

WISE Event 11 February 2009

# Government policy on Renewable Heat and Bioenergy

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## Objectives for today

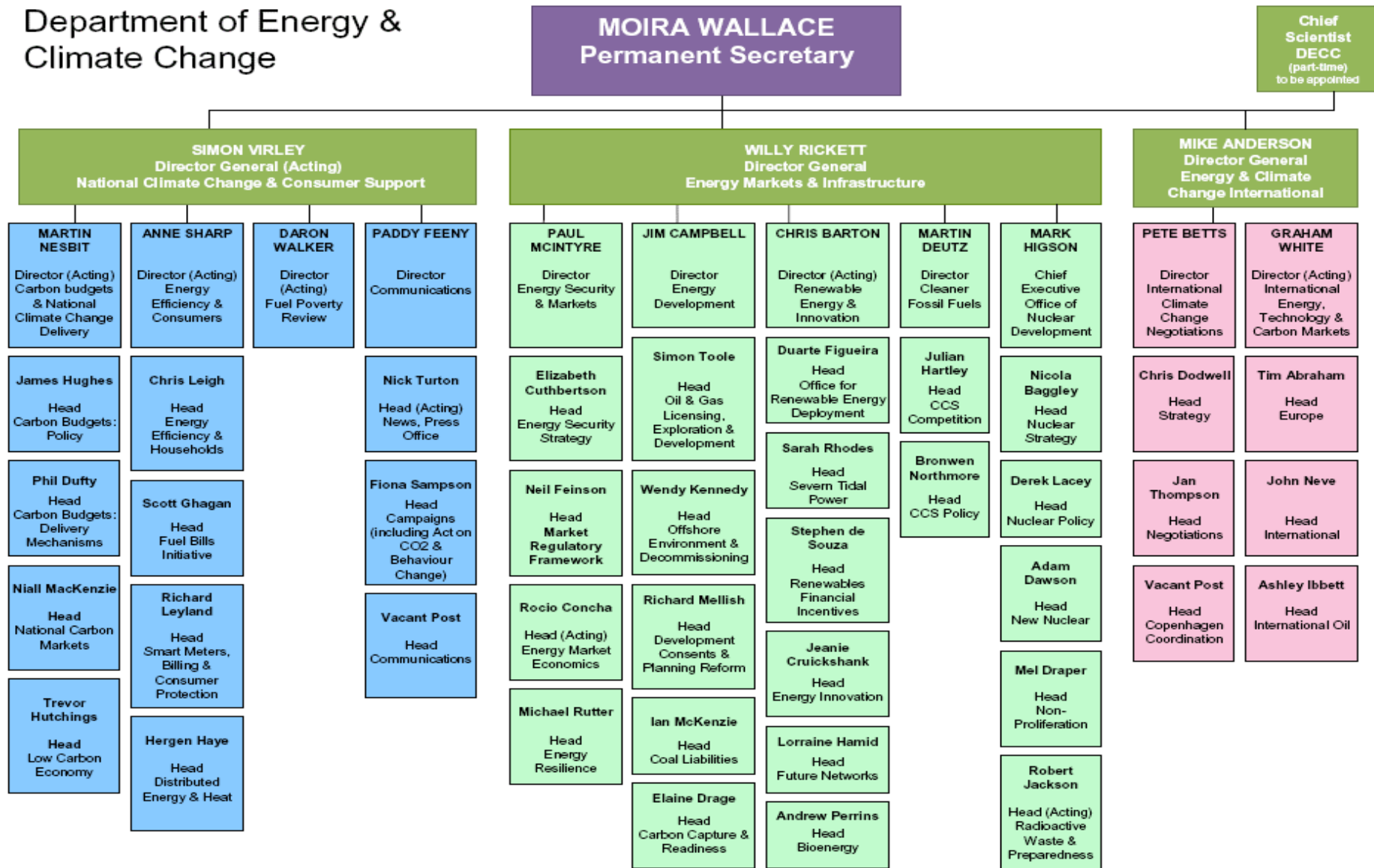
- The bigger picture - what's driving Govt policy on bioenergy and renewable heat?
- The present policy environment
- The future policy environment
  - a closer look at the RHI
  - removing non-financial barriers
- What happens next?
- Q & A

## First things first - who does heat policy?

- Department of Energy and Climate Change (DECC) formed last October
- Heat Policy team from BERR is now in DECC with new name: 'Distributed Energy and Heat Team'. Hergen Haye is head of team.
- Renewable heat - including biomass - falls under DEHT.
- RHI being taken forward by DECC's 'Renewables Financial Incentives' Team
- Bioenergy policy also covered by DECC – head of Bioenergy team is Andrew Perrins

# DEPARTMENT OF ENERGY AND CLIMATE CHANGE

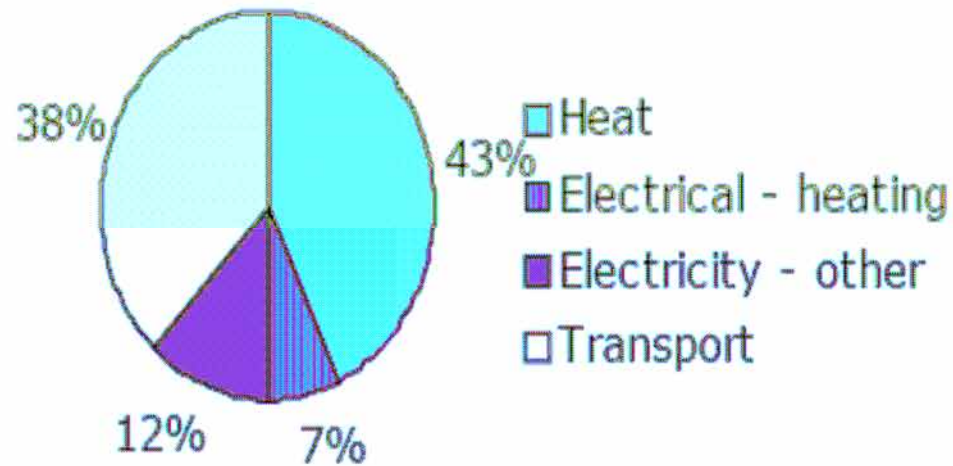
## Department of Energy & Climate Change



DECC organogram available at: <http://decc.gov.uk/pdfs/organogram.pdf>

# Why does heat matter?

Figure 1.1: UK final energy demand 2005



Source: BERR Energy Trends 2007

## Heat is half the battle

- Heat production is responsible for 49% of the final energy consumed in the UK, and 47% of the carbon emissions (2005).
- Meeting UK's 2020 and 2050 carbon reduction targets will require a shift to low carbon heat.
- Heat is central to security of supply issues
- Without large contribution from renewable heat, 2020 EU target on renewable energy cannot be met.

## The 2020 target - a closer look

- Headline target is 20% of final energy demand across the EU by 2020. UK's share of the target is 15% (present level: 2%)
- RES consultation (June 2008) suggested one scenario:
  - 32% of electricity from renewables (5% at present)
  - 14% heat from renewables (0.6% at present)
  - 10% renewable transport fuels (2% at present)

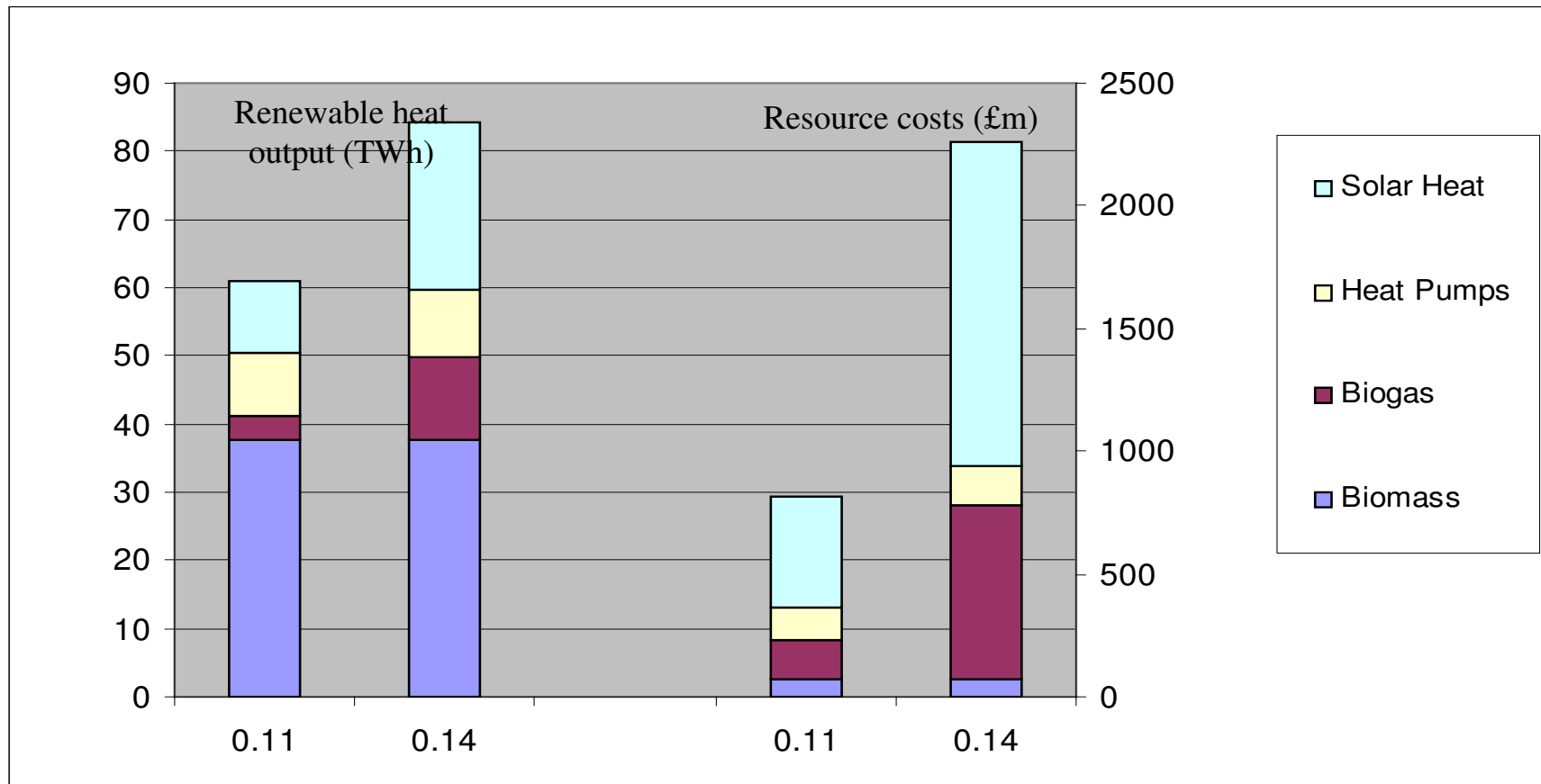
## Biomass could make largest contribution towards 14% total

- Analysis for RES was based on cost curves for renewable heat in 2015, 2018, 2020
- Biomass made biggest contribution under scenarios developed
- *Sustainable* biomass supply was constrained to 7-8%

*NB this is one possible scenario - not a prescriptive plan. Ultimately market will decide most efficient mix of technologies and feedstocks.*



# How might the 14% break down?



## Policies supporting renewables now

- The Renewables Obligation provides financial support to renewable electricity. Will be banded from April 2009: biomass electricity will receive 1.5 ROCs, biomass CHP will get 2 ROCs.
- Range of grant programmes: Low Carbon Buildings Programme, Bioenergy Capital Grants Scheme. Local/ regional grants also available.
- RTFO supports Transport Fuels.

## ‘Business as usual’ will not deliver 2020 target. More policy support on the way...

- Energy Act 2008 includes ‘enabling powers’ that will allow us to establish the ‘**Renewable Heat incentive**’ (RHI).
- This will provide financial support to generators of renewable heat - includes biomass heat at all scales.
- By itself RHI will not deliver renewable heat at the scale we need: we also need to remove **non-financial barriers**.

## A closer look at a (possible) RHI

- The RHI will support to generators of renewable heat at a set rate of £X per MWh
- Provides a predictable income stream to renewable heat generators, increasing uptake and reinforcing supply chains
- Very likely to be banded
- Paid for by levy on suppliers of fossil fuels for heat
- Could be 'deemed' at smaller scales: benefit paid up front to offset high capital costs

The enabling powers in the Energy Act are broad – gives us flexibility to draft the RHI regulations

## Removing non-financial barriers

- Awareness raising of renewable heat opportunities
- Understanding air Quality and biomass heat
- Reinforcing biomass fuel supply chains
- Establish biomass sustainability standards and fuel quality standards
- A clearer view of how we should use the available sustainable biomass fuel sources?

## What happens next?

- Heat and Energy Strategy consultation coming soon.
- Renewable Energy Strategy will issue in late spring
- Work proceeding on RHI development – will require legislation. This is a substantive task
- And work to remove barriers goes ahead – if you think we are not focusing on right areas, TELL US