



ENERGY AND NATURAL RESOURCES

CHP in Ireland - Helping to Meet our 2020 Targets

by **Philip Daly**

CHP in Ireland - Helping to Meet our 2020 Targets

13th December 2015 | by Philip Daly

Ireland's biomass resources can play an important role in reducing greenhouse gas emissions in Ireland and in providing an alternative means of energy production.

At LK Shields we have recently seen a growth in the number of biomass energy projects coming on stream.

The movement to biomass renewable heat can benefit Ireland in reducing the risk of exposure to price fluctuations in traditional fossil fuels and, as much of the biomass can be sourced in Ireland, in ensuring security of supply. It will also lead to the creation of local jobs and broaden our agricultural base.

Heat generated from renewable energy sources was at 2.4% in 2000 and has recently risen to approximately 6-7%. The State's 2020 target for final heat demand from renewable energy sources is 12%, so there is still a lot of potential for further development and exploitation of this useful resource.

Renewable Energy Feed-In Tariff 3 (REFIT 3)

A key driver in the growth so far was the introduction in 2012 of a renewable energy feed-in-tariff (REFIT 3) by the Government for biomass CHP and anaerobic digestion to help meet the national renewable electricity targets by 2020.

REFIT 3 was designed to incentivise the addition of 310 MW of renewable electricity capacity to the Irish grid. Of this, 100 MW was intended for biomass CHP, 50 MW was intended for anaerobic digestion CHP, and 160 MW was reserved for biomass combustion and biomass co-firing.

Demand for the biomass CHP category well exceeded the original allocation, but demand for the other categories was significantly below the original allocations. In August 2014, the Government approved the reallocation of 70MW to biomass CHP, which consisted of a combination of capacity from anaerobic digestion (35MW) and biomass combustion and biomass co-firing categories (35MW).

The support levels (subject to indexation) range from 12 cent per kWh to 14 cent per kWh for biomass, and from 10 cent per kWh to 15 cent per kWh for anaerobic digestion, depending on the plant size.

The support for any project is limited to fifteen years and may not extend beyond 31 December 2030.

The scheme is about to expire and applications under REFIT 3 must be made before 31 December 2015. In July 2014 the Government published a consultation on proposed amendments to the REFIT 3 terms and conditions. The Government is currently considering the responses to that consultation. Following this the terms and conditions for the scheme will be updated.

Presumably, as with REFIT schemes in the wind energy space, a new REFIT support scheme will be introduced for CHP, especially as there does not appear to have been a full take up under the original scheme. It is not yet clear what the terms of a revised REFIT scheme will be.

Regulatory Approvals and Requirements for CHP plants

Some of the key regulatory consents and permits required for a CHP plant in Ireland are listed below.

- Planning permission from the local authority and possibly Environmental Impact Statements.
- Authorisation to construct a CHP generation facility from the CER.
- Fire Safety Certificates.
- Licence to Generate Electricity from the CER.
- Integrated Pollution Control Licence from the Environmental Protection Agency, for a plant with a heat/power total rated thermal input of 50MW or more.
- Emissions Trading Licence from the EPA.
- Electricity Grid Connection Agreement.
- Accession to the Trading and Settlement Code.
- CHP plants wishing to avail of REFIT 3 must meet the high efficiency CHP standard under the terms of the 2004 Cogeneration Directive (2004/8/EC) and be certified as such by the CER.

Conclusion

We have seen an upsurge in projects reaching financial close in this area and expect that a revised REFIT support scheme to replace REFIT 3 will be issued in the near future to continue to support this growing area.

For further information, please contact Philip Daly, Head of Energy and Natural Resources at pdaly@lkshields.ie.

About the Author



Philip Daly
Partner

Philip's practice is primarily in the areas of M&A, Corporate, Energy and Finance law. He acts for a wide range of businesses with a particular number involved in the area of energy and natural resources.

T: +353 1 637 1582 **E:** pdaly@lkshields.ie