analysis by the Carbon Brief suggests that expensive gas, not renewable support schemes, has been the dominant driver of rising energy bills since 2020. What CfDs and similar revenue support mechanisms offer are essentially fixed long-term costs for securing renewable energy, which are in general lower than

volatile and expensive gas prices. Steady predictable energy prices from renewables not only provide predictable costs for consumers, but also reduce the amount spent on gas at volatile prices, and therefore have a compound added value.

The news today may be on the surface unsettling to the wider renewable energy industry, but should be viewed from a positive and considered perspective. The timing of the draft SSEP combined with the ability to view all bids coming into AR8, will give significant control and flexibility to Government to make positive decisions for the sector.