

Renewable Heat Incentive  
Department for Business, Energy & Industrial Strategy,  
6th Floor,  
1 Victoria Street,  
London,  
SW1H 0ET

Dear Sir/Madam,

### **The Non-Domestic Renewable Heat Incentive: Eligible Heat Uses**

Scottish Renewables is the representative body for the renewable energy industry in Scotland, working to deliver a low-carbon, secure energy system, integrating renewable heat, electricity and transport at the lowest possible cost. We represent more than 280 organisations ranging from large suppliers and operators to small developers and community groups, right across the supply chain.

As part of the UK Government's binding renewable energy target to secure 15 per cent of its energy from renewables by 2020, there is an ambition to source 12 per cent of UK heat from renewable sources. As of 2014, the latest year for which we have data, progress stood at just 4.5 per cent and it is widely recognised that the overall target "no longer looks achievable"<sup>1</sup>.

Since the launch of the Non-Domestic Renewable Heat Incentive (RHI) in 2011 and the Domestic RHI in 2014, the scheme has played a pivotal role in encouraging the use of renewable heat and it is in our view imperative that the RHI provides a stable framework which encourages investment.

While we broadly support the aims of this consultation to help build sustainable markets and support the right renewable heating technologies for the right uses it is our view that a blanket restriction on certain heat uses would be counterproductive and could have a significant, negative impact on the industry and the rural economy.

Many sectors of the Scottish Economy have benefitted as recipients of the non-domestic renewable heat incentive, which has not only allowed businesses to lower their environmental impact but enabled sustainable business practices to develop and support growing industries in more remote parts of our country. With this in mind it is important that any changes to eligibility are carefully managed and do not undermine the aspirations of UK Government Industrial Strategy.

In addition, it is important to note that a number of projects have committed significant investment towards delivery within timescales that would be affected by the outcome of this consultation. We would encourage BEIS to further protect investor confidence in the RHI mechanism by providing a grace period to manage the transition towards any changes that are introduced.

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<sup>1</sup> Committee on Climate Change (June 2015), Meeting Carbon Budgets – Progress in Reducing the UK's Emissions, 2015 Report to Parliament. [https://www.theccc.org.uk/wp-content/uploads/2015/06/6.737\\_CCC-BOOK\\_WEB\\_030715\\_RFS.pdf](https://www.theccc.org.uk/wp-content/uploads/2015/06/6.737_CCC-BOOK_WEB_030715_RFS.pdf) (p79)

We have set out our key points below and, rather than answer every question individually, we have addressed specific points in relation to the key themes of the consultation.

### **Eligible Uses**

While we recognise the need to control RHI usage, it is our view that a blanket restriction on all forms of drying could undermine a number of legitimate projects. These projects would help to support a transition to renewables sources for heat, where there are sufficiently strong economic reasons for doing so, or where the heat demand would have been otherwise met by fossil fuels.

It is our view that a more measured approach to removing eligibility could introduce necessary controls while protecting investor confidence and enabling the right renewable heating technologies for the right uses

Overall, Scottish Renewables agrees that eligibility should be removed for the following drying use – unless fossil fuel can be shown to have historically supported a commercial operation;

- Wood chip fuel
- Wood pellet fuel
- Log Fuel
- Briquette Fuel
- Waste Drying
- Animal Bedding

We further encourage BEIS to maintain eligibility for the following uses

- Grain drying
- Animal Feed – noting that the RHI should not continue to support (for example) the superficial drying of grass to feed to animals on-site but someone building a new factory to produce feed should be supported.

Finally we acknowledge that some uses would be better resourced through other schemes or on a more commercial basis – and we have set out our thoughts on each of these below

Swimming Pools – we support the removal of swimming pools used for domestic purposes (as defined in Regulation 15 of the Renewable Heat Incentive Scheme Regulations 2011), or where the swimming pool is not used for a commercial purpose from RHI support

Aquaculture: We would welcome further clarity on the driver for removing aquaculture from eligible heat use. While we are aware and acknowledge that heat for some aquaculture uses can be inefficient we would encourage UK Government to consider allowing renewable sources for heating in efficient systems (for example, where water is recycled within the system)

The proportion of heat that can be provided to a single domestic building by a single installation supported by Non-domestic RHI: It is important to note that there are instances where buildings

classed as 'domestic' could not configure an arrangement under the domestic RHI that would satisfy the heat demand required (this is particularly relevant for larger estates etc.), while we accept that the non-domestic RHI should not be used solely to meet this demand, it is important that where there is an opportunity to meet domestic heat demand from a non-domestic application that it should be given appropriate consideration.

**Test of legitimate heat use**

Overall, we do not agree that access to support through the RHI should be allowed unchecked in areas that may be open to misuse. We would therefore welcome the introduction of a proportionate 'test' in addition to the removal of eligibility (where appropriate) to ensure that any RHI applications for the purposes of 'drying' are legitimate.

The requirements of this test should not create a dis-incentive to engage in the application process in the first instance.

For example, where the installation of a renewable heating system is displacing a form of fossil fuel heating a declaration of this fact may be all that is necessary, whereas if the heat use is 'additional' more information may be required to prove that the proposed heat uses have a genuine and commercially viable purpose.

It is our view that this could be achieved with the following evidence requirements

Technology	Evidence required
Wood chip fuel	<ul style="list-style-type: none"> <li>• Historic fossil fuel records – 2 of the last 3 years.</li> <li>• Photographs of the existing installation.</li> <li>• A sales growth factor should be allowed each year</li> </ul>
Wood Pellet Fuel, Log Fuel, Briquette Fuel, Waste Drying,	<ul style="list-style-type: none"> <li>• Historic fossil fuel records – 2 of the last 3 years.</li> <li>• Photographs of the existing installation.</li> </ul>
Aquaculture, Animal Feed, Animal Bedding, Grain drying	<ul style="list-style-type: none"> <li>• Historic fossil fuel records – 2 of the last 3 years.</li> <li>• Photographs of the existing installation.</li> <li>• A clear business plan outlining the scope and scale of investment is provided for new installations</li> </ul>

**Managing the supply chain**

One of the key drivers for intervention in the use of the RHI for drying has been the oversupply of fuel produce which has been concentrated in certain parts of the country. It is our view that in order to serve the long term interests of the industry it is important that the biomass market is able to flexibly respond to areas that may not have sufficient drying capacity.

We therefore encourage BEIS to consider the scope to allow a drying plant in an area of over-production to be moved to a new location where there is not sufficient drying capacity and maintain its RHI support. This may be achieved by grandfathering of eligibility status for already accredited installations.

We would be happy to contribute towards any work arising from this consultation. Should you wish to discuss our response or have any queries, please don't hesitate to get in touch,

Yours sincerely

Michael Rieley  
**Head of Policy**