



8th July 2010

Stimulate Debate: The Heat Company View

About HWE

- Formed in 2003
- 25 employees
- Focus exclusively on biomass heat
- 120 installs (non-domestic)
- 14MW installed capacity – sub 500kw range
- Beyond the micro-scale: significant overheads, significant investment

About HWE



Heat Sector

- Heat accounts for 49% of all UK CO₂ emissions
 - Higher in Scotland when electric included?
- 42% CO₂ reduction target by 2020
- 12% UK renewable heat target = 73 TWh
- 11% Scotland = 6.42TWh (balancing factor in 2020 targets)
- Biomass crucial in heat target
 - RHI analysis suggests 41% from biomass*
 - Scottish government = “biomass will deliver the majority”
 - Assume 10% of heat as Scottish Biomass Target by 2020 = 5.8TWh

Biomass Role in Heat

- 5.8 TWh = 5,800,000,000 kWh
- Average swimming pool = 1,000,000 kWh = only 5,800 swimming pools!
- @ 3,200 kWh per tonne = 1.8m tonnes of wood across Scotland
 - Relatively small and dispersed compared with biomass electric.
- Growth of electric is inevitable while it has subsidy and heat does not.
 - Significant opportunity cost associated with electric
 - *We need biomass for heat, there are other ways to generate electric: why would we possibly use biomass for electric?*
- Biomass heat can live relatively harmoniously with existing wood markets to meet 2020 targets.

Business Challenges

- Capital grant funding has been crucial:
 - SBHS, SRDP, CARES, LCBP, SCHRI
 - More than 50% of projects grant dependent
- But is limited
 - Excludes some key markets
 - Stop / Start nature = cash flow challenges
 - Makes planned growth and capacity building difficult
 - Does not build the supply chain
 - Doesn't necessarily drive the "best" projects – i.e. Lead to high levels of CO2 savings.
 - And is disappearing!
- Accreditation – an issue but not a "killer".
- Uncertainty!
- We need a consistent, long term, scaleable, transparent and affordable funding mechanism to be introduced.

RHI

- RHI not perfect but delivers:
 - A critical compliment to energy saving
 - Lowest cost renewable energy: £57 - £75 per tonne of CO2 across all technologies (overall policy cost)
 - Green jobs (manufacturing, installation, fuel production, service)
 - Drives tree planting & active use of low grade land (set-aside, MOD etc.)
 - Delivers on energy security
 - Delivers on fuel poverty (urban & rural)
 - Fast roll-out & a world first

We need especially strong Scottish Govt support to influence coalition and ensure the lowest cost renewable sector can be delivered quickly

- Industry has been planning for this since 2008
 - Poised and ready to deliver expansion with major players hovering
 - In the absence of RHI 1.5 ROCs for biomass electric is the only game in town.

Key Actions

1. Deliver the RHI. Proposals can be improved but we need certainty.
 1. Plan A – influence to ensure this is delivered UK wide.
 2. Can Scotland develop a plan B?
 3. We cannot afford a 2011 “vacuum”
2. Stimulate tree planting for post 2020. **Additional 8% coverage = 33% of Scotlands total heat load. Can the RHI deliver more trees?**
3. No wood in landfill - now.
4. Build heat capacity & Quality.
5. Sensible approach to Air Quality Impact.
6. Establish planning condition for Electric / CHP – a min heat use threshold = 75%?