

What Renewable Heat Incentive?

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The Renewable Heat Incentive has been put back again - and there appear to be two reasons it has happened.

The first reason is that when the scheme was notified to the European Commission - as it must be, it's a state aid and needs their prior approval - they looked at the figures for biomass and said they were too high. This was on the basis that a state aid can be approved by the Commission *only and to the extent* that it is necessary for some particular outcome.

The Commission has long held the view that biomass is a good thing because it's green and can be justified on environmental grounds. Even so, the payment to be made to an investor in a biomass power plant from public funds needs to be just that amount, and no more, needed to tip the balance between the scheme being done and the scheme not being done.

The Commission took the view that there was too much fat in the RHI scheme for biomass. They sent it back for amendment - and now DECC has to re-vamp the scheme with lower biomass figures and send it on its rounds through the Houses of Parliament for approval. DECC says that it can finish its scheme revamp and start the passage through Parliament by November 31.

There is a second reason why we should expect the RHI to be held up and which may well put paid to the November 31 deadline—the use of the public purse.

DECC is in a bit of a tight spot. It agreed with Treasury (recorded in the Framework Agreement) to keep its subsidies within a cap (different caps for different subsidies). But it is having a hard time keeping solar down to the agreed budget - and many believe it hasn't managed to do

so. What went wrong is that DECC under-estimated *massively* the solar take-up.

Government can't afford any more mistakes of the same kind; and yet, the Commission, which ought to know a lot less than DECC about DECC's figures, has pointed up one big over-pricing mistake for biomass.

What other mistakes are there in the data for the other technologies? And will take-up similarly far exceed expectations?

These must be serious questions for government. Their severity makes DECC's November 31 plans seem blindly blithe.

Add into this mix one extra little factor that has, over the past ten days, gathered a bit of pace and a bit of currency. In his conference speech Osborne suggested that the 2020 renewable energy targets were not sacrosanct. That wasn't new; he has argued this for some time, saying that the UK must have targets as part of a set of targets imposed on others at an appropriate level. It's the Osborne version of the level playing field.

New it wasn't - but it was the first time in public in that kind of forum it had been said. There was - predictably - a storm.

But Cameron has not contradicted Osborne and all the succeeding DECC pronouncements, both public and private, have fallen into line. It is now policy. What *exactly* that amounts to is not yet clear. Meanwhile, it's worth balancing energy policy—in all its facets—with rising consumer bills, because that is what the government is doing.

We *will* get an RHI at some point. We *might* even get it in this session of Parliament. But I wouldn't bet on it. Nor would I bet that it will be the same RHI that we have already seen.