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UK Feed-in Tariff for mCHP

Briefing Paper

In July 2009 the UK Government released a range of policy documents setting out its plans to move to a low carbon economy.

Most importantly for Ceramic Fuel Cells, the Government has announced that from April 2010 a feed-in tariff will be paid for small low emission generators, including natural gas micro combined heat and power (mCHP) products.

The consultation paper noted that: *“A new system of Feed-in Tariffs (FITs) will provide support aimed at small low-carbon generators. This will open up low-carbon electricity generation beyond the traditional energy companies, making it more cost effective for communities and householders to take part.”*

The key aspects of the proposed feed in tariff are:

- A fixed payment from the electricity supplier for every kilowatt hour (kWh) generated (the “generation tariff”).
- Another payment additional to the generation tariff for every kWh exported to the wider energy market (the “export tariff”). Generators will be guaranteed a market for their exports at a long-term guaranteed price. The generator may choose whether to sell exported electricity to the supplier at this guaranteed export tariff, or negotiate a price for exported electricity in the open market.
- In addition, generators will benefit because they will have the opportunity to use that electricity on-site to offset some or all of the electricity they would otherwise have had to buy.
- The generation tariff will be a fixed price per kilowatt hour, set at different levels for different technologies and installation sizes. The Government expects to lower the tariff levels for new projects over the years, but any individual installation, once starting to receive a tariff at a certain level, will continue to receive the same generation tariff level throughout its entire support period under the program, which is 20 years.
- Tariffs will apply to the following technologies from 2010; wind; solar PV; hydro; anaerobic digestion; biomass and biomass combined heat and power (CHP) and **gas-fired micro CHP** (up to 50kW).

The paper notes that *“FITs for small-scale low-carbon electricity are intended primarily to support the widespread deployment of proven technologies now and up to 2020, rather than to support development of unproven technologies. Taking that into account, on the launch of FITs in April 2010 we propose to only offer tariffs to those technologies which can realistically and effectively be deployed in the short term.”* This includes gas-fired mCHP products.

The consultation paper sets out the proposed generation tariff rates for various technologies, ranging from 4.5 pence per kWh (larger hydro and wind) up to 36.5 pence per kWh (small solar PV). In addition there will be a fixed export tariff, currently proposed to be 5 pence / kWh for all technologies.

The rates for gas-fired mCHP are being developed along with the Government's heat and energy saving strategy and renewable heat incentive and will be announced later in 2009 – but still with the objective of starting in April 2010.

The consultation is open until October 2009. More details are set out in the consultation paper, available [here](#).

The Government also released the [UK Low Carbon Transition Plan](#), detailing how the UK can meet its binding target of cutting greenhouse emissions by 34% from 1990 levels by 2020 (equal to a cut of 18% from 2008 levels).

Key elements which affect distributed generation in general include:

- investing £3.2 billion in domestic energy efficiency
- smart meters in every home by 2020;
- major grid investment, with a smart grid 'policy road map' due in 2010.

Copies of the Government's papers and consultation documents are available [here](#).

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About Ceramic Fuel Cells Limited

Ceramic Fuel Cells Limited is a world leader in developing solid oxide fuel cell technology to provide highly efficient and low-emission electricity from widely available natural gas. The company is developing micro combined heat and power and distributed generation units that generate electricity and heat for homes and other buildings. Ceramic Fuel Cells is developing products with leading appliance partners and utility customers in Germany, France, the United Kingdom and Japan. In May 2009 the company launched its BlueGen gas-to-electricity product. Headquartered in Melbourne, and with operations in the UK and Germany, Ceramic Fuel Cells is listed on the London Stock Exchange AIM market and the Australian Securities Exchange (code CFU).

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