

17th June 2020
14.00 – 15.30
Gotomeeting

WHA webinar Clean Heat Grant Scheme *Discussing Response Messages*



Housekeeping for the Webinar

- All participants can speak. However, please indicate an intention to speak by raising your hand or writing a comment or question in the chat box.
- If you are not speaking please mute your own microphone.
- We will keep video cameras on, however if there are any web difficulties, we may ask for videos to be turned off.
- We will be recording the session and slides will be available after

Thank you



Agenda

- **REA Decarbonising Heat Work Stream**
- **Overview of Clean Heat Grant Scheme Proposals**
- **Discussion: High level messaging – highlighting the lack of ambition**
- **Discussion: Current Response to priority questions within the consultation**
 - Capacity cap
 - Grant level
 - Emissions
- **Discussion: Closing the RHI Scheme**
- **Next Steps**



Regular communication with BEIS – Feeding back initial responses. This includes:

- Bi-weekly catch up with senior BEIS Civil Servants – includes Director for the RHI and Future Heat Support
- Regular communication with Clean Heat Grant Scheme Team

Highlighted impacts of Covid-19 on renewable heat projects

Responded to RHI Stakeholder Notice

- Welcomed extension to Domestic RHI and highlighted need for clarity around interaction between TG2 and TG3
- Strongly Called for extension to the ND RHI

Have further supported call for extension to ND RHI

- Submitted case studies highlighting projects not able to meet March 2021 deadline
- Ensured Minister aware for need of an extension

Organised members webinars with BEIS to explain proposals

- Recording of Webinars available online

Setting out Key Messages in response to consultation to encourage industry response

- Following member input and guidance from WHA Steering Group

Collating and analysing evidence to support REA response

Preparing further campaign engagement around response

- Including coordinating with Biomass Heat works campaign



Clean Heat Grant Scheme – Proposals



Key facts:

- **Duration and funding:** £100 million from 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 on-gas grid areas. 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 very small non-domestic.
- **Available grant:** £4,000 through an up-front capital grant system, rather than a tariff system used under the RHI.
 - **Process for issuing grant:** Consumers use the voucher to obtain a reduction (by grant amount) on invoice from installers. Installers would then claim the actual funds back from Ofgem.
- **Scope of Clean Heat Grant:** It is targeted at retrofit in domestic and small domestic buildings. As such it does not support large ND installations due to the cap size.
- **Further Announcements on Heat Policy Expected:** Manifesto commitments pledged over £9bn for energy efficiency and low carbon heat: public sector, social housing. home upgrade grants and Industrial Transformation Fund. Heat and Buildings Strategy expected later this year.



When can biomass be used?

- 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.
- All biomass installations will require an emissions certificate from a certified body. This information is used to indicate the amount of pollutants likely to be emitted by a biomass product when burning specific fuel types

Air Quality considerations

- BEIS continue to place increasing importance on managing the air quality impacts of burning biomass. They 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:

- They 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.



Discussion: High Level Messaging in Response to Clean Heat Grant Scheme Proposals

- The proposals are ***wholly inadequate*** in both scope and the level of support on offer.
- Consultation highlights the need for a ***mass transition to low carbon heat***. However, the proposed scheme focuses on a very small section of the heat market.
- The potential for Biomass Heat is critically underestimated within the Clean Heat Grant Scheme
- The sector expected to contract further given twelve-month gap between the end of the non-domestic RHI and the start of Clean Heat Grant Scheme.
- The current supply chain is left with no future growth opportunity.
- Result will be loss of jobs, skills exit, and collapse of supply chains associated with these sectors.
- The potential for Biomass Heat is critically underestimated within the Clean Heat Grant Scheme
- **Further heat policy is urgently needed to maintain and continue to grow the clean heat sector.**



Consultation Question 25 - Do you agree that £4,000 is an appropriate grant amount to meet the aims of the scheme?
Consultation Question 26 - Do you agree with the recommendation for a flat-rate grant? Yes/No. Please provide evidence to support your response

The grant level should be flexible, meeting a proportion of the cost for each kW capacity being deployed.

Based on BEIS 2019 deployment data, which includes costs, the proposed grant of £4000 is not enough to incentivise for renewable heat projects of any technology type much above 10kW.

If projects are deployed above this, they are likely to be of low quality, or undersized.

While it is recognised that the grant is only expected to meet a proportion of the whole cost, the grant needs to be proportionate to the size of the project, increasing for each kW of capacity provided

To further enable larger projects to deploy, a low-interest loan should also be offered in conjunction with the scheme to help cover the remaining cost of the project



Discussion: Priority Questions – Grant Level. Would £280/kW work?

- Average £/Kw for Biomass across capacity range = ~ £700/ kW
- Grant could cover ~40% of £/kw = £280/ kW deployed
- Result is that most projects across the range would leave consumers having to pay < £10,000
- Capacity required could be based on property assessment.

	Installation Capacity (kW)	BEIS recorded Median Cost (£)	£4000 flat grant			Flexible £280/kW Grant		
			Grant	% of Project cost covered	Est. Cost left to consumer	Grant	% of Project cost covered	Est. Cost left to consumer
Biomass	Less than 5	-	£ 4,000.00		-	£ 4,000.00		-
	6 - 10	£ 13,000.00	£ 4,000.00	30.8	£ 9,000.00	£ 4,000.00	30.8	£ 9,000.00
	11 - 15	£ 11,760.00	£ 4,000.00	34.0	£ 7,760.00	£ 4,200.00	35.7	£ 7,560.00
	16 - 20	£ 13,000.00	£ 4,000.00	30.8	£ 9,000.00	£ 5,600.00	43.1	£ 7,400.00
	21 - 25	£ 14,750.00	£ 4,000.00	27.1	£ 10,750.00	£ 7,000.00	47.5	£ 7,750.00
	26 - 30	£ 16,500.00	£ 4,000.00	24.2	£ 12,500.00	£ 8,400.00	50.9	£ 8,100.00
	31 - 35	£ 18,000.00	£ 4,000.00	22.2	£ 14,000.00	£ 9,800.00	54.4	£ 8,200.00
	36 - 40	£ 19,390.00	£ 4,000.00	20.6	£ 15,390.00	£ 11,200.00	57.8	£ 8,190.00
	41 - 45	£ 25,000.00	£ 4,000.00	16.0	£ 21,000.00	£ 12,600.00	50.4	£ 12,400.00
	Average	£ 16,425.00	£ 4,000.00	25.7	£ 12,425.00	£ 7,422.22	45.2	£ 9,002.78



Consultation Question 22 - Do you agree with targeting support at domestic and non-domestic installations with a capacity up to and including 45kW? Yes/No. Please provide evidence to support your response

Raise the capacity cap to 200 kW to allow for the deployment of all small-scale clean heat projects

In the case of Biomass, REA analysis estimates that only 12% of the projects deployed under the ND RHI 'small biomass' tariff are below 45 kW's

Current figures under the Domestic RHI also suggest that deployment is currently so low that there is a net loss of RHI biomass boilers on the scheme in the last three quarters since Q3 2019

The proposed cap is simply not suitable for biomass projects and will not even deliver the limited number of 'niche' biomass projects identified within the consultation.

Biomass heat, utilising efficient biomass boilers burning wood chip or pellet, could sustainably deliver 42 TWh of this by 2030, making a sizable contribution to the UK's heat decarbonisation

The scope of the Clean Heat Grant scheme must, therefore, be widened to realise this potential.



Consultation Question 31 - Do you agree with the proposed air quality requirements set out above? Yes/No. Please provide further evidence to support your response.

Biomass projects, regulated with tight emission and maintenance standards, should be allowed to be deployed in on-gas grid areas.

The proposed restriction ignores the results that can be achieved from deploying Best Available Techniques (BAT), adopts an approach seen nowhere else in the world and sets a dangerous and difficult-to-reverse precedent which will further obstruct the deployment of renewable heat, particularly in larger buildings.

Emissions from biomass boilers are not an issue where good practice in design and operation are followed, and where flue gas filters are fitted. These are mature technologies which are readily available.

Examples for how standards, in conjunction with support mechanisms, can be effectively used to incentivise high-quality urban biomass installations can be taken from across Europe



Consultation on 'Non-domestic Renewable Heat Incentive: ensuring a sustainable scheme'



1. Do you agree or disagree with the proposal to close the NDRHI from midnight on 31st March 2021? (Q1)
2. Are there any regulatory changes that have not been addressed by this consultation that would help future proof the ND RHI for Biomass? (Q20)
3. Should a fuel quality standard be introduced?
4. Do you agree with the proposal that only pre-consumer waste wood should qualify for NDRHI payments? Yes/No
5. Do you have any other comments to improve the waste fuel burned in biomass boilers?
6. Do you agree with the current approach to replacement plant outlined in the regulations? Yes/No.
7. Are there any other further changes that you would like us to make to the Non-Domestic RHI regulations at this time? Yes/No
8. Budget and reporting (Q43 to 50) – e.g. remove quarterly and monthly degradation publications? Any additional data should be made available?



Consultation on 'Non-domestic Renewable Heat Incentive: ensuring a sustainable scheme'



- Proposals for a Fuel Quality Standard
 - 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.
- Budget and Reporting
 - BEIS currently publishes a monthly assessment of expenditure against the annual budget caps for the combined DRHI and NDRHI schemes.
 - Once the scheme has closed to new applicants they propose to publish an annual update, which will include the best estimate of NDRHI spend for the current financial years the previous two financial years, and the subsequent two financial years.





- REA to circulate first draft of Clean Heat Grant scheme consultation in week commencing 22nd June.
- REA to circulate first draft of RHI closure consultation in week commencing 29th June.
- REA to send final draft of Clean Heat Grant Scheme consultation in week commencing 29th June.
- Consultation Closes: 7th July 2020



Thank You



Mark Sommerfeld
msommerfeld@r-e-a.net
heat@r-e-a.net

