

Written evidence submitted by AMP Clean Energy

Introduction

AMP Clean Energy is a distributed energy company which funds and develops low carbon heat and power assets including biomass heat installations, heat pumps, solar PV and flexible energy plants. AMP Clean Energy's mission is to help UK businesses and organisations unlock the potential of decentralised, low carbon energy which supports the UK's transition to a net zero economy.

AMP Clean Energy removes barriers to low carbon heat and power by providing funding to organisations to develop onsite energy assets. Working with a range of sectors including healthcare, agriculture, education, industrial and public sector, projects range from new biomass heat installations to solar PV.

We have taken the time to develop our submission in order to highlight the lack of a comprehensive and clear policy framework to support the decarbonisation of heat, and the impact of the closure of the Non-Domestic RHI to new projects on 31 March 2021, which we believe will lead to a dramatic slowdown in the growth of low carbon heating given the key role this mechanism has played in driving progress to date.

As a significant investor in this area, we are increasingly concerned about the absence of a compelling business case for commercial-scale low carbon heat projects upon the closure of the Non-Domestic RHI due to:

- the absence of information on a number of new schemes which cover individual sectors;
- gaps in proposals to date, such as commercial property; and,
- an apparent move to grant support rather than revenue funding, which fails to recognise the higher ongoing fuel costs in the majority of fuel switching projects.

We have set out below the actions that we believe are required if low carbon heat is to play its full role in the 'green recovery' and would, of course, be happy to expand on any of the points raised in our submission and/or to provide oral evidence.

Questions

1. *How can any fiscal and economic stimulus packages be aligned with the UK's ambitions on net-zero, biodiversity, the circular economy, and Sustainable Development Goals?*
3. *In what areas should interventions be targeted to deliver both economic and environmental benefits in the short and long term?*
6. *How can the economic recovery stimulus be used to deliver green jobs at a time of potentially high unemployment?*

We believe that low carbon heat should be a key part of the Government's stimulus packages and attempts to ensure a green recovery, with heat accounting for more than a

third of annual UK emissions,¹ and the Committee on Climate Change identifying stronger policy intervention in this area as one of the key steps to meeting net zero² - and highlighting the potential for faster deployment to contribute to 'jobs, skills and the recovery'.³

This is borne out by a recent report commissioned by the Local Government Association which estimates that employment in low carbon heat could grow from around 15,000 jobs in 2018 to around 160,000 by 2030.⁴

However, at this point in time there is no overall strategy to ensure heat emissions are brought into line with future carbon budgets and the net zero target, and the main instrument that has supported investment in and deployment of low carbon heat over the last decade – the Non-Domestic Renewable Heat Incentive – will close in little over seven months.

Whilst ministers have announced or launched a series of policy interventions in this area, we remain concerned that these will neither deliver the necessary progress towards net zero nor prevent a significant decline in investment and employment for the following reasons:

- Industrial Energy Transformation Fund (IETF)

The fund recently opened for applications for grant support for energy efficiency deployment and feasibility/engineering studies and decarbonisation feasibility/engineering studies; however, the fund will not invite bids for support for decarbonisation projects until the next calendar year.⁵

We are also concerned about the practicality of the scheme in terms of its ability to support the delivery of real projects that will support the green recovery due to the arbitrary limits on the use of biomass - the most feasible technology for heat decarbonisation in the short term for many of the sectors eligible for this fund⁶ - and the absence of any mechanism to support the ongoing costs of fuel switching, as highlighted by the Committee on Climate Change in its 2020 progress report.⁷

¹ See page 13 of [Clean Growth - Transforming Heating Overview of Current Evidence](#) (BEIS, 2018). Total emissions stated as 468mtCO₂e, with heat accounting for 37% of this total, ie 173mtCO₂e

² See page 21 [Reducing UK Emissions - 2020 Progress Report to Parliament](#) (Committee on Climate Change, 2020)

³ See page 21 [Reducing UK Emissions - 2020 Progress Report to Parliament](#) (Committee on Climate Change, 2020)

⁴ See page 7 [Local Green Jobs – Accelerating a Sustainable Economic Recovery](#) (Local Government Association, 2020)

⁵ See [Industrial Energy Transformation Fund \(IETF\) Phase 1: how to apply](#) (Notice, BEIS, 2020)

⁶ [Industrial Energy Transformation Fund Application Guidance \(Phase 1\) Technological Scope for Feasibility and Engineering Studies](#) (BEIS, 2020)

⁷ See page 21 [Reducing UK Emissions - 2020 Progress Report to Parliament](#) (Committee on Climate Change, 2020)

- Public Sector Decarbonisation Scheme

The *Plan for Jobs* committed £1bn to the Public Sector Decarbonisation Scheme to fund energy efficiency and low carbon heat ‘this year’,⁸ but there has been no further detail on how the scheme will be configured or how the funding will be allocated.

- Social Housing Decarbonisation Fund

Likewise, the Plan for Jobs set out a new Social Housing Decarbonisation Fund to help social landlords improve energy-efficiency and £50 million of funding for a ‘demonstrator project’ in 2020-21 but we await detail of the scheme, and whether or not this will include any element of support for investment in low carbon heat.

- Green Gas Support Scheme and Clean Heat Grant

The Green Gas Support Scheme and Clean Heat Grant were announced in a consultation titled *Future Support for Low Carbon Heat*. However, these are two highly-specific proposals targeted at the support of biomethane production and domestic scale heat projects off the gas grid, respectively.

The two proposals are projected to save a total of 10.3mtCO₂e *in aggregate* over the ten years of carbon budgets 4 and 5, ie 1.03mtCO₂e annually⁹ - equivalent to 0.6% of all annual UK emissions from heat.

The budget for the Clean Heat Grant is capped at 25,000 installations,¹⁰ meaning it can only ‘reach’ 1.7 per cent of domestic properties off the gas grid using fossil fuelled heating¹¹ – the primary target for the intervention (the figure would be lower for all domestic and non-domestic properties, though the number of off gas grid non-domestic properties using fossil fuels is not detailed).

In terms of carbon savings, the Clean Heat Grant is projected to save 0.6mtCO₂e in aggregate over carbon budgets 4 and 5, ie 0.06mtCO₂e annually - equivalent to 0.035% of all annual UK emissions from heat.¹²

- Commercial Buildings

The closure of the Non-Domestic RHI in March 2021 will mean that there is no support of any kind for low carbon heat investment in commercial buildings with a heat need of greater than 45kW.

For all these reasons, we believe that Government should take the following actions to ensure essential progress towards net zero and to support investment and employment in the low carbon heat sector, many of which are outlined in the Committee on Climate Change’s *2020 Progress Report*:

⁸ See page 13 of [Plan for Jobs](#) (HM Treasury, 2020)

⁹ See pages 11 and 26 [Future Support for Low Carbon Heat](#) (BEIS, 2020)

¹⁰ See page 18 of [Consultation Stage IA: Future Support for Low Carbon Heat](#) (BEIS, 2020)

¹¹ See page 27 of [Future Support for Low Carbon Heat](#) (BEIS, 2020) which states that there are 1.5m homes in the UK off gas grid using coal, oil or LPG for heat

¹² See page 26 [Future Support for Low Carbon Heat](#) (BEIS, 2020)

- Extend the Non-Domestic RHI to at least March 2022, in line with the Domestic RHI and Tariff Guarantee Scheme projects - or until the full suite of successor policies are in place;
- Publish the Buildings and Heat Strategy, which would allow business to both respond to and deliver priorities;
- Introduce new regulations to end the use of fossil fuel heating off gas grid, as first proposed in October 2017;
- Remove restrictions on the use of biomass in the IETF and allow the technology to be used where it delivers clear carbon savings compared to the current fuel use on site and complies with biomass sustainability criteria;
- Introduce a funded mechanism to support industrial fuel switching to complement the Industrial Energy Transformation Fund, given the increased operational costs from fuel switching and the barrier these present to investment;
- Build on the success of the RHI through placing tariff-based support at the heart of new schemes to support investment in low carbon heat:
 - a. Social Housing Decarbonisation Fund
 - b. Public Sector Decarbonisation Scheme
 - c. Green Heat Networks Fund
- Bring forward proposals to support emissions reduction from the commercial sector, including some form of tariff support.

In addition, as a company with interests in biomass and bioenergy production we would echo the Committee on Climate Change's call for a comprehensive delivery mechanism to increase afforestation rates to at least 30,000 ha per year across UK and to support the sustainable production of biomass feedstocks.

2. How should the policy response to the current crisis differ from the response to the global financial crash in 2008?

In 2008 the main focus was on ensuring liquidity in the financial system through monetary stimulus, whereas we would argue that a fiscal stimulus focused on the delivery of infrastructure required to achieve progress to net zero and other sustainability goals would deliver far more direct benefits, including a direct and positive impact on employment through the delivery of projects - and reduced CO₂ emissions. Additionally, there has been significant experience gained in designing policies to maximise Value for Money (e.g. the introduction of the CFD scheme) and this experience can be applied to maximise the cost effectiveness of future decarbonisation support schemes.

Whilst clearly there is pressure on the public purse as a result of the many measures introduced to curb the effects of the pandemic, we believe there is potential for the UK Government to issue a 'Green Gilt' to finance investment in environmental infrastructure, such as low carbon heating. This is particularly compelling given current gilt yields.

4. *How could the Autumn budget be used to shift taxation from economically beneficial things, such as jobs and incomes; to environmental harms, such as pollution and waste?*

We would support the use of carbon pricing to disincentivise the use of fossil fuels for heat, in addition to the positive incentives outlined above, and potentially as a way of meeting the costs of the proposals we have set out.

5. *What sustainability conditions should be attached to Government bailouts for high-carbon industries?*

Any support for high-carbon industry should be contingent on companies making a clear and binding commitment to fuel switching at a defined point in time.

8. *In the run up to Conferences of the Parties to UN conventions on climate change and biodiversity next year, how can the UK use its influence, as both host of COP26 and when holding the Presidency of the G7 in 2021, to influence the nature of economic rescue packages around the world?*

It is important that the UK continue to show leadership in terms of ambitious climate change targets and plans to achieve these. The Committee on Climate Change has highlighted numerous gaps in policy on heat, buildings and industry and it is important that government sets out clear, credible and comprehensive strategies in each of these areas before COP26.

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