

Details of new Renewable Heat Incentive (RHI) published

The Department for Energy & Climate Change (DECC) has published details of how the new Renewable Heat Incentive (RHI) will function. The RHI is a key policy instrument in DECC's drive to reduce carbon emissions by 80% by 2050. The RHI aims to increase the uptake of low-carbon heating - heating accounts for 47 per cent of total UK final energy consumption yet only 1.5 per cent of it is generated from renewable sources. Currently, only 2 per cent of the UK's heat demand is met through direct heat sales (e.g. community heating schemes fuelled by CHP plants).

Under Phase 1 of the new scheme, which is likely to come into operation in July 2011, the generation and use of renewable heat (and *delivered* biomethane) in the non-domestic sectors will be incentivised through quarterly payments over a 20 year period. The RHI will only support *useful* heat - acceptable uses include space, water and process heating. Crucially however, the use of heat for cooling (e.g. absorption chillers) *is* supported, although cooling generated by heat pumps is excluded. Payments will be made to the owners of eligible installations via the industry regulator, Ofgem.

Eligible installations include biomass boilers/power plants, energy from waste plants fuelled by municipal solid waste (MSW) or other biomass-rich solid wastes (e.g. waste wood), and biogas burners, as well as biogas injected directly into the gas grid. However for heat technologies, only the proportion which is attributable to renewable sources qualifies for the RHI. It seems likely that the evidential requirements that are currently in place for Renewable Obligation Certificate (ROC) eligibility will be applied to the RHI - for example the biomass component of MSW will be deemed as 50% unless proven otherwise.

Tariffs, which will be RPI linked, have been set at 2.6p/kWh for biomass plants larger than 1MWth. For smaller installations, tariffs have been tiered and are dependent on annual output. Biomethane grid injection will receive 6.5p/kWh.

The scheme is the first of its kind in the world and seems likely to have a huge impact on the viability of many new biomass-fuelled CHP schemes.