

Renewable Heat Incentive – down but not out



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When, in March 2011, the Government unveiled plans to launch the world's first financial incentive scheme to subsidise low-carbon heating, the renewables industry welcomed the move. With heating accounting for 47% of the UK's total final energy consumption, and the EU Renewable Energy Directive stating that 20% of member states' energy should be from renewable sources by 2020, the Renewable Heat Incentive (RHI) has been touted as integral to meeting this obligation. By making renewable heat technology a financially attractive proposition to businesses, the public sector and, eventually, householders, the Government predicts that it can increase the proportion of heating energy which comes from renewables from its current level of around 1.5% to 12% by 2020, whilst simultaneously reducing carbon emissions by 44 million tonnes in the same period.

£860m available for the RHI between 2011 and 2014.

In total, £860 million of funding is due to be made available for RHI between 2011 and 2014. Phase One, which was originally due to commence on 30 September 2011, covers the non-domestic sector but also includes an initial fund of £15million in the form of advanced 'Renewable Heat Premium Payments', which can be paid directly to domestic users who install renewable heating systems. The majority of funding, however, will go into supporting commercial and public sector organisations in introducing new technologies and fuel uses including solid and gaseous biomass, solar thermal, ground and water source heat pumps, on-site biogas, deep geothermal, energy from waste and the injection of biomethane into the grid. Schemes installed or commissioned on or after 15th July 2009 will be eligible for support, with the owners receiving quarterly payments over a 20-year period.

Phase Two, planned for October 2012 to coincide with the launch of the Green Deal, will be open to householders who will be able to apply for grants towards the installation of solar thermal, biomass boilers, ground source or water source heat pumps. In both phases, eligibility criteria apply: applicants must demonstrate that the renewable heat being supplied meets a justifiable heating requirement, ie one not created artificially purely to claim RHI, and would otherwise be supplied by a traditional form of heating. Only certain types of technology are covered at the moment, although more may be added at a later date.

Eleventh hour postponement due to State Aid rules.

Whilst many organisations were thought to be ready to apply for RHI funding when Phase One began on 30 September, the process was put on hold when the Government announced an eleventh-hour postponement, in response to concerns from the European Commission that the tariff for large biomass projects was set too high and contravened State Aid rules. As State Aid approval is a necessary condition for RHI, DECC will be required to amend the regulations and seek parliamentary approval for the revisions. The latest news is that DECC hopes to have the scheme open before the end of November. Some commentators, however, have seen the delay, coupled with comments made by George Osborne in his address to the Conservative Party Conference that the UK will "cut its emissions no slower but also no faster than our fellow countries in Europe", as an opportunity to question the Government's commitment to the green agenda and, in turn, RHI.

Cautiously optimistic that RHI will launch as planned.

Despite the hold-up, WSP remains cautiously optimistic that RHI will be launched as planned, and that it offers a unique opportunity to stimulate growth in the renewable heat industry and develop new technology. However, in order to take advantage of the RHI when it becomes live it is imperative to plan properly. When appointed on a potential RHI project, WSP first undertakes a high-level feasibility study to establish the scope and potential of the individual site or a portfolio. This is then followed by detailed financial, technical and risk analysis, and careful planning, design and project management to ensure that the low-carbon heat scheme will be more competitive than any traditional alternatives. Taking advantage of the opportunities and benefits presented by RHI is not a simple process and clients need to enter into it with their eyes open. If done properly, however, the savings both to the user and the environment have the potential to be immense.

FURTHER INFORMATION

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