



Government / Industry Contact Group to support future development of off-gas grid heating

Meeting 3 May 2018, minutes

BEIS, 1 Victoria Street, London SW1H 0ET

Attendees

Paul Rose – OFTEC (co-chair)	Malcolm Farrow - OFTEC
Aaron Gould – BEIS (co-chair)	Mark Bingley – Ecoflam
Alex Lohead - BEIS	Martin Cooke – EOGB
Barry Gregory – Riello	Martyn Bridges – Worcester Bosch
Colm Murphy – Firebird	Neil Sawers – Grant UK
Guy Crabb – Guy Crabb Plum. & Htg.	Richard Vianello – BEIS
Guy Pulham – FPS	Sarah Montgomery – BEIS
Hugh Tucker – UKPIA	Terry Wyatt – Teddington Controls
Ian Waller – Consultant	Tim Lock – OFTEC

Apologies

Johnnie Black – Warmflow Engineering
Ross Anderson – ICOM
Nick Hawkins – Deso Engineering

Agenda Items

Item 1 - Arrivals and introductions

BEIS welcomed everyone to the meeting and introductions were exchanged.

Item 2 - Welcome from OFTEC

Thanks were conveyed to all present for their participation in the group and thanks were expressed to BEIS for the opportunity for industry to directly engage with BEIS to manage the journey from using fossil fuels to low/zero carbon liquid fuels. All were requested to be open and honest and to positively engage in finding/developing solutions.

Item 3 - Welcome from BEIS

BEIS conveyed apologies from minister Claire Perry who was unavailable for the meeting and went on to report that BEIS and industry needed to work together to deliver the ambition of zero carbon emissions from heat in buildings and most

industrial processes by 2050. Part of achieving this was to prevent 100% fossil fuel burning boilers being installed after 2030, as set out in the Clean Growth Strategy. To meet our 2050 targets, it may be necessary for heating to be 0% fossil fuel by 2035.

BEIS advised that off-gas grid buildings presented more immediate opportunities, and this was why off-grid was being addressed first. It was confirmed that all heating would need to transition with time. Hydrogen, biogas or hybrid solutions were being considered for on-grid buildings, but off grid options are not subject to decisions about the future of the gas grid, meaning that progress can be made sooner. This also creates an opportunity to grow the off-grid market if the gas grid has a reduced role in the future. Early action will allow the current off grid industry to develop that opportunity. BEIS concluded that the department had no particular commitment to any one technology - biofuels, heat pumps, hybrids and other innovations all have potential, but also all have challenges. They believed that a number of options to decarbonise were available and needed the help of industry to deliver - not only with technical solutions, but also heating installers retraining, supply infrastructure, etc.

BEIS commented that the overarching requirement was that energy should be affordable, support business growth and be of a “no regrets” nature. A correct solution could also present an opportunity to treat buildings currently on-grid. Thereby, growing the off-grid market.

BEIS advised that nobody was required to support the governments agenda, but it was important that all effected had a voice. Actions would be required in time and these could be assigned on a case by case basis.

BEIS suggested that the group should be instrumental in forming alliances for work streams and that the membership of the group will develop with time. It was proposed that the group meet on a quarterly basis, BEIS would chair meetings and OFTEC would provide secretariat. There were no objections raised.

Item 4 - Terms of Reference (TOR)

BEIS reported that they operate an “open policy process” and proposed that in parallel to the group meeting, agendas, minutes, and documents would be hosted on the gov.uk platform where small businesses and others could engage with the process. Members of the group would first agree what is posted.

BEIS expressed thanks for the revisions received on the draft TOR and advised that they seemed appropriate, and that the compliance section would be added.

Action: BEIS to apply changes to the TOR and circulate a clean copy to the group for ratification.

Industry asked how BEIS interacted with the Department for Transport (DfT) and the road to zero carbon with regard to the use of liquid biofuels and would there be

conflict between their use in transport and heat. BEIS replied that departments do liaise and asked what could be done to instil more confidence in the industry around the use of liquid biofuels. Industry replied that liquid biofuel can be a solution and not just a problem. There is 3 years between now and 2021 [The year some decisions are likely to be made] and in that time there could be substantial carbon emission savings in the heating sector with boiler replacements and smart metering in addition to further innovation/research and use of biofuels. Without assurance, there is a fear that the industry could stagnate with reduced innovation, investment and evolution.

It was suggested that BEIS seemed to be open to the idea that the costs of air source heat pumps (installation, insulation and running) are likely to reduce over the next 10 years as technology improves and volumes increase, yet BEIS are not open to the idea that oil can also evolve in that same time period. **[Drafters note: BEIS are asking how to make each of the potential solutions viable: for oil this means asking about the sufficient, sustainable supply of biofuels to meet demand, and for heat pumps this means asking about reducing cost and disruption. BEIS are open to all possibilities while applying healthy cynicism at the same time, in the interests of consumers.]**

Industry expressed concern over the sharing of sensitive data with what are essentially commercial competitors. BEIS replied that nobody is compelled to share any data. Industry commented that other groups anonymised data prior to making it available. BEIS commented that there was no expectation for parties to share commercially sensitive data in an open forum, and any data shared with us directly would be welcome and held in strict confidence.

Item 5 - BEIS Call for Evidence

BEIS delivered a presentation entitled “Decarbonisation of Heat in Buildings”, which would be made available to the group, and emphasised the challenges of decarbonisation after the Renewable Heat Incentive (RHI) closes for new applications during 2021. BEIS required views on innovation options, cost and likely uptake. What are the barriers to consumer uptake? What are the viable supply chains and what opportunities were there for economic growth?

Industry requested clarification on the territorial scope of the Clean Growth Strategy. BEIS replied that heat is devolved, so England only, but other regions may follow as the UK as a whole, is obligated to reduce carbon emissions. BEIS offered to invite representation from the devolved regions to the group.

Action: BEIS to invite representation from the devolved regions.

BEIS reported that the current call for evidence will contribute to the forming of policy between now and 2021, by which time some key decisions will need to have been made. The outcome of those decisions will come into effect some time later.

Industry made reference to DfT sustainability data available on their website and suggested that there needed to be agreement on core economic data to measure things against.

Industry asked if the study on the number of oil homes likely to be able to take a heat pump was still to be published. BEIS replied that it had been delayed, but it would be published once it had been through the compliance process.

Industry advised that 16 million EPC's had recently been analysed. 650,000 of those were off-gas and only 74,000 were in bands A to C. Therefore, this suggests that only 12% of oil homes would take a heat pump with only minor adaptations. Of the remaining 88% of homes that are within Bands, D, E, F and lower, many of the properties within Band D will be there because they have had a condensing boiler fitted, (one clear band improvement is made when fitting a condensing boiler). Therefore, it is likely that many of the properties within Band D have efficiency levels more commensurate with Bands E and below. Industry commented that there really does need to be some sort of policy for industry to engage with.

Industry then related experiences with renewable technologies – the giving up on MCS because of the process being too arduous, technology was undeveloped, unreliable, and too expensive. As well as consumer behaviour still entrenched with the intermittent operation of traditional heating system operation rather than continuous low temperature heating systems.

BEIS requested opinion on hybrid systems and what does industry need to encourage investment and solutions.

Industry provided an overview of energy commodities and the economics of supply chains. Also, concern was expressed that electricity needed to be managed if it was to serve heating, cars and peak time load when people come home. BEIS advised that SMART technology would be used.

BEIS advised that if there were subsidies available after 2021, funding was likely to be a lot smaller than RHI.

Industry made reference to funding being made available for hydrogen and asked if funding was available to help explore the viability of liquid biofuels. It was reported that industry is likely to have to invest a large sum of money to find a solution for off-grid and it would show BEIS where serious about jointly finding a solution. BEIS responded that it may be possible for BEIS to commission research, the terms of reference and practical details for which could be developed and agreed by the contact group.

BEIS asked about biofuels and enquired that if there was enough around, why was industry hesitant to change. Industry replied that government tended to change its mind and made reference to the U-turn on diesel cars.

Industry commented that most boiler changes are a distress purchase, which is driven by cost and speed. It simply is not practical to arrange and install insulation measures before getting the heat back on - this could be weeks.

Industry commented on conflicting message from BEIS. Specifically, that BEIS are sitting with industry now and say that there is not an agenda. However, in the ECO 3 consultation it states that oil boilers do not qualify for assistance. This is perceived to suggest that it has already been decided that liquid fuels do not have a future. It was proposed that inefficient boilers needed to be replaced for immediate carbon savings and to accept biofuel in the longer term.

Industry queried whether BEIS would consider it acceptable for an intermediate low-carbon liquid fuel blend to be implemented, e.g. a 30% blend.

BEIS responded that it would depend on whether this could easily be extended to higher concentrations of low-carbon liquid fuel without significant impact on the end user. If a credible roadmap to an eventual 100% low-carbon liquid fuel could be produced, then this approach might be acceptable. Lower bio content blends have not been ruled out, but it is assumed that industry would not want to invest in an option that is too short lived, and consumers would not want to make significant changes twice. BEIS remain open minded.

Industry commented that in Ireland a small field trial using 100% bioliquid had been successfully undertaken over several years and that, providing the boiler was serviced annually, such a goal was technically achievable already.

They added that because existing boiler technology was being utilised, extensive renovations of the building were not necessary, making the biofuel option potentially a more attractive option than competing renewable alternatives. Additionally, there was already an established network of installers/service engineers who would require minimal upskilling.

Industry queried whether BEIS had a definition of what high carbon meant. BEIS replied that the definition for what constituted high carbon in heating terms was being considered and reviewed. Unabated coal and fossil fuel oil are generally considered high carbon, while there is more of a question around LPG, and blended oil or hybrid systems.

Industry asked about the likely next steps beyond the call for evidence and whether further evidence could be submitted after it closed.

BEIS responded that there would be further opportunities after the call for evidence closed, via the contact group or directly to BEIS. Once the results of the call for evidence had been reviewed, these would be reported to the group at the next meeting and would then form the basis of further consultations that would probably take place 2019. This would then feed into the development of policies for the post-

2021 period. BEIS would like to maintain an open dialogue with the industry throughout this process.

Industry queried whether the current direction of travel on decarbonisation had cross-party support.

BEIS confirmed that the CGS had been welcomed by all parties, and that, while specific approaches may vary, the 2050 target was binding, and any government would be obliged to take appropriate steps to achieve it.

Industry asked how important the issue of jobs, and the wider economic impact, was when developing decarbonisation policy.

BEIS confirmed that this was a key consideration and that the economic aspect had to be considered before any decision was made. BEIS were particularly concerned to avoid an adverse impact on the installer base but that domestic manufacturing impacts also needed to be considered. The training needs of the workforce and whether supply chains needed to be developed would also be carefully considered.

Industry stated that the involvement of other government departments would be important if the bioliquid opportunity were to be successfully understood and realised

BEIS replied that they had regular contact with departments on cross-cutting policy issues and that all departments had to show how they would support the CGS.

Item 6 - Date of next meeting

The FPS offered to host the next meeting, which is confirmed to take place on 25th July, 11:00 – 15:00 at;

Wellington House
Starley Way
Birmingham Business Park
Bickenhill Lane
Solihull
B37 7GN

With no other business, the meeting closed at 16:00.