

Government introduces equitable funding arrangements for RHI

- Threat to delivery of low-carbon CHP removed and lifeline provided to intensive energy users and those in fuel poverty
- Commitment to incentive for renewable heat welcome

The Combined Heat and Power Association (CHPA) today welcomed the announcements confirming delivery of a Renewable Heat Incentive (RHI) by Government.

Confirmation that the policy will proceed is of crucial importance, helping to ensure that low-carbon heat supply makes a major contribution to the UK's renewables target and the decarbonisation of the UK energy economy.

Detail on the way the RHI is set to be funded is also highly significant and welcomed by the CHPA. Government has chosen to derive funding for the RHI through general taxation, rather than adopting the original proposals for a levy on fossil fuels used for heating. If adopted, the levy would have risked penalising a range of groups – from consumers in fuel poverty through to intensive energy users in industry – unable to access renewables at the present point in time.

The confirmed approach to funding will also ensure that users of highly efficient natural gas CHP will likewise not be penalised financially. Under original proposals, the funding arrangements risked acting as a disincentive to uptake of a highly environmentally beneficial energy efficiency technology.

Key details of the scheme are however still to be finalised and are expected to be published before the end of the year. It is important that the Government moves quickly to confirm details of the scheme to allow many biomass CHP schemes to proceed to development.

Graham Meeks, Director, CHPA, explains: “It is very encouraging to see that Government has addressed the concerns of many across the energy sector, including the CHPA, on the need to ensure the RHI is funded in an appropriate manner. They listened and took action over the serious concerns we raised. This is to be commended.

“Now that the RHI has been confirmed, we need to move quickly to clarify details of the scheme. There are many important biomass CHP schemes in development, but the uncertainty over the future of the RHI has caused most of these to be put on hold.

“To get the industry moving again, and delivering against our renewable targets, it is vital that we see quick progress. We need reassurance that the value of the RHI for CHP projects will be equivalent to the value of the existing incentives under the Renewables Obligation. And we still need much-needed clarity over grandfathering arrangements for RO qualification.

“Today’s announcements have been an important step forward.”

“We will also seek to work with Government to ensure that the RHI can work to support the development of district heating networks. Over 50 separate responses to the RHI consultation stressed the key role district heating has to play in the delivery of renewable and other forms of low-carbon heat. This infrastructure will be fundamental to maximising supply and minimising costs under the RHI.”