



Overview and Interactions of Fiscal Benefits for GQCHP

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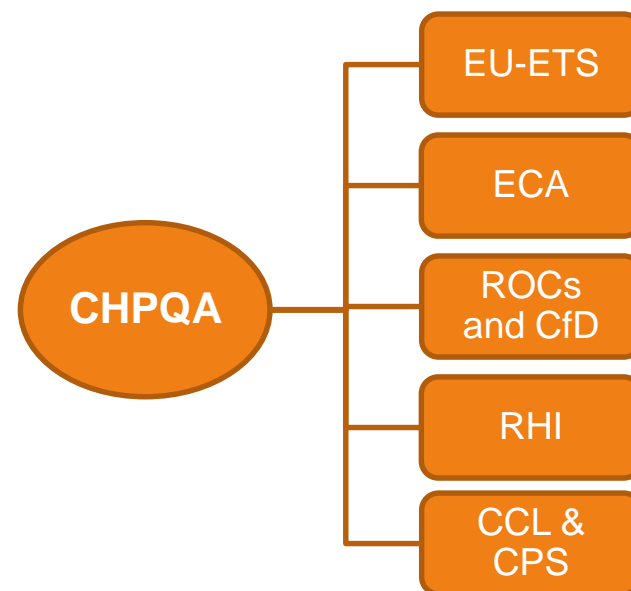
Fiscal Measures and GQCHP

- **CCL Exemption (on fuel input and electricity output where directly supplied)**
- Business Rates Exemption (embedded schemes)
- Hydrocarbon Oil Duty Relief
- Carbon Allocation for Heat under EU-ETS Phase III
- Enhanced Capital Allowance
- **1ROC/MWh for EfW CHP, 2 ROCs/MWh dedicated biomass CHP (April 2009)**
- **CPS:-**
 - Schemes > 2 MWe:- Exemption to fuel for heat
 - Schemes ≤ 2 MWe:- Full exemption from CPS
- **CPS – Exemption to fuel attributable to QPO used on site (new benefit from April 2015)**
- **Specific RHI tariff for biomass fuelled GQCHP**
- **CHP specific CfDs applicable to biomass and waste fuelled CHP.**



Talk Coverage

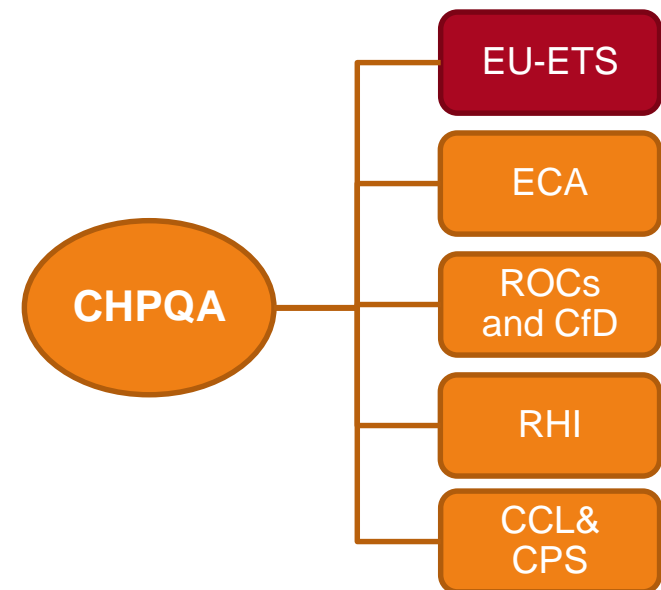
- EU-ETS Phase III allocations (background)
- ECA: Clarification only
- ROCs and CfD (introduction)
- RHI: GQCHP benefits under Phase II (introduction)
- CCL: 'Standard' and 'CPS' (introduction)





EU-ETS Phase III

- Started January 2013,
- Covering all types of boilers, burners, heaters, furnaces, incinerators, dryers.
- The 20MW thermal threshold continues to apply
- Catches large stand alone CHP Schemes
- Also catches smaller CHP schemes embedded within an energy intensive users site
- Allocation to heat consumers, third party CHP operators have to purchase allowances.
- Allocation to heat decreases over time
- Two methods for allocations are used; Product or Heat benchmark allocation



- Likely to make investment in CHP more attractive, when compared with the alternatives..... See example.....

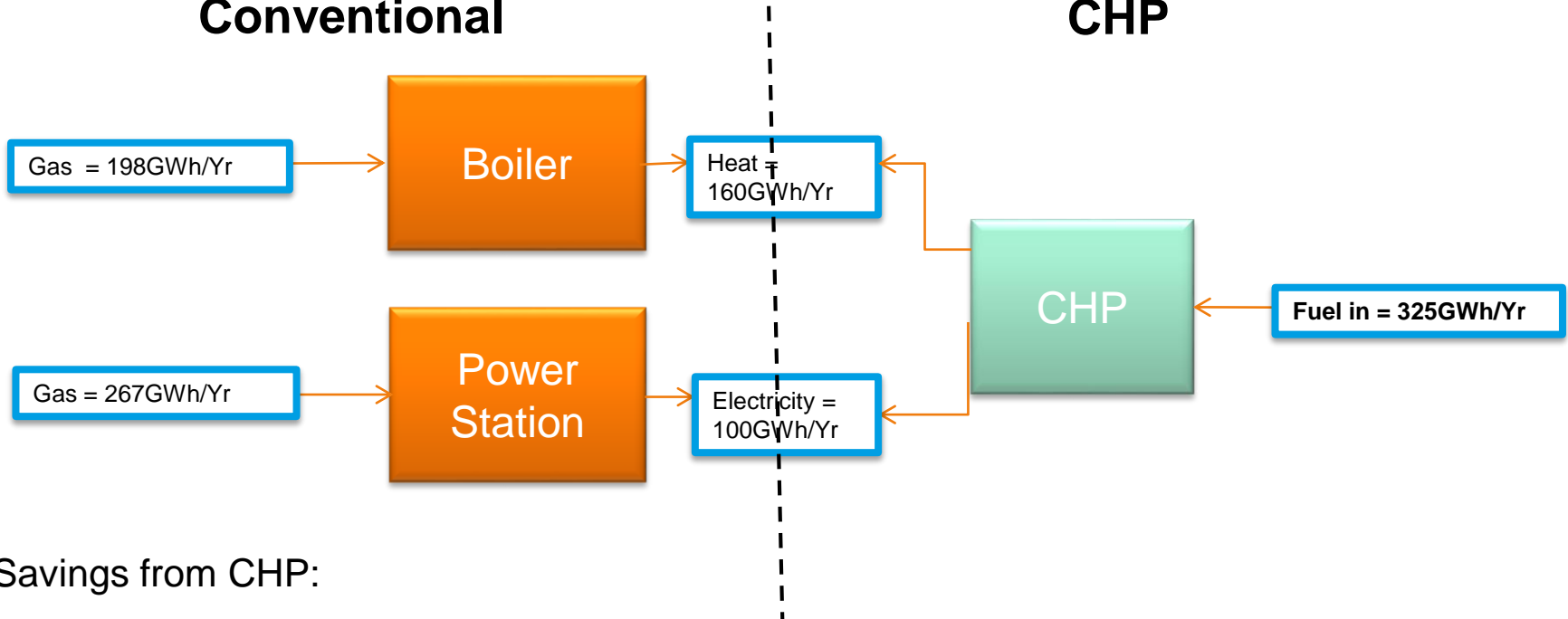


EU-ETS Phase III



Conventional

CHP



Savings from CHP:

Total Gas = 425GWh/Yr
Carbon Emission= 85kTCO2/Yr
Carbon Allocation to heat = 36 kTCO2/yr
Carbon to Purchase = 49 kTCO2/yr

Total Gas = 325 GWh/Yr
Carbon Emission= 60 kTCO2/Yr
Carbon Allocation to heat = 36 kTCO2/yr
Carbon to Purchase = 24 kTCO2/yr

EU-ETS Benefit = 49 - 24 = 25 kTCO2/yr

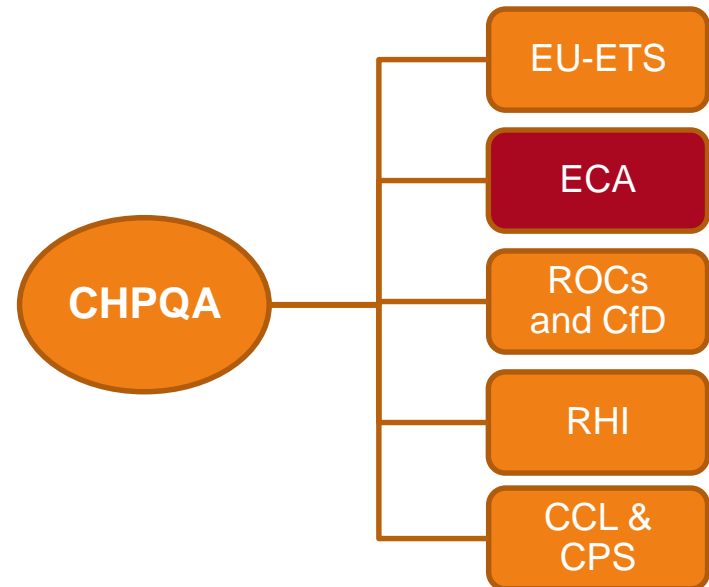
Carbon saving = 29%

The cost of this might not be visible to CHP operators, but is expected to be embedded in the electricity prices



CHP ECA Eligibility

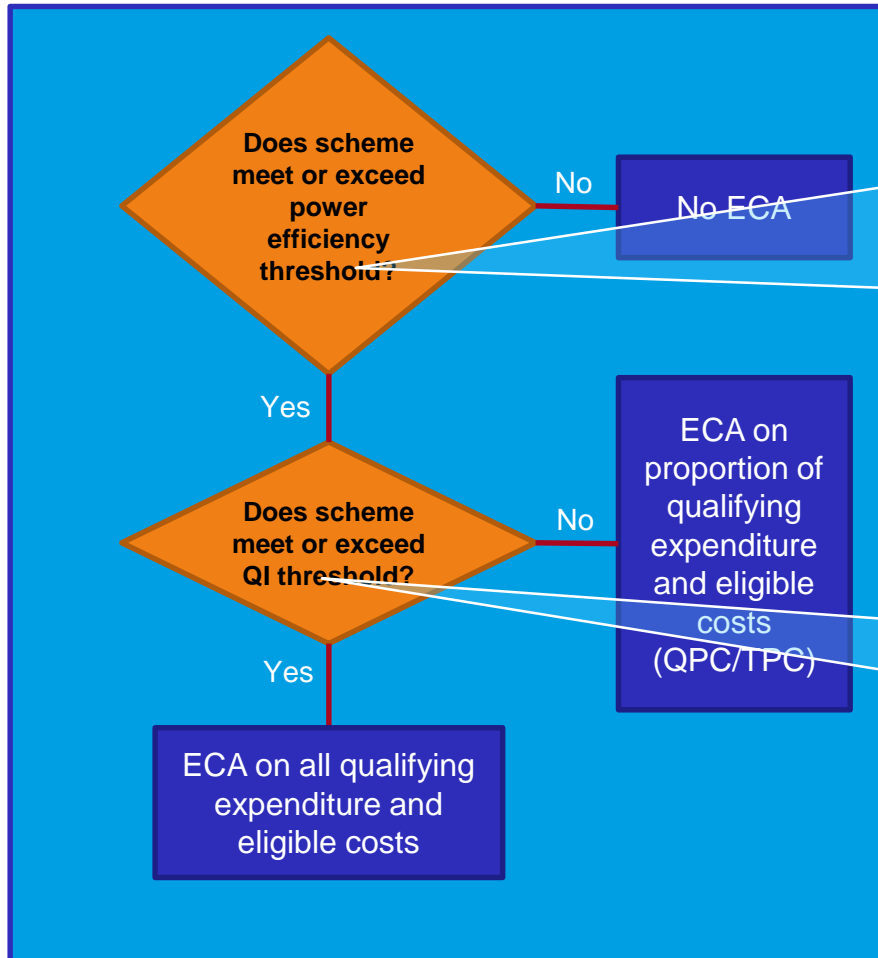
- CHP scheme operators need to demonstrate that they comply with the following eligibility criteria:
 - *Main intended business to provide heat and power for clearly identified users on site or to known third parties, and not to generate power for sale to or via unspecified third parties.*
 - *Not available for companies whose core business is electricity production.*



- This is likely to impact on renewable schemes, sized for exporting electricity, that intend to sell the majority of their electricity to the grid
- Would need to provide further information on ownership and revenue streams



Calculation of ECA value to a CHP Scheme



Power Efficiency Threshold

- 20% for conventional fuels
- 10% for wholly biomass or solid/liquid waste
- Between 20% and 10% for partly biomass or solid/liquid waste (dependent on fuel mix)

Quality Index (QI) Threshold

- ≥ 105 under MaxHeat conditions



Non compliant schemes

Certificate will be revoked:

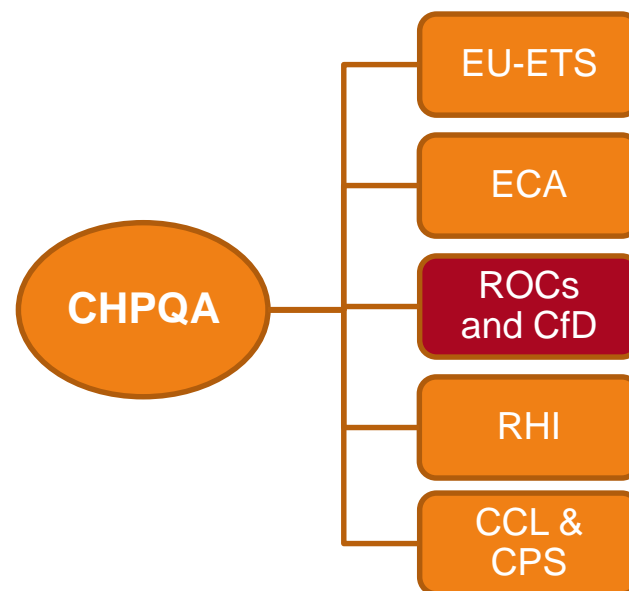
- If the original design has changed after certification and a new EE certificate has not been obtained from CHPQA, or
- If no heat customer(s) present at time of commissioning (i.e. not operating as CHP)

If certificate is revoked, applicant will have to contact HMRC to return any claimed benefits



CHP & ROCs

- GQCHP fuelled by biomass can get 2.0 ROCs/MWh (0.5 ROC uplift) for schemes accredited before end of March 2015
- 1.0 ROC/MWh for EfW Good Quality CHP
- 1.0 ROC for Co-fired CHP
- Need to have GN44 ROC certificate to qualify. Refer to CHPQA Guidance Note 44 (Issue 4).



Only for schemes certified by CHPQA



RO Review for 2013-2017

- From 1/4/2015, new biomass schemes no longer have choice to opt for CHP 0.5 ROC uplift, only RHI support, if eligible, for heat generated.
- The CHP uplift will be grandfathered for existing schemes.
- To maintain this operators will still need to retain annual CHPQA certification.
- Support for EfW CHP will remain at 1 ROC until March 2017 - EfW CHP under RO cannot claim RHI
- more later...



Contracts for Difference (CfD)

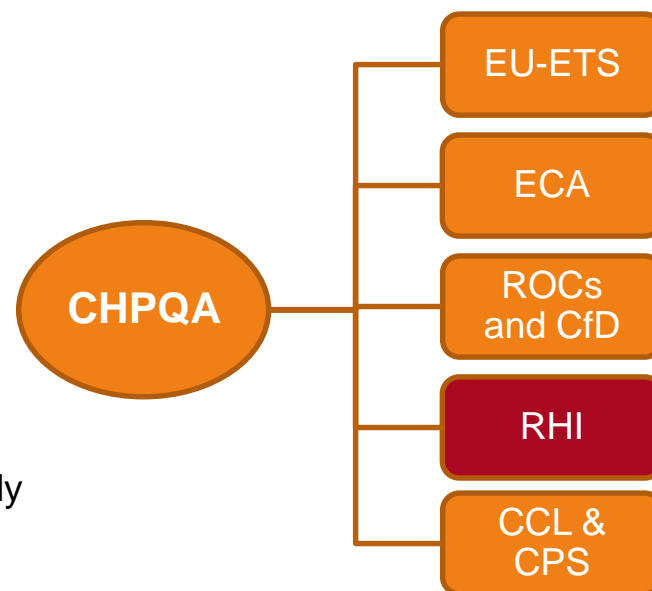
- The CfD regulations came into force in GB on 1st August 2014*
- Will replace the RO for all new projects from 1st April 2017.
- Currently in the “Transition” period
- Need to have GN44 ROC certificate to qualify. Refer to CHPQA Guidance Note 44 (Issue 5).
- Further details later.....

- *CfD regime is now in place in Great Britain,
- For Northern Ireland it will commence in 2017



Renewable Heat Incentive

- Non-domestic scheme launched in November 2011
- Provides support for variety of renewable heat technologies, including
 - Biomass (including biomass in MSW)
 - Biogas
 - Geothermal
 - Heat pumps,
 - Solar thermal
- Support extends to eligible heat-only (see RHI guidance)
- Tariff for large biomass boilers is 2.03p/kWh
- A specific tariff for biomass fuelled GQCHP of 4.17p/kWh (only for heat via engine/turbine)
- CHP must have been commissioned on/after 4th December 2013 to claim the GQCHP tariff.

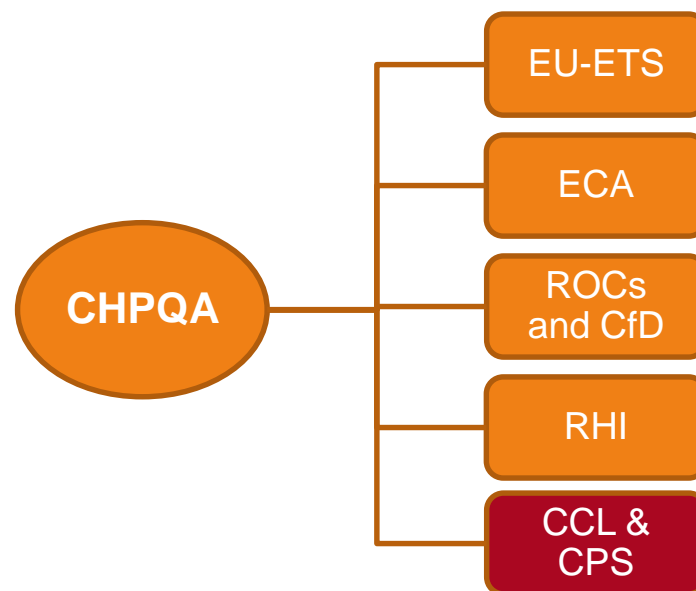


- CHP can only claim ROC uplift or RHI not both,
- from April 2015 only RHI available to new schemes



CCL: 'Main' and 'CPS'

- GQCHP is exempt from the main rates on CCL on fuel and on electricity **used on site or directly supplied**
- CPS rates on fuel came into effect from 1 April 2013
- GQCHP certified with CHPQA are exempt from CPS rates on fuel that is attributable to the scheme's "Qualified Heat Output (QHO)" ... *fuel for heat*
- **exemption** extended to fuel for QPO used on site....
- This came into effect from 1 April 2015
- Full presentation later





To summarise...

To obtain any of the fiscal benefits available for GQCHP the Scheme must be certified by CHPQA and must have a valid Certificate

Submission any time from 1 Jan 2016

Thank You