

# REA - Green Gas Forum

Ciaran Myles, BEIS update, 9 December 2021

# Agenda

- GGSS launch
- GGSS mid-scheme review
- Post-GGSS work
- Digestate

# GGSS

- Regulations came into force on 30 November 2021
- Ofgem opened their application portal at 9am on 30 November
- Budget information published by BEIS on 29 November
- Levy rates published by BEIS on 29 November
- The scheme ends on 30 November 2025, as written in the scheme regulations
- Ofgem will publish data regularly and produced updated guidance in the new year
- Overview of scheme in Annex of this deck

# Mid-scheme review

- Committed to in the Government Response:
  - Reviewing the waste threshold, subject to available evidence and feasibility
  - Reviewing available digestate technology/processes and the current digestate measures on the GGSS
- Have said elsewhere we will explore the case for eligibility for CHP conversions.
- Adding other tech or gases unlikely, due to the way the GGSS is funded and tariffs calculated
- Any necessary changes to the SI will be made mid-scheme: late 2023
- Usual stakeholder engagement and consultation will apply to any proposed changes. Exact timelines TBC

# Post-GGSS

- Work will commence in the new year on post-GGSS
- Building on:
  - Questions raised in the "Future support for low carbon heat" consultation (questions 20 and 21)
  - [The Heat and Building Strategy](#)
  - The Net Zero Strategy
  - The Biomass Strategy – due in 2022 (link to position statement published on 4 November)
- We will be looking to start engaging with stakeholders in 2022

# Digestate

- BEIS has commissioned WRAP to conduct a technoeconomic study on available technologies to combat the harmful impacts of digestate, most notably ammonia emissions
- This will feed into the mid-scheme review on GGSS digestate measures
  - Amendments to GGSS measures will only occur if cost effective and would not negatively impact scheme aims
- Results due in Spring 2022

# Thank you

Thanks to the REA and its members for engaging on the GGSS

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# Annex



# Scheme Overview & Objectives

## Overview:

- Levy funded scheme designed to support the deployment of new biomethane injection into the gas grid produced via anaerobic digestion.
- Follows on from the Renewable Heat Incentive Scheme (RHI) offering a tariff-based support mechanism designed to bridge the gap between the cost of biomethane production and fossil fuel alternatives i.e. natural gas.

## Objectives:

- The Green Gas Support Scheme is expected to contribute 3.7 MtCO<sub>2</sub>e of carbon savings over Carbon Budgets 4 and 5, and 8.2 MtCO<sub>2</sub>e of carbon savings over its lifetime. This is equivalent to approximately 3.6 million cars off the road for a year.
- Increase the proportion of green gas in the grid, create jobs and attract investment.
- Support the burgeoning biomethane industry and its supply chains.
- Ensure value for money.
- Minimise any market hiatus for the biomethane industry following the end of the RHI.

# Scheme Structure

- Tariff based support paid as p/kWh of gas injected.
- Tariff rates are based on market intelligence on costs and revenues of a typical biomethane plant and will be reviewed annually.
- Tariffs are tiered to account for economies of scale associated with higher production.
- Payment periods will run for 15 years from a plant's registration date.
- The scheme is open for applications for 4 years.
- Ofgem are administering the scheme on BEIS's behalf.
- The scheme is funded through a levy placed on gas suppliers

# Key Policy Elements

- **Eligible Installations** – At launch, the scheme is only intended to support **new** biomethane plants injecting into the gas grid via **anaerobic digestion**.
- **Feedstocks and Sustainability** – 50% of all biomethane must be produced using waste or residue feedstocks. Sustainability criteria in line with other govt. policies e.g. RO and RHI.
- **Tariff Guarantees** – All applications must go through the TG process, locking in tariff rates for that plant to give investment certainty to applicants and aid in budget management.
- **Digestate** – To mitigate ammonia emissions, participants must take additional measures such as covering stores and ensuring spreading is done using low emissions technology.
- **Renewable Transport Fuels Interaction (RTFO)** – Producers will have the flexibility to split claims between the GGSS and the RTFO, allowing for diversification of revenue streams, encouraging maximisation of production and to move away from direct subsidy.
- **Budget Management** - Based on data submitted by participants and market intelligence, the scheme will introduce a new annual tariff review to complement a reformed depression mechanism, where subsequent tariff rates may be adjusted to ensure VfM and keep up with market trends.

# Green Gas Levy - Overview

- In order to fund the scheme, a levy will be placed on GB fossil fuel gas suppliers, with costs expected to be passed onto consumers.
- The levy will be launched with a per meter point design in order to meet the Autumn 2021 launch date for the GGSS, however the intention is to move to a volumetric approach (i.e. per unit of gas supplied) as soon as feasibly possible, in order to ensure that levy costs more closely align with gas consumption.
- Costs are expected to be ~£1.40 per annum per household in 22/23, under the per meter point design, peaking at ~£4.70 in 2028, presuming a transition to a volumetric levy design before then.
- Budgetary control mechanisms including an annual budget cap on the GGSS will act to prevent runaway levy collection and guard against over or under collection relative to GGSS payments.
- The levy rate for each year will be announced ~3 months before the first day of each scheme year (i.e. 1st April). For the first scheme year, the levy rate will be announced ~6 months in advance of the first collection.