

Northern Ireland Renewable Heat Incentive

Peter Hutchinson
26 March 2014



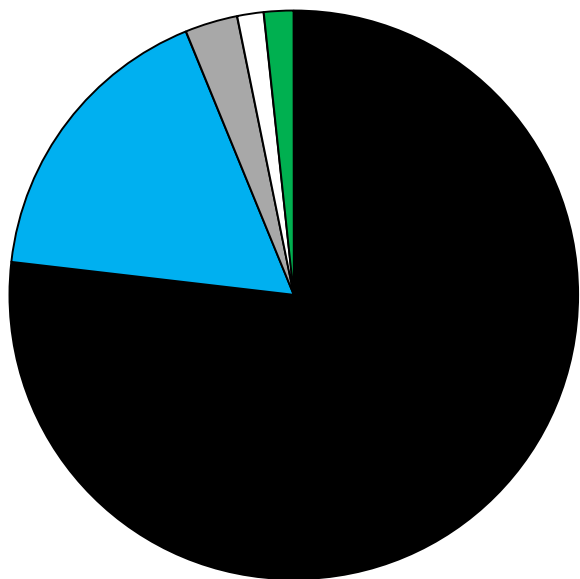
Drivers for renewable heat

- European requirements
 - EU is committed to sourcing 20% of all energy from renewable sources by 2020
 - UK share of target is 15% - GB has set targets of 12% renewable heat and 30% renewable electricity
- NI requirements
 - Strategic Energy Framework set targets of 10% renewable heat and 40% renewable electricity by 2020
 - Programme for Government has interim targets of 4% and 15% by 2015.
- Other benefits
 - Reducing reliance on imported fuel / becoming more self-sufficient
 - Reducing carbon emissions
 - Green jobs – growers, suppliers, installers etc.

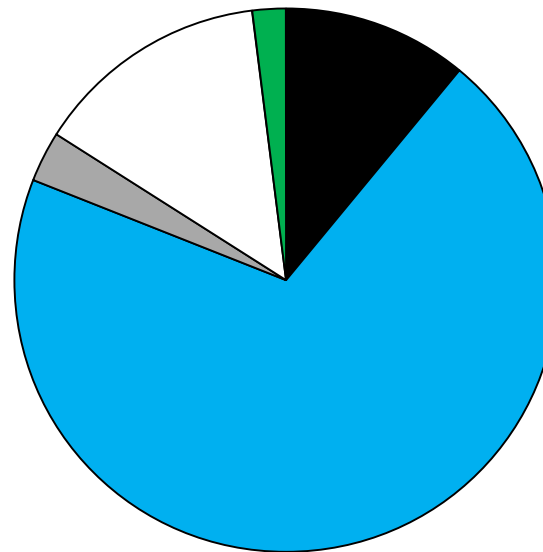


NI Heat Market

NI Heat



GB Heat



- Oil
- Natural gas
- Coal
- Electricity
- Renewables

- Oil
- Natural Gas
- Coal
- Electricity
- Renewables



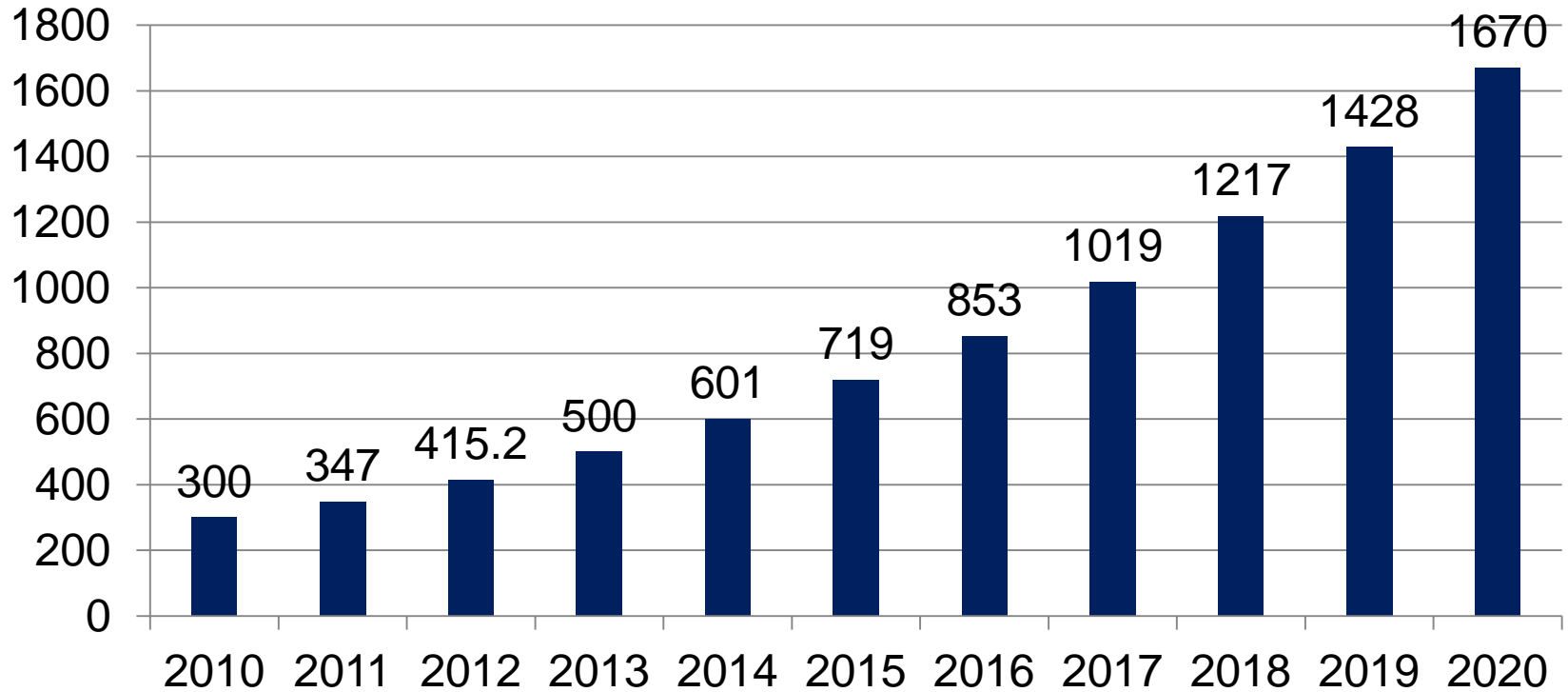
Pathway to 10%

- It is estimated that renewable heat accounted for 300GWh (1.7%) in 2010. The overall heat demand was in order of 17.4TWh.
- By 2020, heat demand expected to reduce to 16.7TWh, therefore 1670GWh is needed by 2020 (an additional 1370GWh).
- Equates to 10,000+ domestic properties converting each year to 2020.
- Mix of domestic, commercial, public sector etc required to achieve challenging target.



Pathway to 10%

Heat demand (GWh)



Support for renewable heat

- Two different mechanisms for support currently operation, one for domestic / one for non-domestic.
- The Renewable Heat Premium Payment (RHPP) scheme provides grant payment for domestic customers installing a microgen. Support ranges from £320 - £3500 depending on technology.
- The Renewable Heat Incentive (RHI) provides ongoing financial support for non-domestic renewable heat installations. Support lasts for lifetime of technology (max 20 yrs) and is paid quarterly by Ofgem.
- Tariffs designed to cover the additional costs of renewable heat technologies plus a rate of return.



Current NI Tariffs

Received from DfE on 02.05.2017
Annotated by RHI Inquiry

Tariff Name	Eligible Technologies	Size (kWth)	NI levels (pence per kWh)
GSHP	Including water source heat pumps and deep geothermal	Less than 20kWth	8.8
		20 kWth and above up to but not including 100 kWth	4.8
		100 kWth and above	1.3
Biomass	Solid biomass; municipal solid waste	Less than 20kWth	6.3
		20 kWth and above up to but not including 100 kWth	6.1
		100 kWth and above up to but not including 1000 kWth	1.5
Biomethane	Biomethane injection and biogas combustion, except from landfill gas	All scales biomethane, biogas combustion < 200	3.1
Solar Thermal		< 200	8.8

DFE-105940

Tariffs

- The RHI aims to compensate investors for the additional costs of renewable heat compared to traditional fossil fuel systems.
- Tariffs take into account all the various types of costs involved (including capital, financing, barrier, fuel and operating) to produce a pence per kWh cost figure.
- A rate of return is included in order to stimulate interest in a developing unknown marketplace and to provide compensation for financing costs.
- Payments will be made on a quarterly basis
- Once an installation is accredited under the scheme they will receive a fixed level of support which will be adjusted annually in line with inflation.



Uptake to date

- 100 commercial installations in place (14MW) and 800 domestic installations supported (14MW).
- Biomass the fuel of choice – all commercial installations have been solid biomass and 44% of domestic.
- Positive uptake in comparison to GB
 - RHI - 6.6% of applications, 7.1% of accreditations and 4.2% of heat capacity
 - RHPP – c12% of GB applications.
- Under the RHPP £2.2m has been committed and £1.3m paid to date. The value of the installations is in the order of £7.2m.



Next steps

- DETI has consulted on expanded the RHI scheme
 - Introduction of domestic RHI
 - Expansion of current commercial scheme
- Domestic RHI to provide ongoing payments for domestic installations.
- New technologies for non-domestic (large biomass, air source heat pumps, deep geothermal, CHP etc.)
- Simplification of metering requirements.
- Domestic RHI to come first, changes to non-domestic scheme later in 2014.



Contacts

Email: ni.rhi@detini.gov.uk

Web: www.energy.detini.gov.uk
www.nidirect.gov.uk/energywise
www.ofgem.gov.uk



RENEWABLE HEAT INCENTIVE**Positive Lines**

- The RHI currently provides businesses, hotels, leisure centres, churches and schools with the opportunity to receive ongoing financial assistance for up to twenty years to cover the costs incurred when switching to renewable heating. To date we have received 120 applications from commercial installations.
- Domestic installations can avail of the Renewable Heat Premium Payment Scheme and to date we have provided support of £1.3m to over 800 installations. The value of these installations is close to £4.5m.
- Over 29 Mega Watts of new renewable heat capacity has been deployed.
- The RHI will, in due course, be extended to include domestic installers and some additional technologies.
- By securing increased levels of renewable heating, Northern Ireland becomes more self-sufficient, more energy secure and reduces our carbon footprint.

Defensive Lines**Timescales**

- Feedback from stakeholders, following consultation on Phase 2 of the RHI, was generally positive and my Department is currently finalising proposals. I hope to make an announcement shortly on the extension of the scheme to domestic installations.
- The domestic RHI in GB is expected to commence very shortly, however DECC first consulted on their scheme in September 2012. This shows the complexities involved in the design and implementation of these schemes.

Lower tariffs

- The NI levels of support tend to be lower than in GB, reflecting fact that the cost difference between oil and renewables is less than between gas and renewable i.e. GB require higher tariffs to move consumers away from gas.
- However, the financial benefits for consumers switching to renewables in NI will be similar to those experienced in GB when you factor in both the RHI payments and the ongoing fuel savings (which are greater in NI).

- Uptake in the NI RHI compares favourably with the GB RHI. Despite being less than 3% of the heat market, the NI scheme has close to 7% of applications and 4% of accredited heat capacity compared with the GB scheme over similar time periods.

CT Loans

- I am aware that there was a recent issue regarding the compatibility of the RHI with the 0% interest loan offered by the Carbon Trust. This issue has been resolved and it has been determined that the two schemes are compatible.

Background

1. Solmatix is a local renewable energy company specialising largely in the supply and installation of solar thermal and solar pv panels.
2. Under the RHPP Solmatix have installed 95 solar thermal panels, making them the highest solar thermal installer (responsible for 30% of all solar installations).
3. No solar thermal has been installed to date under the commercial RHI, however this is not entirely surprising given that only 130 systems have been installed in GB over 2 years (3% of GB RHI installations). The tariff for solar thermal in NI is 8.8 pence and in GB it is 9.2 pence.