Smart Energy Marketplace March 2017

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Woodfuel Market Update March 2017

- Nearly 600 RHI new applications last quarter
  - 16067 accredited Non Domestic installations
  - 666 new applications in process of accreditation
  - 999 applications in query with client
- Large volume of fuel supply enquiries in 500kw + sector
  - Very active new installations at mid scale and above
- Supply chain strong and sustainable –
  - Major focus is on quality and dry chip
  - Some new volumes in recycled grades
  - Pellet market strong – imports, less UK production – quality key
- Suppliers consolidating – acquisitions by strong players

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Impact of proposed RHI changes

- Has been significant rush to get 201-999kW accredited in March
  - Small breathing space now
- Some large scale Multi MW CHP systems coming online
- Large process heat and district heating schemes coming on line – lots of enquiries 1-7MW
- New proposed Tariff of 2.91p works well for high hours users and large scale – 4500-7000hrs pa
- Some activity in small scale biomass CHP several hundred installations
- Larger biomass CHP slow due to efficiency rules and technology and super dry chip requirements
- Many enquiries for ESCO (Energy Supply Contract) funding.
  - Longer returns means larger projects will likely be ESCO funded
  - Also de risks projects in an uncertain regulatory environment

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Market summary

- Biomass still very good at decarbonising Heat – particularly at large scale
- New installation costs seem to be lower now
- Fuel prices have been under pressure in market but now steady
- New installs very active in mid and large sector
- Reduced RHI returns means opportunities for ESCO providers – long term focus
- Significant activity in market for “buy backs ‘’ of installed capacity
    - Peoples circumstances changed
    - Cash in early on RHI
    - Alternative business plans

Biomass still works

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