

PRESS RELEASE: AD operator questions RHI biomethane tariff reset

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The revised RHI regulations currently before parliament propose to reverse the reductions in support for biomethane with a view to encouraging further deployment. However, the existing capacity of anaerobic digesters is more than sufficient to deal with the current volume of food waste produced and collected. Without parallel legislation to increase the volume of food waste available in England, the effect will not be to increase the volume of gas but to increase the amount of excess capacity.

Once again, taxpayers' funds are being used to devalue the capital invested in existing and new capacity, to little practical advantage to the environment nor to our energy systems. That capital was and will be invested largely because the government encouraged it. In effect, this is using taxpayer funds to waste past and future taxpayer funds.

Legislation designed to reform the Renewable Heat Incentive was laid before Parliament in early February, one measure of which is the re-setting of biomethane tariffs. For all tariff bandings, this means the support level will be uplifted by nearly 70% compared to current levels and see a return to a position where the support received per MWh of gas vastly exceeds its commercial market value.

The response from vocal industry associations has been to welcome this tariff re-set as one which will provide the necessary boost to re-start investment in biomethane injection AD plants. But is this correct? Will this measure benefit anybody who is an operator, rather than a plant developer?

If the tariff uplift acts as intended, further new AD plants will be chasing a fixed, or even declining, total food waste feedstock. The significant and protracted decline in gate fees to even negative levels over the recent years demonstrates there is already adequate or excess capacity to meet processing requirements.

Without greater resource availability, new *and existing* operators face a 'feedstock famine', the result of which will be plants operating at reduced capacity, possibly on the margins of viability, and in the long term, plant closures.

Despite this, assuming new capacity comes online, what value will it contribute? Our calculations suggest that for the £126m RHI expenditure on biomethane in 2016, a mere 0.58 of one per cent of domestic gas demand was being injected to the grid. Given the feedstock constraints, it is difficult to foresee how even this tiny capacity figure could be doubled. Such a doubling would be at significant further expense to the taxpayer and a long way short of the 5% of national gas demand forecast by the Committee on Climate Change.

Peter Prior, Chairman of Summerleaze Ltd, is critical of the biomethane tariff re-set, commenting:

This measure will undoubtedly apply further pressure to the investors encouraged to build AD plants in the first place. Until legislation is passed to force an increase in the volume of food waste, the government should leave biomethane tariffs where they are. Some AD operators may then be able to recover and re-group to form a viable industry and taxpayers' money can be more valuably invested in productive renewable technologies. The government's ambitions for biomethane to decarbonise heat are, quite frankly, an expensive pipe dream.

ENDS

Summerleaze Limited

Notes for editors:

National demand for gas includes all gas used in the UK including processing and distribution losses to the environment and amounts to 896 TWh.

Domestic demand for gas is that part of the national demand that is delivered to domestic properties and amounts to 312 Twh.

Figures sourced from the Energy Flow Chart 2016, generated from the 2017 Digest of UK Energy Statistics, Table 1.1. (Department for Business, Energy and Industrial Strategy)

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