

UK Biomass Heat Policy: Formula for Success or Recipe for Disaster?

Graham Meeks
Head of Fuels and Heat
Renewable Energy Association

Wood Pellet Fuel Production Seminar
13 June 2006

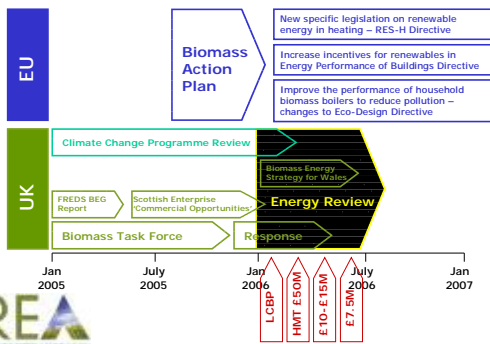


Policy Update

- Big picture
- What's in the frame
- Blue skies?



Policy Overview



Summary Outlook

- Energy Review
 - "the best opportunities for reducing the UK's reliance on gas for heating would seem to rest in energy efficiency"
- Climate Change Programme
 - Only 100,000 tonnes of carbon savings p.a.

- Biomass Task Force
 - Renewables could meet 3% of heat demand by 2010 and 75 by 2015
- Carbon Trust Review
 - Carbon savings of up to 5.6 MtC p.a.



Summary Policy Approach

- Carrot:
 - Capital grant programmes
- Stick:
 - Building Regulations
 - Planning



Grant Programmes

- Bioenergy Capital Grant Scheme
- Low Carbon Buildings Programme
- £50M microgeneration accelerator
- Biomass "Heat Scheme"
- Bioenergy Infrastructure Scheme being addressed later



BioEnergy Capital Grant Scheme

- | | |
|-------------|---|
| Headlines | <ul style="list-style-type: none"> New round opened April 2006 Minimum of £2.6M of funding from Big Lottery Fund |
| Eligibility | <ul style="list-style-type: none"> Targeted to support small-scale biomass heat and combined heat and power projects. Applications of £50,000 to £500,000 |
| Conditions | <ul style="list-style-type: none"> Tender round closes 31 July 2006 Awards granted September 2006 |



Further details:
<http://www.biglotteryfund.org.uk/apply-uk>

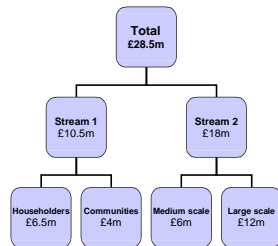
LCBP: Aims of the Programme

- Reduce carbon emissions from buildings by combining energy efficiency measures and microgeneration products
- Demonstrate on a wide scale emerging microgeneration technologies
- Measure trends in costs of microgeneration technologies
- Raise awareness by linking demonstration with wider programme of activities



LCBP: Funding Available

- £28.5m to provide grants for microgeneration technologies (2006 – 2009).
- DTI to publish details (following consultation with industry) on extra £50m.
- Additional £5m for Stream 2 (EE advice, support & dissemination)



Timetable

Funding stream	Launch date	Spend deadline
St1 householders	May 06	March 2010
St1 communities	June 06	March 2010
St2 medium scale	July 06	March 2010
St2 large scale	September 06	March 2010



Funding processes

Funding stream	Process
Stream 1 – householders	1st come 1st served Technology blind 2-page application form
Stream 1 – communities	1st come 1st served Targets grass roots communities No State Aid clearance
Stream 2 – medium scale	Competitive call for proposals every quarter Independently assessed All sectors and all building types welcomed
Stream 2 – large scale	Competitive call for proposals 2-stage application process (building, then technical assessment) All sectors and building types welcomed Carbon Trust support for successful applicant



Conditions

- Accreditation**
- Installations must be carried out by an accredited installer
 - Only approved products will be grant funded
 - Interim scheme:**
 - details of accredited installers available on existing schemes' websites, incl. LCBP
 - New accreditation scheme:**
 - Will cover certification of products incl. performance criteria; accreditation of services; setting up an installer code of conduct
- Energy Efficiency**
- Condition of the microgeneration grant is a number of energy efficiency measures are already installed, where practicable for the householder:
 - loft insulation
 - cavity wall insulation,
 - low energy light bulbs
 - heating system controls
 - Recommendation for home energy check
- The same premise will be used for all other funding streams




Grant Levels

Stream 1

Stream 2

- Householders:
 - Heat Max. £0.6 – 1.5k
- Communities:
 - Max. £30k or 50% of total costs
- Medium scale
 - £0 < £100k
 - Available for new-build & retrofit
- Large scale
 - £0 < £1m
 - Available for new-build & major refurb.
- Grant constraint
 - 40-50% of total costs (State Aid)

Further details:
 Web: www.lowcarbonbuildings.org.uk
 Email: info@lowcarbonbuildings.org.uk
 Freephone: 0800 915 0990



£50M Microgeneration “Accelerator”


Headlines

Eligibility

Conditions

- HMT initiative announced in Budget 2006
- Aim of accelerating mass-market commercialisation of microgeneration technologies
- Public sector beneficiaries
- Expected to include: PV, micro-wind, solar thermal, biomass, GSHP
- Some distribution between technologies
- Parties capable of delivering mass market delivery
- Expectation of cost savings with volume

Pre-Tender exercise - expected this week
 – will tighten scope of Programme



Biomass Heat Scheme

Headlines


Eligibility

Conditions

Timescales

- Principal response to Biomass Task Force
- 5 year scheme for England
- £10-15M in Years 1-2
- Proposed as extension of Biomass Capital Grant Scheme, to minimise the risk of delays owing to State Aids
- Community, Commercial & Industrial
- Biomass heat or CHP
- Unsuccessful schemes under BECG likely to be eligible to apply
- DEFRA required to spend the allocated funds by April 2008: Government seeking schemes that offer strong prospects for completion by this end-date.
- Number of funding calls yet to be finalised, but the 1st phase of the scheme (2006-2008) may be restricted to a single call.
- Government aims to finalise details of the scheme by end of August.
- The first funding call is likely to close by the end of 2006.

Scottish Parliament announced £7.5M programme on 24 May to support biomass development



Planning and Regulations


Review of Implementation of PPS 22

New Part L

Code for Sustainable Homes

Householder Development Consents

- 90% new-style plans (26/29) include a 'paragraph 8' policy
- Government expects all local authorities to set requirements for on site renewables in developments
- Simplification from current 'alphabet soup'
- Clear trajectories for rising standards over time
- Linked to the Code for Sustainable Homes.
- Government proposes to strengthen Code
- Use Code to drive the direction of building regulations.
- More microgeneration to be treated as permitted development
- End to widespread inconsistency between local authorities



Job Done?




The Missing Link

- Grants are buying time, but:
 - Are unreliable and unpredictable
 - Do not provide basis for sustained growth
 - Unlikely to attract long-term investment *In the industry*
- No concept of a 'heat market', means gas predominates policy thinking
 - Even being overlooked as a means of tackling fuel poverty
- Climate Change Programme Review betrays lack of ambition
 - Sector only provides 100 kt carbon savings

2nd Biomass Task Force Recommendation is key

Recommendation 2

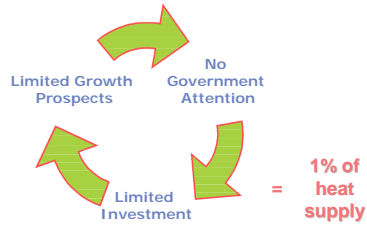
In order to recognise the carbon value of biomass heat the Government should consider and report on potential mechanisms for long-term support including the EU Emissions Trading Scheme, Climate Change Levy and the Energy Efficiency Commitment.



What needs to change?

The industry today is constrained by a vicious policy & economic circle:

Today's
deadlock...



A Renewable Heat Incentive

Equity

- Equal level of incentive for all renewable heat technologies
- Level of incentive should allow heat suppliers and customers to compete for feedstock on a level playing field with other end uses

Flexibility

- Directly reward the benefits delivered, creating a revenue stream
- Below a de minimis level, future benefits recognised as a present value
- Access to incentives for the wide range of parties

Capital Efficiency

- Stable framework & secure revenue streams
- Ability to leverage private capital investment in the industry and supply infrastructure
- Signal introduction of scheme ASAP to deliver maximum impact from grant programmes

Consistency

- The scheme should explicitly provide for convergence with the carbon market – in respect of both function and value.



Graham Meeks
Head of Fuels and Heat
Renewable Energy Association

Email: gmeeks@r-e-a.net

Tel: 020 747 1842




REAA Bioenergy Conference
6-7 September 2006
Weston-Super-Mare
www.r-e-a.net