

# Renewable Energy Financial Incentives

Hergen Haye  
Head of Distributed Energy and Heat Policy

The challenge for the UK and the rest of the world is to reduce emissions and build a better, lower carbon future

## Decarbonise the UK

*and in doing so*

Keep our  
energy supplies  
safe and secure

Maximise economic  
opportunities

Protect the most  
vulnerable

## RES: July 2009 lead scenario



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|                                |           |                         |
|--------------------------------|-----------|-------------------------|
| Large scale electricity        | 29%       | <i>(July 2008: 32%)</i> |
| <b>Small scale electricity</b> | <b>2%</b> | <i>(July 2008: 0%)</i>  |
| Heat                           | 12%       | <i>(July 2008: 14%)</i> |
| Transport                      | 10%       |                         |

[No trading or Severn Tidal Power]

# The domestic challenge

## Households

- 70% of the 2050 housing stock is already built;
- 27% of Carbon emissions from household sector;
- Fuel Poverty;
- Particular challenges in the hardest to treat houses, and in the private rental sector.

# Financial Incentives



- Government decided on:
  - Renewables Obligation (RO) since 2002 to support renewable electricity generation
  - Feed-in Tariff (FIT) to supplement the RO for electricity generation up to 5MW (from April 2010)
  - Renewable Heat Incentive (RHI) at all scales (from April 2011)
- Energy Act 2008: powers on RO Banding, FITs and RHI
- RO banding from 1 April 2009
- Announced RO extension to at least 2037

- Renewable Heat at all scales
- Interface with FITs and energy efficiency at household level  $\Rightarrow$  delivery challenge
- No established heat market or regulatory system
- Potential for emerging technologies – biomethane injection into grid
- Looking to ensure consistency across different support schemes - issues such as sustainability and air quality

## Renewable Heat Incentive - Timetable



- Consultation due in February to cover key aspects of scheme
  - E.g. Eligibility, banding structure, tariffs and delivery options
- Seek views on draft regulations – Autumn 2010
- Regulations will need Parliamentary approval – early 2011
- In the meantime finance through LCBP

# Home Energy Pay As You Save (PAYS) Pilots

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What is PAYS?

- Finance options for householders that help them meet the up front costs of energy efficiency and low carbon home refurbishment
- Householders repayments will be less than the savings they make on their energy bill.
- Finance is likely to be long term and would be linked to the property and transfer to the new householder at change of ownership or tenancy.

# PAYS Pilots – aims

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- Test the consumer interest in elements of PAYS
- To provide lessons on how to market and communicate these finance packages to customers.
- Test which types of partner consumers prefer to make repayments to e.g. via energy bills or council bills.
- Test the viability of setting up the different finance models with partners and provide recommendations on the practical considerations for partner organisations in offering this finance

# PAYS – How the Pilot will run

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- Run by the Energy Saving Trust (EST)
- 5 projects across England (Birmingham City Council, B&Q UK with Sutton Council, Stroud District Council, British Gas, Gentoo.)
- Plan to reach up to 500 households
- Pilot budget is £4m over 2 years.
- Pilots will run through to April 2011