

Saying Yes but Meaning No

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We want biomass CHP generation don't we? Government means it when it says its 2010 CHP targets are for 10,000 MW CHP capacity and that 15% of energy it uses will come from CHP?

If the answer to both questions is yes, why was 5GW of biomass development allowed to freeze and why are new projects to be seriously limited in future?

(DECC's December announcement that support for biomass plants would not be grandfathered pulled the rug from under projects due to generate post-April 2013.)

The furore that attended DECC's announcement left it in no doubt the situation was serious. And although DECC may not, remarkably, have known beforehand that you can't change market rules by fiat, it cannot have been left in doubt afterwards.

With a cock-up on that scale one expects immediate action. We didn't get it. Two weeks later Lord Hunt announced he would make an announcement at a future date, but not now. Two months later we were told an announcement would be made later, but not now. Why the delay?

There are two possible answers. The 'good' answer is the one that makes us think government is devious and investors can't trust it but it nonetheless knows what it's doing. The 'bad' answer is that they're out of their depth. It isn't simple deciding which it is.

DECC said that the 2010 Renewables Order (the Order that dealt with the biomass issue) had gone to the Committee on Statutory Instruments so they couldn't now change things until the next Renewables Order in April 2011. That is a 'good answer': it is clearly nonsense, so must be designed to do no more than deflect us all. These people are irritating, yes, but not stupid.

But there is now a consultation paper out and in it one is really hard pressed to find any reason for the prob-

lem except an inability to sort out how to allocate costs and subsidies so the two match up. DECC confesses that it decided not to grandfather biomass plant "precisely" because it couldn't manage to fathom a scheme to ensure that the biomass plants with cheaper feedstock got less support than the biomass plants with more expensive feedstock or that as feedstock changed, prices changed.

Why should that matter? According to DECC, grandfathering *could* result in *future* market distortion *if* bands were changed for new entrants. On the basis of such future perhapses, possibilities and mights, DECC has thrown in the towel and decided that it can only deal with non-fuel costs as the basis for the RO allocation – and it is asking us how that will work.

Why not look at what other countries do so much more successfully than us? Why not copy the rules in Germany where they will meet their targets, even if we won't? Why not do *anything* other than pull the plug on current projects?

Worse than that: for other kinds of biomass – waste from energy and anaerobic digestion – government is to defer a decision until the next review of the Renewables Obligation. There is no glimmer of light here for the future.

The message has to be that although government says it wants biomass, it doesn't.

But if that's wrong, they're going about it in the wrong way and I will arrange they have free entry to the conference run by the Energy & Utility Forum on 1st June which tells them what funders and developers need: <http://www.fundingrenewables.co.uk/> and I will go out of my way to ensure that the investment community engages with them.

Sally Barrett-Williams is Chairman of the Energy & Utility Forum, which is running the conference and Carbon Catalysts is a sponsor.