

Energy:2030 Chart of the Week

21

5 February 2019



Michael Brown
m.brown@cornwall-
insight.com
01603 542122

“Tariff degression of large biogas and biomethane installations may result in further increases in biomass boiler applications. In turn, this could push its forecast expenditure closer to its budget cap for quarter 1 of 2019, contrary to efforts by the government to restrict this.”

RHI tariff degression for large biomass and biomethane

On 1 January 2019, the Department for Business, Energy and Industrial Strategy (BEIS) announced that it would reduce the tariff price level (through a process called degression) for large biogas and biomethane installations on its non-domestic Renewable Heat Incentive (RHI) scheme.

The Non-domestic RHI opened on 28 November 2011 as a UK Government financial incentive scheme to promote the generation and use of renewable heat by non-domestic users. Unlike most low-carbon incentives, it is funded directly by Treasury, not energy suppliers.

The scheme provides incentives for seven types of technology including biomass, biogas, biomethane,

heat pumps, solar thermal, combined heat and power and deep geothermal, which are split into eight expenditure categories (see Figure 1).

Each expenditure category has a set budget cap which, if exceeded, may result in tariff degression.

In quarter 4 of 2018 (October – December), the forecast expenditure for large biogas and biomethane exceeded its budget cap of £395mn by £31mn. This was in part a result of continued high installation of biomethane technology in quarter 4. New biogas installations were also accredited for the first time since January 2018.

This higher-than-anticipated accreditation contributed to an increase in BEIS’ forecast expenditure and results in less favourable tariff levels for the technologies in the future as a consequence of degression.

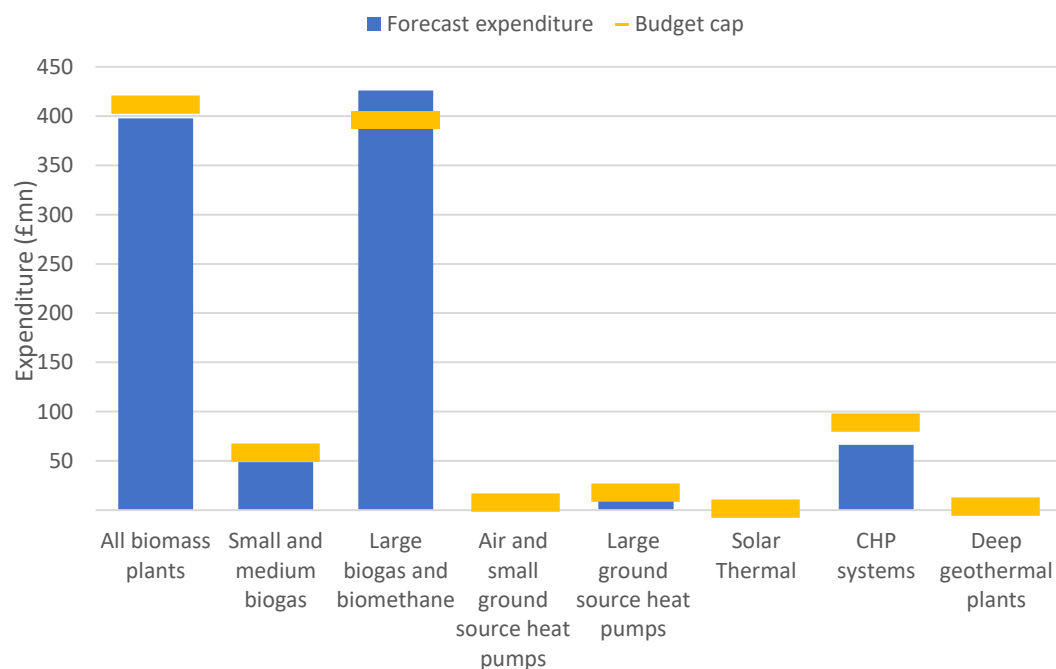
For ‘Tier 1’ pricing, biomethane fell from 5.60 p/kWh to 4.76 p/kWh whilst large biogas fell from 1.36 p/kWh to 1.16 p/kWh.

This change is anticipated to reduce demand for these technologies, and possibly further fuel uptake of biomass, the scheme’s most popular category.

For more insight on current developments and policy changes on the Non-domestic RHI scheme, and for notification of planned degression on other technology tariff levels as and when it happens, follow the link below for a free trial of our latest Non-domestic RHI Quarterly Report.

[Non-domestic RHI Quarterly Report Q418](#)

Figure 1: Forecast expenditure and expenditure threshold by technology



Source: Pixie Energy, from BEIS data