

'Changes to RHI support and COVID-19 response: further government response'

**ND RHI Commissioning Extension for Non-TG Applications
REA Consultation Response**

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above consultation. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK.

The REA welcomes the announcement to make additional changes to the Non-Domestic Renewable Heat Incentive (ND RHI) to support heat projects that fall below the tariff guarantee thresholds and were unable to benefit from the existing Covid-19 mitigation measures. As has been previously demonstrated, a quick snapshot survey of REA members identified around 41 biomass and ground source heat pump projects, as well as a further estimated 30 smaller scale anaerobic digestion RHI projects, which in normal situations would have commissioned by March 2021. We are glad that BEIS have been able to respond to industry concerns in this regard and brought forward this solution, which we hope will enable some of these shovel ready projects to continue to deploy through the use of RHI 'extension applications'.

Below we highlight how these proposals could be further developed to ensure renewable heat projects can continue to be deployed during the very limited remaining time available within the ND RHI.

One significant limitation we highlight, not addressed by the consultation questions, is the fact that the large-scale ground/water heat pump tariff was degressed during the period of lockdown and will be degressed again from October. As such, the tariff is no longer commercially viable and such projects will not be able to benefit from the extension, even if clearly delayed by Covid-19. BEIS should reverse the latest heat pump degressions, resetting the tariff to what it was in March 2020, to enable such projects to also benefit from these proposals.

While these proposals are welcome, the REA would also like to take this opportunity to reiterate that a full extension of the ND RHI by twelve months would still be the best way to address the growing heat decarbonisation policy gap. To industry it would be a simpler solution to utilise the underspend within the RHI budget and

extend the scheme with appropriate budgetary controls. For ease of administration, as well as to ensure a firm budget window, BEIS could extend the scheme while not advancing the end date for RHI payments, meaning all RHI subsidy payments would still end on 31 March 2041.

As it stands, there remains a lack of clear strategic focus on the decarbonisation of industrial heat. The proposals for a Green Gas Support Scheme and Clean Heat Grant have been welcome but are limited and narrowly focused. The REA REview 2020¹ identified over 32,000 direct jobs in the heat pump, solar thermal, biomass boiler, biomass CHP and AD sectors combined in 2018, which could be at risk due to sector contraction and the collapse of supply chains. As identified in the REA response to the Future of Heat Consultation, the current proposals will not deliver the number, size or the range of technologies required to keep the UK on track to meet its net zero emissions target.

Answers to consultation questions

Q1. Is 6 months enough additional time for projects to be able to commission and submit a full application for accreditation after scheme closure?

Members report that a six-month extension is helpful and deliverable for a reasonable proportion of delayed projects, although stress that it remains tight. While lockdown is now over, it is taking considerable time for operations across developers, and their supply chains, to return to normal. Backlogs on projects, delays on orders and sudden over demand on installation machinery all mean that projects are expected to take longer than normal to deploy. There are also concerns further delays could be caused in January 2021, depending on the final trading arrangements agreed between the UK and the EU. A 9-month extension would help ensure the proposals have the maximum impact in helping Covid-19 delayed projects. Alternatively, a full twelve-month extension to the whole scheme, as described above, would deliver the best result in terms of maximising renewable heat deployment and growing these sectors.

This policy change must be accompanied by the swift and pragmatic processing of applications by Ofgem – if this is not guaranteed, projects will be concerned that their project's application will not be processed in time. To ease this concern, extension application should open as soon as possible, rather than in March 2021. Being able to apply now will also help developers commit to spending to see these projects delivered, while waiting to March 2021 creates a significant level of risk that is likely to deter developers from restarting abandoned projects. Given members

¹ REA (2020) REview 2020 <https://www.r-e-a.net/resources/review-2020/>

continue to report delays to the processing of tariff guarantee RHI applications for both 2nd and 3rd tranche applications, suggests these concerns are well founded and Ofgem processes have not been remedied.

We also highlight that there remains a group of larger-scale projects that are unlikely to meet the March 2021 application deadlines for either a 3rd allocation tariff guarantee (TG) or extension application, such as Geothermal projects. These projects will not be helped by these proposals. Geothermal Engineering and Eden Geothermal have raised circa £30 million of public funds with £10 million match funding for two projects set to commission in 2021 and 2023 respectively. Similarly, GT Energy has been working with Stoke on Trent to deliver £20mn investment in a heat network powered by Geothermal technology. Uncertainty over the RHI and a lack of any mention of Geothermal in the Future Heat consultation has greatly unsettled financiers of such projects. The extensions and timeframes proposed for the RHI under the TG route are expected to be too tight for these projects to effectively deploy and sufficiently complete applications. BEIS should seek to make clear their intentions around this technology and establish how existing projects can continue to be supported, either through longer commissioning times or stipulating where alternative support for can be expected to come from.

Q2. Are there any other pieces of evidence, in addition to those listed, that applicants will not be able to provide that are normally required as part of an application for full accreditation?

In addition to documents identified in the consultation list, we particularly highlight that there are currently severe delays being experienced in securing environmental permits from the Environment Agency or planning permissions from local planning authorities. These delays are outside of developers control and could threaten a projects ability to apply for an ND RHI extension application. Delays to permit and planning must be accounted for in the application process to ensure such delays do not negatively impact a projects ability to accredit to the ND RHI and make use of the extension.

This raises the additional point that BEIS will need to coordinate with other Government departments to maximise the impact of these proposals. 'Building back better' will require additional focus on where renewable heat and specific industries can provide advantages, for example, AD within agri-food sector or biomass heat within forestry industries. Such strategic planning will require planning with other Government departments, such as DEFRA.

Q3. Should an applicant not be able to demonstrate one of the below pieces of information, what other forms of evidence might be appropriate to

demonstrate that an installation was under development prior to the publication of this notice?

Members highlight that a limitation of the proposed extension is that many projects will have been put on hold before they got to the stage of investment decisions, detailed planning or committing expenditure. It is only now this announcement has been made that such projects are being resurrected and taken forward. This does not mean they are brand new projects that would not have delivered under the RHI, but simply that expenditure on planning, and procurement activities were not seen as worthwhile during the period of extended uncertainty. In many cases this may mean that they have held off commissioning construction work, applying for planning permission or placing orders for equipment. A significant level of pragmatism will be required in assessing delayed projects to judge if they were really in development before August 2020. Below we list some further suggestions of documentation that could help in judging this:

- Dated invoices for preliminary design or consultancy work relating to a project
- Technical specification reports and other technical documents prepared pre-August 2020
- Dated preliminary feasibility studies
- Dated heat loss assessment of a site prior to final technological decision being made
- A significant volume of dated correspondence referring to a proposed project, along with recent communication confirming the intention to resume project development.
- Dated letter of engagement for contractors to start work on project activity,
- Detailed design layout drawings for the location of the plant on the proposed site
- Dated correspondence with contractors and organisations like the EA (SEPA in Scotland).
- Evidence of project being part of broader energy efficiency or renewable power scheme that was underway before lockdown commenced but had not got to the stage of installing low carbon heating system.

Given the above, we also highlight that there must be an opportunity during the application process for additional evidence to be provided if Ofgem feels the original evidence submitted is not sufficient. Given the tight time frames involved, if an application is rejected, but further evidence could have been provided if it had been requested, then such an application should have the opportunity to provide this information. A highly administrative or regimented tick box approach in these cases will not be appropriate, albeit fully accepting that Ofgem must be completely confident that a project can prove having been impacted by Covid-19 delays.

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