CEWEP Ireland response - Consultation on the Introduction of a Renewable Heat Obligation Scheme (October 2021)

CEWEP Ireland welcomes the opportunity to comment on the introduction of a Renewable Heat Obligation Scheme. As outlined in the consultation paper, reducing emissions in the heat sector remains a key challenge for Ireland and will be vital to achieve national and EU climate targets. In order to address this objective, policies to decarbonise heating must encourage a wide range of technologies in a timely fashion if the suggested timeframe of 2023 is to be met. In particular, if there is a requirement for the renewable energy used for the production of hydrogen to be "additional" to existing capacities, the protracted planning and consent landscape may result in significant delays to role of green hydrogen in the RHO in the early days.

Furthermore, it is questionable whether the RHO alone will be sufficient in order to achieve the level of decarbonisation needed in the sector. It may be the case that it forms a part of a broader plan of measures to decarbonise the heating sector.

Below please find responses to the questions of relevance to CEWEP Ireland members.

About CEWEP Ireland

CEWEP is the umbrella association of the owners / operators of waste-to-energy (WtE) facilities, representing approximately 500 plants across Europe. Our members represent nearly 90% of European WtE capacity. CEWEP Ireland (hereafter "CEWEP") is the Irish branch of CEWEP Europe and has two members. Waste to Energy (WtE) facilities treat household and similar waste that cannot be prevented or recycled. Through the thermal treatment process, the facilities recover energy from the waste. The energy is categorised as partly renewable. This is because the feedstock is partly biogenic, and therefore categorised as biomass under the Renewable Energy Directive. This can be in the form of steam, electricity or hot water. Indaver operates the Meath Waste-to-Energy facility and is proposing to develop similar facilities in Belfast and Cork. Covanta operates the Dublin Waste-to-Energy (DWtE) facility. Members currently have a total treatment capacity of over 900,000 tonnes per annum residual waste and export almost 80MW of electricity. Both the existing Indaver and the DWtE qualify for Priority Dispatch on the basis of the renewable fraction of the processed residual waste.

CEWEP members plan to play a role in the provision of renewable fuels, renewable heat as well as harnessing waste heat. In 2020, Indaver lodged a planning application for an electrolyser to produce hydrogen from energy that would otherwise be wasted during curtailment events. DWtE will act as the heat source for the planned heat network in Poolbeg.

Response to questions of relevance to CEWEP

Background:

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

Given the scale of the decarbonisation challenge, and the need to increase the renewable portion of heat delivered to consumers, the introduction of a RHO has the potential to play an important *part* in a wider range of measures focused on decarbonising heat.

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

There is a need to analyse the impact of existing schemes while assessing the extension of existing schemes such as the Support Scheme for Renewable Heat (SSRH) or introducing new, additional support schemes such as Feed-in-Tariffs, a PSO levy or exchequer funded support for renewable heat.

Market Coverage:

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

From a practical point of view, and given the scale of the decarbonisation challenge, it should apply to all non-renewable fossil fuels. In addition, it could be open to legal challenge if certain fuels or users are exempt (i.e. this may amount to the provision of unduly preferential treatment). Under EU law (Article 108 of the Treaty on the Functioning of the EU), the European Commission is obliged to review whether Member States give selected companies preferential treatment that is incompatible with applicable State aid rules.

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.

Obligation rate:

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

There is a need to progress measures such as the RHO as soon as practicable. However, the timelines associated with planning and consent cannot be ignored in the context of deploying new units for the production of new green fuels such hydrogen.

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?

It is important to point out that Article 29 of RED II (Sustainability and greenhouse gas emissions saving criteria for biofuels, bioliquids and biomass fuels) states that electricity, heating and cooling produced

from municipal solid waste (MSW) shall not be subject to the greenhouse gas emissions saving criteria laid down in paragraph 10.

Under the proposed revision of RED II, the element of Article 29 regarding MSW and greenhouse gas emissions remains unchanged, therefore electricity, heating, and cooling from MSW are still not subject to sustainability criteria.

Supporting new green fuels

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

According to REDII, there is a requirement for the renewable energy used for the production of hydrogen to be "additional" to existing capacities. However, a strict interpretation of additionality for hydrogen could be problematic in the initial stages of the proposed RHO.

This additionality is not yet well defined. The European Commission is due to publish formal guidance in the form of a delegated act before year end. In anticipation of this guidance, measures are already underway in other countries to define "additionality". Approaches range from a very tight definition "*only direct physical connections to renewable electricity projects built at the same time or after the electrolyser*" (UK RTFO), to broader definitions that do not require a direct, locational link between the project and the electrolyser.

Given the lengthy planning and consenting timelines in Ireland, a range of measures should be considered in the short to medium term. One way to encourage the early deployment of hydrogen could be to take the curtailment of existing sources of renewable energy into account. If this energy is to be wasted during times of high wind, it would make sense to divert it to an electrolyser. Another way to address this is to provide a sunset clause for the inclusion of hydrogen from existing sources, introducing a time limited provision in law that it will automatically be terminated, unless extended by law. This could have the effect of providing the necessary signals for investment.

Notwithstanding the use of existing sources of renewables subject to frequent instructions to dispatch down during times of high wind, a very strict requirement for additionality for renewable electricity requires a perfect synergy between the development timelines of a renewable energy project, the development timescale of a hydrogen production site and the creation of demand sufficient to justify the deployment of an electrolyser project. This is a challenging synchronicity to engineer and may temper the speed with which the inclusion of hydrogen in the RHO could otherwise stimulate the growth of the sector.

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?

While the industry is also in its infancy in other Member States, the experience and development of renewable heat policies in other jurisdictions should be considered. If the introduction of multipliers is deemed to provide the necessary signals for investment in other countries, it would be prudent to model the potential sectoral split based on different scenarios.