

The Renewable Heat Incentive



JDS Associates

SUSTAINABLE ENERGY - STRATEGY, PUBLIC POLICY & REGULATORY SPECIALISTS

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Built Environment Briefing: Renewable Heat

Overview

- ▶ The Policy Context – Carbon and Renewables
- ▶ The Policy Instruments on offer & technologies available
- ▶ The Renewable Heat Incentive, in its many forms
- ▶ A case study – heat pumps in this decade and the next

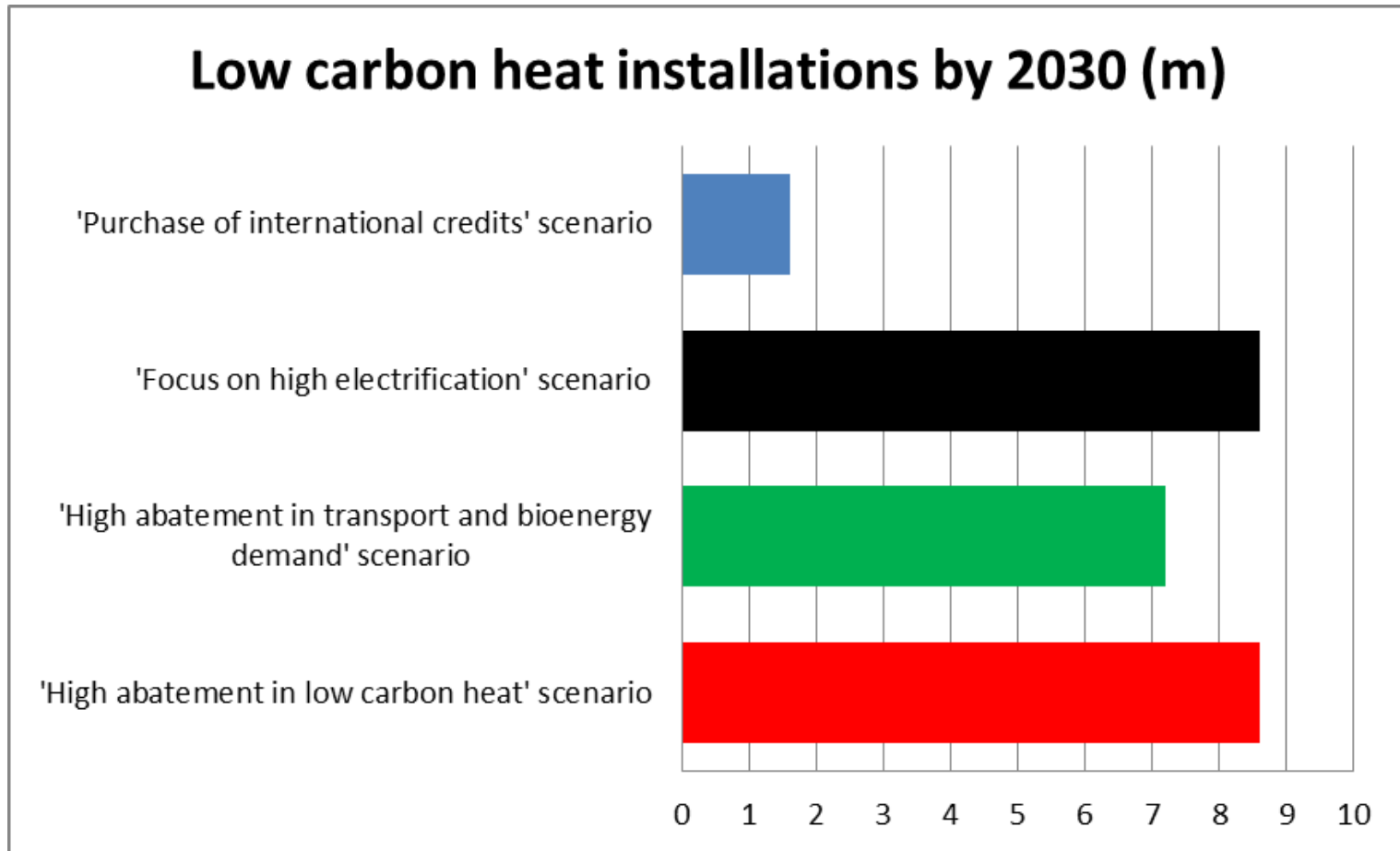


The Policy Context

- ▶ March 2008 EU Council of Ministers Political Agreement
 - ▶ 20/20/20/20/20 per cent
 - ▶ Carbon / Renewables / Energy Efficiency, all by 2020
- ▶ Implementing Instruments:
 - ▶ EU
 - ▶ Renewable Energy Directive
 - ▶ + 4 Directives on energy efficiency
 - ▶ UK
 - ▶ Renewables Obligation / Feed-in-tariffs
 - ▶ Renewable Heat Incentive
 - ▶ Building Regulations



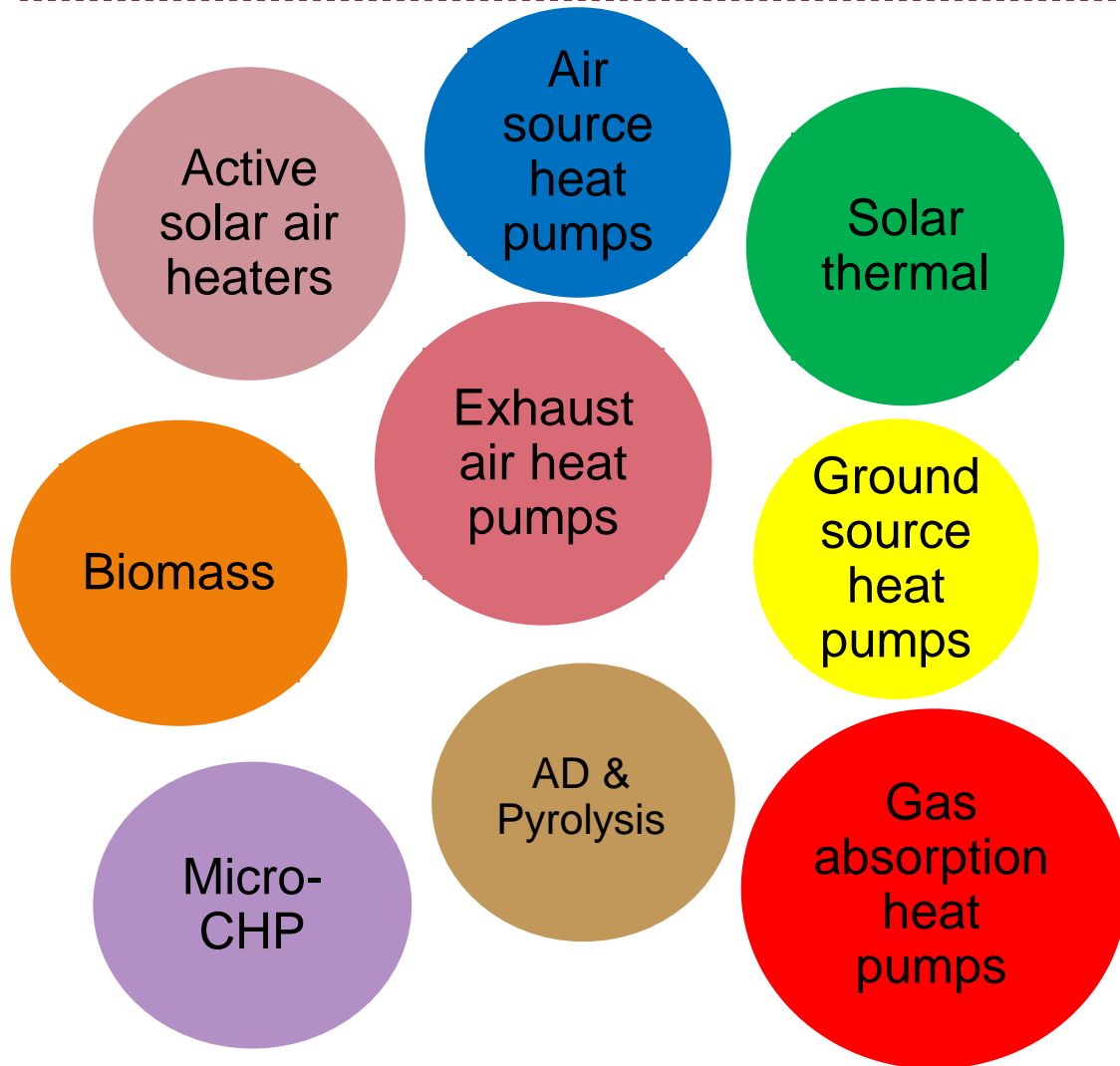
The long term challenge (1)



DECC, Carbon Plan



Supporting a wide portfolio of low carbon heating technologies



Regulatory Arenas

EU - Renewable Energy Directive

RHI – Phase 1

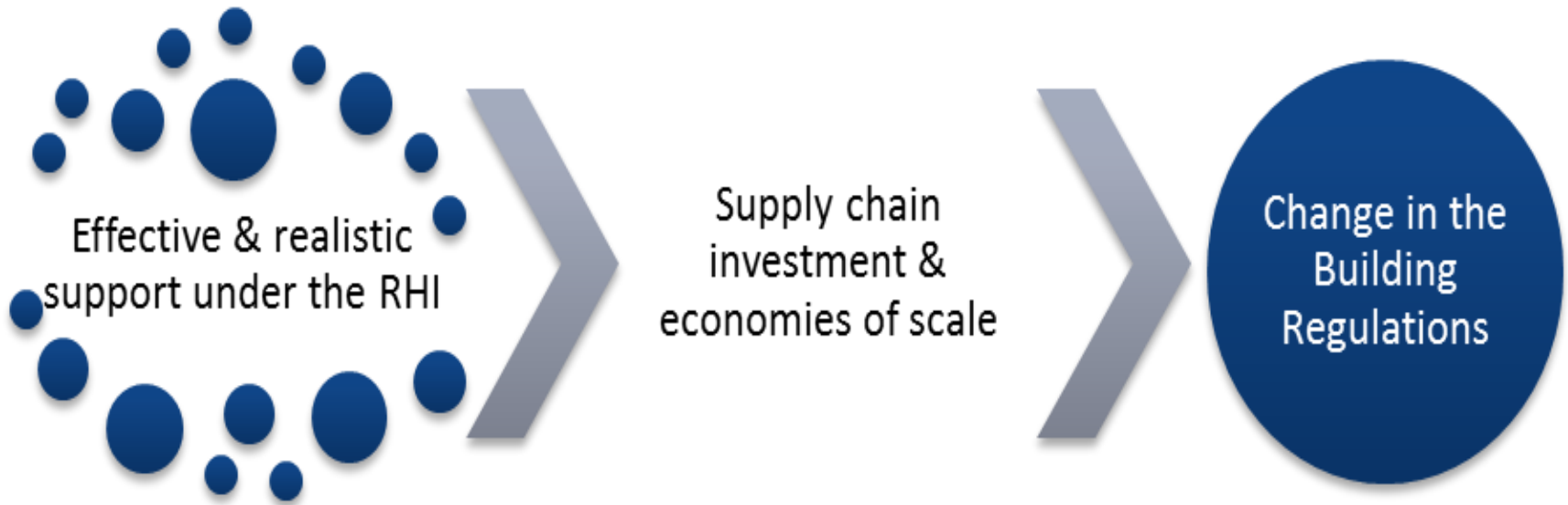
RHI – Phase 2

Feed-in Tariffs

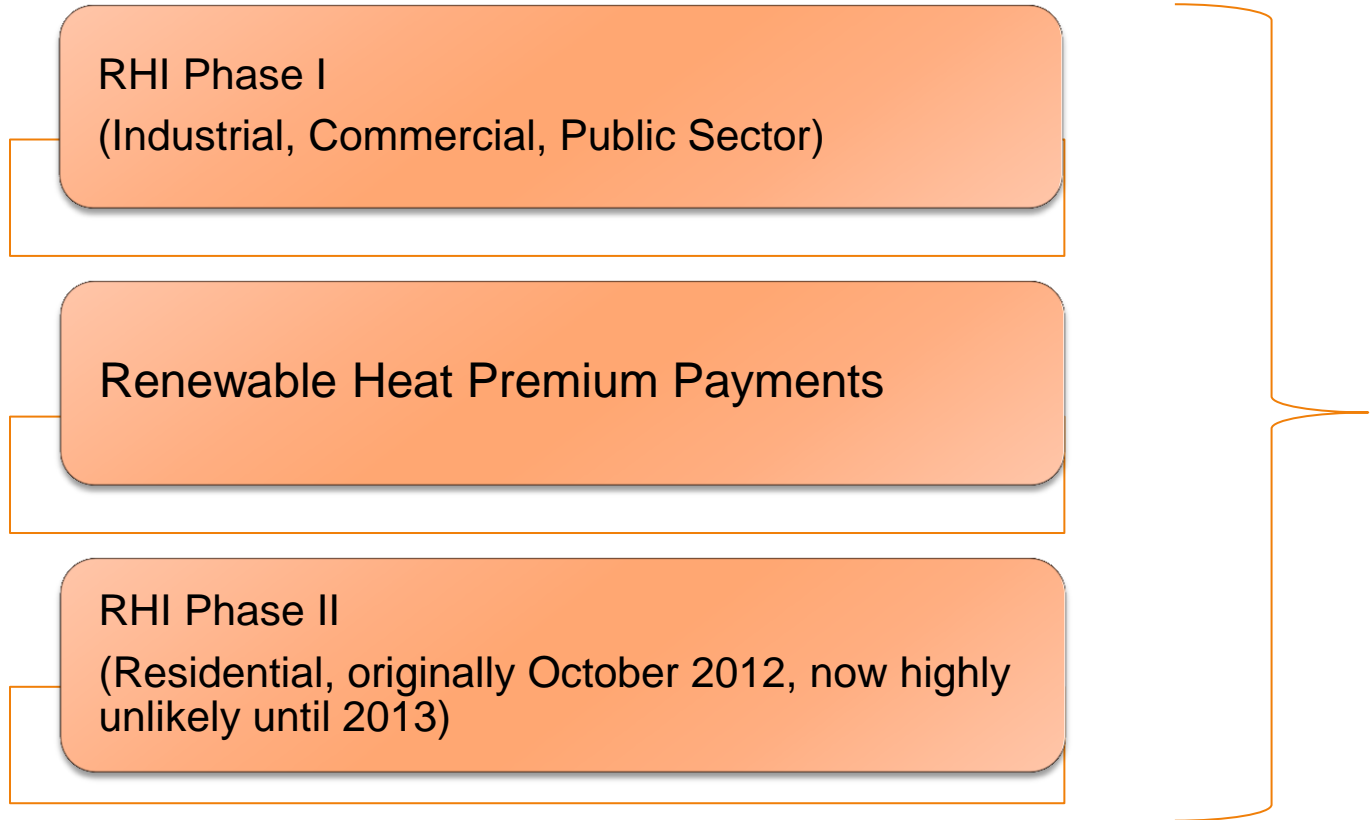
Building Regulations Change



Policy Beyond Subsidy



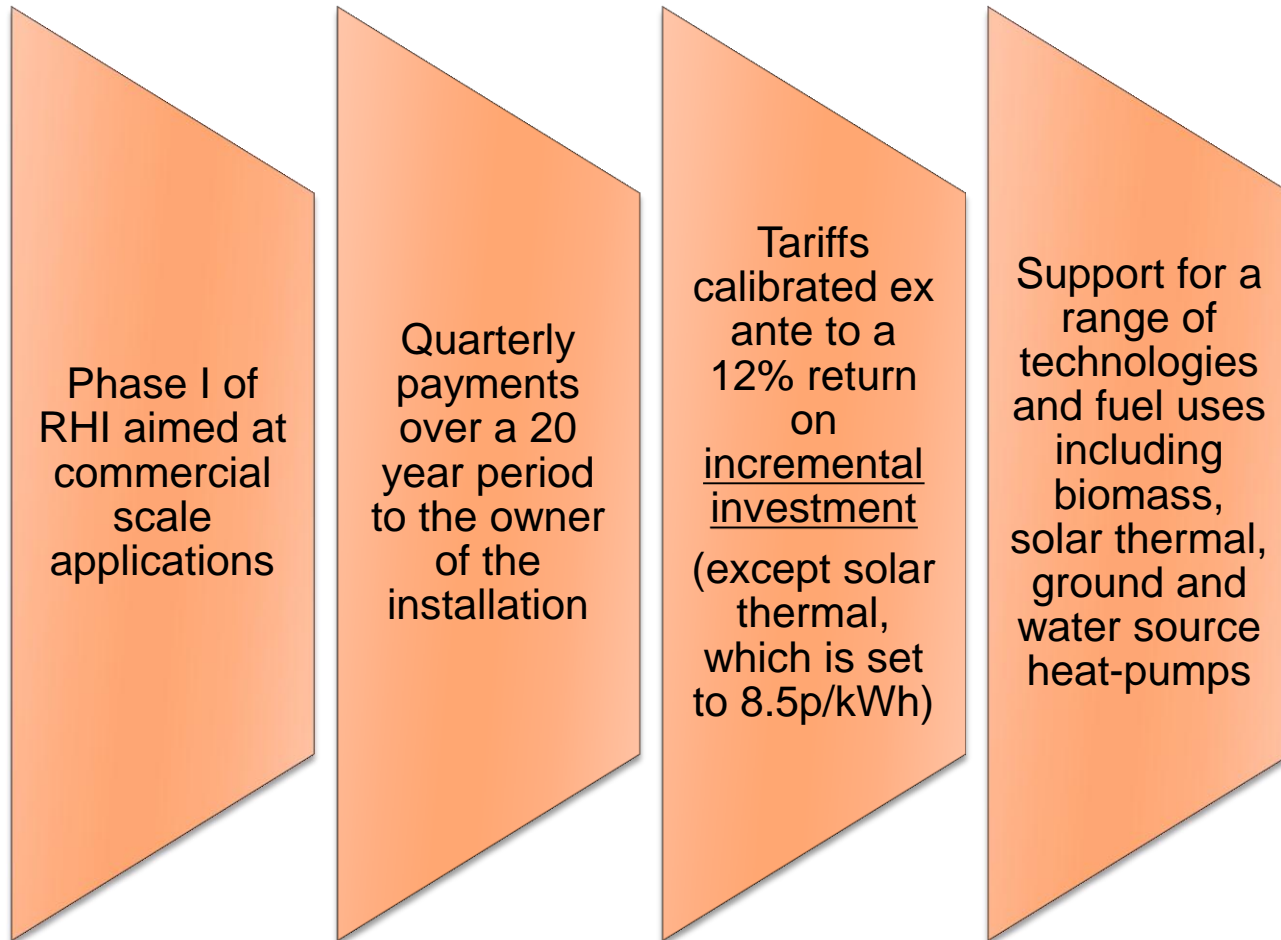
Introduction to policy support for renewable heat



Potential for integration with Green Deal?



Key elements of RHI Phase I





RHI Phase I – emerging concerns

No pre-
accreditation
for solar
thermal

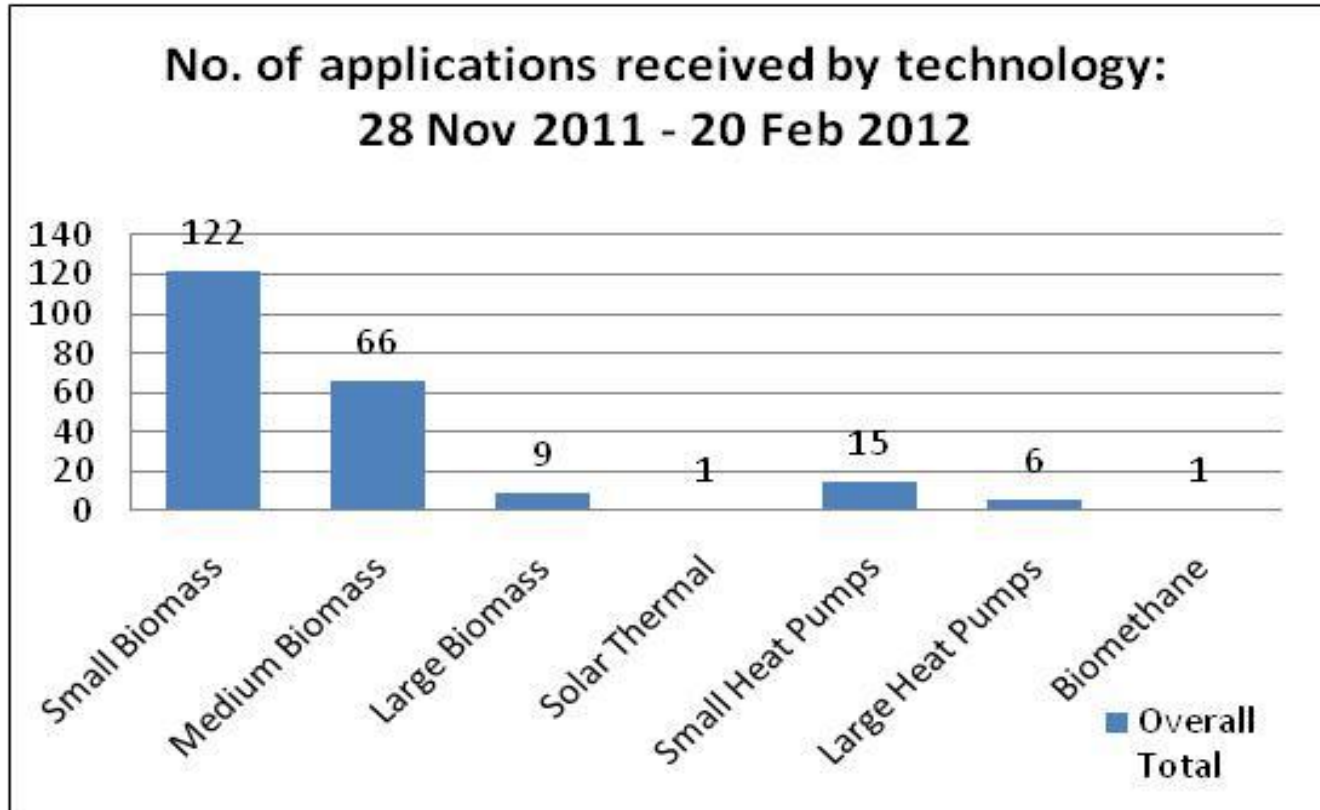
Missing
technologies

Low Uptake
(so far)

Cost control
mechanism
undetermined
(another FIT
fiasco in the
making?)

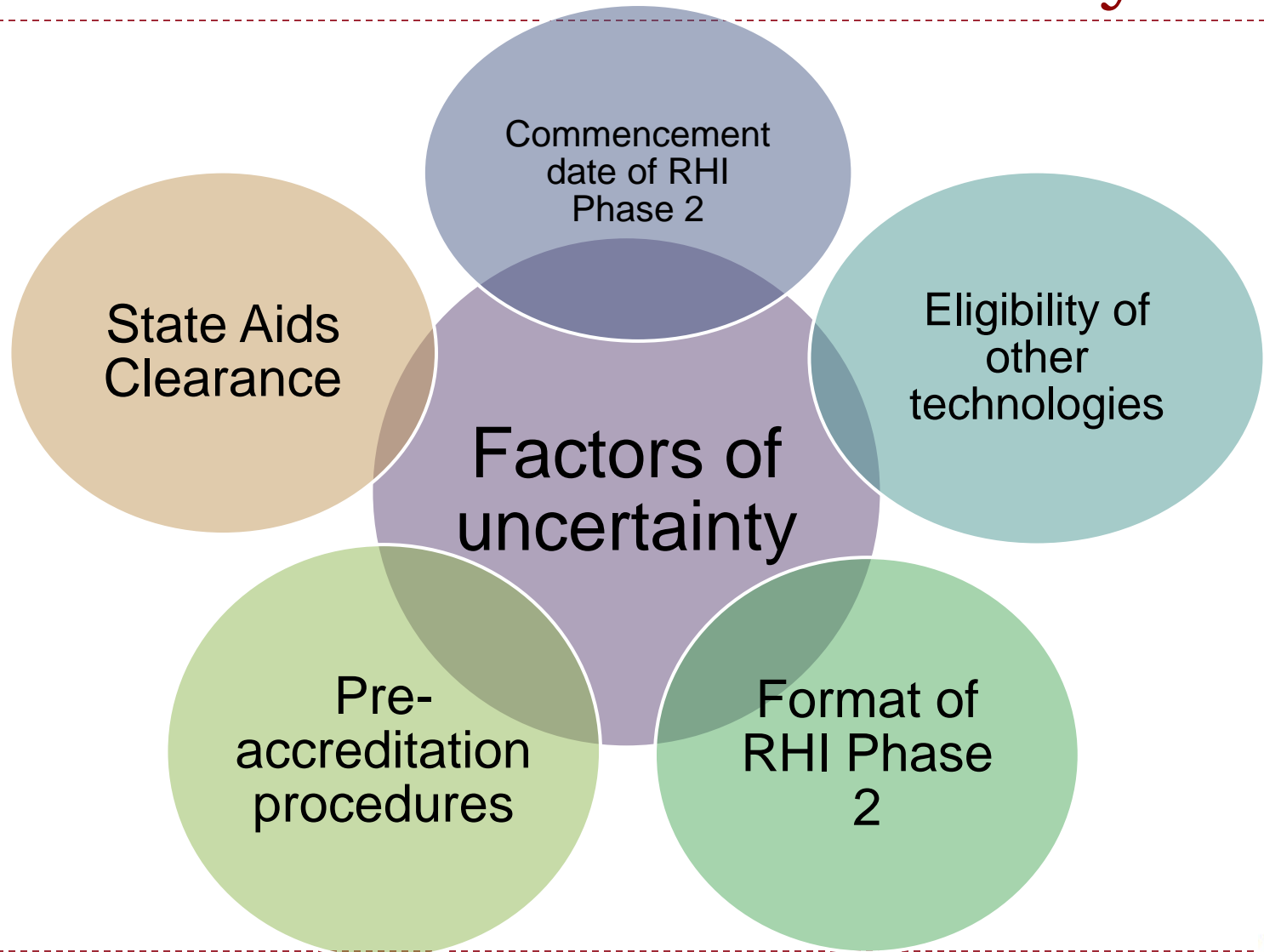


RHI Phase I Uptake by Technology

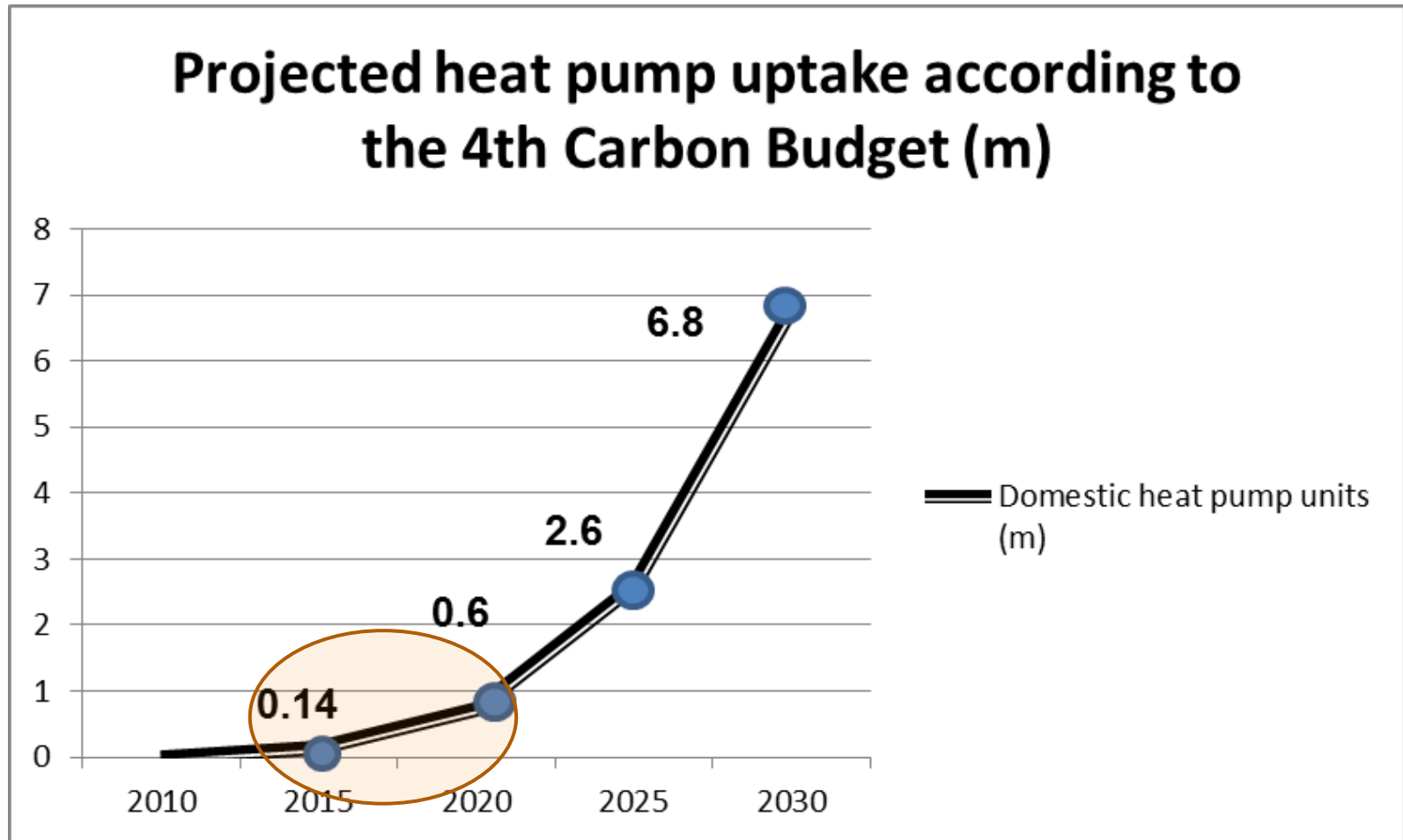


- There are now 5 schemes accredited under the RHI
- As of 12th Feb 2012, 192 applications received in total (incl the 5 accreditations)

RHI – Current factors of uncertainty



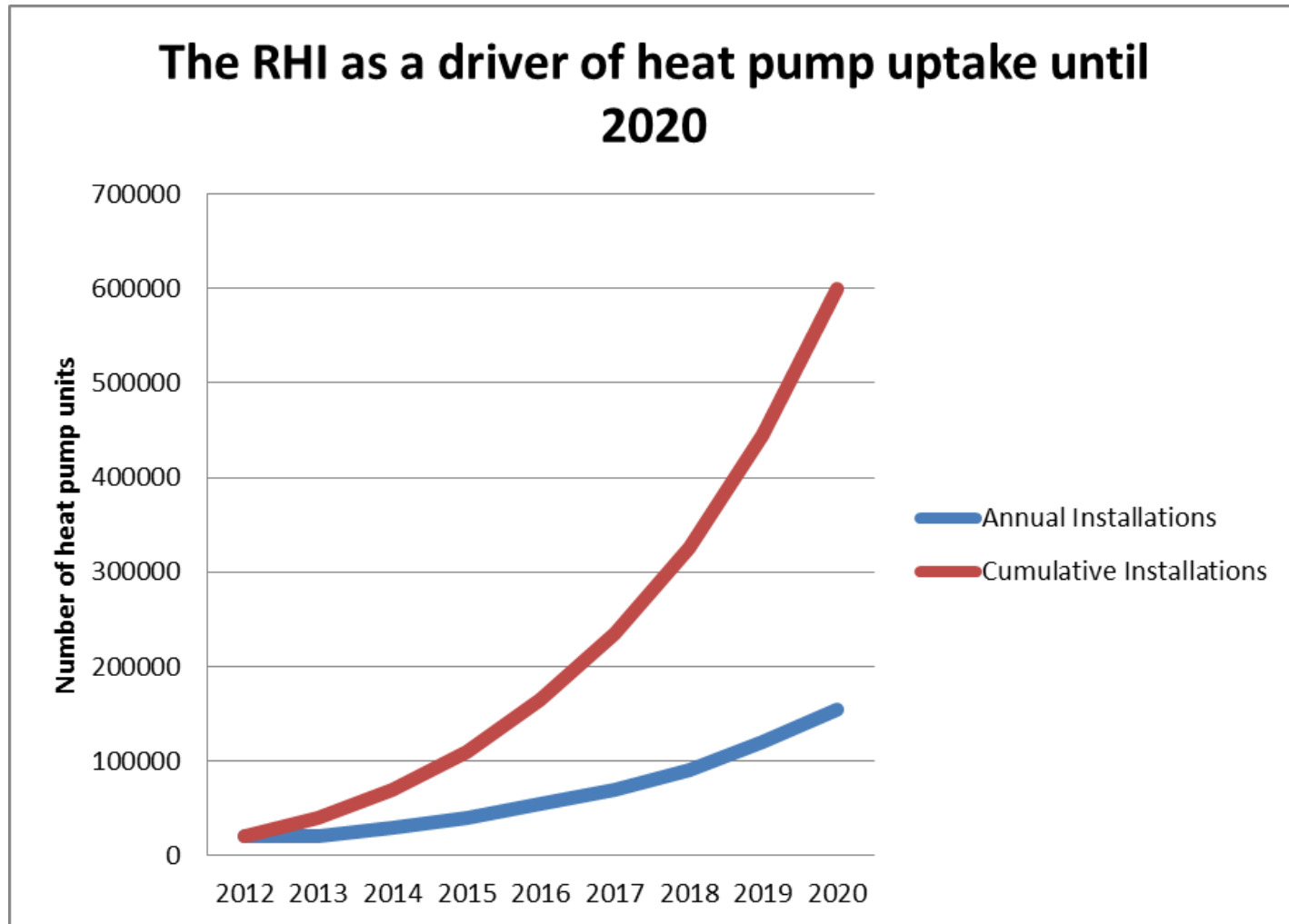
Heat Pumps – A Case Study



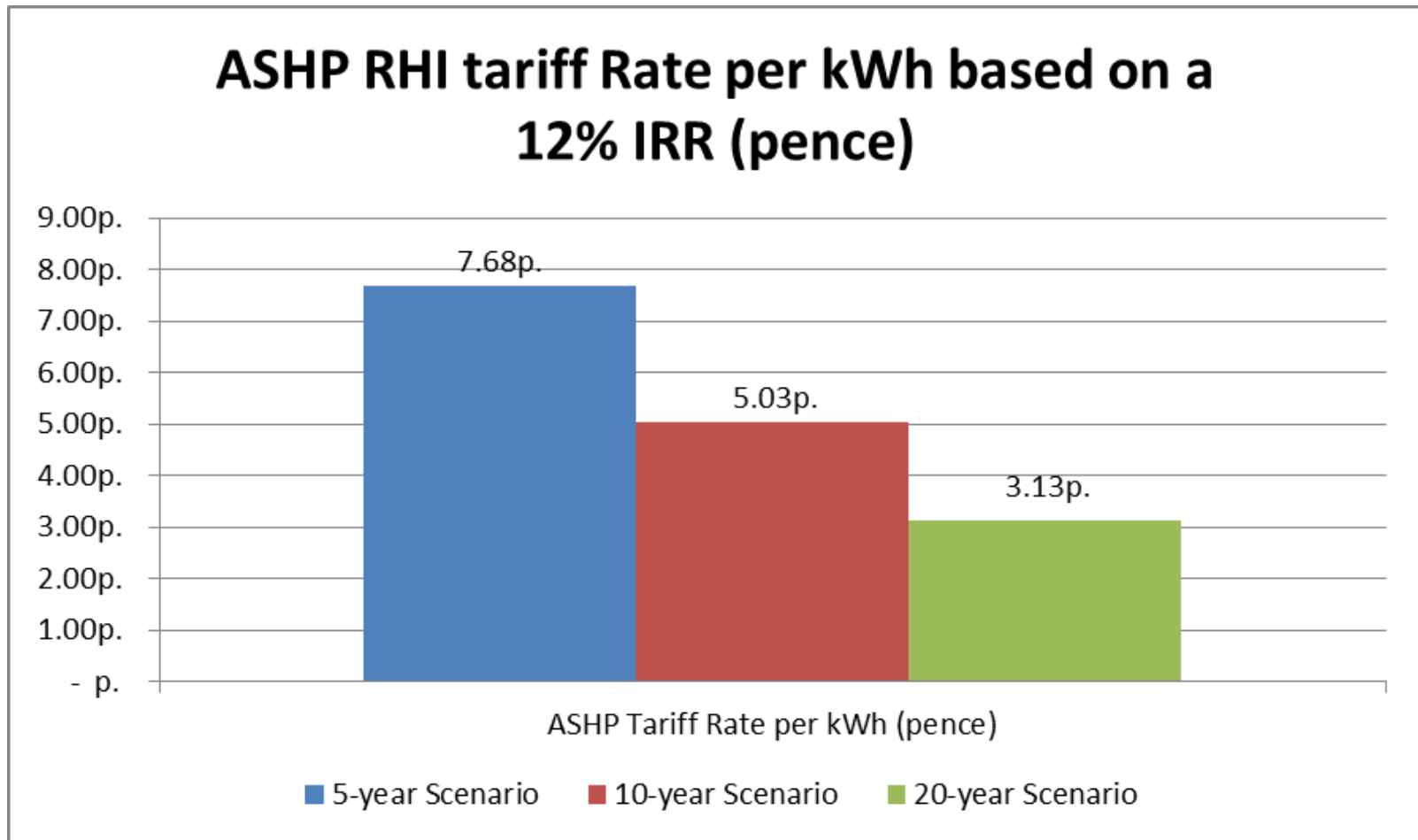
4th Carbon Budget



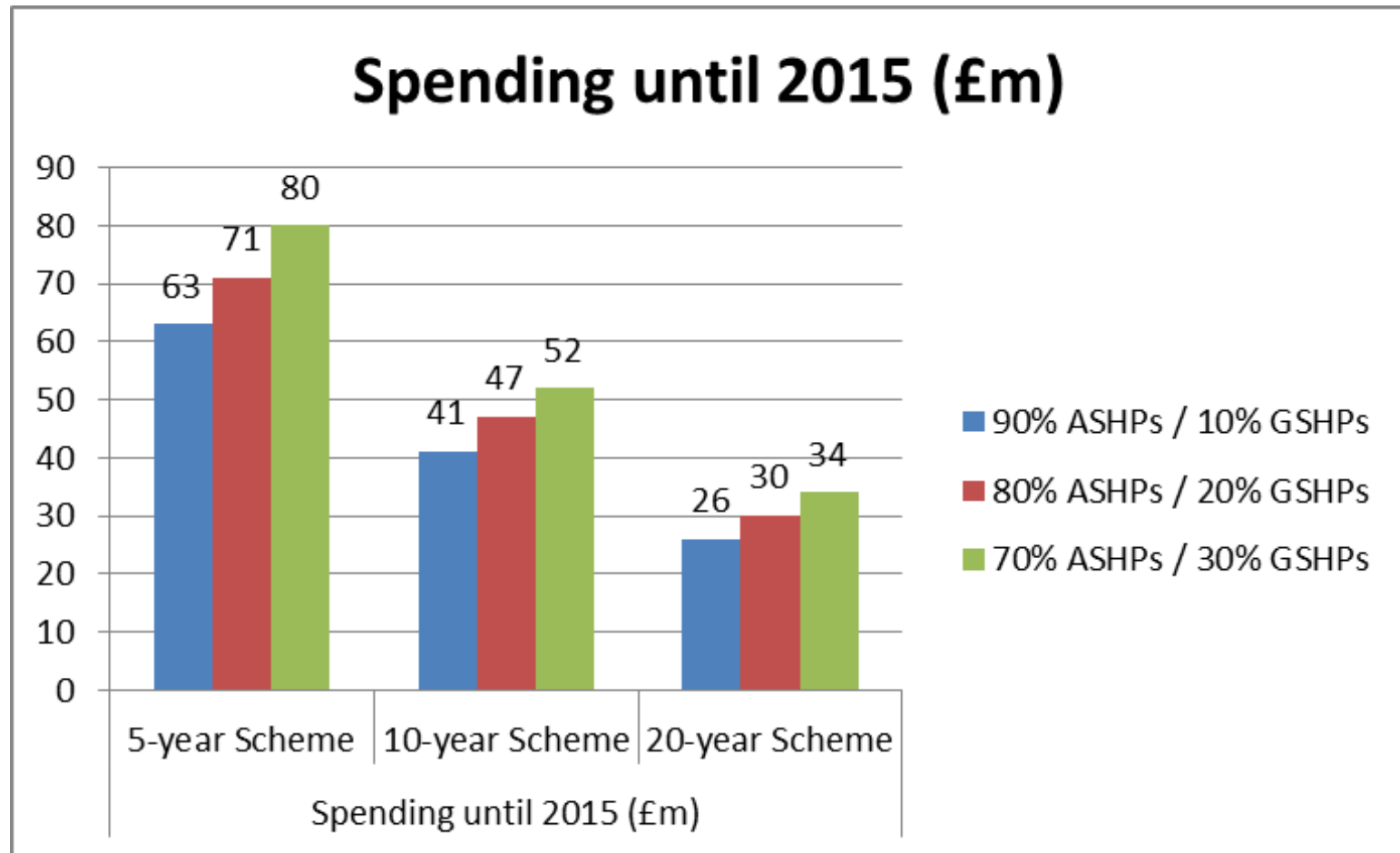
600,000 heat pumps by 2020?



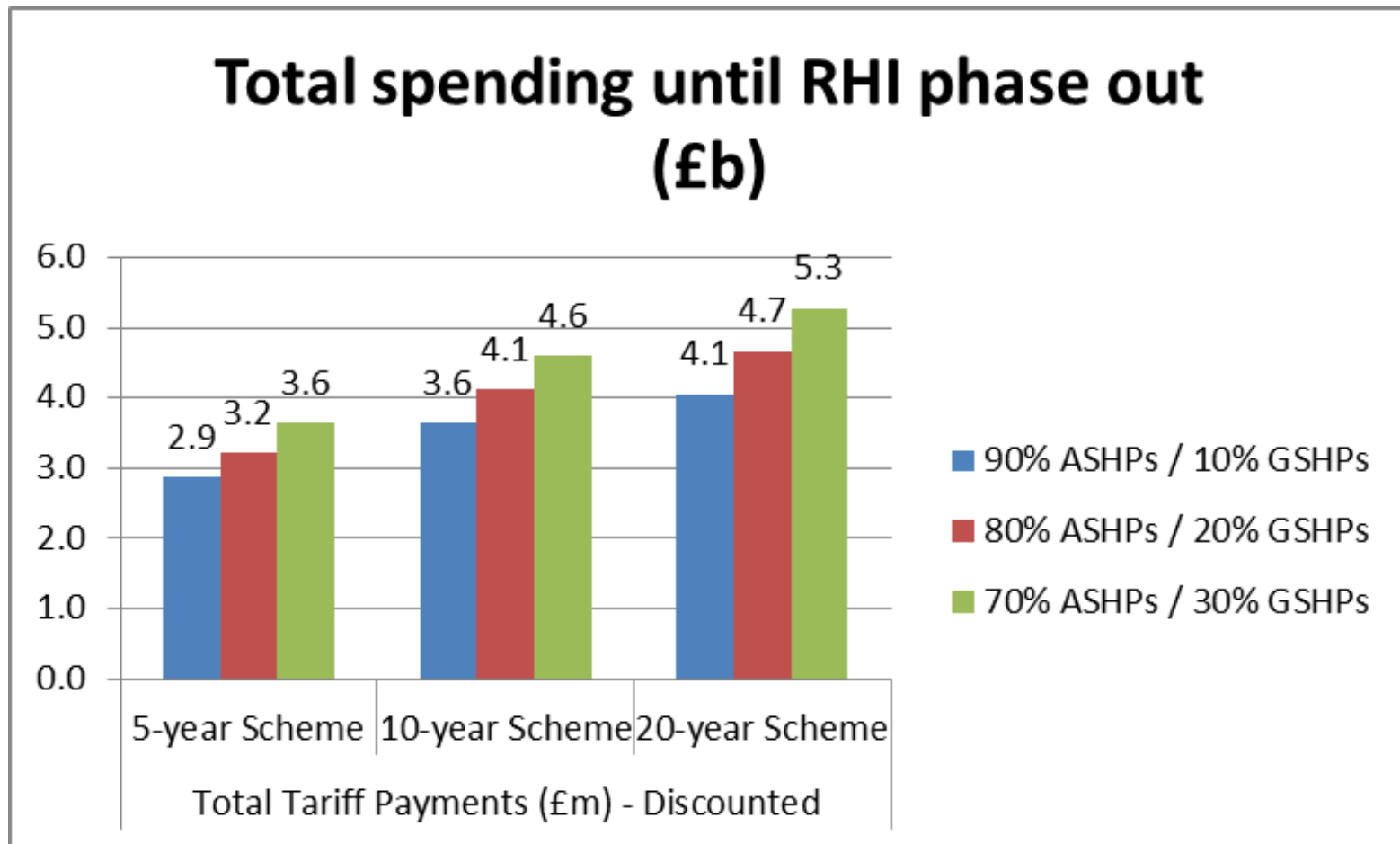
Tariff paid over 5, 10 or 20 years?



Implications for the current Spending Review period

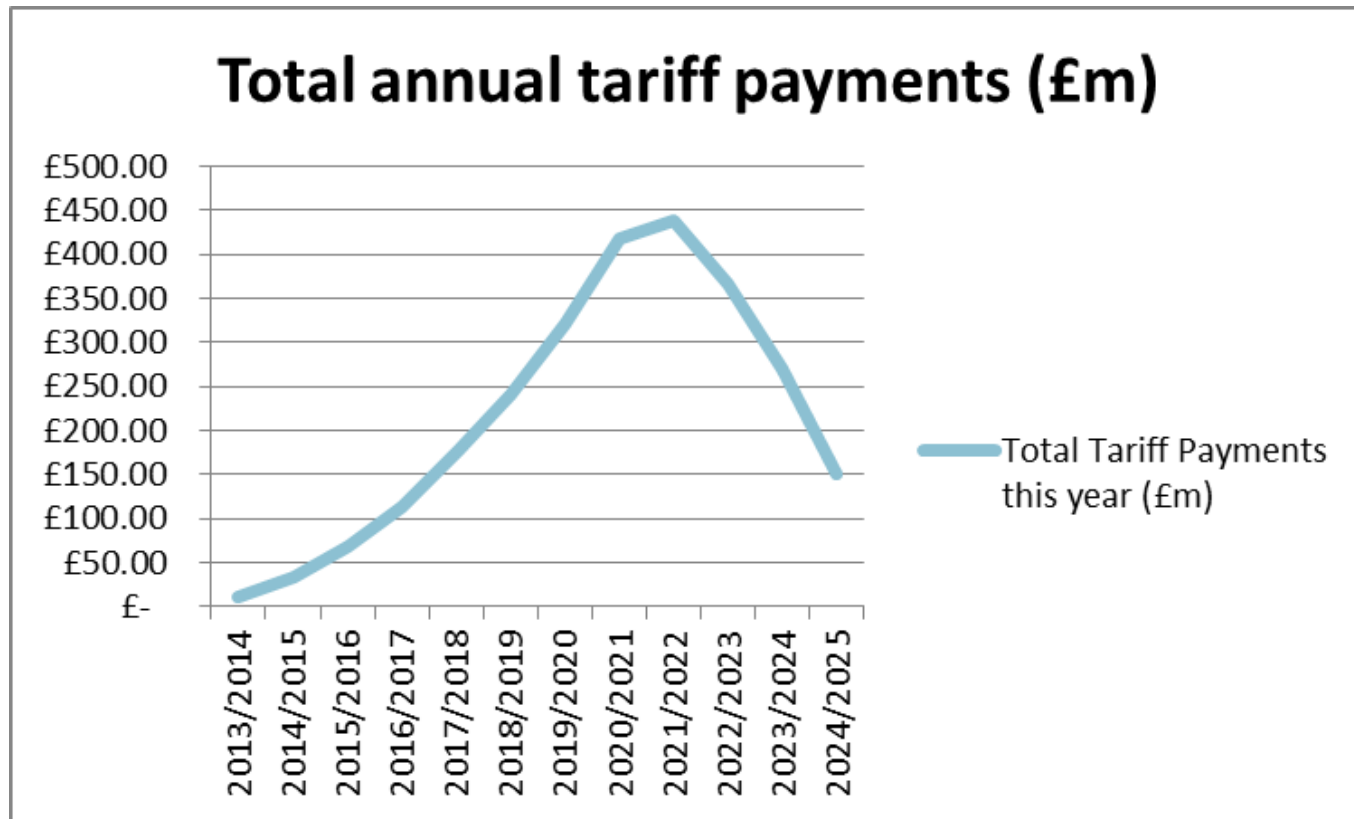


But what about overall Value for Money?



And how much legacy do we store?

5-year tariff duration may combine uptake effectiveness and moderate overall cost



5 year tariff - 80% ASHPs / 20% GSHPs



Concluding Remarks

- ▶ Policy is all-important in the development of the Renewable Heating market
- ▶ It's not all about subsidy! Building Regulations will play an increasingly important role, even in retrofit.
- ▶ Shorter-term payments in the RHI cost less overall, but hit public finances much harder in the early years.
- ▶ Informed policy making is essential – Government needs business' help to develop the right policies that work commercially and strike the right risk / reward balance.
- ▶ The biggest risk to policy and business success is uncertainty.



Thank you

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