

Consultation on the Introduction of a Renewable Heat Obligation 2021

Department of the Environment, Climate and Communications

Grissan Renewable Energy

Consultation Response

1st October 2021

Contents

| | |
|--|----------|
| CONSULTATION QUESTIONS | 2 |
| 1 Background..... | 2 |
| 2 Market Coverage | 2 |
| 3 Obligated Parties and Obligation Threshold..... | 2 |
| 4 Obligation Rate | 3 |
| 5 Meeting the Obligation | 3 |
| 6 Sustainability | 4 |
| 7 Traceability | 4 |
| 8 Estimated Costs for Consumers..... | 4 |
| 9 Penalties | 5 |
| 10 Energy Poverty | 5 |
| 11 Supporting new green fuels | 5 |
| 12 General Input..... | 6 |

Consultation Questions

1 Background

Q1: Do you think that a Renewable Heat Obligation is an appropriate measure to introduce?

Yes

Q2: If not, what alternative measures would you consider appropriate to increase the use of renewable energy in the heat sector?

A tariff scheme for renewable heat

2 Market Coverage

Q3: Do you agree that the obligation should apply to all non-renewable fossil fuels used for heating as set out above?

Yes

Q4: It is intended that electricity used for heating purposes and renewable/waste district heating systems would be exempt from this obligation, do you agree with this approach?

Yes

Q5: Do you agree that the portion of fossil fuel input used in CHP plants to generate heat would be considered to be part of the obligation?

Yes

3 Obligated Parties and Obligation Threshold

Q6: Are energy suppliers the most appropriate bodies to become the obligated parties in the heat sector?

Yes

Q7: Is the 400 GWh of energy supplied an appropriate level for a supplier to become obligated?

No, this is too high of a threshold to be considered an obligated party. It increases the risk of suppliers separating out their businesses in order to avoid meeting the threshold.

4 Obligation Rate

Q8: Do you agree with the 2023 start date for the obligation?

Yes, this gives suppliers time to develop solutions as needed

Q9: In terms of the obligation rate, do you agree with the proposed initial level of obligation of 0.5%?

No, this is severely lacking in ambition and will not stimulate any market competition or growth. For example, one of Grissan's current AD plants in the UK supplies more biomethane than the entire obligation volume and we have a number of opportunities in development in Ireland that could contribute to the renewable heat obligation. If we were to construct these facilities the supply of certificates would outstrip demand, driving certificate prices down and rendering the capital investment stranded.

In order to stimulate a competitive market and achieve the targets set out in the RED II Directive Ireland must rapidly increase the share of renewable fuels and this can be easily achieved by setting an obligation rate at a sensible level such as 5% in 2023 raising year on year to 30+% in 2030. This share of renewable heat is in alignment with other EU countries.

Q10: In terms of ambition for a 2030 target, what level of ambition do you think is appropriate?

30%

5 Meeting the Obligation

Q11: Do you agree with the first obligation period being multiple years 2023-2025 to give the industry time to develop supply lines?

Yes

Q12: Once the first period 2023-2025 expires, do you agree with the obligation then becoming an annual obligation?

Yes

Q13: Do you agree with suppliers being able to trade credits in order to meet their obligation?

Yes

Q14: Do you agree with allowing 10% carry over of renewable credits to be used in the following year's obligation?

Yes

6 Sustainability

Q15: What are the sustainable energy sources likely to meet the Renewable Heat Obligation at an obligation rate of (i) 3%, (ii) 5%, (iii) 10% by 2030?

- (i) Solid Fuels - wood biomass heat is significantly cheaper than other options and as such it is unlikely that any other technology will appear given the small overall demand for certificates
- (ii) Predominantly solid fuels with a small inclusion of biofuels.
- (iii) Predominantly solid fuels with a small inclusion of biofuels and a chance of imported biomethane.

Q16: Will there be enough sustainable indigenous supply to meet this demand?

There is sufficient indigenous sustainable fuel available, but the obligation does not differentiate between indigenous and imported fuels which are likely to be cheaper. Because of this lack of differentiation, the lack of supply is likely to be made up of imported wood.

7 Traceability

Q17: Do you agree that for renewable fuel delivered directly to a consumer that this will be the point of supply?

Yes

Q18: Which option to you think should be applied for renewable energy that is indirectly supplied (e.g. via the natural gas grid)?

Option A

8 Estimated Costs for Consumers

Q19: Do you think the costs set out above are reflective of likely costs?

Costs are likely to be less than this because of a low volume obligation and the market being flooded by a cheap biomass energy.

Q20: Are these costs reasonable to impose on consumers?

Yes, we have to decarbonise heat supply and Ireland is currently lagging very far behind the European average.

9 Penalties

Q21: Do you agree with the intended position in relation to penalties for non-compliance?

Yes

10 Energy Poverty

Q22: Do you think the proposed obligation poses a significant risk to increased energy poverty?

No, the proposed obligation poses a small but not significant risk to increased energy poverty

Q23: How best could the impacts on energy poverty be minimised?

N/A

11 Supporting new green fuels

Q24: Do you agree with the outlined approach for additional support for green hydrogen?

No, the obligation should be technology neutral as it is with all other fuels and favouring hydrogen creates an uncompetitive mix. Furthermore, there is no justifiable reason for hydrogen to receive increased support in comparison to other sustainable gases such as biomethane. To award double credits to renewable hydrogen would result in a lower overall share of renewable fuels in the total heat sector supply.

Q25: Do you think that offering multiple credits for green hydrogen in the heat sector might have unintended consequences for supply in other sectors such as transport?

Yes, it will result in a lower overall share of renewable fuels in the transport sector as outlined above.

12 General Input

Grissan is a privately owned business which has invested significant capital in the deployment of six AD sites, producing c.65% of the total biomethane produced in Scotland. On an annual basis, Grissan inject over 500,000 MWh's of biomethane which would equate to c.14% of the overall AD industry output within the UK.

The proposed Renewable Heat Obligation as stands is significantly lacking in ambition and carries a huge risk to investors. While Grissan have a desire to develop biomethane generation assets in Ireland the scheme as presented would not be of interest to Grissan in its current form and fails to incentivise technology development for indigenous renewable fuels.

In order for the scheme to protect capital investment in biomethane it would need to offer a guaranteed fixed tariff or significantly increased % obligation on fuel suppliers and protections to prevent wood biomass from flooding the market with cheap certificates.