

IFA Submission on the Public Consultation

On the Design and Implementation of a Renewable Heat Incentive in Ireland

Submission by:

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Introduction

The demand for heat energy is the largest source of energy use in Ireland, accounting for 45 per cent of all primary energy usage and 33 per cent of CO₂ emissions. In 2014, Ireland's energy import dependency was 85 per cent, the cost of all energy imports is approximately €6 billion. This is approximately 3.2 per cent of Ireland's GDP. While this total energy import cost is down this is mainly due to falling oil and gas import prices, there is no certainty that prices will remain low or stable.

It is imperative from both an economic and an environmental perspective, that we reduce our reliance on these imports. A properly targeted Renewable Heat Incentive (RHI) scheme can play an important role in reducing our dependency on imported fuels and moving Ireland forward towards achieving our EU 2020 targets.

To develop a successful bioenergy sector the RHI must work for farmers and community based renewable heat projects. The RHI must support farmers and forest owners to integrate renewable energy production into their farming activities, which will have a direct benefit for farm incomes and the rural economy. A RHI scheme that is embedded in the local economy optimises the economic benefits by creating new revenue stream and valuable new job and business opportunities in rural areas, where job opportunities are limited.

6.2 Inclusion of ETS sector

It is IFA's position that the RHI should be available to the non-ETS sector. There is significant potential within the non-ETS sector for the adoption of renewable heat projects that would make a significant contribution to rural economy.

IFA recommend that a percentage of the RHI budget be ring-fenced for agricultural and rural community based projects. The scheme should provide an opportunity for rural areas to produce their own heat, so they can generate reliable and cheap energy, which has been shown to trigger further economic development. It is vital that the RHI provides clear benefits to farmers and farm business to actively support their engagement in the scheme.

6.3 Grandfathering

IFA recommend that successful applicants under RHI who were proactive and installed renewable heating systems prior to the 8th July 2014, should be eligible and not be excluded from the scheme. It would be unfair to disadvantage early adopters who made substantial investments in renewable heating systems. The introduction of a RHI for Ireland has been discussed as a most appropriate way to stimulate investment in the renewable heat sector since it was introduced in the UK in 2010.

6.4 Minimum Energy Efficiency Eligibility Criteria

IFA recommend that a minimum standard should be included in RHI scheme, however there needs to be flexibility within the scheme for small scale RHI projects. IFA has concerns that the EXCEED programme and energy performance scheme could act as a barrier to small scale projects availing of RHI scheme due increased costs and bureaucracy.

It is paramount that small scale projects are not disadvantaged. The application process and requirements should be streamlined to support access for smaller renewable heat projects.

6.5 Minimum Technology Requirements

IFA recommend that a minimum technology standards should apply. It is essential that the scheme is accessible to small scale project.

6.6 Eligibility of Heat Use for the RHI

IFA agree that the RHI should include a requirement to show an economically justifiable heating need, drying of wood chip, combinable crops (including grain, oilseed etc.) or other agricultural products should be included, once it is shown as economically justifiable.

IFA propose that there is some flexibility in the RHI for small scale and community renewable heat projects, which are supplied by local indigenous biomass fuels, as these have been shown to have a greater beneficial impact on local economy.

6.7 The Impact of Biomass Combustion Air Quality and CO₂ Emissions

IFA agree that the Wood Fuel Quality Assurance Scheme (WFQA) should be a mandatory requirement for fuel quality, as long as it does not exclude bark (due to its high moisture content). The RHI must be open to all biomass fuel types, including agricultural crops, energy crops and agricultural wastes, but should favour locally grown and sustainably managed biomass.

IFA agree that the minimum standards for particulate matter (PM) and Nitrogen Oxide (NO_x) emissions must be met.

6.8 Biomass Sustainability Criteria

IFA recommend that biomass must be sourced from sustainable sources. As in the UK, the sustainability of supplies must be tracked to ensure the scheme does not contribute to negative impacts on biodiversity and overall Green House Gases (GHG).

IFA recommend that the RHI does not allow mass importation of energy crops or other biomass fuels from long distances away.

6.9 Differentiation of Tariff by Renewable Heat Technology

IFA recommend that the RHI tariff should differentiate by renewable heat technology, but that the sustainability of biomass fuel should also affect the tariff received. This would support and encourage projects to source biomass fuel produced locally and maximise the contribution of the scheme to the economy.

The balance between electric and thermal power needs to be reflected in the tariff, for example, to encourage good quality Combined Heat and Power (CHP), as is the case in the UK, with their quality assurance scheme (CHPQA).

6.10 Differentiation of Tariff by Installation Size or by Output

IFA recommend that a tiering approach based on metered heat output is most appropriate. IFA propose that a higher tariff is available to small scale renewable heat project to encourage greater participation, as these scale project have been shown to have a greater impact on rural communities.

IFA also propose that a tariff premium should be made available to larger scale projects that provided a minimum of 25% shareholding for community ownership. This will support the rural economy and ensure that the profits are more fairly shared with the community.

6.11 Age of Existing Fossil Fuel Heating technologies being targeted for replacement

IFA recommend that the age of incumbent systems should not be taken into account in the RHI scheme. Ireland needs a relatively quick transfer to renewable heat so RHI should not be limited to end-of-life replacement.

6.12 Duration of support and profile of payments to scheme participants

IFA recommend that a minimum duration of support of 15 years extending to a payment period of 20 years as required, due to the high investment costs. A payment based on output (c/kWh) would be best suited to investment.

IFA recommend an upfront grant or front loaded payment with an ongoing tariff to encourage farmers to participate in the scheme, particularly consider the scale of the investment required.

6.13 Payments based on Metered Heat or Deemed Heat Use

IFA recommend that metering should be used for all installations and the payment be based on metered heat use.

6.14 Systematic Adjustment of Tariffs

IFA recommend that the price should be indexed to an Energy Index.

6.15 Budget Management Mechanism / Cost Controls

IFA agree that the price should have a tariff degression based on measured output for larger scaled projects.

There should be no tariff degression for small scale or community renewable heat projects that use indigenous locally sourced biomass, in order to support their participation in the scheme. Projects that have committed the investment must be linked to the RHI set rate per kWh, without fear of the scheme being changed prior to completion.

6.18 Pre-accreditation

IFA consider pre-accreditation for larger projects essential to assist farmers sourcing finance on renewable projects. The democratic and collaborative nature of community projects mean decision making is slower and pre-accreditation is essential to support these type of projects participation in the RHI.