

## Renewable Heat Incentive - Frequently Asked Questions

Below are a number of Frequently Asked Questions on the Renewable Heat Incentive (RHI) proposals.

Please remember that at this stage these reflect our proposed approach as set out in our [Consultation on the Renewable Heat Incentive](#). These proposals may change following the consultation.

We will update this page from time to time as questions emerge.

If your question is not included here, please look at the [RHI consultation document](#). If you are still unsure of our proposed approach, please contact us at [rfi@decc.gsi.gov.uk](mailto:rfi@decc.gsi.gov.uk).

### **Summary of questions**

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## **What sort of technologies are covered?**

We plan supporting a wide range of technologies and fuel sources, including:

- air and ground-source heat pumps,
- solar thermal,
- biomass boilers,
- renewable combined heat and power,
- use of biogas and bioliquids, and the injection of biomethane into the natural gas grid.

In addition, we are also aiming to support less mainstream technologies such as water source heat pumps and deep geothermal plants but these are unlikely to have a tariff dedicated to these technologies.

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## **Are wood-burning stoves included?**

No. We propose excluding wood burning stoves as well as air heaters, open fires and similar applications, from the RHI. These present practical difficulties as it is extremely difficult to monitor how much they are used (they are usually a secondary source of heat the use of which will be optional), and to what extent they are used with renewable fuel rather than, for instance, coal. The administrative cost of including these appliances in the RHI in a fair way would likely be very high. We do, however, propose to support biomass boilers.

Unfortunately when the RHI consultation was launched, the Daily Mail reported that the Government had proposed to include wood-burning stoves in the scheme – this was incorrect and we have notified them of their error.

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## **Would wood burning stoves fitted with a back boiler be eligible for RHI support?**

The RHI tariff for small-scale biomass has been calculated for dedicated biomass boilers only. For the reasons described on page 31 of the RHI consultation document, we do not propose to include wood burning stoves in the RHI.

If you believe that the RHI should provide support for wood burning stoves where they are fitted with a back boiler for heating domestic hot water then please provide supporting data on the costs of these applications, their usage of renewable fuel and the appropriate support level needed in response to question seven of the RHI consultation.

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### **What does the financial support cover?**

The tariffs have been calculated to bridge the financial gap between the cost of conventional and renewable heat systems at all scales, with additional compensation for certain technologies for an element of the non-financial cost (e.g. the disruption of digging up a garden to install a ground source heat pump), plus an investment rate of return of 12% across all technologies and 6% for solar thermal.

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### **Can public sector organisations claim the RHI and receive tariffs e.g. school, hospital?**

Yes, public sector organisations can claim the RHI providing they own the installed renewable heating equipment. Public sector buildings will often have greater potential, for example more space, for on-site renewables. Their size and location could lead them to play a critical role in the viability of community heat and energy networks.

Ofgem can only make tariff payments to the owner of the plant. The question of whether the RHI tariff can be assigned to the public sector organisation if ownership of the building (including the equipment) transfers to someone else can therefore be addressed by the relevant parties through a contractual agreement. Any change in ownership of the equipment will need to be notified to Ofgem so that the tariff continues to be paid to the relevant person or organisation.

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### **Can a local authority/ social landlord (e.g. housing associations) claim the RHI?**

Yes, the RHI is open to anyone who installs an eligible heating system. Providing the body owns the equipment and the conditions of the scheme are met, we propose that they should be able to claim the incentive.

As the RHI will subsidise costs associated with fitting renewable heating technologies, it would enable local authorities or Registered Social Landlords (e.g. housing associations) to use revenue from the scheme as part of a wider programme of refurbishment in social housing.

We believe the RHI presents a big opportunity for social landlords to invest in low carbon technologies to provide real benefits for their tenants, who may have lower heating bills as a result of using the renewable technology.

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### **Will existing installations be eligible for RHI?**

Under our current proposals, if your renewable heat system was completed after 15 July 2009 (which is the date the Renewable Energy Strategy was published) and meets the other qualifying conditions of the scheme then you will be able to claim the RHI.

If you installed before 15 July 2009, under our current proposals, then you are outside the scope of this scheme.

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### **What about refurbishment of existing renewable heat equipment or conversion from fossil fuels to renewable heat? Will this be eligible for support?**

We propose that refurbishment or conversion of existing equipment that was commissioned before the publication of the Renewable Energy Strategy will not be eligible for support under the RHI. We believe that encouraging new generation is the best way to meet our challenging 2020 targets.

However, where eligible technologies (e.g. biomass) have been installed to generate renewable electricity in order to claim Renewables Obligation Certificates and the generator upgrades the equipment to CHP we propose that the upgrade will be treated as “additional capacity” and the renewable heat **will** therefore be eligible for the relevant RHI tariff.

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### **I've already built. Am I eligible? Will I have to repay my grant?**

Those projects completed after 15 July 2009 (when the Renewable Energy Strategy was published) will in principle be eligible for RHI support.

If you are a householder and have received a central Government grant, then you will not be expected to repay the grant. However, other recipients of public funding for the capital costs of the renewable heat equipment (including central Government grants, lottery awards or funding received from the Regional Development Agencies, Devolved

Administrations or the European Regional Development Fund) may have to repay the funding in order to claim the RHI.

We will seek to clarify the position in respect to public funding that may need to be repaid by potential RHI recipients before the final RHI proposals are published. In the meantime, it would be prudent for those above the domestic scale to plan on the basis of receiving either a grant **or** the RHI but not both.

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### **Why have you chosen the 15<sup>th</sup> of July 2009 as the cut-off point for eligibility for the RHI?**

The 15<sup>th</sup> July 2009 was the publication date of the Renewable Energy Strategy (RES) when we first announced that newly installed renewable heating could be eligible for the RHI from that point.

We need to set a cut-off date as otherwise all renewable heating installations would be eligible support. The purpose of the RHI is to encourage new, additional renewable heating, not to support renewable heating generally.

We were concerned that the announcement of the RHI in the RES, with its planned introduction in April 2011, would lead to a halt in the installation of renewable heating equipment as people awaited the start of the scheme. Therefore, in order to encourage people to continue to install before the introduction of the scheme, we stated that any installation after that date should be eligible for payment under the RHI.

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### **My equipment was commissioned before the 15<sup>th</sup> July 2009, but was completed after the 15<sup>th</sup> July 2009 – will it be eligible for support?**

We have proposed supporting equipment that is 'completed' after the 15<sup>th</sup> July 2009, providing it meets all other eligibility criteria.

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### **Why are the RHI rates of return higher than FITs?**

The different rates of return reflect the difference in barriers to the implementation of electricity and heat technologies and the compensation required to get sufficient uptake.

For example, in most cases a renewable technology will meet a heat need, with no backup heating in case of failure. People who generate their own electricity will remain connected to the electricity grid and don't face the same risk.

Renewable heat technologies are generally less well known and there are more hassle factors associated with their installation, which increases the barriers to installation.

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### **Why does solar thermal get a lower rate of return?**

Solar thermal is a well-known technology, and it's relatively easy to install. There are fewer barriers to overcome, so we don't think we need to give as high a return.

It's important to keep the costs of the scheme under control, especially since solar thermal is – per unit of heat – the most expensive technology to support.

6% rate of return is still more than people will generally get in their savings account. It's a massive increase in support compared to what was available previously through our grant schemes (Low Carbon Buildings Programme). Where previously a householder would likely have received a one-off grant up to £400 in total, under the RHI they could get that much every year for 20 years.

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### **What about the tax treatment of the RHI?**

HM Treasury will clarify this in due course.

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### **Why are there no proposals on how the scheme will be funded in this document?**

We are considering options on how best to fund the RHI and will make a further announcement at Budget 2010.

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### **Who will be paying for the RHI?**

A decision on how the RHI will be funded will be made at Budget 2010. Ultimately, whatever the funding mechanism, we believe the costs will be passed on to consumers. However, until the details of the funding mechanism are finalised, the distribution of these costs between different types of consumer is unknown.

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