

Christopher Osborne

From: DECC Renewable Heat Incentive <rhi@decc.gsi.gov.uk>
Sent: 11 July 2014 11:47
Subject: RHI Biomethane tariff review consultation
Attachments: Letter to consultation respondents.pdf

Dear Consultation respondent,

Please find attached a letter regarding your recent submission to the RHI Biomethane tariff review consultation.

Kind regards,

RHI Team

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Department
of Energy &
Climate Change

The Rt Hon Gregory Barker MP
Minister of State

Department of Energy & Climate Change
3 Whitehall Place,
London
SW1A 2AW

www.gov.uk/decc

10 July 2014

Dear Consultation respondent,

Thank you for responding to the recent biomethane tariff review consultation.

DECC's decision to conduct a review of the biomethane to grid tariff arose out of concerns raised by stakeholders that there was a risk of overcompensation of the tariff; our assessment of the evidence and most recent market intelligence confirmed that this is a potential risk. We consider it necessary to take action in order to meet our state aid obligations.

The consultation launched on 30 May proposed the introduction of well managed adjustment to the support for biomethane to grid, either through banding or tiering of the tariff. However, it is important to note that the tariff scenarios presented in the consultation document are illustrative; final decisions on tariff levels will be taken in light of the consultation responses. We have deliberately sought views and evidence through the consultation on what the appropriate level of support for biomethane to grid should be and we are hoping that responses to the consultation will help fill the gaps in our evidence base. The biomethane tariff review consultation closed on 27 June and we have received over 60 written responses which we are now analysing.

Feedback from industry, through the consultation events and responses, has consistently made the point that gate fees for new waste contracts are not at the levels assumed in the consultation document, gate fees are not bankable for every project and that feedstock costs in general for biomethane to grid installations vary widely, owing to different feedstock models; as a result the illustrative scenarios presented generate tariffs that may not be sufficient to enable many projects to proceed.

Although we cannot pre-empt our ultimate conclusions, it is clear to us that we must consider such feedback (underpinned by robust evidence contributions) in our considerations over tariff levels and structures.

Final decisions on tariff structures will be made on the basis of feedback and evidence from the consultation, industry views and our analysis and judgement. Any changes to the tariffs will need to be made through changes to legislation (RHI regulations). Until



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the new regulations are made in Parliament the 7.5p tariff for biomethane to grid will continue to apply. This means that the 7.5p tariff will apply to all plants registered before the new RHI regulations come into force.

We are grateful for your participation in the consultation. In light of the volume of consultation responses received and our wish to provide industry with more certainty, we have announced on our website that changes to the biomethane to grid tariff will not take effect before 1 December 2014.

Yours Sincerely,

GREGORY BARKER