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Sent by email

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Dear Sir or Madam

Heat and Energy Saving Consultation

Introduction

This document is the North East Biomass Forum's (NEBF) response to the Government's Heat and Energy Savings consultation. The NEBF is an open forum of companies and organisations interested in developing the biomass sector in the North East on England. With a membership of around 70 organisations, its objectives are:

- To offer an open forum for discussion of key issues, opportunities and concerns within the biomass sector in the North East of England.
- To support the growth and improve the competitiveness of the biomass sector.
- To promote the dissemination and flow of information through Forum members, other environmental businesses and relevant agencies across the UK and globally.
- To facilitate collaboration rather than competition.
- To the extent possible given the wide range of interests within the Forum, to present a biomass-sector consensus to the Energy Leadership Council, to ONE NorthEast, and to Government Office North East in the development of regional renewable energy initiatives and policy.
- To seek funding for the further development of the biomass sector.

Our response focuses on those aspects of the consultation that we believe relate principally to the supply and use of biomass for low-carbon heating and cooling in the UK.

Following this introduction there are two parts to this response:

- **Key observations.**
- **Answers to the consultation's questions.**

Key observations

This section presents the NEBF's principal observations on the consultation.

1. ***A Renewable Heat Incentive (RHI) should be introduced at the earliest possible opportunity, and when implemented should apply retrospectively to ensure that current activity in this sector does not stall.*** The Renewable Energy Association (REA) has published its proposals for the development of the RHI and the NEBF endorses these proposals.

2. ***Until the RHI comes in, the Government needs to maintain a consistent level of grant support for the installation of renewable energy solutions*** – every effort needs to be made to eliminate the stop-start nature of the support that has been seen recently in the LCBP and the Bioenergy Capital Grant Scheme.

3. We believe that current levels of training in the sector is about two orders of magnitude below what will be required to deliver the number of installations of renewable heat of the right quality by 2020. There needs to be a concerted effort to ***encourage training providers to offer renewable energy generator installation training on a much greater scale***.

4. ***A Personal Carbon Allowance (PCA) scheme should be investigated more thoroughly***, with the publishing of a Green Paper as a first step in its adoption. ***This should be implemented in conjunction with a cap-and-trade model for energy suppliers, rather than the proposed continuation of a measures-based obligation.*** Critical to the success of such a scheme will be the ***setting of appropriate caps*** to drive the price of carbon to a level that is sufficient to generate new investments in low-carbon solutions.

5. ***The model for community support is Community Action for Energy (CAfE) which is run by the EST and should be resourced appropriately and used as the* de facto *support mechanism for communities***.

6. A support programme to tackle energy production and use in SMEs (which have fuel bills lower than £50,000/yr) that goes further than the existing loan assistance must be implemented. This support should include detailed, site-specific advice on energy saving and production options.

7. ***The public sector should be required to purchase an increasing amount of its energy from renewable sources to stimulate the market***, on top of its requirements to reduce carbon emissions overall.

8. Solid-wall insulation and the purchase and installation of smart electricity and heat meters should be offered through CERT.

9. ***Independent monitoring of grant-supported work (via the LCBP or CERT schemes) should be carried out and the results made publicly available at regular intervals***. Badly-performing, incompetent or corrupt individuals and/or businesses should not be allowed to carry out future work under the grant programmes.

10. The Government should act to empower a much wider range of third parties to be able to access the market for improving insulation/renewable heating measures through CERT or other programme.

11. Pending the introduction of the RHI, the ***ROC bands should be reviewed at the next 'natural' opportunity in order to improve the spread between 'electricity-only' and CHP biomass plants from its current level of 0.5 ROCs***.

12. The consultation touches on the decarbonisation of grid-connected electricity. Neither nuclear nor carbon capture and storage can be considered as low-carbon unless full lifetime carbon costs are considered (which indicates that nuclear has a carbon coefficient approximately 1/3 that of natural gas generation[1]) and until the technology has been proven to work, with permanent carbon sequestration in the case of CCS. We therefore consider it unreasonable to include these as a major plank of a decarbonisation strategy until these issues have been appropriately addressed. **The strategy should therefore focus on renewable energy sources as the major form of electricity decarbonisation at this time**, or it should justify more robustly the inclusion of nuclear or CCS.

[1] see http://www.stormsmith.nl/report20050803/Chap_1.pdf

Answers to the consultation's questions

1. ***Do you agree with the level of ambition and the indicative pathway set out in this chapter? If not, why, and what alternative would you suggest?***
   The level of ambition within the consultation is unmatched by the capacity of the sector to deliver without a targeted and sustained increase in training provision. It is also unlikely that renewable heating targets could be met without the implementation of a RHI. The target for all homes to have smart meters should be brought forward to 2015.

2. ***Do you agree with the Government's policy approach set out in paragraphs 1.31 onwards to achieving our ambitions on heat and energy saving?***
   Raising awareness is very important, but people need to be empowered to make the changes themselves – heat metering and smart electricity metering would play an important role in this, effectively doing much of the work for policy-makers (ie enabling a bottom-up, rather than imposing a top-down approach).

3. ***How can the Government encourage people and communities to change behaviour to save energy? What is the appropriate balance between changing attitudes, and providing advice and information?***
   See our response to question 2 above (empowering through information). CAfE is an exemplar model of community support, and should be used as the template for supporting community use of renewable energy. In addition, the Government should launch a high profile promotional campaign to inform energy users about the proposals for a FIT and RHI for the 'self-generation' of renewable energy.

4. ***How can home energy audits be made most useful, and do you agree that the Government should use Domestic Energy Assessors, who have been suitably trained, to deliver them as widely as possible?***
   Agree that DEAs should deliver more complete 'whole house' audits.

5. ***Should the Government work with industry to develop accreditation standards for advice about, and installation of, energy efficiency technologies? What would be the best model for such a scheme, and why?***
   Accreditation is crucial to maintaining quality and confidence. This should be undertaken in collaboration with the REA, HETAS, BPEC and other relevant industry groups in order to learn from their experiences and use existing structures with a strong industry pedigree.

6. ***Are the information, advice and support services provided by the Government to businesses effective in encouraging them to reduce their energy use and their CO_2 emissions?***

   What other types of support services are useful and how can these be provided cost effectively?

   Is there scope to do more on behaviour change through businesses and their employees? Please support your suggestions with evidence.
   Current support services to businesses do not sufficiently address the SME sector with site-specific advice and practical help. There are a number of bodies that exist to provide information and support, but they are not always well co-ordinated (and sometimes appear to be in competition). The users, particularly the SMEs, can often be confused about where to turn to for support and advice.

7. ***Are the existing commitments for public sector buildings sufficient for the public sector to fulfil its role in driving improvements and leading by example?***

No. The public sector should be required to purchase an increasing proportion of its energy from renewable sources.

8. What will be the most effective way for Government to develop RHI and FIT policy so that combined financing packages of insulation, renewable heat and small-scale low carbon electricity technologies might be offered?

See the REA proposals for both, which the NEBF endorses.

9. What action, if any, should the Government take to enable finance to be arranged for the higher cost energy efficiency and low carbon measures? Are there other options the Government should consider? Please provide evidence to support your response.

Appropriate banding of the RHI and FIT will bring forward the higher cost renewable energy solutions. Targeted inclusion of the higher cost energy efficiency measures should be included in the future design of the CERT, although it should be done at an appropriate level – the priority should always be on the measures that bring about the greatest potential carbon savings with least cost impact on energy consumers, bearing in mind the need to achieve significant long-term change (not just short-term fixes).

10. What should the Government do beyond these initiatives to promote investment in energy saving and low carbon energy technologies in business and the public sectors?

See the answer to question 6 above.

11. Should levels of support through the Renewable Heat Incentive vary by technology and/or customer group? Are there any other ways of differentiating levels of support under the RHI?

See the REA proposals for the RHI, which the NEBF endorses.

12. How can we introduce the levy to fund the Renewable Heat Incentive so as to minimise suppliers' administrative costs and reduce uncertainty among suppliers of fossil fuels for heat?

The REA has presented ideas for the design of fund to support the RHI. The NEBF endorses these ideas.

13. Do you think that financial institutions, such as banks or other loan companies, would be an effective way of assisting potential small-scale heat generators (such as householders) with financing of the initial capital cost of renewable installations?

What other considerations, if any, should be taken into account when determining eligibility for an up-front payment (for example, only generators with equipment below a certain size can apply, such as domestic customers)?

Installation companies should be encouraged and empowered to produce innovative financing solutions in collaboration with existing financial companies, in order to capitalise the RHI for householders and claim the payments on their behalf.

There does not seem to be any benefit with restricting this capitalisation to small users only - all sizes should be considered for this financing option.

14. How can we maintain demand for renewable heat technologies before we introduce the Renewable Heat Incentive?

The Government ***must*** allow the RHI to be retrospective once an announcement is made, subject to heat meter installation, otherwise the market will be severely affected and the targets for 2020 could be unduly threatened. In addition, in the interim period before the

introduction of the RHI, the Government must maintain confidence in the sector through continuation of appropriately structured grant support schemes.

15. Do you agree with the proposal to continue with a CERT-type obligation until December 2012?

Do you also agree that the proposed CESP framework should run concurrently to the same end date?

No comment.

16. Do you agree with our analysis of the potential impacts of a cap-and-trade approach to delivering energy efficiency in homes? Please support your answer with evidence.

No. Accrediting decarbonisation of the energy supply would weaken incentives to implement measures in peoples' homes from the fuel supply companies, but would not weaken the economic or information imperative for individuals, families or businesses. The rolling out of smart metering (for example) in conjunction with inevitable price movements due to decarbonisation and cap-and-trade would empower consumers to make choices based on electricity or heat cost, whilst guaranteeing reducing energy use overall.
The comment about responsibility for suppliers over a phenomenon they do not wholly control is completely irrelevant. This situation occurs for individuals, businesses and public sector organisations across the board, and a special case should not be made for power supply companies.

17. Do you have views on the merits of moving to a different approach for delivering energy efficiency to households? Do you have other suggestions of alternative delivery models which might be effective in achieving our objective?

If a supplier-led scheme is maintained, it should be opened up to allow third-party competition for delivery of energy efficiency measures which qualify for CERT-type payments.

18. Would you support a voluntary code of practice on energy performance for landlords and/or builders? How high do you think uptake would be, and would it achieve much additional action? Please support your response with evidence.

A voluntary code of practice would be an improvement on the current situation, though there is no way of knowing what uptake would be unless there was a clear benefit to the interested parties – the design of the code would go a significant way to measuring this.
A major problem with building construction is in enforcing proper standards, and Local Authorities are currently not well resourced to carry out this kind of proper enforcement (nor is it seen as a high priority).

19. Should we require marketing material for property sales and rental to feature the EPC rating more prominently? If so how?

What delivery bodies or industry groups could be given access to the EPC database, and how could they make best use of it whilst ensuring that it is not misused?

Please support your answers with evidence.

The suggestion of requiring EPC ratings to be displayed with property information in estate agent windows or online is sensible.

20. ***Besides removing the threshold for consequential improvements, which will be considered in the consultation on changes to the Buildings Regulation in 2009, are there any other***

options for wider building regulation that you would like to see considered in the longer term? Please support your answer with evidence for the effectiveness of your suggestions.
No comment.

21. Do you agree with the approach of conducting a review in 2012 to assess the effectiveness of other policies before considering further policy interventions for the energy performance of existing buildings?

Are there other options you think should be part of our strategy? Please support your answer with evidence.
Yes, it will be important to review the effectiveness of policy intervention and 2012 seems a reasonably time-frame. However, the Government must resist the temptation to modify frequently the design of policy instruments; it should put in place strong measures and then allow the industry to bring about the change that is needed, with confidence that the policy instruments that have been established will be there for the long-term. If they do not bring about sufficient change, then the measures should be strengthened.

22. Do you agree that the Heat Markets Forum should consider regulatory arrangements for district heating to ensure consumer protection? Are there specific issues you think it should cover?
Yes, regulatory arrangements are needed to ensure consumer protection, though these should not dis-incentivise installation of networks which are already considered to be administratively and economically difficult projects.

23. There are a number of ways to tackle commercial barriers to district heating. These include using the planning system and heat mapping, encouraging or requiring certain buildings to connect to networks and engaging property developers. Which of these options should be taken forward and why?
A 'critical mass' of heat users is normally required to make a district heating scheme viable, and requiring new developments to connect to (though not necessarily to use) existing networks within a certain distance should be mandatory. This would guarantee a potential market to investors in district heating schemes, which will increase the likelihood of attracting finance and returns.

24. What are your views on the options for reducing the risks of poor returns on investment in district heating networks? Which do you think would be most effective and are there other more appropriate solutions?
See the REA proposals for details, but allowing ESCOs (or similar) to claim the RHI for individual units would greatly improve the viability of district heating projects.

25. Will the ETS and other policies, such as the Carbon Reduction Commitment and support for renewable combined heat and power, send a strong enough signal to encourage the development of CHP schemes and more efficient use of surplus heat? If not what measures do you believe would provide sufficient stimulus to accelerate new CHP capacity build? Can you provide evidence to support your view?
In many cases, the use of surplus heat from power generation schemes requires the installation of significant new infrastructure and the establishment of a commercial model that will manage the risk of heat offtake. It may be that the economic stimulus from the RHI and from the support to CHP under the RO (more so than the ETS and the CRC, given low carbon-price signals) will accelerate the uptake of renewable CHP and tri-generation. However, we believe that there is a really important role for the public sector to underwrite

the necessary investments in new infrastructure and to provide support through the provision of minimum offtake guarantees.

26. ***As electricity generation overall becomes much less carbon intensive than today, the advantages of CHP powered by fossil fuel in reducing carbon emissions will diminish, although it will continue to be a cost-effective energy efficiency measure. When do you think CHP powered by fossil fuels will no longer help to reduce emissions because the alternatives are less carbon intensive?***

We agree that the carbon benefits of fossil-fired CHP will diminish as grid-electricity becomes increasingly decarbonised. The speed with which this change in grid-electricity happens depends fundamentally on the success of Government policies in support of grid-connected low-carbon electricity production. This point does, however, reinforce the need to prioritise the use of ***renewable*** CHP and tri-generation over what might be the 'easier' fossil-fuelled equivalents.

27. ***Should the Government do more to publicise the opportunities and benefits of CHP and surplus heat? If so, how should it do this, and which are the key audiences we need to reach?***

Key audiences are the public sector facilitators and major heat consumers.

28. ***Do you consider such cooling technologies can play a role in delivering a renewable and low carbon energy mix? What opportunities exist for their exploitation in the UK? What further factors do we need to consider?***

Delivery of cooling should only be a last resort, and building design, use of green infrastructure and building-use are key to reducing the need for active cooling. Where active cooling is unavoidable, it should be delivered through renewable devices that could attract their own financial benefit through a RHI – therefore implementation of a RHI would actively stimulate this part of the market.

29. ***Do you agree with our analysis of the likely impacts of the proposals in this document and in the associated impact assessments on:***

- ***Carbon dioxide emissions?***
- ***Energy prices?***
- ***Fuel poverty?***
- ***Security of supply?***
- ***Sustainable development?***
- ***The economy?***

Are there any other wider issues that we should consider? Do you have any other comments on the Impact Assessments?

No comments.

We hope that you find this a useful contribution to the consultation.

Yours faithfully

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