

The RHI: What could you do with £23 billion?

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Recap: What were the aims of the RHI?

- 12% of all GB heat from renewables by 2020 (11% in Scotland)
 - In Scotland, the scheme operates the same but Scottish Government offers loans to households
- ‘Prepare the market for mass roll out in the 2020s’ (DECC, 2013)
- The scheme was split into domestic and non-domestic
 - Non-domestic opened 3 years after legislation passed
 - Domestic 5 and a half years after legislation passed

So how has the RHI performed

- According to the NAO, 65% less renewable heat delivered than it was originally expected to by now (NAO, 2018)
- Cost-effectiveness of heat delivered appears OK but is questionable (NAO, 2018)
 - I would add that the significant lean towards biomass also makes the scheme look more cost effective than it would otherwise be
- It is not clear what impact ‘gaming’ or ‘loopholes’ has had on scheme delivery (NAO, 2018)
 - But there are significant issues

Expected vs. actual delivery under the non-domestic scheme

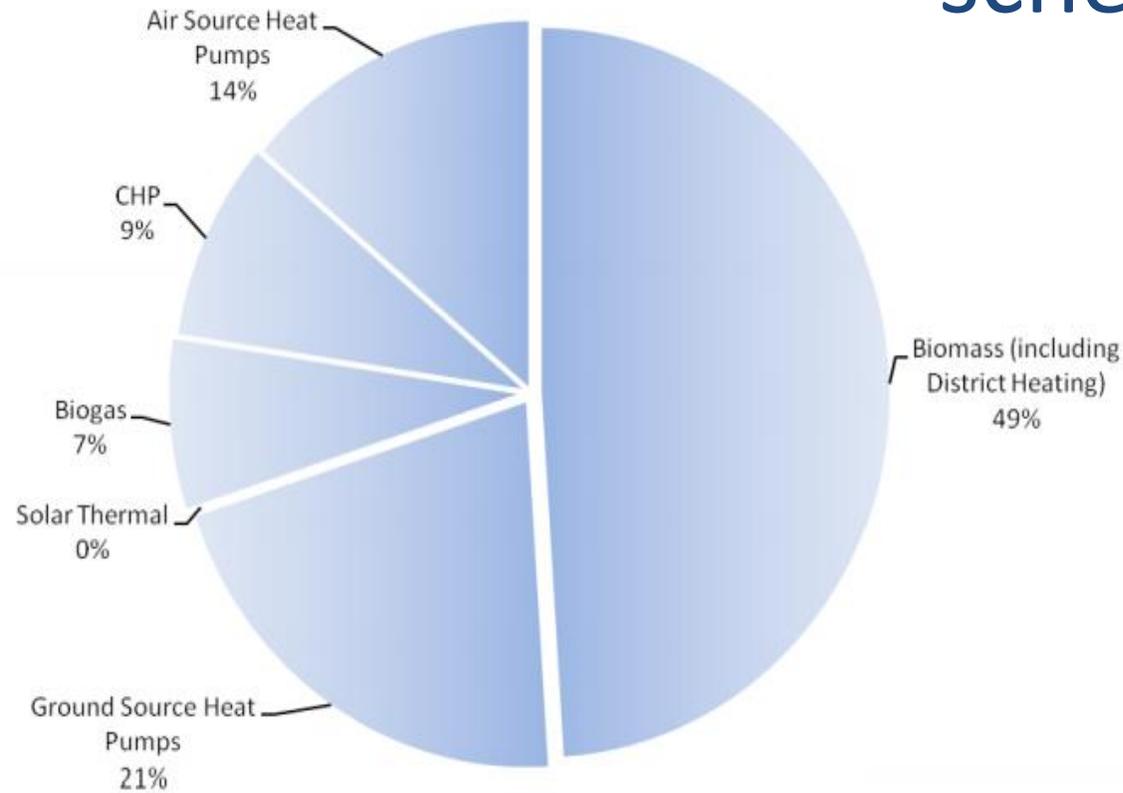


Figure 1. Modelled heat to be delivered under the non-domestic RHI scheme in the 2011 impact assessment (DECC 2011)

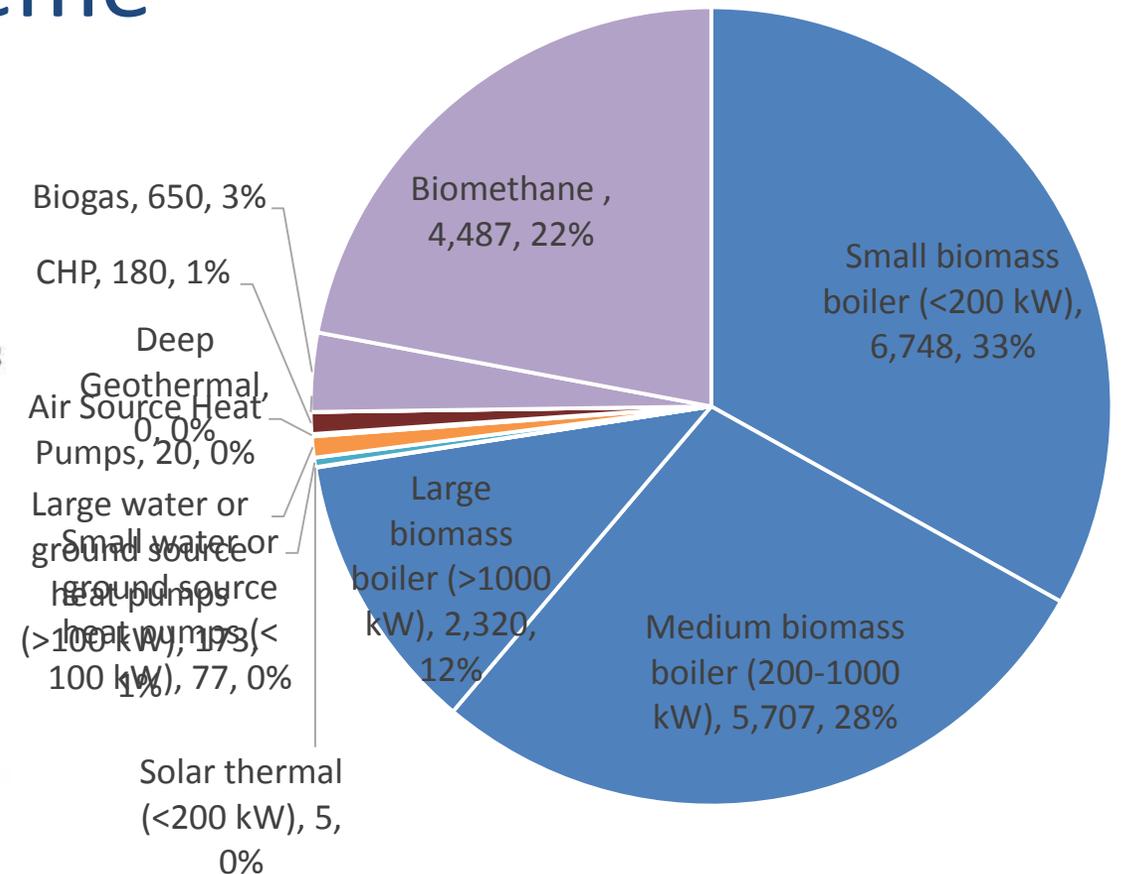


Figure 2. Heat delivered under the non-domestic RHI split by technology up to December 2017 ((BEIS 2018)

Expected vs. actual delivery under the domestic scheme

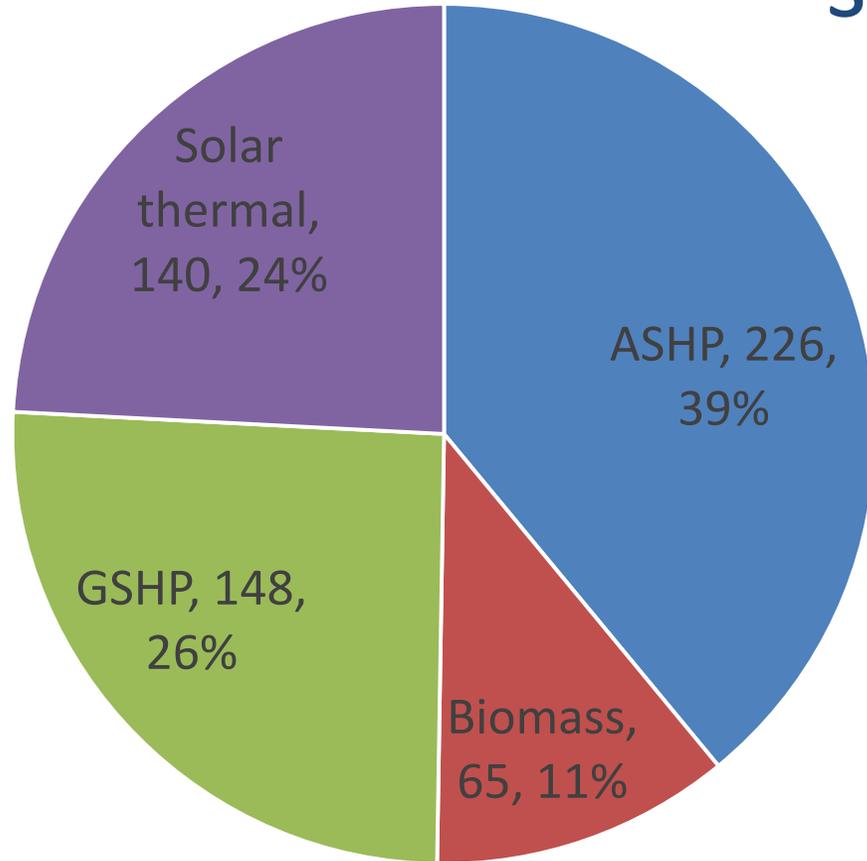


Figure 3. Expected deployment from 2013 impact assessment, (thousands of installations) (DECC, 2013)

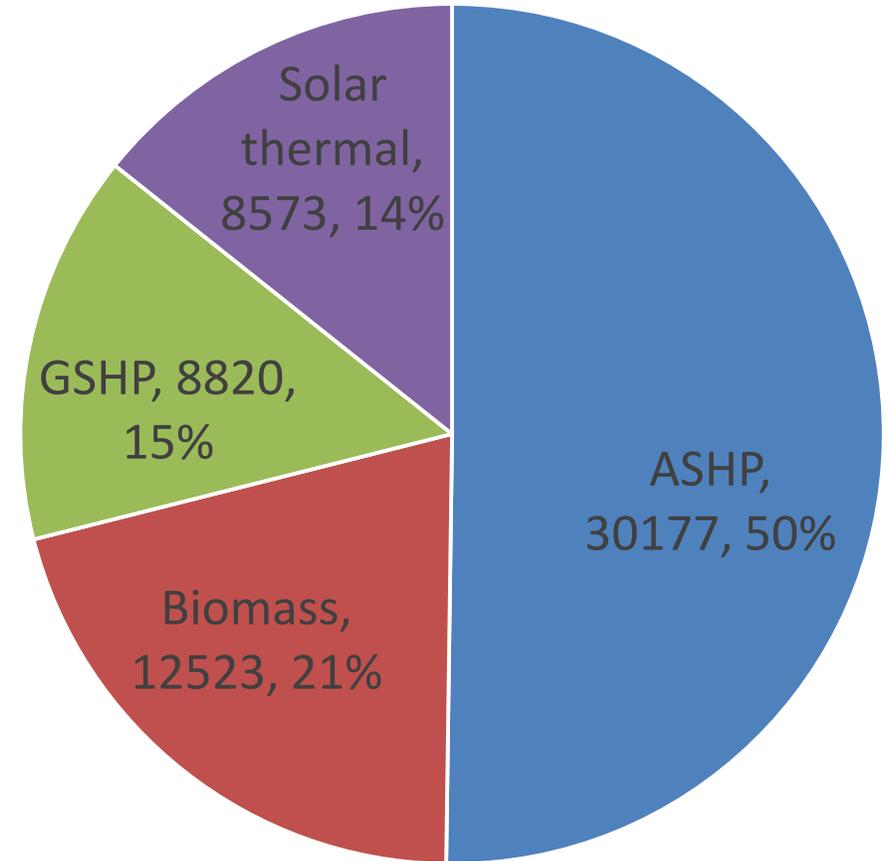


Figure 4. Actual deployment in terms of installations by December 2017 (BEIS, 2017)

But:

- The actual heat delivered by the domestic scheme has been dominated by biomass
- The domestic scheme is only likely to deliver around 15% of the heat it was originally expected to
- The domestic heat pump market has 'flat-lined' since the RHI was introduced, something must change (CCC, 2016)

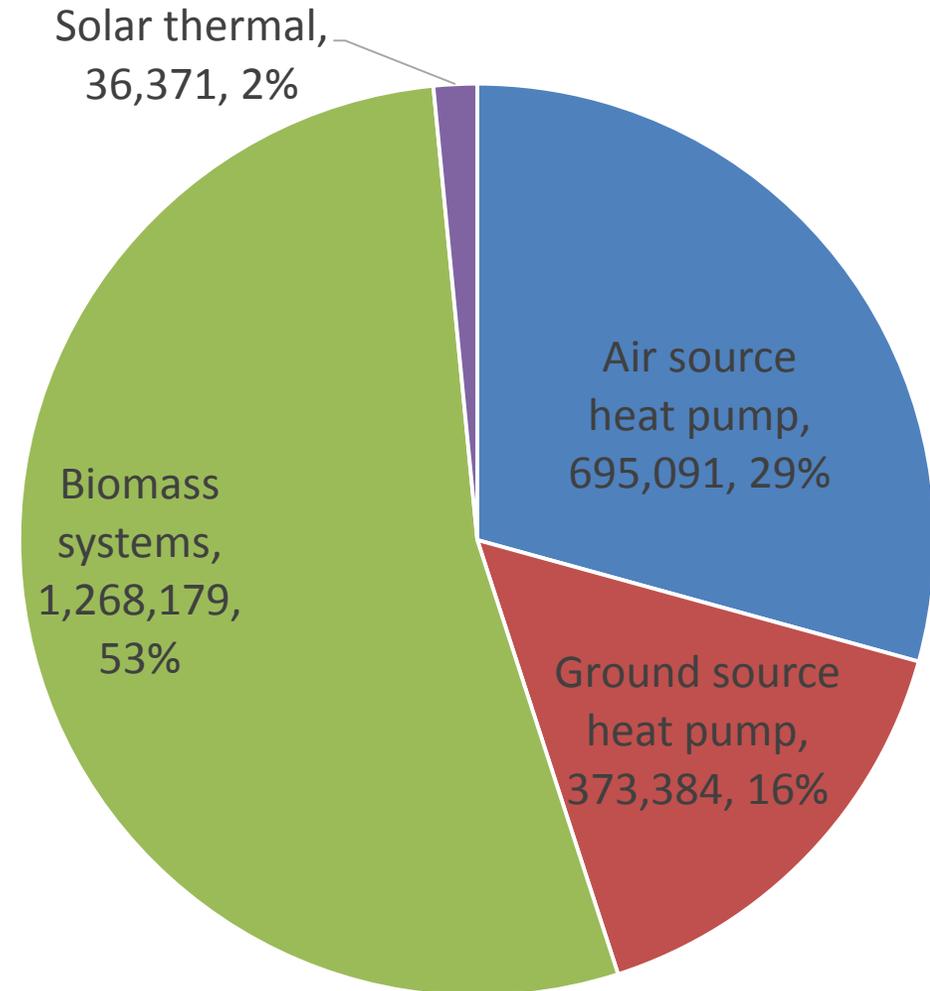


Figure 5. Total heat delivered by the domestic RHI split by technology up to December 2017 (BEIS, 2017)

So what will happen in the future?

- In the short term, tariff tweaks may shift deployment from biomass to non-biomass technologies
 - But the scheme could deliver less overall and it's unlikely there will be any significant policy changes before a new scheme comes in
- But the Government has so far said nothing, so who knows
 - Interestingly Energy UK intervened 2 weeks ago
- The scheme will not meet it's objective of 12% heat from renewable sources (7% in 2016) and a well developed low-carbon heat market

Where does this leave us?

- In an ideal world, the RHI would have deployed at originally expected levels and the market would be pump-primed for mass deployment
 - That clearly hasn't happened
- So in 2021 we will be around 10 years behind where we should be:
 - There has been limited market learning (any?)
 - We are now not ready to regulate out what should be key/easy sectors e.g. off gas grid (oil, LPG)

So what should happen post 2021?

- Some form of renewable heat subsidy is still required
 - Grants for heat pumps and solar thermal are better than payments
 - Ongoing payments for **(sustainable)** biomass
- Alongside a ban on oil and LPG heating?
- Ongoing payments may be better for non-domestic heat

- And what about the gas grid?
 - A major role for district heating
- Don't forget energy efficiency.



References

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