



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 'n nan Eilean

The Renewable Heat Incentive (RHI) allows you to Generate Heat and Generate Income

What is the RHI?

- The Renewable Heat Incentive (RHI) is designed to provide financial support that encourages individuals, communities and businesses to switch from using fossil fuels to renewables for heating.
- The RHI is a revenue incentive based on heat output of eligible technologies; which are: biomass boiler (including CHP), solar thermal, ground and water source heat pumps, on-site biogas, deep geothermal, energy from municipal waste, bio-methane (Air source heat pumps are not eligible for the first phase of the RHI).

Why is it being introduced?

- The key objective of the RHI is to significantly increase the level of heat generated from renewable sources therefore enabling the UK to meet the 2020 targets of 15% of energy to be generated from renewable sources.

Who will benefit?

- The tariff has been calculated to give a rate of return of 12% which represents a favourable investment for the domestic and commercial market.
- It will enable businesses and home users to generate an income, save money and implement energy efficiency measures.
- It will enable Highlands and Islands (H&I's) consumers to secure the benefits of renewable heat and make the transition to a low carbon economy. Around a third of homes in the H&Is are in fuel poverty, around half are off the gas network, many are off the grid and a large percentage of these homes are also hard to treat with energy efficiency measures.
- It will generate a market and an associated supply chain to support renewable heat.

Supply chain opportunities?

- The RHI is designed to create a renewable heat market. It will generate supply chain opportunities, for businesses in micro, medium and large scale installation projects.
- Installation training and accreditation can be undertaken at the Sustainable Energy and Micro-renewable (SEAM centre) at Inverness College. www.seamcentre.org.uk
- For micro to medium scale projects there are diversification opportunities for tradesmen; plumbers, oil/gas boiler engineers and electricians.
- For large scale projects there is an opportunity to enter into this market for engineering firms with design, mechanical, fabrication, electrical, civil, crane and transport capabilities.
- Another opportunity is in the supply of raw material such as wood chips and pellets.
- An estimated 11 Jobs/MW are created from the design, civil, aggregate, fabrication and mechanical and electrical engineering elements during construction of medium to large scale biomass developments. A further 7 Jobs/MW are created in supporting the operation and maintenance, harvesting and haulage for these projects.
- The Scottish Government has set a target, of 11% of heat (959MW) to be generated from renewable sources by 2020. As it stands, there is 2.8% of installed heat capacity in



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Scotland, which equates to 244MW of heat with a further 328MW of heat being proposed for development. It is estimated that the total capital investment of £955 million is required to meet the target for 11% heat.

- The Scottish Government has also produced a Heat Map of the H&I's, to support development of the renewable heat sector.
www.highland.gov.uk/NR/rdonlyres/37863E11-66C1-4F35-9C5C-CFF71FD9BC5B/0/110511_HighlandHeatMap_FinalReport_FINAL_RED_forWebsite.pdf
- In 2011, the Scottish Government offered the £2.5Million District Heat loan scheme which is fully committed but likely to run again this year.
www.scotland.gov.uk/Topics/Business-Industry/Energy/Energy-sources/19185/Heat

• **When was it introduced?**

Phase 1

- The initial phase was launched in November 2011 to support non-domestic heat users. This covers everything from large-scale industrial heating to small business and community heating projects.
- Non-domestic installations completed after the 15th July 2009 are eligible as part of the 1st phase.
- As part of the first phase the Government introduced Renewable Heat Premium Payments, which is a £12 million pot to support the domestic market. It focuses on heating systems, such as heat pumps and biomass boilers, on houses off the gas grid and was available from August 2011, an outline of payments are as follows:
 - Solar Thermal - £300/unit
 - Air Source Heat Pumps - £850/unit
 - Biomass boilers - £950/unit
 - Ground Source Heat Pumps - £1,250/unit.

Phase 2

- The second phase of the RHI will be launched later this year to support the domestic sector and will be introduced to coincide with the introduction of the Green deal for Homes which intends to reduce carbon emissions cost effectively by revolutionising the energy efficiency of British properties.

www.decc.gov.uk/en/content/cms/tackling/green_deal/green_deal.aspx

How will it be implemented?

- Ofgem will administer the RHI, dealing with applications; accrediting installations, making incentive payments to participants and monitoring compliance to the scheme.

<http://www.ofgem.gov.uk/e-serve/RHI/Pages/RHI.aspx>

Example RHI and payback period

Business Type	Call Centre	Bakery	Distillery / Brewery
Biomass boiler size (kWth)	100	200	4,000
Capital cost for installation (£)	127,050	192,948	3,036,600
Total Operating Cost (£)	33,305	37,099	1,049,854
Total Income (fuel savings / RHI) (£)	55,980	97,348	2,648,747
Gross project Income (£)	22,675	60,249	1,598,893
Pay Back Years	5.6	3.2	1.9