

Further Information - RHI Announcements in the Budget

*This is a REA members update for those interested in the Renewable Heat Incentive, following yesterday's Budget announcements. It is of primary interest to those involved in **Biogas**, the **Wood Heat Association** and **Geothermal**.*

The REA's full summary about all the budget announcements can be [found here](#), while our statements on the budget, including a specific statement on heat policy, can be [read here](#).

In addition to the above, and following conversations with BEIS, the REA have produced the below briefing specifically around yesterday's announcements on the Renewable Heat Incentive (RHI). This constitutes what we know to date, although we should stress that further documents and clarity is expected to be released by BEIS within the next few weeks. Until these are released the exact details around the announcements remains unclear.

Domestic Renewable Heat Incentive

- *The government will extend the Domestic RHI in Great Britain until 31 March 2022*

The Domestic RHI is expected to continue, as it currently runs, with companies able to join the scheme up to 31st March 2022. There is no indication yet that they are intending to make any specific changes to the tariffs, qualifying technologies or degression mechanisms. It is, however, worth noting that secondary legislation is required to action this change. This should be forthcoming shortly.

Non-Domestic RHI

- *The government will introduce a new allocation of flexible tariff guarantees (TG) to the Non-Domestic RHI in Great Britain in March 2021*

Firstly, this is not in itself an extension to the Non-Domestic RHI (ND RHI). We have been told that further clarity around what is happening to the ND RHI will be made available in future publications that are expected soon.

The drafting of this policy announcement, within the treasury document, is vague and does not tell us much about the exact nature of TG Extension. The government have not yet stated what is meant by a 'flexible' Tariff Guarantee, nor have they stipulated how long the extension will be or when projects will be able to apply for it. BEIS is referring to this as a 'third allocation of Tariff Guarantee's' suggesting that it will be a separate pot that will be made available, not affecting those TG's already issued, or to be issued, before this measure comes into force. We have been assured that further clarity about the nature of this extension will be provided shortly and we will keep members updated as it becomes available.

BEIS has, however, indicated that the new allocation will only be available to those technologies and capacities that currently qualify for TG's, this includes:

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<i>Technology Type</i>	<i>Capacity</i>
Biomass	>= 1MWth
Biomass CHP	All
GSHP	>= 100 kWth
WSHP	>= 100 kWth
Geothermal	All
Biogas	>= 600 kWth
Biomethane	All

Budget for Extension to Domestic RHI and Tariff Guarantees

The table of expenditure within the Budget document indicates that combined additional expenditure on both the Domestic RHI extension and extension to the Tariff Guarantee are £10mn in 2021/22, £3 mn in 2022/23 and 35mn in both 2023/24 and 2024/25.

Future Grant Scheme for Low Carbon Heat

- *The government will consult on introducing a new grant scheme from April 2022 to help households and small businesses invest in heat pumps and biomass boilers, backed by £100 million of new Exchequer funding.*

This is envisioned as a specific and potentially time-limited pot of money for replacing the RHI. It is proposed the £100mn will be split for delivery in 2022/23 and 2023/24 and provide grants for small businesses and homes to install low carbon heating solutions, mainly focused on heat pumps and some biomass. Depending on how the grants are delivered, and what happens to the ND RHI, there could be a year's gap in support between the end of the ND RHI scheme and the start of these grants. This could mean that projects that are not domestic and are not able to qualify for Tariff Guarantees could be left in limbo.

BEIS indicates that *"This will form part of government action to help build supply chains ahead of future measures to phase out high-carbon heating"*. A consultation on these proposals should be out shortly.

Green Gas Levy

- *The government will consult on introducing levy-funded support for biomethane production to increase the proportion of green gas in the grid.*

As has been previously indicated, the Government are looking at a new mechanism for supporting Green Gas injection into the grid. With this budget announcement, they confirm they propose introducing it as a levy on gas suppliers which will be passed onto gas bill payers. This is a departure from the RHI, which was funded through taxation. The new levy is expected to be implemented in autumn 2021.

BEIS report the impact on consumers will be relatively small, around £1 a year on the average household energy bill, rising to around £5 by 2025. There will also be annual budget caps to ensure impacts on bills do not rise unexpectedly. Again, further consultation about this mechanism is expected to be forthcoming.