



The Non-Domestic Renewable Heat Incentive - Ensuring a sustainable scheme

Solar Trade Association Consultation Response

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This response is representing the views of an organisation.

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Would you like this response to remain confidential? No

About us

Since 1978, the Solar Trade Association (STA) has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users.

A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large scale developers, investors and law firms.

Our mission is to empower the UK solar transformation. We are paving the way for solar to deliver the maximum possible share of UK energy by 2030 by enabling a bigger and better solar industry. We represent both solar heat and power, and have a proven track record of winning breakthroughs for solar PV and solar thermal.

Summary of Positions

- The STA does not agree that the Non-Domestic Renewable Heat Incentive should close on midnight 31 March 2021.
- After reviewing the two open consultations, the proposals for the Green Heat Network Fund and scope of the Industrial Energy Transformation Fund, the STA is concerned that we are heading for a disorderly transition from the RHI to the future support schemes for low carbon solar heat.

To ensure a smooth and orderly transition we recommend that the Government pauses and reflects:

- **Pause:** Extend the Non-Domestic Renewable Heat Incentive for technologies that cannot access tariff guarantees until midnight on 31 March 2022. This would ensure that low-carbon heat projects that are already in the pipeline, but that have been delayed due to COVID-19, are built, protecting jobs and vital GB supply chains.
- **Reflect:** Review the renewable heat support pipeline to ensure that the decarbonisation of heat in the Commercial & Industrial (low temperature) sectors is fully supported beyond 31 March 2021.

STA Response to Consultation Questions

Q1. Do you agree or disagree with the proposal to close the Non-Domestic RHI from midnight on 31st March 2021? Please provide evidence to support your reasoning; for example, around the impact on jobs, deployment, consumer bills and the supply chain.

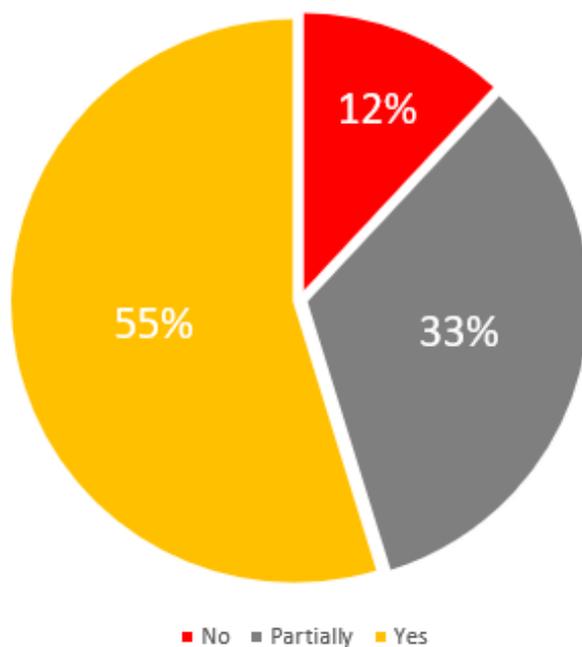
The STA disagrees with the proposal to close the Non-Domestic Renewable Heat Incentive (RHI) from midnight on 31st March 2021.

Overall, given the evidence on the efficacy of the RHI [1], the STA do agree that it should close and be replaced by a comprehensive new suite of low-carbon heat support programmes. The STA would however like to ensure there is a smooth and orderly transition from the RHI to new low-carbon heat support schemes.

To achieve this, the STA are recommending that the Government pauses and reflects:

- **Pause:** Extend the Non-Domestic Renewable Heat Incentive for technologies that cannot access tariff guarantees until midnight on 31 March 2022. This would ensure that low-carbon heat projects that are already in the pipeline, but that have been delayed due to COVID-19, are built, protecting jobs and vital GB supply chains.
- **Reflect:** Review the renewable heat support pipeline to ensure that the decarbonisation of heat in the Commercial & Industrial (low temperature) sectors is fully supported after the closure of the Non-Domestic RHI.

Is your business currently operational?

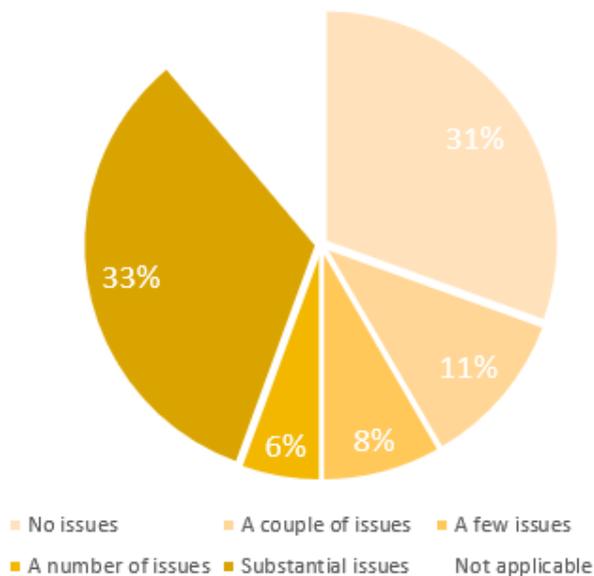


Impact of COVID-19 on Commissioning of Non-Domestic Solar Thermal Systems

During the first 6-months of 2020, renewable energy projects around the world were subject to severe restrictions [2], this included projects in the UK. Whilst the data from the IEA is clear, renewable energy projects are resilient and the industry will bounce back, there is no doubt that there have been delays.

The STA surveyed its members in May 2020 and found that 45 % were partially operational or not operating at all (see figure on left). Those that were operating, 50 % were having issues (33 % substantial) getting their workforce to

During the Covid-19 outbreak, has your workforce been experiencing issues with travelling to worksites



sites (see figure on left). Clearly, these issues resulted in delays in project commissioning.

Not only were there commissioning delays, innovation members that were in the process of product certification (mostly undertaken in Europe due to the lack to facilities in the UK) were having significant challenges delivering their product samples for testing. This was the case of two members, Energy Transitions and Naked Energy, who both incurred delays.

The survey data also showed that at the time, 22 % of the members were furloughed, however this could have been

substantially more as clearly furloughed staff were less likely to respond to the survey. Many companies are only just returning to their offices as we write this consultation response.

A Technology Neutral Extension to the RHI

The STA was therefore pleased to see the Government acknowledge and respond to these delays caused by the COVID-19 restrictions with a 12-month extension to the Domestic Renewable Heat Incentive scheme (extension to the commissioning date until 31 March 2022) [3]:

“The move will bring vital clarity to companies in danger of missing the start-dates for their projects, protect investment in the renewable heat industry, and help give certainty to thousands of people working in specialised UK supply chains.

Projects had a January 2021 deadline to be up and running to be eligible for the second allocation of tariff guarantees. However, with businesses across the UK battling the impact of COVID-19, the government has stepped in to support projects in danger of missing the cut-off by extending that deadline to March 2022, following a response to the RHI consultation.

Energy Minister Kwasi Kwarteng said: It is right that we offer certainty and breathing space to companies embracing renewable heat technology across the country.” [3]

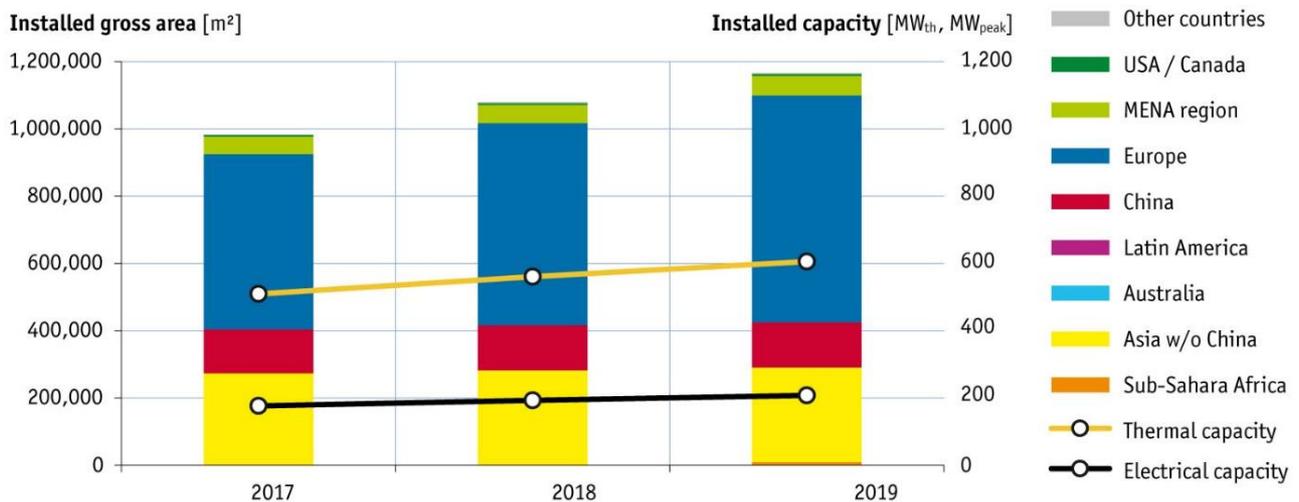
However, the STA, along with other organisations, is seriously concerned that the Government has not extended the deadline for Non-Domestic RHI eligible installations that cannot benefit from Tariff Guarantees. It is clear that this point was raised by a number of organisations in response to the notice, where they argued that:

“NDRHI should be extended beyond 31 March 2021. These responses cited risks to the industry’s development, investment, and renewables uptake that might be incurred by a gap in support ahead of new schemes launching and due to Covid-19 delays to deployment. Various dates were suggested but the most prevalent was 31 March 2022.

It was cited by several respondents that this would aid projects that fall outside of the eligibility requirements for TGs in light of Covid-19 delays, such as shared ground loop systems below 100 kW. These respondents said that these projects have a key role to play in the future of decarbonisation of heating and that there would be a gap in support between the end of the NDRHI and a successor scheme.” [4]

Given that the Government clearly sees the delays that have been caused to projects, we are calling on the Government to simply apply the same extension across all the Non-Domestic RHI eligible technologies.

This extension would be particularly valuable to the emerging PVT supply chain, which has only recently started gaining traction in the UK. The figure below shows the global market developed for PVT collectors from 2017 to 2019, showing substantial growth in the European Market [5]. In late 2019, after many years of R&D effort, the UK solar design company Naked Energy achieved a £5.25m investment from a range of globally leading sustainable energy investors. Delays in early 2020 caused by the COVID-19 health crisis has had a major impact on their certification timeline and their ability to deliver their mainly non-domestic project pipeline before the 31 March 2021 deadline. Early damage to their revenue stream is certainly not desirable for either their UK market development or their export ambitions.



Thus, we would urge the Government to consider extending the Non-Domestic Renewable Heat Incentive for technologies that cannot access tariff guarantees until midnight on 31 March 2022. This would ensure that low-carbon heat projects that are already in the pipeline, but that have been delayed due to COVID-19, are built, protecting jobs and vital GB supply chains.

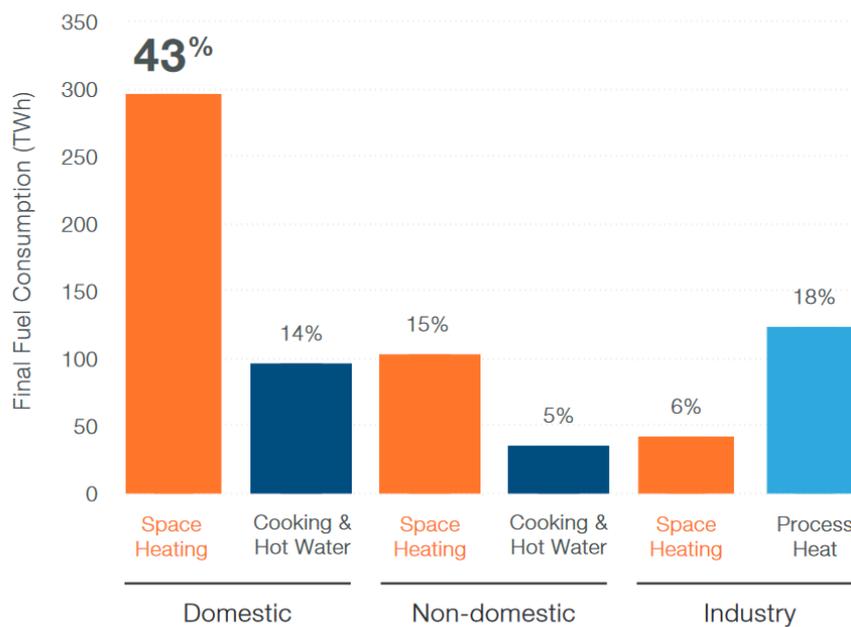
Decarbonising Heat in the Commercial & Industrial Sectors after RHI

Over the last month, the STA and its members have reviewed in detail the two open consultations (The Non-Domestic Renewable Heat Incentive - Ensuring a sustainable scheme and Future Support for Low Carbon Heat), the proposals for the Green Heat Network Fund [6] and scope of the Industrial Energy Transformation Fund [7]. Our unanimous conclusions, which appears to be aligned with others in the industry [8], is that the decarbonisation of heat in the Commercial & Industrial (low-temperature) sectors will grind to a halt at the end of the Non-domestic RHI.

Space heating and hot water in the Commercial & Industrial sectors (non-domestic) makes a not unsubstantial contribution to the UK’s fossil fuel consumption (see figure below [9]). However, from our reading, the Clean Heat Grant is mainly domestic focused, the Green Heat Network Fund is for heat networks and the Industrial Energy Transformation Fund is for larger industrial projects.

This leaves a large gap with no support for decarbonisation of heat in sectors such as multi-dwelling residential, retail, schools and universities, farming and food-processing, hotels and restaurants, and leisure centres.

Fuel Consumption for Heat in the UK in 2017 (TWh)



Thus, whilst we understand that the largest demand for heat is in the domestic sector, the economies of scale associated with non-domestic project opportunities will ultimately benefit the domestic sector as well in terms of lower equipment cost.

Summary

The STA urges the Government to develop a scheme to support the non-domestic low-carbon heat sector after the effective end of the NDRHI on 31st March 2021. As it stands, the Government is putting at risk the jobs and livelihoods of those working in the decarbonisation of heat in the Commercial and Industrial sectors.

We urge the Government to consider our recommendation of delaying the closure of the non-domestic RHI for 1 year, which will give time to develop an effective support scheme for this important sector.

References

- [1] House of Commons Committee of Public Accounts, 'Renewable Heat Incentive in Great Britain: Fortieth Report of Session 2017–19', May 2018. [Online]. Available: <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/696/696.pdf>.
- [2] IEA, 'Renewable energy market update – Analysis', IEA, 2020. <https://www.iea.org/reports/renewable-energy-market-update> (accessed Jul. 06, 2020).
- [3] BEIS, 'Boost for renewable heat projects as government confirms tariff extension', GOV.UK, 2020. <https://www.gov.uk/government/news/boost-for-renewable-heat-projects-as-government-confirms-tariff-extension> (accessed Jul. 06, 2020).
- [4] BEIS, 'Notice on Changes to RHI Support and COVID-19 Response: Government response', Department for Business, Energy and Industrial Strategy (BEIS), 2020.
- [5] W. Weiss and M. Spork-Dur, 'Solar Heat Worldwide: 2020 Edition', IEA Solar Heating and Cooling (SHC) TCP, 2020. Accessed: Jun. 22, 2019. [Online]. Available: <https://www.iea-shc.org/Data/Sites/1/publications/Solar-Heat-Worldwide-2020.pdf>.
- [6] HM Treasury, 'Budget 2020: What you need to know', GOV.UK, 2020. .
- [7] BEIS, 'Industrial Energy Transformation Fund (IETF) Phase 1: how to apply', 2020. Accessed: Jul. 02, 2020. [Online].
- [8] Pump It Up, 'Pump it Up', 2020. <https://www.pumpitup.today/> (accessed Jul. 06, 2020).
- [9] BEIS, 'Heat decarbonisation: overview of current evidence base', GOV.UK, 2018. <https://www.gov.uk/government/publications/heat-decarbonisation-overview-of-current-evidence-base> (accessed Jun. 10, 2019).



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