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Dear Peter,

Renewable Heat Initiative – GB – March 2011

Following DECC's publication of the RHI, the UFU wishes to submit its view on the document.

Overview to the need for an RHI in Northern Ireland

The RHI is seen as a way to compensate for the extra cost involved in investing in renewable technology. The £860m initiative is expected to raise green capital investment by £4.5 billion up to 2020, stimulating a new market in renewable heat.

The RHI has been introduced to support so-called emerging technologies and businesses in GB in this case and the Coalition recognise that this will create job opportunities at a time of austerity. Such opportunities are much needed in Northern Ireland, both in terms of the rural and wider economy. If £860m is to be made available to GB, the UFU will be calling for a proportionate amount to be made available to NI.

DECC aside from stressing that this will address security of supply concerns relating to the reliance upon fossil fuels, have said that the RHI will benefit rural dwellers. It will enable these communities (who do not have access to the gas grid) to benefit from a widened range of affordable heating options.

The RHI is much needed in NI, but the UFU are conscious that the roll out must not be rushed. The renewable heat sector is still in its infancy and would query how many installations would benefit at the current number live on the ground, many more will be coming online in the next 18 months and these must be accounted for. We are still considerably behind our counterparts in GB.

Implementation

Phased approach to implementing the RHI, the first phase will involve long-term tariff support for significant emitters from the non-domestic sector, it is feasible that this could include farmers. The UFU concern would be if this was to rolled out in Northern Ireland, it could be a case of "first come, first served", which would not be acceptable. In Northern Ireland, consideration must be given to a structured and phased introduction. This is crucial.

Finance

- **Banded tariff** - UFU are concerned that smaller-medium sized businesses could miss out and that the Northern Ireland RHI should take their views and concerns into consideration. GB RHI tariffs are to be banded by type and size, UFU will seek a similar application in NI, with higher tariffs for smaller installations.
- **How will the NI RHI be funded?** The GB RHI is to be funded from central Government. In GB there was a fear that the RHI could have a negative impact upon rural heating bills. But since the funding is to be from central govt rather than a levy on fossil fuels, this will not be the case and the UFU urge that funding to drawn in a similar manner in NI.

Application Process

- **Apply to OFGEM directly** – how would this work in NI? Will NI installations have to apply to OFGEM? The OFGEM accreditation is a prerequisite – will that be so in NI? If so, this should be a simple process.
- **Agents** – they will not be allowed to apply for support on behalf of applicants – this is a very good idea and the UFU would be in support of this.

Cut-off date for eligibility

What will be the basis for this date in NI? In GB the date coincides with the publication of the RES (Renewable Energy Strategy). In NI, would the equivalent publication be the Bioenergy Action Plan?

Microgeneration Certification Scheme (MCS)

The UFU welcomes this and believes that this should be a pre-requisite for plants of a certain size here in NI.

Supported Technologies

The UFU supports the technologies supported within the GB RHI. However, must stress that heating from biogas combustion, including AD is a pre-requisite for any RHI in NI.

Use of energy crops

Certain amount of energy crops are required as part of a combination, as a part of a crop rotation. I feel that the DECC statement is quite ambiguous and open to misinterpretation in terms of energy-crop-based AD, there are no definitions as to what constitutes "large scale use of crops in AD" and we would wish to see this more clearly defined.

Existing incentives

ROCs - As far as AD is concerned, clarity will be needed about an AD plant with a CHP used to capture heat. The heat is then used to generate electricity and still be eligible for ROCs? Can the RHI work alongside the ROCs? AD looked at it further detail later.

As far as Renewable Obligations are concerned, the GB RHI states that its future in terms of renewable heat support, this will take place when the next Banding Review is scheduled. The RHI states that applicants will not be able to claim the RO uplift and the RHI at the same time and DECC also affirm that there can be no switch over, however, they go to say that they may consider a switch for installations commissioned after 15 July 2009. This would need to be clarified.

- **Biomass Challenge Fund** – how will this impact upon the installations seeking RHI?

Degression

This should not start reducing the tariff level too soon.

Grandfathering

In the RHI the support for and commitment to Grandfathering is welcomed by the UFU and a similar commitment will be sought for Northern Ireland.

Devolution

The UFU strongly believes that NI has missed a trick here. Again, we are behind the pace in terms of not having an Energy Act and this is stated on page 76. However, he could have had input where we could have highlighted what work has been so far to facilitate a RHI in Northern Ireland. I am just conscious of the danger that we could lag further behind.

The RHI is a positive move and one that would be welcomed here in NI, however, as far as AD is concerned, we have the following thoughts.

RHI and AD

Upon closer inspection from an AD point of view, GB has missed an opportunity and when the RHI is introduced here, the following should be taken on board. The key for success in AD is the re-use of surplus heat.

The UFU has been developing a knowledge base in AD over the last couple of years, with particular attention to smaller, on-farm installations. Yet our interest and influence goes beyond these small capacity units, our dairy farmers are members of dairy processor co-operatives (such as Ballyrashane) and have been seeking solutions to their own energy use, in particular AD.

In light of this, after reading the RHI, the UFU believes that DECC and in turn DETI will do more to encourage food processors to make efficient use of their entire energy output. Whilst the UFU welcomes the introduction of the RHI, the UFU considers that all anaerobic digestion plants should be eligible for the RHI payment regardless of heat output; not just those under the 200kW limit. This would be banded again so as to ensure that small-medium sized installations benefit.

Since AD technology is still in the early stages of development in GB/NI, currently AD plants waste heat and should be encouraged to re-use all surplus heat that is generated. Many would-be installation

could be deterred from investing in the heat transfer technology, in order to use just 200kW of surplus heat.

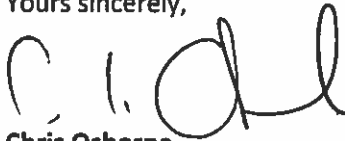
Looking to the longer term, medium sized anaerobic digestion plants, with an electrical output of less than 500kW, have the potential to make good use of available surplus heat and the UFU believes that DECC should consider:

- Including all new anaerobic digestion plants (from July 2011) in the RHI for the first 200 kW of thermal energy that is used in one of the permitted uses.
- Extending the RHI to allow for a second payment band for anaerobic digestion plants that generate more than 200kw, to be introduced from 2012 onwards.

From July 2011, unless all anaerobic digestion plants are allowed to claim the RHI, only very small ones (i.e. under 160kW electric) will qualify. This would suit the small on-farm installations, which broadly we would welcome, but for AD to be a success in NI, a broader roll out of the RHI will be needed, this would include dairy processor co-ops, and if there is a suitable incentive, they will make sure that the surplus heat is used in their industrial processes.

If you wish to discuss this further please give me a call.

Yours sincerely,



Chris Osborne
UFU Policy Officer



Renewable Heat Initiative Launch in GB

On 10 March 2011, DECC (Department of Environment and Climate Change) announced details of the Renewable Heat Initiative (RHI) in England, Scotland and Wales, which is worth £860m. This is the first financial incentive of its kind in the world and the UFU will be lobbying for it to be introduced here in Northern Ireland.

Renewable Heat is heat generated from renewable sources (such as biomass materials etc) rather than fossil fuels. The RHI is a long term financial support mechanism designed to stimulate demand for renewable heat, by rewarding owners who install eligible technologies. This will in turn stimulate the supply chain and in GB, the RHI is expected to raise green capital investment by £4.5 billion up to 2020 and stimulate a new market in renewable heat.

Why has it not been introduced in Northern Ireland?

NI currently lacks the primary legislation which would allow ourselves to be included in the RHI. In order to address this, Department of Enterprise, Trade and Investment (DETI) presented a Legislative Consent Motion to the NI Assembly on Renewable Heat powers and this was passed on 14 March. This should allow DECC to amend the current GB Energy Bill to extend renewable heating powers to Northern Ireland before such time that the Bill reaches Royal Assent in July 2011. The UFU are encouraged by the fact that DETI are working with colleagues in DECC to have the relevant amendment tabled at the appropriate time. By taking primary powers in this way DETI should be able to introduce a RHI in Northern Ireland.

Need for an RHI in Northern Ireland

The Coalition recognises that the RHI will create job opportunities at a time of austerity and the UFU are calling for the NI Executive to do the same. Such job creation opportunities are much needed in Northern Ireland, both in terms of the rural and wider economy. Aside from benefiting renewable heat producers, the RHI will benefit rural dwellers. It will enable these communities who do not have access to the gas grid to benefit from a widened range of affordable heating options.

Implementation of the RHI in GB

There will be a phased approach to implementing the RHI in GB. The first phase will involve long-term tariff support for significant emitters from the non-domestic sector, it is feasible that this could include farmers. The UFU concern would be if this was to be rolled out in NI, it could be a case of "first come, first served", which would not be acceptable. In NI, consideration must be given to a structured and phased introduction.

Questions which will need to be answered before the RHI is introduced in NI

- **Finance**
 - **Banded tariff** - UFU are concerned that smaller-medium sized businesses could potentially miss out from drawing down this support. GB RHI tariffs are to be banded by type and size, UFU are seeking a similar application in NI, with higher tariffs for smaller installations.

- **How will the NI RHI be funded?** The GB RHI is to be funded from central Government. In GB there was a fear that the RHI could have a negative impact upon rural heating bills. But since the funding is to be from central govt rather than a levy on fossil fuels, this will not be the case and the UFU urge that funding to drawn in a similar manner in NI.

- **Application Process**

In GB applicants will apply directly to Ofgem. How would this work in NI? Will NI installations have to apply to Ofgem? The Ofgem accreditation is a prerequisite – will that be so in NI? If so, this must be a simple process.

- **Supported Technologies including Anaerobic Digestion**

The UFU supports the technologies supported within the GB RHI. However, the UFU stresses that heating from biogas combustion, including AD is a pre-requisite for any RHI in NI. If AD is to have a chance of being a sustainable technology in NI it will need support from any RHI which is introduced.

UFU Concerns

- **Energy Crops** - The RHI in GB recognises that Bioenergy (solid and gaseous biomass in particular) has the greatest potential of all renewable heat solutions to deliver significant and cost effective carbon savings. As far as AD feedstocks are concerned, a certain amount of energy crops are required, often in combination with animal slurry.

The UFU are concerned that DECC are investigating the possibility of excluding “large-scale use of energy crops in AD” from RHI support. There is no clear indication as to what “large-scale use” and this will need to be clarified.

- **Appropriate Level of Support Needed for Heat from Biogas Combustion** – Government needs to encourage local food processors to make efficient use of their entire energy output. In light of this, the UFU considers that all anaerobic digestion plants should be eligible for the RHI payment regardless of heat output; not just those under the 200kW limit. This would be banded again so as to ensure that small-medium sized installations benefit.

Looking to the longer term, medium sized anaerobic digestion plants, with an electrical output of less than 500kW, have the potential to make good use of available surplus heat and the UFU believes that DECC should consider including all new anaerobic digestion plants (from July 2011) in the RHI for the first 200 kW of thermal energy that is used in one of the permitted uses.

Conclusion

The UFU welcome the RHI, but several areas need to be addressed before it is introduced in NI. However, the RHI will go a long way towards increasing the amount of renewable heat generated in NI (the Strategic Energy Framework Directive has a target of 10% of heat to come from renewable sources) and utilise local renewable sources and create local jobs.