

Briefing for Biomass members on BEIS announcements

On Tuesday, BEIS delivered on its Spring Budget commitments by announcing further detail on the closure of the RHI as well as announcing the third-round of tariff guarantees (TG). The Department also heeded the advice that the REA and others in the sector have put forward on Covid-19 and introduced specific derogations to the current round of TG under the NDRHI.

This briefing pulls together all the announcements most important to biomass members and includes insight from our call with BEIS that took place shortly after the documents were released.

The following documents and consultations were released:

- **Stakeholder Notice on Domestic RHI Scheme and Tariff Guarantees** – [LINK](#)
 - Confirms Domestic RHI extension, introduces third round of TGs and Covid-19 derogations on Round 2 – more information below.
 - **BEIS are seeking feedback on this notice until the 19th May. The REA will be responding, so if you have any comments or areas where you think they could have gone further, please do email us [here](#).**
- **Consultation on the RHI scheme closure and future-proofing the scheme** – [LINK](#)
 - **Confirms the Government's intention to close the NDRHI on 31 March 2021** and invites views on changes to the RHI for the remainder of the payment period.
 - **Closes on 7th July 2020.**
- **Consultation on options for the future support for low carbon heat** – [LINK](#)
 - Outlines proposals for a Clean Heat Grant to run from April 2022 to April 2024 to provide support for heat pumps and biomass boilers – please see below.
 - **Closes on 7th July 2020.**
- **Government response to the Urban Biomass consultation** – [LINK](#)
 - BEIS confirm that they will not ban new biomass installations in on-grid urban areas for the RHI – instead, focusing on an industry standard and regulator changes.

As we start to formulate our responses to these consultations, we would like to pull together as much member insight as we can. We will only get the right traction with Government if we have broad evidence to support our claims – so please do get in touch [here](#) with your views on the following.

We have also been informed by BEIS that they will be hosting open-to-all webinars on the proposed changes to the RHI, as well as on the future Clean Heat Grant scheme. They will also be holding invite-only virtual workshops. We will update you on the dates of these once they are confirmed.

Stakeholder Notice on Domestic RHI Scheme and Tariff Guarantees

To introduce a third allocation of flexible tariff guarantees under the non-domestic Renewable Heat Incentive scheme, as announced in the Spring statement by the Chancellor.

- This new allocation of TGs will require plant to have submitted Stage 2 information evidencing financial close prior to the closure of the NDRHI to new applicants on 31 March 2021.
 - This introduction has the additional benefit that it will ease the burden being placed on projects by delays caused by COVID-19.
- Under the new allocation, a plant will be required to submit properly made Stage 2 information prior to scheme close on 31 March 2021, but will be able to set a date for submission of Stage 3 commissioning evidence up to 31 March 2022, in keeping with current TG rules. For more information visit Ofgem's [current guidance on TG eligibility and process](#).
- However, under the new allocation, payments will begin from the point of commission and end 20 years after the properly made submission of a plant's Stage 2 information. For example, for a plant that submits Stage 2 information on 28 February 2021, has a tariff granted on 20 April 2021 and commissions on 28 February 2022, the payment period would begin from 28 February 2021 and this plant would receive nineteen years of payments from the point of commissioning. No NDRHI payments will be made after 31 March 2041.
- The Department also intends to set new TG budget headrooms for the 2021/22 and 2022/23 financial years. For the purposes of this flexible third allocation, BEIS are considering setting headrooms for individual technologies, or groups of technologies, and these will be announced alongside the government response to this notice.

To extend the commissioning deadlines for projects currently holding a Tariff Guarantee until at least mid-March 2021

- This announcement is further to proposals outlined in the Budget, and is BEIS's response to call from the REA and others in the industry on the need for projects to have extra time to fully commission in light of delays caused by Covid-19.
- This measure would buy all current TG projects a minimum of an additional 6 or 7 weeks to commission, with a significant number being afforded far more additional build time due to commissioning deadlines prior to 31st January 2021. Further details on the specific commissioning deadline and details of this extension will be released with the Government Response to this notice.
- BEIS are also undertaking work and welcome industry's views on how to ensure that the transition between TG allocations is as smooth as possible so **that projects that are unable to meet the extended commissioning deadline are able to easily apply for the 3rd flexible allocation of TGs.**

The Non-Domestic RHI will not be extended, and will close to new applications on 31 March 2021

- In our conversations with BEIS that followed these announcements, civil servants confirmed that this option was not pursued at this point, as it was not possible to approve that change in a short space of time.
- Instead, they focused on these measures as they require small legislative changes that can be done in a relatively short space of time.

- **They did however recognise that these measures will not help everyone, and as such – they will be welcoming views on further potential mitigation measures that could be taken until Tuesday 19th May.**
 - Please send us your comments [here](#).
 - It is our understanding that they will then undertake further policy work on these suggestions before potentially taking further mitigation measures.

As outlined in the Spring Budget – the Domestic RHI will be extended until 31 March 2022

- The scheme will continue in its current form. There will be no immediate changes to DRHI scheme eligibility criteria or ongoing obligations for new or existing participants.

Consultation on the ND RHI scheme closure and future-proofing the scheme

As the NDRHI will end to new applications from midnight 31st March 2021 – BEIS are focusing the consultation on scheme design and operational changes for those participants who will receive payments long after the scheme closes to new applicants. As such, this consultation will not look at areas such as eligibility. **Crucially, these changes are aimed at making the “scheme easier to both administer and participate in”.**

Consultation Question: Are there any regulatory changes that have not been addressed by this consultation that would help to future-proof the scheme for existing participants using biomass? Please provide evidence.

- If you have any evidence from your businesses, please let us know [here](#).

Consultation Question: Do you agree or disagree with the proposal to close the Non-Domestic RHI from midnight on 31st March 2021? Please provide evidence to support your reasoning; for example, around the impact on jobs, deployment, consumer bills and the supply chain.

- We have probed further with BEIS on this question – as the Stakeholder Notice makes clear the Government’s intention to close the scheme on the 31st March 2021.
- It is our understanding that this will give the Department a more complete picture on industry impact – but that, measures to support business will likely be specific derogations, rather than a scheme extension.
- Despite this, we will of course continue to call for an extension for new projects and for all technologies, although note the messaging from Government around how receptive or otherwise they may be to this at present.

A new fuel standard for Biomass Boilers to bring it in line with the 2019 Clean Air Strategy

- In 2018, the Government consulted on Biomass Combustion in Urban Areas. The purpose of which was to establish the impact of biomass boilers on air quality, and to establish whether it was necessary to ban biomass boilers in urban areas.
- **The consultation response (further detail on page __) concludes that a new industry standard on fuel quality is the appropriate route forward, rather than a ban. As such, BEIS are proposing the following requirements:**
 - All wood pellets to meet the EN Plus A1 standard or an equivalent standard.
 - All other wood fuels (such as chip) to meet fuel quality standard EN15234/ SO 9001, and EN17225, or equivalent.
 - All wood fuels to provide assurance of their supply chain, and that they meet the standards above, through certification by the Woodsure Certification scheme to test against these standards, or an equivalent scheme.
 - The role of the Biomass Suppliers List (BSL) will be extended to include responsibility for checking against the fuel quality standards above.
 - They are also looking at the potential of using assurance bodies such as Woodsure and HETAS as a quicker route to compliance.
 - **The REA is feeding into these discussions and working with MCS who are developing the standard on behalf of BEIS.**

- BEIS is further consulting on these proposals, including on whether you agree this should be a mandatory criterion, and on whether you agree that membership of an accredited quality assurance scheme is sufficient for compliance. You can feed into our thinking [here](#).
- **It is expected this standard will be in legislated for in early 2021.**

Only Pre-Consumer Waste Wood (PCWW) to be eligible for waste wood RHI payments

- BEIS intends to restrict NDRHI payments for waste wood to participants with compliant waste wood burning boilers. This will mean that payments will only be made to NDRHI participants with boilers which burn PCWW and have the relevant environmental permit or waste exemption to do so.
 - **Consultation Question:** Do you agree with the proposal that only pre-consumer waste wood should qualify for NDRHI payments?
 - **Consultation Question:** Do you have any other comments to improve the waste fuel burned in biomass boilers?
 - Give us your thoughts [here](#).

Consultation Question: Do you agree with the current approach to replacement plant outlined in the regulations?

- To date, only a small number of plants have utilised the regulations on replacement plants – but BEIS expect this to increase sharply as the scheme progresses. As such they are asking for views on whether there is agreement on the current approach. You can submit your thoughts to us on this [here](#).

Consultation Question: Do you agree that the government should reduce the strictness of the requirements for installation meters in circumstances where NDRHI payments are unaffected?

- Those accredited onto the scheme before 2013 regulation changes may have installation meters – which differ from standard meters, as they monitor performance for readings, but they are not necessarily required for calculating payments. BEIS is considering reducing the strictness of requirements for installation meters. If you are affected by this, please let us know [here](#).

Consultation Question: Are there any specific types of changes in obligations which you would like to see introduced to the scheme to account for future technological change?

- The government is aware that technology advances are likely to occur over the remaining NDRHI payment period and, where possible, we are keen that participants can benefit from these improvements. As such we are also consulting on how we may introduce greater flexibility into the scheme upon its closure to new applicants. Let us know your ideas [here](#).

Consultation Question: Are there any other further changes that you would like us to make to the Non-Domestic RHI regulations at this time?

- Please [let us know](#) if you have any views outside of the scope of the other questions.

Future Support for Low Carbon Heat

As initially announced in the Spring Budget, BEIS have confirmed its intention to set up a Clean Heat Grant Scheme that will be in place from April 2022, with funding committed for two years, to March 2024. Support through the Clean Heat Grant will be targeted at households and small non-domestic buildings, to enable the installation of heat pumps and, in limited circumstances, biomass, to provide space and water heating. It is for this reason that they have extended the Domestic RHI to 31 March 2022, to ensure there is no gap in funding for households and small non-domestic buildings. Please see below for more details on how the scheme will operate, and eligibility requirements.

Key facts of the scheme

- **Duration:** April 2022 – April 2024
- **Eligibility:** Biomass is only eligible for the scheme in properties where heat pumps would not be suitable. Furthermore, biomass is not eligible for properties in urban areas, or those with access to the gas grid. The focus of the scheme is heat pumps, with urban and properties on the gas grid still eligible – although, they will likely be covered by other schemes.
- **Capacity:** A maximum limit of 45kW – as such, it is intended to support domestic and small non-domestic.
- **Available grant:** £4,000 through an up-front capital grant system, rather than a tariff system used under the RHI.

The role of biomass in the Clean Heat Grant Scheme

- As highlighted above, the document says it is pursuing heat pumps in line with its support for “strategic technologies”, but sees a place for biomass as the Committee on Climate Change (CCC) do “to maximise the overall carbon abatement that is possible from sustainable biomass”.
- They outline that biomass should still be utilised for “hard to treat” off gas grid properties which cannot use heat pumps owing to the need for high temperature heating. Their analysis estimates this accounts for about 20% of the domestic sector.

A maximum capacity limit of 45kW

- “In order to target taxpayer funding most effectively in helping support the installer base for off gas grid regulations, we propose to introduce a 45kW capacity limit to focus this scheme on smaller installations”.
- BEIS analysis states that half of total domestic and non-domestic biomass installations have a capacity less than or equal to 45kW.
- The limit has been set as such to utilise the existing standard set by the Microgeneration Certification Scheme (MCS) - thereby providing a framework.
- Those above that capacity should utilise the Industrial Energy Transformation Fund (IETF), or potentially the future Green Heat Network Scheme, subject to meeting air quality standards for that scheme.
- BEIS have clarified that it would not be acceptable to have multiple installations under 45kW to heat one building. This would only be permissible if there are multiple heat pumps to heat individual units within a building.

- BEIS are seeking feedback on the capacity limit within the consultation, if you have any views or evidence from your business on this – please get in touch [here](#).

Moving to an upfront grant mechanism

- BEIS have outlined that the new scheme will move away from the tariff structure of the RHI towards an up-front grant mechanism, funded again through Exchequer money.
 - The evidence for this comes from as of now unpublished public attitudes research on the barrier posed by the upfront cost of a low carbon heat system.
 - It is also argued that:
 - Grants are more attractive to households and SMEs
 - That this will potentially lead to higher deployment at a lower cost compared to tariffs
 - A solution that directly addresses upfront costs is likely to widen access to the scheme and have a better distributional impact.
 - At a practical level, a grant scheme avoids the need to meter heat production.
 - This removes any risk of overcompensation.
- This decision is also open to consultation – email us your thoughts [here](#).

Recommended support level of £4,000 upfront

- *“The proposed grant level has been set on the basis of transitioning buildings heated by oil, LPG and coal, given current fuel prices and future off grid regulation”*
- A technology-neutral, flat rate grant of £4,000 for all technologies is proposed. Based on technology installation prices, they expect Air Source Heat Pumps (ASHPs) will be the most attractive option financially.
- This will be in line with most European grants – which mostly sit between €2000 - €3500, they argue.
- There are two questions in the consultation on this, one on whether you agree with having a technology-neutral grant level and the other on whether £4,000 is an appropriate amount. Give us your [thoughts](#).

Process for issuing vouchers

- Under the grant scheme, BEIS propose to issue vouchers on a first come, first served basis to applicants who meet the initial eligibility criteria for voucher application.
- Budget control involves limiting the amount of grants provided up to a pre-agreed budget cap.
- To mitigate the risk of the budget being depleted more quickly than expected, BEIS propose quarterly grant windows, each with a budget cap.
- **Consultation Question:** Do you agree that quarterly grant windows would prevent overspend and manage demand to ensure an even spread of deployment?
 - To feed into our response on this, email us [here](#).

Delivery mechanism

- The intention is to pass the value of the voucher to the consumer early enough to reduce their upfront costs – but there is a concern about going this. BEIS are seeking feedback on how this would best be achieved.
- BEIS anticipate that the first stage, applying for a voucher will be consumer led – with the second stage on voucher redemption taking place after the installation, and requiring proof of installation, i.e. a MCS certificate, or a Heat Loss Assessment for biomass installations. BEIS suggest this stage will be installer led, with proof of installation and technical information provided by the installer.
- The consultation deals with this issue – if you believe this will affect you as an installer, please do let us know as we want to gather a complete picture from the industry. Get in [touch](#).

Detailed eligibility criteria

- As stated above, biomass boilers in urban areas will be ineligible for the scheme. What constitutes an urban area will be defined based on the 2011 Rural Urban Classification published by the Office of National Statistics (ONS). Those for Scotland are fined in the Scottish Government 8-Fold Urban Rural Classification 2016.
- Furthermore, on gas grid properties will not be eligible for the scheme – owing to the particulate pollution produced by biomass.
- **Fuel and Emissions Certificate requirements from the RHI will be carried over to the new scheme.**
- Similarly, biomass installation owners must use an approved sustainable fuel listed on the BSL or an equivalent scheme – this is also likely to remain the same.
- This issue is open to consultation. If you have views please do get in [touch](#).

Building efficiency

- The government wants to ensure that biomass is only installed in buildings where it is the correct technology choice and where a heat pump would not be appropriate, due to reasons such as building fabric efficiency that cannot be treated by reasonable energy efficiency measures.
 - For biomass installations, BEIS therefore propose that a heat loss calculation for the building will need to be provided. This is to demonstrate that a minimum heat loss value has been exceeded and that the installation of biomass over a heat pump is justified.
 - BEIS propose this heat loss assessment would be completed and signed off by the installer or another qualified assessor, in accordance with British Standard EN 12831 (a method for calculation of the heat loss of a building), which is consistent with current MCS standards.
- However, BEIS are welcoming views on the appropriate format for this heat loss calculation, as well as minimum heat loss value (W/m²) that should need to be demonstrated for biomass to be installed. If you have views please do get in [touch](#) with us.

Process Heating

- Examples of what BEIS defines as process heating includes industrial and agricultural applications, such as industrial cooking, chemicals manufacture and pasteurisation.
- BEIS have suggested that these applications should seek funding through the Industrial Energy Transformation Fund.
- **Consultation Question:** Do you agree with not supporting process heating under the Clean Heat Grant?

Hybrid systems

- Owing to the Government commitments outlined in its 2017 Clean Growth Strategy commitment, they will not be supporting hybrid heating systems through this policy.
- **Consultation Question:** Do you agree with not supporting hybrid systems under the Clean Heat Grant?

The role of Ofgem to ensure compliance

- Ofgem will remain the compliance body, and will have the authority to:
 - Carry out on-site checks before a grant is paid, as well as after payment has been made.
 - Require corrective action where non-compliance is identified.
 - Have the ability to recoup grant payments where corrective action is not taken, or in cases of serious non-compliance.

Next Steps / other avenues for support

- BEIS intends to release a Heat and Buildings Strategy later this year, which will lay out the immediate actions the Government will take for reducing emissions from buildings.
- BEIS will be consulting separately on Regulations to phase out the installation of high carbon fossil fuel heating in new and existing buildings off gas grid during the 2020s, as committed to in the Clean Growth Strategy.
- Alongside this, the £315 million Industrial Energy Transformation Fund (IETF), announced in the 2018 Budget, will provide support for decarbonising process heat.

BEIS response to Biomass Combustion in Urban Areas consultation

Following consulting on this in 2018, BEIS has released its responses to the consultation. Most are reflected in the future plans of the Department with regards to heat – but, they will:

- Not proceed with the removal of eligibility for new biomass installations in on-grid urban areas. Instead, improvements to the scheme will focus on the existing cohort of over 29,000 RHI accredited biomass installations and any new biomass installations accrediting to the RHI for the remainder of the scheme
- Ensure that industry standards play a stronger role in the future of the RHI to minimise air quality impacts and promote a healthy UK biomass supply chain
- They will build a fit for purpose fuel quality regime for biomass feedstocks for the remainder of the RHI period.
- Work with industry to introduce a maintenance standard.