

## REA Deep Geothermal Members (TEAMS) Meeting

### Minutes

21<sup>st</sup> June 2021

14:00 to 15:30

#### Members

Joanna Purkiss - bdbpitmans.com  
 Guy Macpherson - Grant EGS Energy  
 George Lucan - Angus Energy  
 Padraig Hanly – GT Energy  
 Jonathan Foster – Zetland Group  
 Ann-Marie Wilkinson – Igasplc  
 Carlos Fernandes – Angus Energy

#### REA

Stuart Pocock (SP) *Chief Operating Officer*  
 Jack Abbott (JA) *PR & Comms Manager*  
 Mark Sommerfeld (MS) *Head of Power and Flexibility*

#### Apologies

Frank Gordon - REA  
 Kiara Zennaro - REA  
 William Mezzullo – Foresight Group

Timings	Agenda Item	Who
	Welcome, Introductions and meeting rules	SP
	Update on REA activity relating to geothermal/political context	MS/JA
	Workplan and next steps	SP

## Proceedings

Item No.	Minute	Action <sup>1</sup>
1/21	The REA Deep Geothermal (DG) Member's meeting was opened at 14:00 with SP (acting as Chair) welcoming attendees. Attendees were reminded of the requirement to comply with REA's Competition Law Policy.	
2/21	<p>MS provided an update on UK policy for heat (Non-Domestic RHI), power (CFD's) and heat networks:</p> <ul style="list-style-type: none"> <li>The Non-Domestic Renewable Heat Incentive (NDRHI) Closed in March 2021. REA attempted to get an extension but were unsuccessful and there is now a policy gap for non-domestic renewable heat, which REA has been calling on Government to close. The BEIS Heat and Building Strategy has been written but is currently delayed. It is already 6 months late. It is currently sits between BEIS and No10. BEIS officials are working hard to publish it before 20<sup>th</sup> July but if not, it is unlikely to be published before end of Summer/Autumn. We have not been told what is in it but think that there might be something on fuel switching, and perhaps something on a CFD for heat.</li> <li>The Green Heat Network Fund was launched by BEIS on 21<sup>st</sup> June. Geothermal will be eligible. The Fund will be launched in April 2022, but also announced was a <a href="#">transition fund</a> of £10M for projects ready to go now. The total funding available under the policy needs will be confirmed by REA in its members briefing.</li> <li>CFD's – Government have confirmed that the <a href="#">4<sup>th</sup> CFD auction</a> will take place in December. There will be some changes to the pots – Pot 1 continues to be for established technologies, such as onshore wind and solar, Pot 2 for less established technologies and is where changes have been made. DG however remains in Pot 2 but offshore wind has been taken out and put in its own Pot 3. DG will be competing with remote island wind, wave, tidal, largescale AD, Advanced Conversion Technologies and Biomass (with CCS). We don't have the administrative strike prices yet, but the last strike price for DG was £127MWh, as opposed to £145Mwh in round 1. We suspect something similar to £127MWh is likely to set for the next round (round 4). The ARUP DG report called for a minima for DG which is technically allowed under the CFD rules but we are not sure whether this will be supported politically. We believe Government like the CFD mechanism and will continue to use it in the future to support innovation and also potentially heat. Consultations and changes in CFD design are likely. It is not clear how a strike place for heat would be set if a CFD for heat was to be proposed, however previously it has been set on BEIS officials understanding of technology costs and what is</li> </ul>	REA to advise Members on funding.

<sup>1</sup> Unless otherwise stated, all actions to be completed by the next meeting.

	needed to drive them down. It is likely therefore that they would set a viable, yet challenging, strike price for DG.	
3/21	<p>JA provided an update on the campaign and political context following the ARUP report launch:</p> <ul style="list-style-type: none"> <li>The ARUP report had been circulated to relevant Ministers, MP's and select committees.</li> <li>6 or 7 MP's have been supportive including the PM's PPS. Feedback is that a robust case is needed for BEIS to take to Treasury. Key political questions to be answered are: <ul style="list-style-type: none"> <li>Why DG when there are cheaper technologies such as wind and solar?</li> <li>Will the economic benefits such as jobs really be delivered if Government provide the funding?</li> <li>What return is the Treasury going to see from the outlay?</li> </ul> </li> </ul> <p>Positive news is that BEIS officials have been instructed to look at DG, and the Minister wants to sit in on a proposed MP roundtable. There is however some pushback on wider green issues from some Conservative MP's.</p> <ul style="list-style-type: none"> <li>Some officials believe DG power will happen anyway, so need convincing why it needs support today. Further work is therefore needed to ensure DG remains in eligible for a CFD.</li> <li>Other than the article in the Daily Express, the lack of mainstream press coverage continues to be a cause of frustration within the group. JA noted that as MP's become more engaged there will be opportunities to get coverage. Also, as the Members DG projects already under construction move forward there will be opportunities to get press coverage as well as continuing to inform and influence officials through their own channels. Buying space in the press for a DG article was also discussed but JA advised that from a cost/benefit point of view it was not favourable.</li> <li>SP sought views on the best way to address the question of the economic benefits DG would bring. It was agreed that the ARUP report addresses these benefits. For modelling DG costs and returns, data from existing DG developments in Europe, projects underway in the UK and work going on in universities was all cited as potential sources for data that could be used for modelling. It was agreed that the most important model to influence was the BEIS model and that we should find out what data they have and what they need. MS advised that it was useful to come to an agreed average £/MWh figure. It was stated by a Member that support under the RHI for DG of £55/MWh was still sufficient. It was also agreed that a consensus among the group is needed on what the inputs to the BEIS CFD model should be.</li> <li>MS gave an overview on the outlook for CFD's for DG. The Administrative strike price was originally set at £145MWh, which had degressed to £127MWh for the last auction. The BEIS modelling assumptions should be reviewed in advance of the next round.</li> </ul>	<p>SP ask BEIS what data they have and what is still needed.</p> <p>REA to check with BEIS what their DG modelling assumptions are.</p>

	<ul style="list-style-type: none"> <li>The likelihood of BEIS adopting a Cash Back Capital Allowance was discussed as a Member thought it would be helpful in de-risking private money being invested in DG schemes. MS responded that in the Budget, companies can claim for expenditure incurred from 1 April 2021 until the end of March 2023, 130% capital allowances on qualifying plant and machinery investments and DG would be included in this. Government is considering how the tax system can support the net zero policy and the Treasury's Net Zero report, when published, may provide more information on how the tax system could be adapted. MS reflected that feedback from REA Members thus far has been that for many technologies tax allowances on their own are not enough to allow schemes to get off the ground. The launch of the UK Infrastructure Bank could also be helpful, and we await more information on what assistance they will be providing.</li> </ul>	
4/21	<p>SP advised that the development of a DG licencing system and DG well risk insurance was included in the groups TOR. Feedback from the meeting was that risk insurance is well understood in the oil and gas sector and that we could look at what has been developed there. The conclusion drawn from those currently, or soon to start, developing projects was that insurance, along with geothermal licencing, is something to look at further down the road.</p> <p>The REA's wider engagement with other government committees was discussed. MS reflected that one of the challenges is that committees such as the BEIS Select Committee have a wide remit and whilst they have carried out some helpful enquiries, they do struggle with bandwidth. It was suggested that the group should continue to focus on getting the political support for DG and then use the press to raise the awareness.</p> <p>MS suggested that if any Members had any issues with grid connections or other grid related issues, they should make the REA aware so that they can be fed into its grid related policy work.</p>	
5/21	In closing the meeting SP advised that meeting notes would be circulated along with instructions on how to access the Member only content.	
	Date of next meeting TBC	