



## Green Heat Network Fund

### BEIS Call for Evidence

Date: 13 October 2020

### **The Country Land & Business Association (CLA) & small rural heat networks**

CLA is the membership body in England & Wales for owners of rural land & businesses. We have around 30,000 members who are responsible for over 10 million acres of rural land and over 250 diverse types of rural businesses.

CLA members have a range of interests in low carbon heat and heat networks. As rural consumers they wish to heat their own properties cheaply, efficiently and in environmentally beneficial ways. As owners of let property they also wish to similarly heat the homes and business property they may let to tenants. Some of our members own small renewable heating installations such as heat pumps and biomass boilers forming the basis for small and micro-scale district heating networks across the countryside. Most are micro sized systems heating only a handful of properties - typically clusters of 2-4 nearby domestic and/or non-domestic properties or in the case of larger rural systems, those heating sets of converted rural buildings typically with under 10 individual properties (domestic/non-domestic).

CLA members have been among the early adopters of renewable heat technologies in recent decades, not least because most rural buildings are 'off gas grid' and require other heating solutions. **There is huge scope for many more small rural low carbon heat networks across the countryside as oil based systems are replaced.**

Biomass and heat pumps are the most suitable solutions. Many CLA members also own woodland and produce woodfuel biomass for their own consumption and operate woodchip supply businesses to supply local consumers with fuel for biomass heating.

### **The Green Heat Network Fund should ensure provision of support for small rural heat networks**

Due to their close proximity and common ownership, clusters of rural properties - commonly heated by individual oil boilers - are ideally suited to low carbon heat network solutions based on biomass boilers or heat pumps.

A growing number of our members have installed these solutions and where possible these have been designed to serve several properties in a heat network. The Non Domestic Renewable Heat Incentive (NDRHI) has been instrumental in creating these heat networks. The NDRHI has brought forward over 5GW of capacity in renewable heat which will abate an

estimated 113mtCO<sub>2</sub>e over the lifetime of the installations. This would not have happened without the NDRHI scheme and there is still abundant scope to stimulate further deployment through small heat networks as well as individual property solutions - furthering progress in tackling climate change and achieving Net Zero. This is particularly so in rural areas where there is huge potential to decarbonise the oil dominated, off gas grid, heat landscape.

Although CLA has argued for its retention, the NDRHI is the only means of support for new small rural heat networks – and it is due to close to new applicants in March 2021. A new Green Heat Networks Fund will not commence until April 2022 at the earliest. **There will therefore be a hiatus in support for small rural heat networks of at least one year from April 2021.**

Until now the Heat Networks Investment Project (HNIP) has not helped small rural heat networks because they fall far below the minimum size requirement for HNIP support. The HNIP pipeline [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/910199/Heat\\_Networks\\_Project\\_Pipeline\\_April\\_to\\_June\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/910199/Heat_Networks_Project_Pipeline_April_to_June_2020.pdf) reveals a very urban centric scheme with support weighted towards larger projects with project heat delivery in the region of 2GWH per annum and above. This means a minimum biomass boiler size of around 1MW, or the equivalent of roughly 40 properties attached to it. Although some rural district heating systems can reach this size, the vast majority are far smaller than this – typically serving 3-4 properties with a boiler size of 150-200kw. This typical order of size is dictated by the ‘small cluster’ pattern of distribution of rural properties.

**The key point CLA wish to make is that the future Green Heat Networks Fund should be designed so that small and micro rural heat networks can access support as readily as larger urban based heat networks.**

**Also as part of the preparation for the GHNF, we recommend that Government reconsider the decision to close the NDRHI in March 2021 to avoid a hiatus in support.**

Unless Government revisit the decision to close the NDRHI in March 2021, there will be no support for new small rural heat networks for at least a whole year until the new Green Heat Networks Fund opens in 2022. Also when it does open, the GHNF will be the only possible support available for small rural heat networks. This makes it imperative that the GHNF is designed in such a way as to allow small rural heat networks access to support as well as larger urban based ones.

We suggest that the GHNF should provide support for the full range of sizes of heat networks – from small rural ones serving two or more properties with system sizes of 100kw upwards, through to much larger multi-Mw networks serving hundreds of properties in urban areas. Consideration could be given to separate strands of the scheme for smaller and larger networks with appropriate eligibility criteria and scheme rules. This inclusive approach will make up for the loss of support for small heat networks through the NDRHI and will allow decarbonisation of heat in rural areas, where there are significant gains to be made due to the domination by oil based heating systems.

## **Interface between GHNF & Clean Heat Grants and maximising leverage in achievement of related Net Zero policy objectives**

We would also urge that close attention is paid to the eligibility interface between the incoming Clean Heat grant and the Green Heat Network schemes so that small rural biomass heat networks can receive appropriate support, particularly as they may have a ready fuel source from a nearby estate woodfuel enterprise. The new Clean Heat Grant scheme is proposed to be available from April 2022 to domestic and non-domestic properties with installation capacity up to 45kw but these are grants for individual properties not heat networks. Depending on the numbers and distribution of rural properties it may be possible for rural heat networks to serve much larger numbers of properties than the typical 2-4 property micro network – so system capacities of 800kw-1MW could be possible in rural areas and heat networks are in many situations a far more efficient way to approach decarbonising heat than individual property solutions.

Gaps in support will choke off progress towards decarbonising heat particularly in rural areas at a time when we need to be making rapid progress in the opposite direction to achieve ‘net zero’. Opportunities to fully pursue a key path to a ‘green recovery’ from the COVID-19 induced economic downturn should not be missed. The hiatus in support for non-domestic low carbon heat will impact on market activity and the ability of the supply chain such as installers and biomass fuel suppliers to retain staff at a time when COVID-19 impact is at its most acute.

### **Role of local biomass supply chains in sustainable woodland management & Net Zero**

It is important that future incentive arrangements facilitate appropriate deployment of biomass systems compared with the strong levels of deployment through the NDRHI. Biomass is a key technology for rural low carbon heat and supply of its woodchip feedstocks help underpin sustainable forestry practices. The Government recently acknowledged in their 2020 Tree Strategy Consultation document <https://consult.defra.gov.uk/forestry/england-tree-strategy/> that we need far more (currently unmanaged) woodland managed to UK Forestry Standards, a view shared by the Committee on Climate Change in their 2020 Land Use Policies for a Net Zero UK report <https://www.theccc.org.uk/publication/land-use-policies-for-a-net-zero-uk/>. Both agree that this requires market outlets for woodland products such as wood chip for biomass boilers which will help drive woodland management by providing a market for thinnings and arisings.

New low carbon heat incentive arrangements should not miss key opportunities to help deliver on related policy objectives such as maximising sustainable woodland management benefits through facilitating demand growth for locally produced woodchip through growth in biomass based heat network deployment. This maximises progress to Net Zero goals and helps deliver on Government Tree Strategy aims.

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