



Consultation Update

DECC's decision to conduct a review of the biomethane to grid tariff arose out of concerns raised by stakeholders that there was a risk of overcompensation of the tariff. Our assessment of the evidence and most recent market intelligence confirmed that this did pose a potential risk. We consider it necessary to take action in order to meet our state aid obligations.

The Biomethane Tariff Review consultation, launched on 30th May, proposed the introduction of a well-managed adjustment to the support for biomethane to grid, either through banding or tiering of the tariff.

However, it is important to note that the tariff scenarios presented in the consultation document are illustrative; final decisions on tariff levels will be taken in light of the consultation responses.

We have deliberately sought views and evidence through the consultation on what the appropriate level of support for biomethane to grid should be, and we are looking to the responses to the consultation to help fill the gaps in our evidence base. The Biomethane Tariff Review consultation closed on 27th June.

Feedback from industry, through consultation events, meetings and formal responses, has consistently raised the following points:

- Gate fees for new waste contracts are not at the levels assumed in the consultation document

- Gate fees are not bankable for every project
- Feedstock costs in general for biomethane to grid installations vary widely, owing to different feedstock models

As a result, the illustrative scenarios presented in the consultation generate tariffs that may not be sufficient to enable many projects to proceed.

Although we cannot pre-empt our eventual conclusions, it is clear that we must consider such feedback (underpinned by robust evidence contributions) in our considerations over tariff levels and structures.

Final decisions on tariff structures will be made on the basis of feedback and evidence from the consultation, industry views and our own analysis and policy considerations.

Any changes to the tariffs will need to be made through changes to legislation (RHI regulations). Until the new regulations are made in Parliament the 7.5 p tariff for biomethane to grid will continue to apply.

This means that the 7.5 p tariff will apply to all plants registered before the new RHI regulations come into force.

In light of the volume of consultation responses received and our wish to provide industry with more certainty, **any changes to the biomethane to grid tariff will not take effect before 1st December 2014.**