

Update on the Renewable Heat Incentive 28th June 2010

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- Coalition Agreement
- Chris Huhne speech on 24th June
- Greg Barker written response 15th (&21st) June
- RHI costs and timescales
- Summary: new Government & Energy
- GSHPA/Industry positive response to new Gov
- GSHPA/Industry work to cover on RHI

Coalition Agreement; Environment

- The establishment of a **smart grid** & the roll-out of **smart meter**
- The full establishment of **feed-in tariff** systems in electricity – as well as the maintenance of banded ROCs
- Measures to promote a huge increase in energy from waste through anaerobic digestion
- The creation of a **green investment bank**
- The provision of home energy improvement paid for by the savings from lower energy bills (**green deal**)
- Retention of energy performance certificates while scrapping HIPs
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- We are agreed that we would seek to increase the target for energy from **renewable sources**, subject to the advice of the Climate Change Committee

LCBP pulled &

“The full establishment of **feed-in tariff**”

- Industry Letter to Energy Minister
- Early Day Motion on RHI
- Briefings to Ministers, MPs & Civil Servants
- Discussed a Petition
 - **Philosophy:** balanced approach -
Energy security & Green jobs

Greenest Government ever

- new partnership: business & Government
- clarity, certainty & stability
- no lurch back; patchwork of solutions, initiatives and agencies, doling out grants.
- short term headline grabbing gimmicks are worse than useless
- provide stability & predictability

Greenest Government ever

- and with this the new feed-in tariff and support for **renewable heat**, community and micro-generation
- Substantial investment in low carbon technologies ... not happen quickly enough unless we strengthen the **incentives**

Green Investment Bank

- Leverage private sector investment in energy infrastructure & low carbon technology
- wide range of options for scope & structure
- bring forward detail proposals in Autumn

Green deal:

- smart meters and smart grids
- radical overhaul of existing homes to save energy, carbon and costs
- completely new and ambitious approach to home insulation
- every participating householder will save money by insulating their home
- energy companies and high street stores – simplified process & pay for work upfront
- payback over time thru energy bills on savings

Green deal:

- fuel poor (i.e. 10% income on energy)
- hard-to-treat homes lacking cavity walls – refocusing the obligations on the energy companies
- make energy efficiency as attractive as broadband or satellite TV
- tying energy saving to people who pay bills – breakthrough for owners & tenants
- looking at applying it to businesses

Conclusion:

- to create long-term incentives to invest in low energy carbon sources – make shift to increasingly electric economy
- Labour claimed to have 2020 vision. We need to have a 2050 vision.
- please note that the **budget** contained similar information on Green Investment Bank, Green Deal and creating green financial products.

Michael Fallon: To ask the Secretary of State for Energy and Climate Change what his plans are for the future of the Renewable Heat Incentive Scheme; and if he will make a statement.

Gregory Barker: The Government are committed to *increasing* the amount of *renewable heat* in the UK; this is a crucial part of ensuring we meet our renewable targets, cutting carbon and ensuring energy security.

We are currently ***looking at the renewable heat incentive*** (RHI) proposals. Clearly there are ***benefits*** to the scheme, but we must also consider the impact of the ***costs***, particularly given the financial constraints we must work within and the potential impact that funding options could have on vulnerable people.

We are aware that there is ***uncertainty in the renewable heating industry*** and want to provide certainty and clarity as quickly as possible, but must make sure that we make the ***right decision***.

We will look to make an announcement on the future of the proposed scheme ***as soon as possible***.

From conversation at Ecobuild with civil servant:

- *up to 30% of heating bill could be RHI*
- *Levy on gas is fairly simple. Levy on oil, lpg, coal etc?*

Lets look @ the 30% and assume UK has 25 million homes with 1 in 5 having Renew Heat in 2020 (considering 12% renew heat by 2020 and typical conversion is 50% RE). From page 50 of RHI consultation, space heating is £1035 pa and hot water is £400. Assume 4 million space and 1 million HW heating:

That is: $4M \times £1035 + 1M \times £400 = \mathbf{£4.54 \text{ billion p.a.}}$

and if UK population is 60M = **£75 per person p.a.**

From the above we can say that DECC aware of:

- need for speed. 1st April 2011 is tight but they would prefer to achieve it
- everything is still on the table (levy, deeming, accreditation, remuneration, technologies)
- e.g. looking at accreditation options 15 July 09
- project plan that works; a credible scheme
- simplified scheme and more detail later?
- RHI is in the system. Its not been withdrawn.

Greenest Government ever:

- build partnerships with industry
- Green Deal (**insulate, insulate, insulate**)
- Green Investment Bank (Autumn)
- Smart grid & Smart meters (technology based)
- committed to renewables & incentives (e.g. FiT)

GSHPA:

- build partnerships with Government
- Green Deal (**insulate, then generate**)
- Green Investment Bank (Autumn)
- smart heating (and cooling) systems
- develop effective Renewable Heat Incentive

GSHPA:

- levy (feasible & cost effective?)
- deeming (EPCs, tables or other?)
- accreditation (Green Deal; Trustmark or MCS)
- remuneration (capital, carbon or energy)
- technologies (EST field trials interim 30 July)
- study NERA report and Impact Assessment

RHI is in the system.

Welcoming the new Government,
lets get it out of the system