

**22<sup>nd</sup> May 2020**  
**11.00 – 12.00**  
**Gotowebinar**

# REA webinar with BEIS

## Clean Heat Grant Scheme



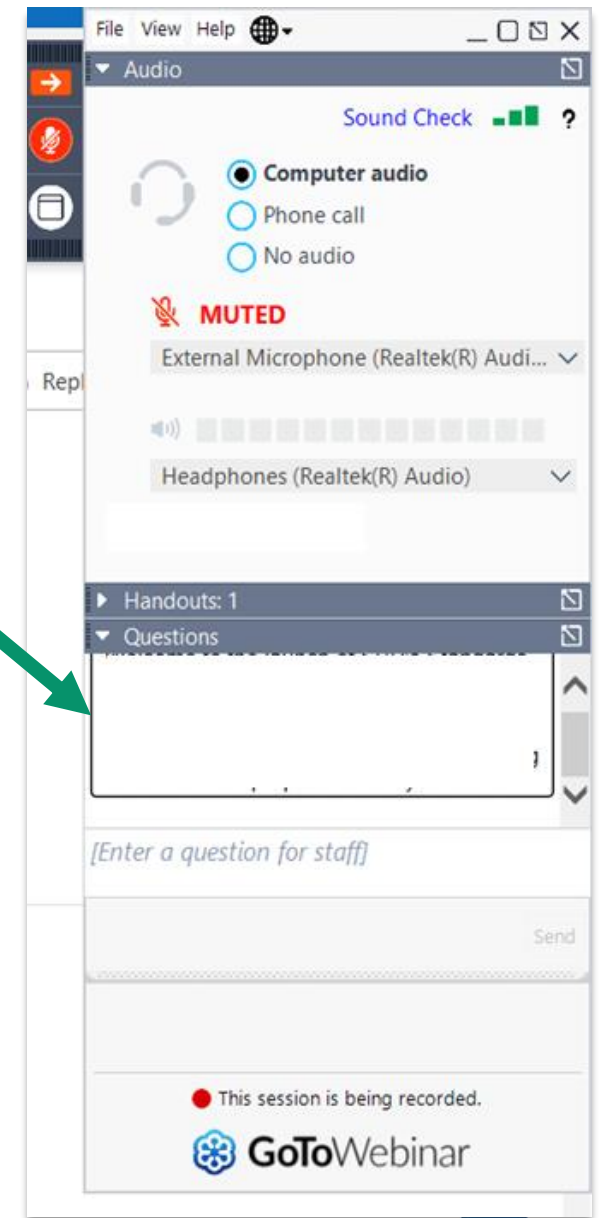
## Housekeeping for the Webinar

- All participants are muted
- Please note where the *question box* is. Questions are being monitored by REA staff and we shall read them out during the Q&A Section.

The session will be recorded for accurate note taking and to allow us to ensure we answer all your questions.

Participants of the webinar will receive a copy of the slides.

Thank you



## Agenda

- **Introduction to the speakers**
- **REA update on Covid-19 and heat workstreams**
- **BEIS Clean Heat Grant Scheme**
- **Q&A**



## Speakers and Chair



**Tommy Moody**, Head of Clean Heat Grant and Domestic RHI Policy at BEIS



**Raja Hanna**, Senior Policy Adviser – Clean Heat Grant at BEIS



**Ally Rae**, Senior Policy Adviser – Clean Heat Grant at BEIS



**Mark Sommerfeld**,  
Policy Manager – REA



# Covid-19 & Business Continuity

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## General business issues:

- We defer to CBI and Trade Union advice
- Joined roundtable with Kwasi Kwarteng on 18 May to relay concerns about safe working and other issues

## Sector-specific problems or potential problems:

- REA's issues log (working on 32 issues across the industry and list is growing)
- Weekly calls with Energy Minister & Senior Director within BEIS
- Regular calls with the group feeding in Business Continuity messaging to Number 10 on energy issues
- Industry Letter and case studies presented to BEIS concerning RHI projects at risk
- Strong representation made in relation to accessing Government Covid-19 Business Interruption Loan Scheme
- Weekly calls with DEFRA to discussing feedstock availability concerns.

REA cited on the UK Government COVID -19 website for Sector specific queries

[Coronavirus support from Business Representative Organisations and Trade Associations](#)



## Covid-19 & Business Continuity

## Important Information Sources

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## Government information:

[www.gov.uk/coronavirus](http://www.gov.uk/coronavirus)

## Information for REA members only

- REA's [Webpage](#) on Covid-19
- REA's [briefing](#) summarising all guidance available from Government, Regulator, Trade Body and Trade Union Covid-19 Policies
- REA's [briefing](#) on Furloughing staff and the Coronavirus Job Retention Scheme
- Ofgem [response](#) to request for information on propane contingency plans
- BEIS initial [response](#) to REA's letter on RHI Tariff Guarantees commissioning deadlines.
- BEIS sector specific [briefing](#) on Government action for the heat sector.
- Environment Agency's [view](#) on Technical Competence Management Attendance and other docs from EA and SEPA
- Information/clarifications on essential sectors/key workers, and much more



## Heat Consultations in Context

### Three Heat Consultations launched

#### ***Stakeholder Notice: Changes to RHI Support and 'COVID 19' Response***

- Extension of commissioned deadline to current Tariff Guarantees till March 2021
- Introduction of 3<sup>rd</sup> Allocation Round for TG's
- Extension of Domestic RHI until March 2022
- Confirmed closure of ND RHI in March 2021

#### **'Non-domestic Renewable Heat Incentive: ensuring a sustainable scheme' Future Heat Support**

- Views in preparation of closure of the scheme

#### **Future support for low carbon heat**

- Green Gas Support Scheme
- **Clean Heat Grant Scheme**

[Full Briefings Available on the REA Webpage](#)



## REA Activities around Heat Consultations

- **Regular communication with BEIS** concerning industry response, including calls with Head of the RHI.
- **Drafting responses to the consultations.** Submitted response on the Stakeholder Notice on Tuesday.
- **Collecting Evidence** – Seeking Case Studies of ND RHI Projects impacted by Covid -19.
- **Arranging webinars**
- **Further member engagement** planned to help feed into draft responses.
- **Campaign engagement** – helping members respond, seeking media engagement and Ministerial communications. Including support for Biomass Heat Works Campaign.

Send us your views: [heat@r-e-a.net](mailto:heat@r-e-a.net)





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# The Clean Heat Grant

Webinar in conjunction with the REA

***21 May, 11:00 – 12:00***

**BEIS officials:**

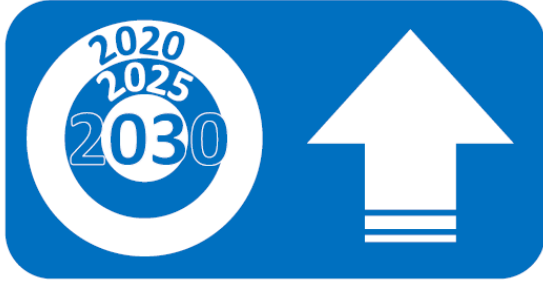
Tommy Moody

Ally Rae

Raja Hanna



# Context



## **We have clear and world-leading targets:**

- New commitment to net zero greenhouse gas emissions by 2050.
- Carbon Budgets 4 (2023-2027) and 5 (2028-2032)
- Phasing out high-carbon fossil fuels off the gas grid during the 2020s.



## **Government has set out some of the strategic moves to deliver these:**

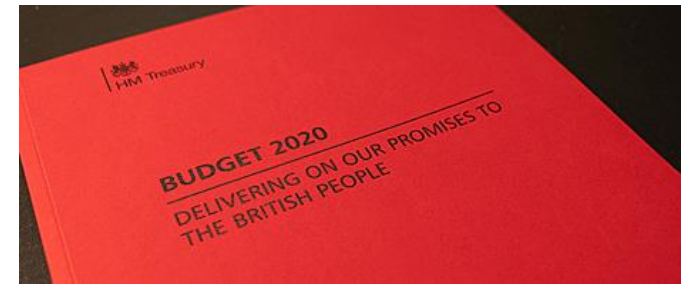
- Manifesto commitments pledged over £9bn for energy efficiency and low carbon heat: public sector, social housing, home upgrade grants.
- Clean Growth Strategy.
- Heat and Buildings Strategy later this year.



## **There are several deliverables in the short-term:**

- Immediate support to project developers and suppliers affected by COVID-19.
- Designing Budget 2020 support and Industrial Energy Transformation Fund.
- Developing regulations to phase out high carbon fossil fuel heating in existing buildings off the gas grid.

# Budget 2020 announcements



Package of consultations setting out our proposals to:

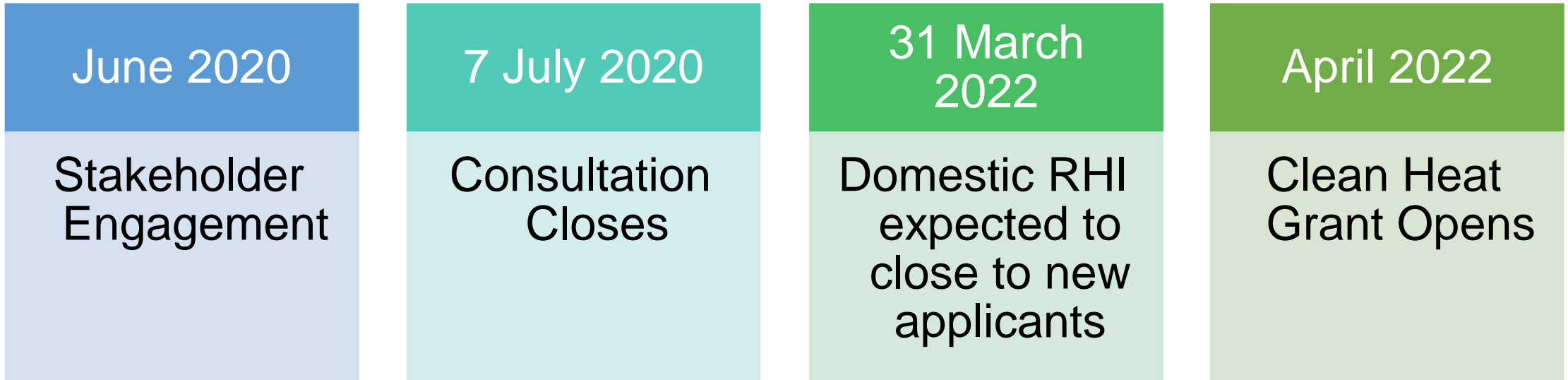
## 1) Provide further targeted support to low carbon heat, following on from the RHI

- **Clean Heat Grant:** £100mn from 2022 – 24 to support heat pump and biomass installations through an upfront capital grant.
- **Green Gas Support Scheme:** new scheme to begin in 2021/22 to increase proportion of green gas in the grid through a tariff for biomethane injection.
- **Heat Networks:** Investment Project extended to 2022 and £270m new funding to enable new and existing networks to adopt low carbon heat sources.

## 2) Amend the RHI to ensure a smooth transition

- **Domestic RHI extension** to 31 March 2022.
- Flexible **third allocation of tariff guarantees** for Non-Domestic RHI.

# Clean Heat Grant Timeline



# Clean Heat Grant Objectives

## Why?

**Supply chains:** Prepare retrofit supply chain for regulation to phase out high carbon fossil fuel heating off-grid.

**Carbon savings:** Deliver carbon savings against Carbon Budgets 4 and 5.

## What?

**Heat pumps:** Maintain supply chains for strategic technology. Heat pumps are the low-regrets option for the 4m off-gas buildings.

**Biomass:** A targeted role in decarbonisation of buildings. Ensure there is a low-carbon heat option for properties not suitable for heat pumps. Strict air quality criteria consistent with the Clean Air Strategy

# The change from tariff to grant

A tariff system was used for the RHI as a means to make investment in renewable heating financially attractive, as well as support a variety of renewable energy sources and project sizes.

However, social research suggests that upfront installation costs have remained a key barrier to investment. The costs of tariff-based support are not sustainable for the longer-term transition.

## **Benefits of a grant model include:**

- *VfM*: Improved value for money and reduced risk of overcompensation.
- *Appeal for consumers and SMEs*: future return often disregarded in relation to immediate payback.
- *A better distributional impact*: wider scheme access through reduction of upfront costs.
- *Simpler*: Grant scheme avoids need to meter heat production, providing opportunity for simplification of scheme rules and administration.

# Scope of Clean Heat Grant

## **Targeted at:**

- Retrofit in domestic and small non-domestic buildings.
- Air-source, ground-source and water-source heat pumps and biomass boilers.
- Space and hot water heating.

## **Not supported under consultation proposals:**

- Large non-domestic installations (proposed size cap: 45kW).
- Hybrid heat pumps.
- Solar thermal.
- Bioliquids/LPG

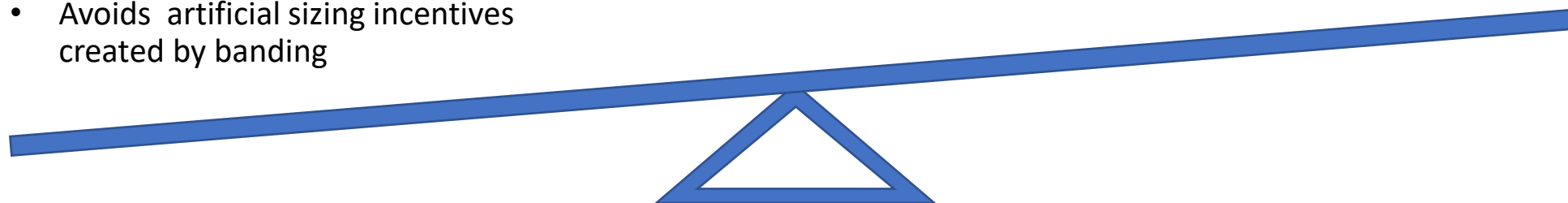
# Support for Biomass Boilers

- **Targeted at ‘hard to treat’ buildings:** Focus on off gas grid properties that are not suitable for a heat pump.
- **Air Quality:** We continue to place increasing importance on managing the air quality impacts of burning biomass. Propose to exclude properties in urban areas and those with access to the gas grid, where the impacts of air pollution are likely to be more acute. Need for strong sustainability criteria and appropriate fuel quality and maintenance standards.
- **Evidence:** welcome consultation input on costs, building archetypes suited to biomass and developing a heat loss calculation that will be used to assess whether a building is suitable for a heat pump.



# Grant level and Budget Cap

- Technology-neutral, flat-rate grant of £4,000.
- Based on ASHPs, which are the lowest-cost technology and 81.5% of the DRHI.
- BEIS looked at international schemes, pre-existing industry reports, and price elasticity data.
- We have sought to strike a balance:
  - Drives the market to find most cost-effective options
  - Easier to understand and administer
  - Avoids artificial sizing incentives created by banding
  - GSHP and biomass have higher capex
  - Larger systems have higher capex
- We welcome further evidence, especially on how to ensure sufficient deployment of GSHPs, biomass, and systems throughout the eligible size range.



# Voucher Scheme

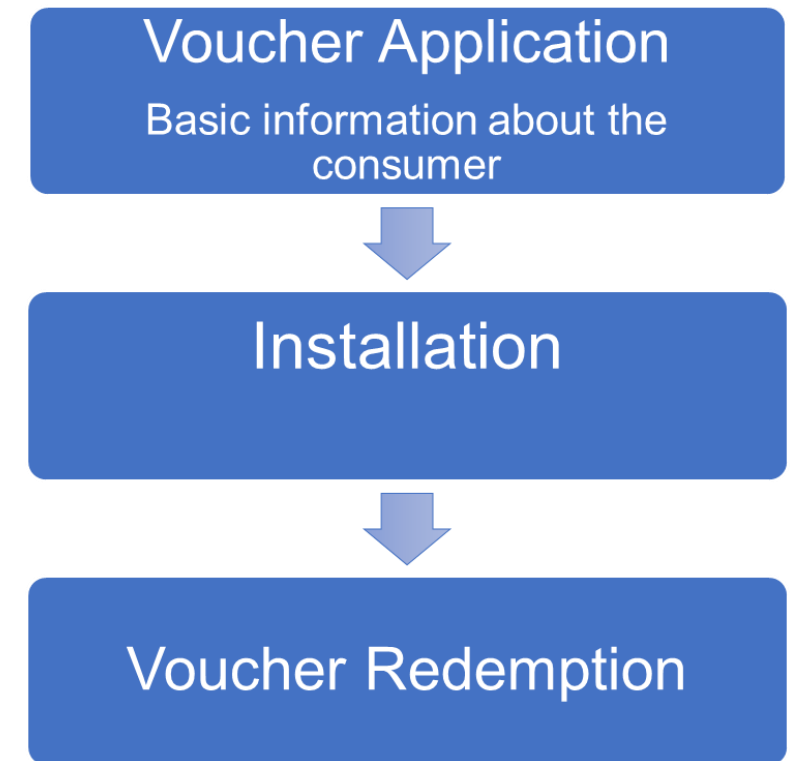
We believe that a voucher scheme will be effective in:

1. Tackling the upfront cost of low carbon heating installation
2. Minimising the risk of fraudulent claims
3. Ensuring the right balance of roles and responsibilities between installers and consumers

## **Consultation voucher proposal:**

1. Consumers use the voucher to obtain a reduction (by grant amount) on invoice from installer
2. Installers would then claim the actual funds back from Ofgem

We are keen to implement this scheme in a way that minimises risk of non-compliance and works for consumers, installers and Ofgem.



# Next steps and Q&A

- Targeted stakeholder engagement planned for June.
- Welcome written responses to consultation by 7 July 2020.
- Happy to answer questions on these proposals and will take away any for wider BEIS teams that cannot be answered today.
- Thank you

# Thank You

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