

Renewable Heat Incentive

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- Around half of energy consumption and carbon emissions come from heat currently
- Primary legislation – Energy Act 2008
- Main objective – meeting the renewables target
- 1% to 12% renewable heat by 2020
- Will contribute around a third of the overall renewables target
- Also plays a large role in carbon reduction – most savings coming in EU ETS sector

- Public consultation on proposals published February 2010
- Change of Government before consultation confirmed
- Policy not in Coalition Agreement hence had to go through spending review process
- Spending review concluded in October - £860m for RHI over 4 years

Confirmed original proposals



- Installations since 15 July 2009 eligible
- Long term support (adjusted for inflation) to compensate for:
 - Capex and opex of renewable heating compared to a gas fossil fuel alternative
 - Additional barrier and financial cost (assuming a 12% rate of return for a reference installation, apart from solar thermal);
- Support for technologies classed as renewable
- MCS for installations <45kW
- Ofgem E-Serve will administer the scheme

New policy

- Value for money is key
- Two phase approach – second phase of the scheme from 2012
- Single domestic installations included from 2012 – initial support through Renewable Heat Premium Payments
- Fewer technologies supported in phase 1 to allow further evidence gathering
- Two-tier tariff for biomass <1MW
- Funded from Government spending

- Eligible technologies
 - Ground and water source heat pumps (one tariff)
 - Biomass
 - Biogas combustion <200kW (including gasification and pyrolysis)
 - Biomethane injection
 - Solar thermal <200kW
 - Geothermal (GSHP tariff)
 - Energy from municipal solid waste (adjusted biomass tariff)
 - CHP (support on the basis of heat only technology)

Phase 1 - tariffs

Levels of support					
Tariff name	Eligible technology	Eligible sizes	Tariff rate (pence/kWh)	Tariff duration (Years)	Support calculation
Small biomass	Solid biomass; Municipal Solid Waste (incl. CHP)	Less than 200 kWth	Tier 1: 7.6	20	Metering Tier 1 applies annually up to the Tier Break, Tier 2 above the Tier Break. The Tier Break is: installed capacity x 1,314 peak load hours, i.e.: kWth x 1,314
Medium biomass			Tier 2: 1.9		
Large biomass		200 kWth and above; less than 1,000 kWth	Tier 1: 4.7		
		1,000 kWth and above	2.6		Metering
Small ground source	Ground-source heat pumps; Water-source heat pumps; deep geothermal	Less than 100 kWth	4.3	20	Metering
Large ground source		100 kWth and above	3		
Solar thermal	Solar thermal	Less than 200 kWth	8.5	20	Metering
Biomethane	Biomethane injection and biogas combustion, except from landfill gas	Biomethane all scales, biogas combustion less than 200 kWth	6.5	20	Metering

Phase 1 – eligibility requirements



- All non-domestic or single installations heating multiple domestic premises
- Metering of all installations – heat has to be delivered through liquid or steam
- Useful heat in buildings (space, water or process)
- Sustainability reporting for biomass above 1MW
- MCS products and installers where applicable up to 45kW

- MCS for systems up to 45kW
- COP of at least 2.9 – EC guidance on determining renewable energy due by January 2013
- Payment will be made on heating only – cooling not included in support
- Ofgem guidance will provide further detail – due by end of June
- Welcome industry lead in improving standards

- Inclusion of single domestic installations
- Cost control (e.g. automatic degression)
- Consideration of further technologies
 - Direct air heating (furnaces, kilns, ovens etc)
 - Air source heat pumps
 - Bioliquids
- Possible dedicated tariffs for
 - CHP
 - Geothermal
 - Solar thermal and biogas combustion >200kW
- Emissions limits for biomass boilers

Next steps

- Regulations being finalised
- Clearance through Commission – state aid and technical standards
- Consent on Scottish ministers
- Aim to get through Parliament in July and open for applications with Ofgem thereafter
- Consult on Phase 2 proposals by end 2011
- Draft regulations spring 2012
- Launch Phase 2 RHI autumn 2012

Further information



www.decc.gov.uk/rhi to see:

- Policy document
- Draft regulations
- Impact assessment and supporting documentation
- Frequently asked questions

For queries e-mail rfi@decc.gsi.gov.uk