REA, 05/05/2020

Update on potential future degressions for biomethane

This is a brief analysis on the likelihood of degression in the next quarter and potential for degression in the following quarter.

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Next quarter

The next quarterly forecast will be based on data as at 30 April 2020 and will be published on 1 June 2020 with tariff decisions coming into effect from 1 July 2020.

BEIS has recently published its latest monthly forecast (as at 31th March) indicating current and expected spend for RHI funded technologies.

This latest forecast shows that an extra £47 million of forecast spend would be needed in April alone to reach the degression threshold (£395.84 million). This is roughly the equivalent of 18 - 20 new projects being granted with a Tariff Guarantee during April.

Biomethane and Large Biogas forecast expenditure, as at 31.03.2020
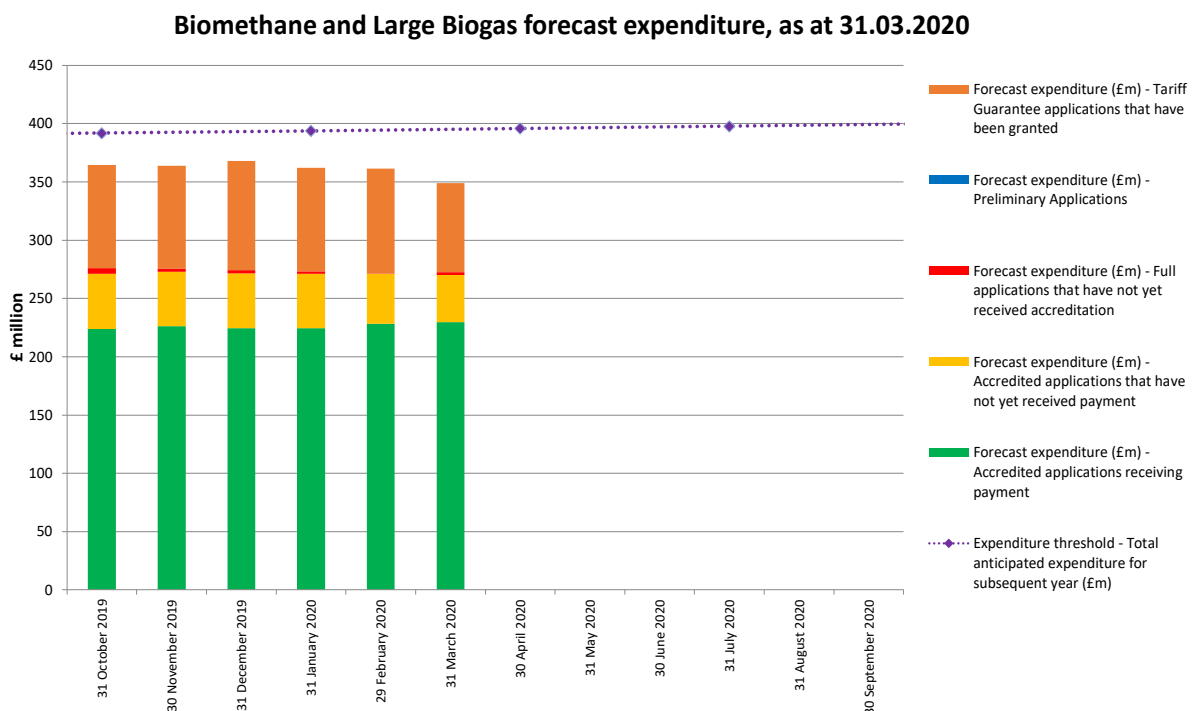
The RHI deployment data as at end of March 2020 show that there are 32 TG applications in total for biomethane, 26 of which have been approved. This means there are only 6 applications in the queue awaiting to be granted a TG that could potentially become approved during April. Even if all of them were to be approved, that wouldn't be enough to trigger degression, so in our view a degression in July is unlikely to happen.

Following quarter

The following quarter will be based on data as at 31st July (deployment during May, June and July). Tariff decisions will come into effect from 1st October 2020. It is possible that in this quarter we will see the publication of the amended regulations enacting the third round of 'flexible' TG allocations. So, we may see a surge of applications for tariff guarantees, but we are unsure how many projects are planning to apply for the new TGs.

The degression trigger for the next quarter is £397.84 million (an extra £49 million spend – the equivalent of 19 – 21 projects) would be needed to trigger degression.

Please let us know if you are planning a biomethane project and intend to apply for a TG over the coming months. That will help us inform our future degression analyses.