



**Roinn Cumarsáide, Gníomhaithe
ar son na hAeráide & Comhshaoil**
Department of Communications,
Climate Action & Environment

Support Scheme for Renewable Heat

Scheme Overview

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Introduction

1. This document is intended solely as a high level overview of the Support Scheme for Renewable Heat. Nothing in this document is intended to give rise to any entitlement to financial support for any project or projects.
2. The primary objective of the Support Scheme for Renewable Heat is to contribute to meeting Ireland's 2020 renewable energy targets whilst also reducing greenhouse gas emissions.
3. The scheme is designed to increase the energy generated from renewable sources in the heat sector by circa three percentage points. However, the scheme will be scaled in accordance with the funding available.
4. The scheme is designed to financially support the adoption of renewable heating systems by commercial, industrial, agricultural, district heating and other non-domestic heat users at sites not covered by the emissions trading system. It aims to bridge the gap (using operating-aid) between the installation and operating costs of renewable heating systems and the conventional fossil fuel alternatives. The scheme will also provide, for alternative technologies, investment-aid (in the form of grants) providing the necessary incentive for capital investment.
5. The scheme will provide a level of support that will seek to provide adequate incentive for investments in renewable energy systems, cost effective administration and monitoring, and value for money for the exchequer.
6. While this is an energy policy intervention, the Support Scheme for Renewable Heat will also stimulate demand for renewable energy feedstock (such as biomass) thus providing an opportunity for the growth in competitively priced domestic production of bioenergy.
7. The scheme will be administered by the Sustainable Energy Authority of Ireland (SEAI) who will be responsible for the operation of the scheme including evaluation and processing of applications and making payments to participants in the forms of operating-aid and investment-aid as appropriate. As the scheme administrators, SEAI will develop draft Terms & Conditions for the scheme for review and approval by the Minister for Communications, Climate Action & Environment. The Terms & Conditions will set out the rules by which the scheme will operate and will include a range of eligibility criteria and ongoing obligations that participants must adhere to. The Terms & Conditions shall be intended, among other things, to ensure that the scheme complies with all applicable EU and Irish law.

8. The commencement of the scheme will be subject to the necessary administrative, legal and regulatory arrangements being put in place (including European Commission State Aid clearance as appropriate).

Support Types

9. Based on the economic analysis carried out to date, the scheme will support projects through one the following support mechanisms:

- an operational support (i.e. operating-aid) based on useable heat output in renewable heating systems in new installations or installations that currently use a fossil fuel heating system and convert to using the following technologies:
 - i. biomass heating systems;
 - ii. anaerobic digestion heating systems.
- an installation grant (i.e. investment-aid) to support investment in renewable heating systems that use the following technologies:
 - i. air source heat pumps;
 - ii. ground source heat pumps; and
 - iii. water source heat pumps

10. Other technologies and methods of support continue to be under consideration (including biomethane grid injection) for subsequent phases of the scheme.

11. The proposed supports are designed to fully incentivise the development and supply of renewable heat. As such the supports provided under this scheme cannot be cumulated with supports from other exchequer or Public Service Obligation funded schemes covering the same eligible expenses unless expressly provided for in the Terms & Conditions.

Operational Support

12. Selected renewable energy technologies will be supported through a multi-annual payment (for a period of up to 15 years), on the basis of prescribed tariffs. Each tariff will set the amount of support that the scheme participant will receive in respect of each unit of heat energy used for an eligible purpose. The tariff level applicable to a particular project shall be fixed for the period of support, subject to adjustments as set out below. Tariff levels will not be linked to indexation.

13. The amount of heat energy is measured in megawatt hours (MWh). The tariffs will be expressed in euro per unit of energy equivalent (e.g. c/kWh) and may vary by technology, level of energy used and period of support in years.

14. Payments will be made to participants on the basis of eligible heat use and the relevant tariff. Payments will be made to participants on a quarterly basis for a period of up to 15 years, provided they continue to satisfy eligibility criteria and ongoing obligations which will be monitored and verified by SEAI.

15. Participants will be required to install approved meters and submit readings on a quarterly basis confirming the amount of renewable heat energy used for eligible purposes. Eligible purposes must be useful, energy managed and energy efficient. Eligible purposes will be defined in the Terms & Conditions and may include space and water heating in buildings and industrial processes.

16. The following are the proposed tariffs for the relevant technologies to be supported:

Tier	Lower Limit (MWh/yr)	Upper Limit (MWh/yr)	Biomass Heating Systems Tariff (c/kWh)	Anaerobic Digestion Heating Systems (c/kWh)
1	0	300	5.66	2.95
2	300	1,000	3.02	2.95
3	1,000	2,400	0.50	0.50
4	2,400	10,000	0.50	0.00
5	10,000	50,000	0.37	0.00
6	50,000	N/A	0.00	0.00

17. High efficiency combined heat and power (HECHP) heating systems that use a technology that is eligible for an operational support may receive this support for the useable heat output from a HECHP process. However, if such projects are eligible for receipt of a support payment for the electricity output (such as under the proposed Renewable Electricity Support Scheme) they may be subject to a reduction in the operational support under this scheme.

18. Projects that are in receipt of supports under the REFIT scheme will not be eligible for operational support under this scheme.

19. The Terms & Conditions for operational support will include the requirements that:

- participants must be a commercial, industrial, agricultural, district heating or other non-domestic heat user in the non-ETS sector;
- buildings and heat using processes must adhere to (and continue, for period of support, to adhere to) verified energy efficiency criteria;
- heat generating technologies and project installations must comply with (and continue, for period of support, to comply with) Building Regulations, Construction Products Regulations, EN Standards, efficiency, technology standards and air quality standards in relation to emissions;
- designers and installers shall be competent to carry out works;
- feedstock (in the case of biomass and anaerobic digestion) must meet (and continue, for period of support, to meet) sustainability criteria and fuel quality standards where appropriate; and
- recipients of payments must be subject to tax clearance procedures.

The Terms & Conditions will set out how each project shall demonstrate its continued adherence and compliance to the scheme requirements.

20. Projects must be submitted by application and, once approved and in operation, will be eligible for support payments under the scheme. No projects will be approved prior to the commencement of the scheme.

21. Projects will be eligible for payments from the date of approval or the date the project operation commences (whichever is the later) and will not receive support under the scheme beyond a date 15 years (or such lesser period as applies to that specific technology) from the date operation commences.

22. In some cases projects may have commenced operation prior to being approved under the scheme. These projects may be eligible for support under the scheme. This eligibility is subject to the Terms & Conditions and the necessary legal and regulatory approvals (including European Commission State aid clearance as appropriate). Should such a project be deemed eligible for support and approved, payments will commence no earlier than the date of approval and will not extend beyond a date 15 years (or a lesser period as applies to that specific technology) from the date operation commences.

23. The tariff rates that apply for the full support period of a project will be those in place on the date of project approval except where:

- there has been an extended period between when the project is approved and subsequently commences operation in which case the Terms & Conditions will determine what tariff applies; or
- there is an adjustment as provided for below.

24. It is important that the scheme uses funds efficiently and ensures value for money for the exchequer. The Terms & Conditions will include a number of budget management mechanisms designed to control the level of exchequer spending on the operational support element of the scheme, including:

- An assigned **project budget cap** which will apply to each project approved. This will be an upper limit on the level of payment that can be provided to the project in any one year. The project budget cap will be based on factors such as the expected heat demand and maximum running hours of the project in a typical year. It may also provide for additional factors such as annual variation and approved eligible growth in heat output as appropriate.
- An **annual budget cap** will be set by the Minister for Communications, Climate Action and Environment with the agreement of the Minister for Public Expenditure and Reform. Projects that will receive an operational support will only be approved where the annual budget cap is sufficient to meet the sum of the project budget caps for all approved projects. Changes in the scheme budget cap will only impact the approval of new projects and will not impact projects that are already approved.
- The tariffs will be subject to **review** on at least an annual basis. This review may take account of uptake, variations in costs and any other factors deemed appropriate. This review can lead to changes in tariff levels and the addition or removal of tariffs for specific technologies. Any changes will be subject to approval by the Minister for Communications, Climate Action and Environment with the agreement of the Minister for Public Expenditure and Reform. Such tariff reviews will not impact the tariffs that apply to projects that are already approved and in operation.
- A review will be carried out on a periodic basis to ensure projects that are already approved, in operation and in receipt of payments do not benefit from **windfall gains** as a result of significant changes in market conditions. For instance, a significant drop in the price of biomass feedstock or an increase in fossil fuel prices could lead to a windfall gain over time. The Terms & Conditions will set out the criteria for this review. The Minister for Communications, Climate Action and Environment may adjust downwards tariff levels that apply to projects that are approved, in operation and in receipt of payments. This is intended to ensure value for money over the course of the scheme. Any such adjustments will only apply to future payments.

25. The proposed operational support does not take account of the market value of the guarantees of origin as set out in the Renewable Energy Directive. Should participants seek to be issued with a guarantee of origin for the renewable energy produced, a reduction in the level of support may apply.

Installation Grant

26. The installation grant will support up to a proposed level of 30% of the installation cost of eligible technologies, namely:

- i. air source heat pumps;
- ii. ground source heat pumps; and
- iii. water source heat pumps

27. The Terms & Conditions for installation grant will include the requirements that:

- participants must be a commercial, industrial, agricultural, district heating or other non-domestic heat user in the non-ETS sector;
- buildings and heat using processes must adhere to verified energy efficiency criteria;
- heat generating technologies and project installations must comply with Building Regulations, Construction Products Regulations, EN Standards, efficiency, technology standards and air quality standards in relation to emissions;
- designers and installers shall be competent to carry out works; and
- recipients of payments must be subject to tax clearance procedures.