



CLOSE THE BIG BIOMASS 'COMBINED HEAT AND POWER' SUBSIDY LOOPHOLES! GUIDANCE NOTE FOR POLICY-MAKERS

SUMMARY

As of 1st August 2016 the Government has cancelled subsidies for Biomass CHP (Combined Heat and Power) projects that produce very low amounts of electricity. Unfortunately, it continues to offer very generous subsidies to huge, inefficient Biomass power station

projects that burn large amounts of imported wood and capture very low amounts of heat. This so-called 'Good Quality CHP' only has to be 35% efficient to receive subsidies, whereas the EU Renewable Energy Directive stipulates that biomass should be 70% efficient [1] in order

to receive state support. These large, import-reliant biomass power stations make climate change worse and damage forests and biodiversity. We urge the Government to cease subsidising them immediately.

THE RECENTLY CLOSED BIOMASS SUBSIDY LOOPHOLE

The new Department for Business, Energy and Industrial Strategy (BEIS) has introduced an amendment [2] to the Renewable Heat Incentive (RHI) which reduces subsidies for biomass-fuelled 'combined heat and power'

systems that use less than 20% of their fuel for electricity production.

This closes a loophole which allowed operators of large biomass boilers to more than double their RHI subsidies

by generating a negligible amount of electricity. [3] Given that there is no meaningful efficiency gain from turning a heat-only plant into a 'CHP' one with a tiny electricity output, we support this cost-cutting measure.

THE BIG BIOMASS CHP LOOPHOLE THAT MUST BE CLOSED

We urge the Government to close a potentially much bigger and more damaging loophole which allows large-scale, effectively electricity-only biomass power stations to attract large subsidies if they capture a very small amount of heat, and achieve as little as 35% overall efficiency. [4] In

addition, power stations don't have to capture any heat at all for the first 5 years under the current rules.

The Government's own scientific report [5] published in 2014 shows that biomass is not low-carbon and can be up to four times more carbon

intensive than coal for the climate over a timescale of decades when full lifecycle carbon accounting is used. Biomass always emits more carbon from smokestacks than equivalent energy from coal, but this carbon is ignored by Government carbon accounting methodologies.

ACTION TO TAKE

The Government must move urgently to remove subsidies for inefficient biomass CHP power stations such as the MGT Power project on Teeside.

MGT Power Ltd plan a 299MW biomass CHP power station on Teeside which will claim £125 per Mwh, resulting in an estimated subsidy of £190 million a year. It will be little more than 34% efficient. For comparison, **Drax power station**, now running close to 50% on biomass, achieves 38%

efficiency without any heat capture and will earn around £100 per MWh. **Hinckley C nuclear power station** has been guaranteed subsidies of £92.50 per Mwh. MGT will be importing wood pellets sourced from carbon-rich, highly-biodiverse native forests in the south-eastern US.

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FURTHER READING

For broader policy recommendations please see:

<http://www.biofuelwatch.org.uk/wp-content/uploads/Bfw-UKWIN-policy-recommendations-1.pdf>

For more information on Biomass please see:

<http://www.biofuelwatch.org.uk/2013/biomass-faq-2/> and
<http://www.biofuelwatch.org.uk/2015/biomass-resources/>

For short briefings on the UK Biomass Sustainability and Greenhouse Gas Standards see:

<http://www.biofuelwatch.org.uk/2016/uk-biomass-standards-briefing/>

REFERENCES

[1] EU Renewable Energy Directive
<http://eur-lex.europa.eu/eli/dir/2009/28/oj> Article 13.6

[2] http://www.legislation.gov.uk/uksi/2016/718/pdfs/uksi_20160718_en.pdf

[3] Under the RHI a heat only biomass boiler over 1MWth earns 2.04p/kWh, whereas a plant with a small electric output would earn 4.22p/kWh for the full heat output.
<https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources/tariffs-and-payments-non-domestic-rhi>

[4] https://www.chpqa.com/guidance_notes/GUIDANCE_NOTE_44_Issue_5.pdf

[5] <https://www.gov.uk/government/publications/life-cycle-impacts-of-biomass-electricity-in-2020>