



## Renewable Heat Incentive (RHI) budget caps

In the 2015 Autumn Statement the Government announced the continuation of the RHI for the 2016-21 Spending Review period with the introduction of budget caps. The detail of the caps was set out in the [RHI consultation](#). The new budget caps were introduced from 1 April 2016 and are now in place.

The budget cap allows the Government to close the scheme to new applications at short notice, where the Government determines that there is a risk of the scheme overspending in either the current or future financial years should the scheme remain open. The decision to close the scheme will be a matter for ministerial discretion, and subject to parliamentary approval. Such a decision will be based on spending forecasts informed by the latest data, market intelligence and modelling.

As detailed in the consultation, the budget caps cover the combined expenditure from both the Non-domestic and Domestic schemes. Further detail on the operation of the cap can be found in the [Government response](#) to the consultation.

### Current financial commitment

We will provide monthly updates of estimated in-year expenditure for those plants supported by the scheme as at the end of the previous month.

These assessments show, based on data from the end of the previous month, the estimated in-year expenditure for each year covered by the caps. It also takes account of the potential for individual installations to incur a different level of financial commitment in different years – for instance a plant accredited part way through this financial year will represent less expenditure in this year than it will in future years.

The data below are an estimate of the spend we have committed to, for applications and accreditations received **up to end of June 2020**. It is not a forecast of total spend for this financial year as it does not include estimates of spend on applications received over the remainder of the financial year.

This publication is in addition to our regular publications on RHI deployment statistics<sup>1</sup> and the RHI depression publications<sup>2</sup>. Key differences from the depression publication are explained below.

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<sup>1</sup> RHI monthly deployment statistics: <https://www.gov.uk/government/collections/renewable-heat-incentive-statistics>

<sup>2</sup> Non-Domestic: <https://www.gov.uk/government/publications/rhi-mechanism-for-budget-management-estimated-commitments>;

Domestic: <https://www.gov.uk/government/publications/domestic-rhi-mechanism-for-budget-management-estimated-commitments>

**Table 1: Total RHI committed spend and budget cap, 2016/17 to 2020/21**

	16/17	17/18	18/19	19/20	20/21
<b>Budget cap</b>	<b>£640m</b>	<b>£780m</b>	<b>£900m</b>	<b>£1010m</b>	<b>£1150m</b>
<b>Current estimate of committed spend</b>	<b>£524m</b>	<b>£690m</b>	<b>£792m</b>	<b>£892m</b>	<b>£1000m</b>
<i>Non-domestic</i>	£433m	£585m	£674m	£758m	£859m
<i>Domestic</i>	£91m	£106m	£118m	£134m	£141m
<b>Cumulative committed spend</b>	<b>£1130m</b>	<b>£1820m</b>	<b>£2612m</b>	<b>£3505m</b>	<b>£4505m</b>

Figures may not sum due to rounding

Please see Table 3 for estimated committed spend prior to 2016/17.

### **Differences from degression publication**

These figures differ from expenditure commitments provided for the purposes of degression. Degression figures are higher because they represent an estimate of full annual commitments of all plants in the scheme. This means degression does not take into account the fact that a plant which is accredited part way through the year will only output a part of its capacity in the current financial year. It also assumes immediate production at full capacity which is not always the case, particularly with biomethane plants. This is in line with the methodology laid out in regulations. In contrast, the estimates in the tables above and below include the use of production profiles for new installations based on past behaviour within the scheme.

Additionally, these figures do *not* include preliminary applications (which are included in degression) because we have made no commitment to spend on these plants. It is not certain whether a preliminary application will lead to a full application being submitted and accredited, or what tariff the full application would receive.

Domestic degression estimates exclude “legacy” installations (any domestic installation which commissioned prior to 9<sup>th</sup> April 2014) in accordance with the regulations, whereas the estimates in this document include legacy installations.

We also use different assumptions for including installations between the two models (see below).

### **Previous estimates of committed spend**

The table below provides a summary of the previous monthly estimates for the last year using the current methodology in order to show how the estimates of committed spend are changing over time. The table does not include the earlier estimates based on degression as the methodological differences outlined above mean that comparing them is not helpful in assessing the trajectory of commitments against the cap.

Our non-domestic estimate (for all financial years) as of March 2018 was based on a new methodology. To improve accuracy, we changed our assumptions of which installations are included in our estimate. Rather than exclude dormant installations (per degression assumptions), we exclude installations based on the length of time (24 months) from which they have submitted meter readings to Ofgem (or made other contact). This does not change our estimates of biomethane installations or spend from the domestic scheme.

Variations in estimated spend from the previous months’ publications can be due to a variety of factors. There may be revisions to load factor estimates based on new information being received.

For enquiries about this publication contact [RHI@beis.gov.uk](mailto:RHI@beis.gov.uk).

There may also be applications which have become inactive so would no longer be counted towards the committed spend. Additionally, large individual plants can have significant impacts on the spend for current year estimates if, for example, a quarterly meter reading is much higher or lower than expected.

**Table 2: Total RHI committed spend, monthly updates, for the last 12 months**

	16/17	17/18	18/19	19/20	20/21
<b>Budget cap</b>	<b>£640m</b>	<b>£780m</b>	<b>£900m</b>	<b>£1,010m</b>	<b>£1,150m</b>
<b>Estimates of committed spend</b>					
Data to end of June 2020	£524m	£690m	£792m	£892m	£1000m
Data to end of May 2020	£525m	£690m	£794m	£899m	£1002m
Data to end of Apr 2020	£525m	£694m	£797m	£901m	£1006m
Data to end of Mar 2020	£526m	£697m	£800m	£901m	£1014m
Data to end of Feb 2020	£526m	£698m	£802m	£905m	£1005m
Data to end of Jan 2020	£526m	£699m	£804m	£906m	£1001m
Data to end of Dec 2019	£527m	£700m	£806m	£908m	£1006m
Data to end of Nov 2019	£527m	£701m	£808m	£908m	£982m
Data to end of Oct 2019	£527m	£702m	£813m	£917m	£989m
Data to end of Sep 2019	£527m	£704m	£817m	£925m	£995m
Data to end of Aug 2019	£527m	£705m	£820m	£922m	£988m
Data to end of July 2019	£528m	£706m	£822m	£922m	£985m

**Table 3: Total RHI committed spend, 2011/12 to 2015/16**

	11/12	12/13	13/14	14/15	15/16
<b>Current estimate of committed spend</b>	<b>£1m</b>	<b>£16m</b>	<b>£54m</b>	<b>£169m</b>	<b>£366m</b>
<i>Non-domestic</i>	£1m	£16m	£54m	£146m	£289m
<i>Domestic</i>	NA	NA	NA	£23m	£77m
Cumulative committed spend	£1m	£17m	£71m	£239m	£605m

Figures may not sum due to rounding

## Tariff Guarantees

In accordance with regulation 35(14) of the RHI scheme Regulations 2018, BEIS is required to publish the budget allocation for Tariff Guarantees and estimates of inflation for future financial years. These figures can be found in Table 4a and 4b. Please note that the budget allocation for 2021/22 and 2022/23:

- will not include applications made before 20<sup>th</sup> July 2020.
- is technology specific as set out in the [Notice on Changes to RHI Support and COVID-19 Response](#).

**Table 4a: Tariff Guarantee budget allocation and inflation estimates used to determine Tariff Guarantee affordability – 2020/21 (for all applications)**

2020/21	
Budget allocation	£150m
Estimate of inflation (CPI)	n/a (tariffs set)

**Table 4b: Tariff Guarantee budget allocation and inflation estimates used to determine Tariff Guarantee affordability – 2021/22 and 2022/23 (for applications made from 20<sup>th</sup> July 2020).**

Financial Year	Biomethane	Ground or Water Source Heat Pumps	Other TG supported tech	Estimate of inflation (CPI)
2021/22	£5m	£4m	£7m	1.4%
2022/23	£12m	£8m	£9m	2.0%

These inflation estimates were updated by BEIS for the Budget Cap published in July 2020 based on the OBR inflation forecast for 2020Q4 (for 2021/22) and 2021Q4 (for 2022/23)<sup>3</sup>. This is the nearest available estimate to the Dec inflation rate (published by ONS) which is used to actually uprate the tariffs for the following year. The new inflation figures in 4a and 4b will be used from 20<sup>th</sup> July, when the third allocation of TGs start.

Depending on the latest deployment data and forecasts, the budget allocation for any current or future financial year may be increased from 1 February, May, August or November in each year and BEIS will give one month’s notice of any increases. As of **June 2020** there has been no change made to the original allocation.

BEIS must also publish load factors applicable for each relevant technology and quarterly biomethane production factors. These can be found in Tables 5 and 6 and can be updated in any month depending on the latest information available to BEIS. These tables were updated using May 2020 data. The new factors will be used by Ofgem from 20<sup>th</sup> July, when the third allocation of TGs start.

**Table 5: Heat Load Factors to be used to estimate budget commitments to Tariff Guarantees**

Technology	Load Factor/Injection Rate
Solid biomass (1MW+)	27.35%
Deep geothermal (all capacities)	45.00%
Biogas (600kW+)	24.44%
Ground and water source heat pump (100kW+)	15.71%
Biomass CHP (all capacities)	44.02%

**Table 6: Biomethane production factors to be used to estimate budget commitments to Tariff Guarantees**

Quarter following registration	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10+
Production factor	30%	51%	56%	59%	62%	65%	68%	72%	75%	78%

<sup>3</sup> <https://obr.uk/efo/economic-and-fiscal-outlook-march-2020/>