



## BSL Advisory Panel – Decisions and Actions

### Meeting 11

<b>Time and date</b>	11:00 – 15:00, Wednesday 17 <sup>th</sup> July 2019
<b>Venue</b>	Small Woods Association, Telford, TF8 7DR
<b>Date of Issue</b>	31/07/2019

#### 1) Welcome & Housekeeping

The Chair welcomed the Panel members.

The Chair confirmed the agenda and the objectives of the meeting.

#### 2) Review of minutes and actions from Panel 10

No comments were received, and the minutes were approved.

The following updates were provided for the outstanding actions:

**Panel Action 10-04 - The Chair to have a conversation with BEIS to see how the Panel can enable the delivery of value for money:** The Chair had spoken to BEIS regarding value for money. The conversation included how the Panel can provide value for money and with what parameters. The meeting concluded with BEIS taking an action to decide what powers the Panel hold, a possible option was for a subgroup to be created to review the finances in more detail. BEIS reiterated that there is no timeline, but a decision is likely to be made before the next BSL Panel Meeting.

**Panel Action 10-07 - Panel Member to find out where he is reporting his annual data and what it is being used for:** A Panel Member stated that as a Self-Supplier, they report annually to Ofgem on the type of wood fuel being consumed e.g. pellets, chips, in line with RHI regulations. It was appreciated that not all Self-Suppliers record the quantity of fuel consumed however, an approximation could be made of the 'estimated annual consumption' as this is a requirement for MCS Compliance Certificates. It was added that a Self-Supplier must register and create an application to the BSL Administrators which includes the annual production estimate.

A Panel Member stated that the information of how much fuel is consumed (registered value) is available, so an assumption/calculation can be made to estimate Self-Supplier wood fuel consumption. He confirmed willingness to report this, as a Self-Supplier. He went on to say that he runs a very small-scale operation and no fees should be applicable.

There was an agreement between smaller suppliers to see the membership fees put to good use.

A Panel Member mentioned that certain consumers in Scotland have stated after their RHI subsidy finishes, they intend to switch to an oil burner.

Panel Action 11-01	Self-Supplier Panel Members to collate Self-Supplier issues that need addressing on the BSL and present to the next meeting (Meeting 12)
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#### 3) Ofgem update



Ofgem informed the Panel that there was not much progress to report on the 19/20 audit programme, apart from the fact that audits have started. There has been no tariff depression this year so no targeted campaigns will be carried out unless a depression does occur. It is anticipated that in January 2020, there will be a surge in applications submitted, possibly for large biomethane plants which falls outside of the BSL.

New regulations to enact an extended allocation of Tariff Guarantees on the RHI have come into force, so there has been a focus on assisting BEIS with drafting this over the past months.

It was explained that more work had been done in recent months, on the RHI closure scheduled for March 2021. Ofgem are participating in BEIS-led working groups to start processes internally, for example risk workshops and lessons learnt from previous scheme closures (e.g. Renewables Obligation & Feed-in Tariff) to be considered when planning this closure.

Questions were raised regarding emission certificates and if there is any new guidance. Ofgem explained that the guidance was last updated in October 2018 and no new iterations are expected. Only additional information will be released as a supplement to the current guidance.

The Chair highlighted the outcome of an Ofgem audit which resulted in the requirement for an updated emissions certificate. Additionally, the RHI recipient had to prove, in the form of a note from the EA stating that the recipient did not need a permit, and that they were not burning waste wood. The Chair stated that the auditor did not have the correct knowledge, and asked if Ofgem was aware of this. Ofgem was not aware and requested that the details be sent by email to him and the relevant audit team.

An issue with emission certificates is that the consumer may still burn the wrong type of fuel. A Panel Member added that typically on an audit of waste wood, more often than not, it is not a grade A waste, as consumers misinterpret what is and isn't waste. A question was asked if the EA know the quantity of waste wood being burnt incorrectly. A Panel Member stated that the EA go by what legislation states and currently it states wood which may contain halogenated compounds/heavy metals. It is difficult to judge if these compounds are present and depends on where the waste wood is coming from. Therefore, it is difficult to ascertain the quantity of waste wood being consumed.

The WRA is leading work on waste wood classification which will clarify each type of waste wood and the relevant wood fuel categories. The WRA recommendation is to develop a waste wood guidance because of the confusion within the industry. For the purposes of RHI, recommendations should be made that its either virgin or pre-consumer waste wood that is used, but these recommendations from the WRA have not yet been adopted by BEIS and the EA.

It was relayed that there is confusion on part b permits. The recommendation was made that the wording should be changed however, this has not materialised yet. A Panel Member added that by the end of the year, this position should be adopted (virgin or clean untreated pre-consumer waste wood).

The Chair stated that the BSL waste wood guidance was placed on hold, pending the outcome of the EA and BEIS working groups.

A Panel Member said when wood has been classified as a waste, it comes with a waste code. The EA have identified which codes it considers to be clean untreated waste wood.

Panel Action 11-02	BEIS to provide confirmation of their position on waste wood for the next Panel Meeting
Panel Action 11-03	BSL Administrator to add waste wood to the agenda for the next Panel Meeting (Meeting 12)

#### 4) BSL Administrator update



The BSL Administrator explained the full scheme activity since Jan 17, when the scheme transitioned to self-funding. There is an understanding of why peaks and troughs occur, the most noticeable peaks are around membership renewals, quarterly reporting and panel elections.

Administrator activity for Q2 2019 showed the number of applications submitted, approved and removed. The reason for Suppliers being removed was queried. The BSL Administrator stated that removals are typically due to non-compliances as a result of an audit – only major non-compliances result in removal. However, there are other reasons for removals too which include suppliers voluntarily requesting removal as well as company details changing.

A financial breakdown was presented including 18/19 and 19/20 financial year, highlighting the cumulative scheme surplus, which has increased. It was confirmed that the Panel decides how to best utilise this surplus.

The Quarterly Reporting figures were presented including the split to indicate fuel sold to industry and fuel sold to consumers. The BSL Administrator noted that thermally modified pellets, the new fuel type added to the BSL at the beginning of 2019, is now being reported as sold. Panel queried why the reported figures for May were considerably higher. It was confirmed that one supplier had reported approximately 500,000 tonnes of virgin wood pellets.

A Panel Member suggested that Self-Suppliers consumption should be included in the quarterly reporting figures. The BSL Administrator advised that BEIS took a risk-based decision for it to be a requirement for Commercial suppliers only. Self-Suppliers generally want their woodland to continue to produce fuel in the long run, therefore it was considered low risk.

Panel Action 11-04	BSL Administrator to provide Self-Supplier estimated annual production figures for next Panel Meeting (Meeting 12)
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A Panel Member queried if the supplier who submitted 500,000 tonnes, was compensating from other quarters or if this was just from the last quarter. The BSL Administrator advised that the only way to determine this would be to ask the supplier directly. A Panel Member followed up to ask if a comparison could be made for Q1 & Q2 2019 against the same periods in 2018. The Chair responded that the figures for 2018 included double counting and therefore were unreliable.

A Panel Member asked if the spike in virgin pellets was due to stockpiling. The BSL Administrator informed that this information would only be available directly from the supplier.

Audit and compliance figures were reviewed, including what constitutes a major and minor non-compliance. A Panel Member commented on the fact that Self-Suppliers seem to be more compliant than Commercial operators. He further questioned if Self-Suppliers should continue to be audited in the same ratio, given that they are typically lower risk and more compliant.

A Panel Member asked how a Self-Supplier becomes non-compliant. A Panel member responded that it is common for these suppliers to not record their fuel consumption but also to mis-classify the fuel. A Panel Member added that many farmers consider fallen trees, which are virgin, to be a waste as it cannot serve a primary purpose and therefore the supplier would need to reapply.

Panel suggested that a joint approach with Ofgem should be adopted when auditing suppliers. This was the result of various Panel Members expressing that Ofgem auditors have knowledge gaps on the types of fuel. RHI recipients are currently given a 10-working day notice for their audit but Panel suggested that more spot checks need to be carried out in order to sift out real problems.

## 5) Subgroups

The BSL Administrator provided an update on the activity undertaken by the subgroup since the last Panel meeting.

### a. Documents & Guidance

The aim for the subgroup was to review and implement changes to the raw material definitions based on the feedback received from BSL Advisory Panel members. These changes are to encourage industry to align definitions so that more support is available for consumers. The draft BSL definitions have been updated and shared with the Communications Subgroup members.



## **b. Communications**

This was an opportunity to review the communications strategy capturing education, aligning industry guidance, and the feasibility of including carbon emissions to the 'find a fuel' page.

The subgroup agreed to:

- Share communications with its members and to use the Huddle workspace to inform each other of events that would benefit from having BSL representation.
- Circulate the draft raw materials definitions with the members of their associations to gather feedback.
- List where a potential video demo could support, producing an example 'how-to' video.
- Consult with web developers and marketing experts about how to improve the website and communications.
- Ofgem and BEIS could be an influencer for ensuring definitions are aligned

## **c. Fuel Quality**

The subgroup explored what needed to be considered when producing a fuel quality framework. Ideas were discussed around incorporating boiler maintenance and efficiency, which ultimately feeds into the Government's Clean Air Strategy. The outcome was to produce a high-level options paper for the BSL Advisory Panel and BEIS in time for this Panel Meeting 11.

There were no follow up questions from Panel on any of the subgroup updates.

## **6) Fuel Quality**

The BSL Administrator advised that the Fuel Quality Subgroup Meeting was an opportunity to gather feedback and produce a draft options paper to submit to BEIS.

The various options and considerations included in the paper were explained, including the timeline of events, minimum scheme requirements, pilot projects, and the potential impact on suppliers. Each option included the necessary requirements as well as the pros and cons of doing so.

A Panel Member questioned whether audits could increase as a result of fuel quality being implemented in the BSL. The BSL Administrator replied that this would be on the Panel's advice and budget. Similar queries were raised in relation to installations including boiler operation and boiler MOTs (annual audit). It was advised that this was also for Panel to advise on.

It was stated there is a clear link between fuel quality and boiler operation. A potential measure in contributing to solve this problem and reduce costs for audits would be emissions monitoring devices. A Panel Member explained that there are devices available which are not too costly (approximately £5k) and could be considered as an option for RHI installations. In doing so, many fuel quality problems could be identified in real time and the cost associated could potentially come out of RHI payments. A Panel Member stated that from a Self-Supplier perspective, it would not be financially feasible. A Panel Member noted that, approximating the number of boiler installations and factoring each device costing approximately £5k, it would total an estimated £70M investment, which is too costly. If this method materialises, the focus should be on high risk installations as opposed to all installations.

A Panel Member raised the point that the forestry industry is already heavily regulated, and a large proportion of wood fuel is FSC accredited which has a rigorous annual audit. Therefore, he felt that these fuels should be exempt from demonstrating fuel quality compliance. It was clarified that FSC doesn't include fuel quality testing.

The Chair questioned BEIS as to whether it would be useful to raise technical issues if the focus is on the quality of fuel. BEIS responded that the 'biomass combustion in urban areas' consultation will provide material and perhaps direction to feed into the options paper.



The Chair stated that any technical specifications could be included in the Options Paper.

BEIS reiterated that the Panel are working towards a specific timeline; however, if the work requires legislative changes, this may not be met. There is urgency on this and BEIS would like the Panel's view sooner rather than later.

The Panel noted that Self-Suppliers would face challenges if BSI standards and Quality Management Systems (QMS) became mandatory for all suppliers because of the associated costs. If the intention was to create a simpler, less complex process for Self-Suppliers, this would encompass documenting moisture content, quality of timber coming in etc.

The proposal to implement Fuel Quality in to the BSL was put to a vote. There was a majority vote in favour of the implementation of Fuel Quality.

The Chair advised that any member can be a part of the Fuel Quality Subgroup as well as any subsequent subgroup moving forward. The Panel suggested that waste wood is included as a part of the Fuel Quality Subgroup and that another Fuel Quality subgroup meeting should be held. A Panel Member noted that this could be an opportunity to challenge other bodies and to encourage best practice.

It was agreed that members would submit comments on Huddle.

Panel Action 11-05	BSL Administrator to arrange another Fuel Quality Subgroup meeting ahead of Panel Meeting 12.
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## 7) BEIS update

The regulations for tariff guarantees were introduced in May 2018 and offers guarantees for investments for large renewable heat projects. The scheme was due to close in Jan 2020, however the Government has agreed to extend this to Jan 2021. Guidance will be published on the newer version on tariff guarantees.

The RHI has been funded until March 2021. Decisions will be made at a spending review about the future of the scheme.

BEIS raised the point of including an installer representative on the Panel. According to the Terms of Reference, there should be 18 members on the Panel however, if members agree it would be beneficial to have an installer as a permanent member, the Terms of Reference can be amended. The Chair proposed to increase the Panel membership to 19 which would allow the installer representative to have a vote on all matters. Appointment to this position would be voted in the same way as specified in the Terms of Reference. Some members voiced that the new member should not only be an installer, but an engineering specialist. The Chair requested that this proposal should be brought back for further discussion, as there were many variables to consider.

BEIS stated that it is important to gather Panel member views regarding how the BSL will be managed post 2021. BEIS added that a number of options are currently being considered how the scheme could be run and that it may be worth reviewing the recent MCS novation process.

The structure of the BSL was discussed and the REA was used as an example, incorporating a board of directors, as well as a policy arm. BEIS highlighted the focus around the role of the current Panel in terms of maintaining industry standards and providing on-going support to end users. The Chair concluded that this should be addressed offline where it can be discussed in detail. Due to the urgency of the matter, it was agreed that a decision will need to be made before the next meeting.

Panel Action 11-06	BSL Administrator to gather feedback from Panel members regarding the structure of BSL post 2021.
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## 8) Global Forest Registry



A Panel Member introduced the Global Forest Registry and the increased risk in certain countries. The current evidence that is acceptable, as well as new types of evidence that may be required, were explained. Because the risk has changed for various countries, there are two proposals that need to be considered. The two approaches were:

- Soft
  - o If risk is greater than 90/100 then advise the supplier of the type of risk and get them to mitigate and supply new evidence; BSL monitors situation.
  - o If risk is less than or equal to 90/100 and relating to harvesting activities request 'Category A' evidence with a deadline.
  - o If risk is less than or equal to 90/100 and relating to taxes and fees, advise supplier of the risk and get them to mitigate and supply new evidence; BSL monitors situation.
  - o Existing suppliers: must provide by next heat season i.e. 1st October 2019.
  - o All new applications: Evidence requirements applied 1st June 2019.
  - o New application not required, change of evidence on BSL portal.
  
- Hard
  - o Reapply if risk is less than 100/100 and relating to harvesting activities.
  - o Provide category A evidence i.e. must be sold by the BSL supplier as FSC, PEFC or SBP.
  - o All traders will then have to reapply – unless there is a way to link child applications to a new parent application e.g. new 'adopted' status.
  - o Whole new set of BSL numbers.
  - o By beginning of June 2019.

BEIS felt that a hard approach is best suited and the view from the Department for Environment, Food and Rural Affairs (Defra) is yet to be received. There is still a need to establish which organisation(s) should lead on this. Defra own the international policy for timber procurement and EU bioenergy and should, therefore, have the same guidance once a 'lead' body has been decided. The reason for advocating a hard approach is due to industry starting to see a slight rise in local corruption regarding unsustainable harvesting, which is tarnishing the biomass industry. This may have an impact on fuel supplies for consumers during the winter period. BEIS are hesitant to communicate this to the public as a minister decision is yet to be made. The BSL Administrator suggested an informal message in the July newsletter, stating that the risk has changed and that it may be in a supplier's best interest to get the relevant certification in place. It was concluded that the BSL should apply the same principle to any applications received from the countries listed.

## 9) AOB

A Panel Member informed the Panel that he was intending to produce a paper on implementing a wood fuel pricing index. This was not produced in time, but he will keep the Panel informed of any progress.

A Panel Member raised a query if Panel Members can still claim expenses from the BSL Administrator. It was confirmed to the Panel that those members who are not representing an organisation can claim expenses by contacting the BSL Administrators.

A Panel Member felt that the quarterly meetings should be longer to allow extra detail that may be moved to an offline discussion. A Panel Member suggested pre-panel teleconference which would provide updates on subgroup progress, and ultimately feed into the quarterly Panel meetings. In the interim, another Fuel Quality Subgroup meeting is to be organised to discuss any outstanding items.

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