



To:  
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Cc:  
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19<sup>th</sup> March 2020

Dear Jane,

### **Response to COVID-19 and its impact on RHI Project Completion**

As you will be aware, there are currently 63 renewable heat projects with Renewable Heat Incentive (RHI) tariff guarantees (TG) issued, as well as a further 142 provisional TGs currently finalising applications. These range across all eligible technologies including biomethane, large scale solid biomass (with and without CHP) and ground source heat pumps. Covid-19 now represents a substantial risk to these projects as it disrupts supply chains and the workforce, delaying a projects ability to meet the tight commissioning deadlines set out in the RHI legislation. Given this risk, we are seeking early assurance from BEIS that a grace period to TG deadlines can be provided so that these projects can be appropriately derisked.

In addition, BEIS should quickly make clear their intention around the broader non domestic RHI. Given the current situation, an extension to the scheme, as provided to the Domestic RHI, would also help to further mitigate the impacts of Covid 19 across the wider renewable heat sector.

Where possible, developers are currently engaged in contingency planning to ensure construction of projects can continue. However, REA members involved in project development have the expectation that Covid-19 will inevitably extend the timescales for project completion beyond those allowed within the legislation, or within their tariff guarantee notices. Primarily this is due to:

- The global response to Covid-19 impacting supply chains, potentially resulting in major delays in the delivery of fundamental parts of the plant (e.g. pieces of kit, equipment or feedstock).
- The companies who are responsible for constructing the projects, carrying out the civil works and integrating systems, have to rely on a reduced workforce.

In accordance with RHI Regulations 2018, projects with RHI Tariff Guarantees must commission by 31st January 2021 or by 183 days after the date on which the applicant expects the plant to be commissioned or injection of biomethane to commence (whichever is the earlier date). As it currently stands the legislation does not provide provision for grace periods in conditions



whereby commissioning, or injection commencement, is unavoidably delayed due to reasons outside of applicants' control. This tight deadline is also making reaching financial close difficult within provisional tariff guarantee applications as the financiers consider the risk posed to a projects ability to complete on time.

In addition to this, small and medium commercial renewable heat projects that are unable to qualify for tariff guarantees are also facing a cliff edge, with no indication of what will happen to the ND RHI after the March 2021.

In order to address these issues, it is vital that Government does the following:

- Give an early indication that they intend to provide a grace period on tariff guarantee commissioning deadlines as this is vital to help mitigate the impacts of Covid-19 on such projects.
- Prioritise the release of documents that provide further detail about intentions for a third allocation of 'flexible' tariff guarantees as announced in the spring budget.
- Provide clarity around and extend the wider non-domestic RHI scheme.

In the coming days and weeks, the REA will collate evidence from members on any specific issues that arise and will endeavour to keep BEIS and Ofgem updated. As way of example, one of our members highlighted two projects currently at risk. A £15m capex biomass CHP plant replacing 112 GW of gas heating for malting's and a further £6mn capex biomass boiler to replace 1.3mn litres of fuel oil at a whisky distillery. The Tariff Guarantee on both these projects is currently pending financial close, which is now in question as financiers consider the extra project risk caused by Covid-19 and their ability to meet commission deadlines.

If these projects fail, due to reasons beyond the developer's control, the company itself will likely shut, with subsequent loss of both jobs and resulting carbon reductions.

As set out in this recent [Open Letter](#), Ofgem have said they 'expect industry to alert them to any issues that arise, and keep them informed of their plans to deal with these issues'. They said they 'will consider any such circumstance in its context, including any official advice and logistical challenges outside the licensees control.' Similarly, the Government has strongly expressed the intention to 'do whatever it takes' to mitigate the impacts of Covid-19 on UK industry. With this in mind we would welcome the opportunity to discuss this issue further.

Yours sincerely,

Frank Gordon

*Head of Policy*

REA