



Department
of Energy &
Climate Change

UK Biomethane day

9TH April 2014



Context

Biomethane injection tariff

- RHI launch (November 2011) – No operational btg projects
- 3 plants now accredited to the scheme.
- Healthy pipeline of projects
- Biomethane is a key technology
- 15% of RHI deployment to come from biomethane in 2015/16



Tariff review - Announcement

**Value for
money and
market
sustainability**

Industry - Risk of overcompensation for large biomethane to grid plants under the current Renewable Heat Incentive (RHI) biomethane injection tariff.

Larger plants benefit from economies of scale which can make them efficient generators of renewable energy, but their costs may not justify support at current levels.

Initial analysis has concluded that there may be a risk of overcompensation for large plants or sites with existing assets. Value for money risk for the taxpayer.

Vital that we get the level of support right so that the market can invest with confidence, RHI support is spent efficiently and the market can grow sustainably.

28 February – DECC initiated review of the tariff



Next steps

Updating cost and
performance
evidence

Policy
development –
Considering
banding or tiering

Consultation



Tariff Certainty – Current parameters

Government Response – December 2013 - Confirmed we aim to introduce a tariff guarantee for the largest installations, subject to state aid and parliamentary approval

Eligibility

- **ALL** large installations (>1MW)
- Should we set a time limit by technology or set the time limit for each application on a case by case basis (within the spending review period)?
- Application via tariff guarantee or preliminary accreditation, not both

Application process

- Need to avoid speculative applications, whilst ensuring that tariff guarantees are available to those that have a genuine need.
- Application process must be simple but robust
- How often should we check up on applications and what information should we ask for?
- Should all installations over 1MW have to apply via tariff guarantee route?



Involvement in tariff certainty policy development

- We plan to launch an informal consultation in late Spring that will run for approximately 6 weeks. Will this provide sufficient opportunity to respond or should we use a more traditional, formal consultation approach?
- During the informal consultation we will run workshops across the country and use online engagement/social media.
- If you can host a workshop or have an event you would like us to attend, please let us know.
- We are also keen to develop our evidence base for planned large scale projects between now and 2020.

For more information please contact: ruth.richmond2@decc.gsi.gov.uk



New sustainability requirements

Autumn
2014

- Minimum 60% GHG emission saving relative to EU fossil fuel heat average

Spring
2015

- Land criteria introduced: RED for other types



All existing & new applicants **MUST** comply with criteria, from date legislation in force.
This will impact any fuel purchased now but intended for use later

Note – *Waste feedstocks (including manure and slurry) are exempt*



What does this mean for non-domestic RHI participants?

Two methods of showing Ofgem that you comply

Self-reporting to Ofgem	<ul style="list-style-type: none">• Quarterly declaration to Ofgem plus annual independent audit• Participants using this route should start to familiarise themselves with the B2C2 Calculator
Sourcing from the Biomass Suppliers List (BSL)	<ul style="list-style-type: none">• Biomass Suppliers List will be launched Spring 2014. Participants advised to start sourcing from BSL as soon as possible• Participants who supply their own fuel should register on the BSL as a 'self-supplier'

From Autumn 2014 all fuel used must comply with the sustainability criteria (with the exception of waste, manure & slurry). Participants using non-compliant fuel will face sanctions

This will impact any fuel purchased now but intended for use later – so stock pile carefully and think early about how you will comply



Grandfathering – the rationale

In December 2013 we announced an updated policy on grandfathering – RHI sustainability standards will now not be grandfathered.

- Subsidy programmes need to retain a strong environmental position
- Research into the complex field of biomass sustainability is ongoing

- Heat projects are smaller scale than those under the RO
- Supply chain is more agile & would be able to cope with revised criteria

- Need to strike the right balance for the RHI between flexibility and certainty
- Allows us to set the current criteria in line with the information available today



Giving certainty to projects and investors

Timing

- Dec 2013 document said that we do not currently anticipate reviewing criteria until 2017

Consultation

- Formal consultation
- Potential impact on participants will be a key consideration

Transition

- Incremental updates
- Appropriate transitional arrangements

Note – this assumes no mandatory EU sustainability legislation will be brought in