



**Friends of
the Earth**

Consultation on reform of the Renewables Obligation

Response from
Friends of the Earth

September 2007

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- a unique network of campaigning local groups, working in more than 200 communities throughout England, Wales and Northern Ireland
- dependent on individuals for over 90 per cent of its income.

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Introduction

Friends of the Earth welcomes this opportunity to input its views on the future development of the Renewables Obligation. We believe the current policy framework for supporting the development of renewable energy in the UK is insufficient to meet the new EU wide goal of 20% renewable energy by 2020. The Renewables Obligation (RO) is the main policy instrument responsible for the development of renewable electricity generating capacity in the UK.

While the Government's current RO banding proposals are a welcome attempt to address this issue, they do not address wider problems associated with the RO, in particular its lack of transparency and the unpredictability of future Renewables Obligation Certificate (ROC) prices.

In many European countries legislation to introduce a renewable energy Feed-in Tariff (REFIT) has proven a highly effective policy instrument for delivering a rapid increase in the uptake of a wide range of renewable technologies at a considerably lower cost to the consumer than the RO.

Feed-in tariffs are the primary support instrument for renewable energy throughout Europe, paying a guaranteed and fixed price for renewable energy, with different price levels set for different technologies.

For micro-generators (typically householders), community groups and businesses outside the large scale dedicated energy industry, a REFIT would provide a simple, transparent and cost-effective mechanism that would deliver real, predictable and reliable incentives and rates of return for individuals and organisations to confidently invest in renewable technologies.

A UK REFIT would provide long term security to investors with guaranteed rates of return. It would remove the current uncertainties about future ROC value which is a major barrier to investment in renewables.

The recent paper by Dr David Toke of Birmingham University, commissioned by the World Future Council and submitted to this consultation offers an extensive analysis of the limitation and failings of the RO. It sets out the advantages of REFITs in general and sets out much of the detail of how a UK REFIT could work in practice and how it could function alongside a reformed RO.

We urge the Government to reconsider its rejection of a Feed-in Tariff as an additional mechanism for delivering an increase in renewable generating capacity in the UK. Friends of the Earth would further urge the Government to consult on the development of a UK REFIT to support the widespread deployment of small scale, on-site, community owned and domestic renewable generation capacity.

In addition Friends of the Earth supports the continuation of the RO as the primary policy mechanism to deliver large scale renewable energy capacity banded to deliver different support to technologies depending on their cost and stage of development. We have set out our views on a number of issues raised in the consultation in response to the specific consultation questions.

There are many other policy instruments which could support the development of a thriving renewables industry and increase the deployment of renewable generating capacity in the UK. While we recognise they are outside the scope of this consultation we believe grants, direct government spending, fiscal incentives and regulation all have a strong role to play.

Response to specific questions

Q1,2,3

No response.

Q3: Do you agree with the rationale for grouping technologies in this way?

See our answer to question 4.

Q4: Do you agree with the proposed banding levels? If not, please provide evidence as to why these should be changed. Views are also invited on the reports by Ernst and Young and Oxera published alongside this consultation document

1) We do not support award of ROCs to any form of energy from waste incineration, whether with CHP or without CHP.

A detailed analysis of the climate impacts of incineration¹ by Eunomia Consultants has demonstrated that a CHP waste to energy incinerator emits around the same amount of fossil fuel derived CO₂ per unit energy as a gas fired power station. However, in addition to this fossil fuel derived CO₂, incinerators will also emit around twice as much biogenic CO₂. Therefore gas fired power stations have a better climate performance than incinerators, so if ROCs are awarded to incinerators they should also be awarded to gas power stations, which would make a mockery of the whole system.

The Eunomia study also undertook a more sophisticated comparison of the impact of all CO₂ emissions from incineration when compared with other residual waste treatment methods. This analysis concluded that pre-treatment of residual waste to remove recyclables and degrade biodegradable materials, followed by landfill of the end material, was better for the climate than incineration, with or without recovery of heat. It is therefore clear that incineration is not the best way to divert biodegradable waste from landfill, and should certainly not be viewed as a “renewable energy” source.

It's worth noting that DEFRA's own analysis of the climate impacts of incineration acknowledges their inefficiency & fossil-fuel derived CO₂ impacts, in Annex E of the England Waste Strategy 2007:

“Where fossil fuel based products are incinerated (e.g. plastics) they tend to generate energy less efficiently than using fossil fuel directly, hence are associated with an overall carbon cost”

2) We are opposed to granting of ROCs to gasification and pyrolysis of wastes containing fossil-fuel derived materials (e.g. plastics).

We consider that there is insufficient evidence of the carbon balance of these plants to be able to judge whether they have an overall climate benefit. We would suggest any assistance to such technologies should be held back until the results of DEFRA's new technologies programme are available.

3) We support the granting of two ROCs to Anaerobic Digestion, as a 100% renewable energy source.

4) The need for a renewable energy Feed-In Tariff.

The proposal to abandon the unbanded one-size-fits-all approach of the existing RO and group technologies, reflects the need for a policy to deliver different levels of support to different renewable technologies.

However a REFIT would allow greater flexibility to set different tariff levels for different technologies depending on their stage of development and cost.

We agree with the consultation (section 3.15) that “in the long-term microgeneration can make a significant contribution in terms of carbon savings.”

The consultation (section 3.15) states that “the Obligation was designed to support large scale deployment of renewables and we do not feel that it is the best way to deliver the incentives that the microgeneration industry require.”

We agree that the RO cannot deliver the necessary support for microgeneration, or indeed decentralised renewable energy generation more generally. The insufficient level of funding available through the Low Carbon Buildings Programme is also failing to deliver support for microgeneration. Friends of the Earth believes that a REFIT for small renewables is the best policy mechanism to develop UK renewable microgeneration capacity and the Government should consult on its development including tariff for each technology and the generating thresholds (or other criteria) at which an installation would qualify for support under the RO or REFIT.

5) Geopressure.

We are perplexed by the proposal that electricity generated from the geopressure of natural gas should be excluded from the renewables obligation. We accept that at first glance this electricity is not strictly renewable, but believe the technology can achieve significant carbon savings, for little environmental impact, not least because the UK will continue to use natural gas for many decades to come. We believe the

Government should say clearly how it intends to support geopressure, should it proceed with its proposal to exclude the technology from the Obligation.

Q5-10

No response.

Q11: Do you agree with the proposed treatment of projects under 50 kW as set out in para 4.21?

Friends of the Earth believes that small-scale and on-site renewables are best supported by a REFIT and not the RO. The Government should consult on the generating capacity threshold at which each technology would move from receiving support from the RO to a new REFIT. Many installations with a generating capacity of under 50kW would be much better supported by a REFIT.

Q12-17

No response.

Q18: Do you agree with the need for a special co-firing criterion for an emergency review of banding? Is 10% of ROCs an appropriate trigger point?

No response.

Q19: Do you agree with the Government's proposal that reducing support and reviewing the co-firing band for regular biomass if it contributes 10% of ROCs makes a cap on co-firing unnecessary? If not, please provide evidence as to what the likely impact of uncapping co-firing at the proposed level of support would be and the level of cap appropriate.

We support a 10% cap on co-fired ROCS. Friends of the Earth recognises that co-firing biomass leads to significantly greater emissions savings than processing it for transport fuel. The Government ought therefore to give greater support for this type of energy generation. However there are still many serious sustainability issues connected to the fuel sources linked to co-firing. Taking into account these risks and with a view to minimising destabilisation of the ROC market, a cap is the most sensible approach to pursue.

Q20: Do you agree with the proposed treatment of energy crops set out in paragraphs 6.9–6.14?

Some tropical oils such as soy and palm oil are linked to very high levels of carbon emissions due to deforestation and forest fires. The high level of risks associated with those crops imported into the EU for energy use are such that they should be excluded from use. This includes both palm oil and soy oil. It is not enough just to monitor the materials that are being used. Crops should only be used that meet strict sustainability criteria. ROCs should not be issued (and should never have been issued) for energy produced from energy crops or biomass unless strict sustainability and carbon saving criteria are met. A mandatory minimum 50% carbon saving should be set.

Q21: Do you agree that sustainability requirements should cover all biomass users?

Yes. Sustainability and carbon saving standards should certainly cover all biomass users. Reporting requirements alone are inadequate. A mandatory legal standard is required to guarantee carbon savings and sustainability.

Q22: Should those generating less than 50 kW be exempted from sustainability reporting? Should any other threshold be used.

No response.

Q23: Do you agree with the criteria to address sustainability for biomass?

The Criteria are reporting criteria only. A minimum carbon and sustainability standard is needed which includes independent auditing of the application of this standard and strong penalties for the contravention of this standard, Imports from outside Europe should not be permitted. A cap should be set according to what can be produced sustainably for the UK market within Europe, a 50% minimum carbon saving should be adopted and a much more credible sustainability standard for European biomass set that includes impacts on wildlife, water quality, chemical use, fertilizer use. The full carbon cycle of biomass production needs to be taken into account.

Q24: Do you agree that Ofgem should freeze the ROCs of operators who do not provide the necessary information on sustainability?

ROCs should be frozen for operators who do not meet the strict, mandatory carbon and sustainability standard. The provision of information alone is a very weak regulatory tool that is massively open to abuse and lacks credibility in ensuring carbon and sustainability standards are met.

Q25: Do you agree that deeming the fossil fuel content of waste is appropriate? Should operators be given the opportunity to present Ofgem with evidence that the fossil fuel content is lower?

We don't support classification of burning of mixed waste as 'renewable' (and we don't support the burning of mixed waste). Given this, deeming fossil fuel content will at least help to make it clear that this material is not 'renewable'.

Q26: Is 65% fossil fuel the right level to deem? Does the remaining 35% receiving ROCs provide a suitable incentive through the RO without compromising the Government's aspirations for increased recycling?

We do not believe that the government should give any incentive to burn mixed wastes. The aim should be to maximise recycling, digestion & composting. As mentioned in our answer to question 4, we consider that pre-treatment to remove recyclables & to stabilise the waste before landfill is the best interim residual waste treatment for the climate.

Q27: Do you agree that the RO should be made 'neutral to waste (SRF)' in this way? Would there be any negative consequences? Do you agree that a CEN based definition is appropriate?

We do not support the burning of refuse derived fuels, so we are opposed to this proposal. We would also point out that solid recovered fuels are still mixed wastes, so your statement that you are "extending neutrality only to solid recovered fuels (i.e. not to unsorted, mixed waste)" is misleading.

References

1 “*A changing climate for energy from waste?*”, Eunomia Consultants for Friends of the Earth, May 2006: http://www.foe.co.uk/resource/reports/changing_climate.pdf