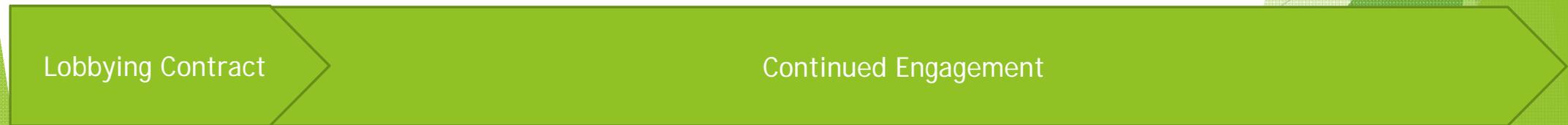
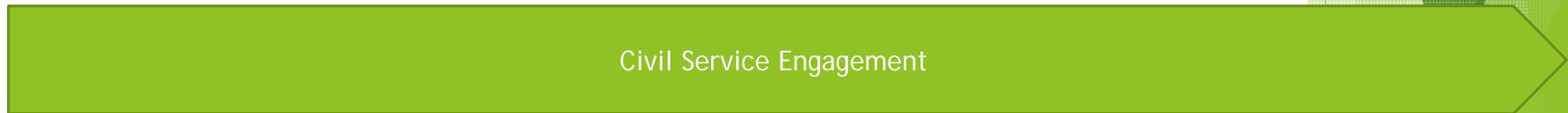
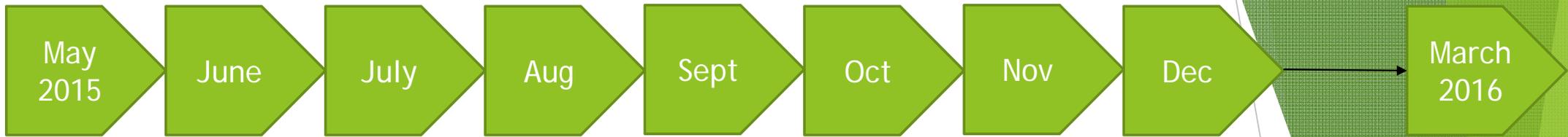


Lobbying Progress Update

GSHPA AGM 2015



Ground Source Heat Pump Industry Manifesto - April 2015

1. Heat Pumps are required for the future energy mix, but the stimulus has been misapplied

To achieve our commitments under the Climate Change Act¹, Ground Source Heat Pumps will be one of the main heating technologies used within UK buildings². The corollary to the key references here is that *technologically, we can only meet our obligations under the Climate Change Act by ensuring the large scale implementation of Ground Source Heat Pump technology.*

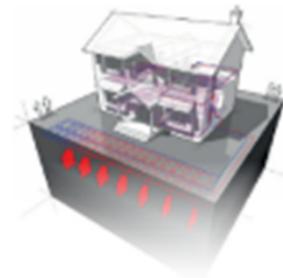
Proliferating the use of Ground Source heat Pumps, along with other measures, will **enable emissions reductions by 2030 of 60%**. By 2030, gas and oil boilers will be a thing of the past; a legacy technology largely replaced by Heat Pumps^{3,4}.

In order to achieve our commitments, a **significant increase in Ground Source Heat Pump deployment is required**⁵. The existing infrastructure presents some economic barriers such that the required change will not be market led - external market factors are needed to stimulate the change^{7,8}.

The Renewable Heat Incentive (RHI)⁹ is a programme designed to lead this change. The next section explains how the current configuration of the RHI has not achieved its aims. **The RHI must be modified to steer it towards its original intent.** The intentions to stimulate growth, seed the technology and instigate the development of the supply chain have failed, due to related incentives for other not so important and lesser priority renewable heat technologies being set at a relatively incorrect level.

If the Secretary of State is to achieve the objective of 15% energy

from renewables by 2020 and the EU 2030 Energy Strategy objectives¹⁰, this needs to be corrected.



Ground Source Heat Pumps are entirely unobtrusive

Ground Source Heat Pumps are a low and zero carbon renewable technology¹¹. The UK has the opportunity to **develop World leading expertise** in this area, building on existing developments. Whilst achieving the low carbon agenda and tackling fuel poverty, there is an opportunity to **create jobs, increase skill levels** and experience real economic growth in the roundest sense.

However, **if the current rate of decline is not arrested, there will be further job losses, company closures and the loss of existing hard to come by experience.** Fundamentally, a very real cost to the UK economy.

2. Policy is distorting and failing the Heat Pump market

The first year of the domestic RHI aimed to incentivise the installation of **46,000** Renewable Heat systems¹². The total number of new accredited installations at the end of the first year was **9,078**¹³. The policy objectives of the RHI were twofold¹⁴: to help meet part of heat's share of the 2020 renewable target and to **prepare for mass rollout of renewable heating technologies** in the domestic heating sector during the 2020s by building sustainable supply chains. Figure 1 shows clearly it is not achieving this objective.

Call to Action

1. Mandate A+ in New Build.
2. Deeming for all domestic properties.
3. An upfront payment to cover the marginal cost of installation.
4. Increase the tariff beyond the current artificial limit.

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1. Mandate A+ in New Build.
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4. Increase the tariff beyond the current artificial limit.
5. Reduce the term for non-domestic RHI to 7 years, reducing the long term burden on Treasury.
6. Introduce look up tables and remove risk.
7. Reduce the costly MCS burden.
8. Reduce in use factors applied to heat pumps.
9. Link Allowable Solution credits to be awarded for ground loops.
10. Ensure that DNOs socialise the cost of network connections.
11. Target specific sectors with focused incentives.

Progress to Date

- ▶ Manifesto written and “agreed” with DECC officials and key trade associations
- ▶ Written responses from new Ministerial team including,
 - ▶ Commitment to heat pumps as a key technology but acknowledge budget pressure
 - ▶ No commitment to RHI beyond spending review, as expected
 - ▶ Clear mandate to engage with Civil Servants
- ▶ Excellent engagement by Civil Servants including,
 - ▶ Several high level meetings
 - ▶ Many candid off the record discussions
 - ▶ Strong recommendation to engage with Treasury
 - ▶ Keeness to see sector and location focus as well as alternative approaches
 - ▶ Key message - Improve RHI performance while saving money
- ▶ Support from MPs including question in House of Commons

Next Steps

- ▶ Further engagement with Civil Servants through Spending Review
- ▶ Renewed push for meetings with DECC Ministerial Team via MPs and Peers
- ▶ Engage with Treasury Ministers and Civil Servants
- ▶ Focus on RHI but include other key policy items (ZCH for example)
- ▶ Continue to work with other Trade Associations including REA & SEA