



Envar
The Heath
Woodhurst
Huntingdon
Cambridgeshire
PE28 3BS

Tel: 01487 849840
Fax: 01487 849859

www.envar.co.uk

Government Announces Further Support for Renewable Energy Technologies

There were two important Government announcements last week about further support for renewable energy technologies. Both are good news for those supporting the development of “green” energy projects in the UK. The Acuity Environmental funds do just that.

In the first, the Government announced the rates for so-called ‘Feed in Tariffs’ (FIT) for renewable energy and primarily aimed at projects of up to 5MW in generating capacity. There has been much press focus on the Clean Energy Cashback opportunity this creates for householders but it has greater relevance for the small to medium scale Anaerobic Digestion projects within the list that Envar is pursuing and which could attract investment from the Acuity Environmental VCTs. The effect of FIT will be to deliver secured higher prices for the electricity generated, whether for export to the National Grid, use by other parties near the plant or indeed on the plant premises. Improvement of the financial performance of the plant by way of greater price security will be welcome news to investors and developers. FIT will also be applicable where gas is exported into the gas grid and not used to generate electricity. This is a more efficient use of the gas in those locations where the plant is built near to a suitable gas main. The precise impact of FIT will vary from project to project, but it is a clear indication of high-level Government support for projects of this type as the UK acts to meet its climate and renewable energy obligations.

The FIT proposals also go some way towards dealing with the problem of security of income for new plants such as those that the Acuity funds will invest in as income from FIT will continue for several years at rates that will increase along with inflation.

In the second development, the Government announced the start of a consultation on the introduction of a Renewable Heat Incentive (RHI) scheme, which it aims to introduce in April 2011. The consultation seeks views on the proposed scheme. The Renewable Heat Incentive (RHI) will provide financial support for those who install renewable heating, which qualifies for support under the scheme. Unless the RHI is introduced, there will be little incentive for developers to find uses for the heat which is produced by the plant. RHI will make heat a further valuable income source and put pressure on developers to find a use for the heat the plant produces. This will further increase profitability and returns to investors.



These proposals have been developed with input from various stakeholders - energy industry trade associations, Ofgem and NGOs. The Government proposes the following key aspects of the RHI:

- The scheme should support a range of technologies, including anaerobic digestion (AD), delivering renewable combined heat and power or the injection of biomethane into the natural gas grid.
- Support to heating at all scales, including households, businesses, offices, public sector buildings and industrial processes in large factories.
- Tariff levels have been calculated to bridge the financial gap between the cost of conventional and renewable heat systems at all scales.
- The proposed tariffs are on the basis of payments made over the same period of time as the useful life of the equipment. This will provide security for investors.
- The Government is working to have the RHI in place for April 2011.

This is another development that will have a positive impact on the AD projects that Envar is pursuing. Envar will be responding to the consultation as it regards the RHI as an extremely positive development.

More generally, announcements of this type – and the press interest they create – stimulate commercial interest in renewable energy schemes, providing further opportunities for Envar and Acuity. They also serve to maintain stakeholder pressure on councils and companies to develop appropriate solutions to the waste and energy issues they face.