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# Heat Networks Investment Project

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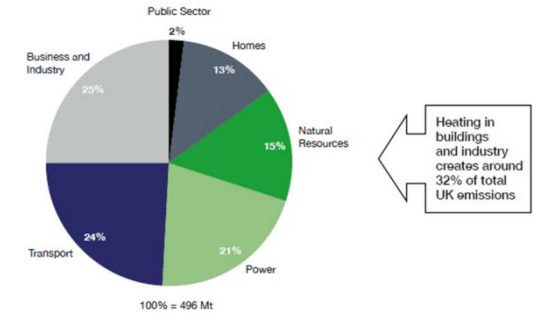
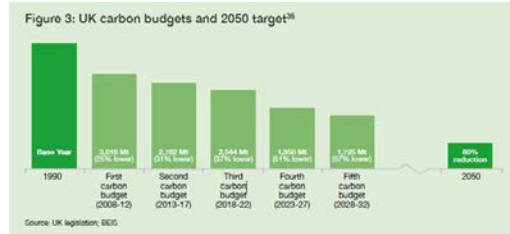
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Department for  
Business, Energy  
& Industrial Strategy

# Context

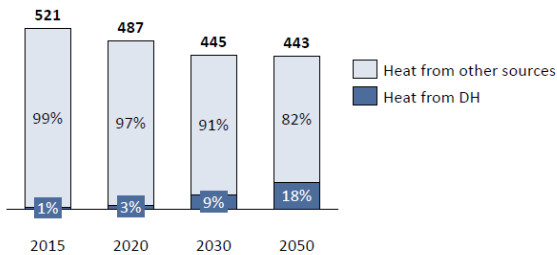


Climate Change Act 2008



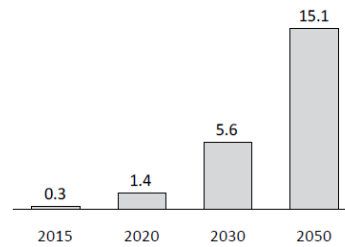
## District heating deployment in the Central scenario

Heat supply in the domestic and non-domestic sectors\* (TWh)



## Associated CO<sub>2</sub> abatement

CO<sub>2</sub> emissions abatement from DH (MtCO<sub>2</sub>)





# Why heat networks?

Distributing heat through insulated pipes from a central source to a variety of different customers, heat networks will not only contribute to reducing the UK's carbon emissions, but could also result in reduced heating costs for consumers.

As outlined in the Clean Growth Strategy, they provide a unique opportunity to exploit larger scale renewable and recoverable heat sources and will play a vital role in the long term decarbonisation of heating.

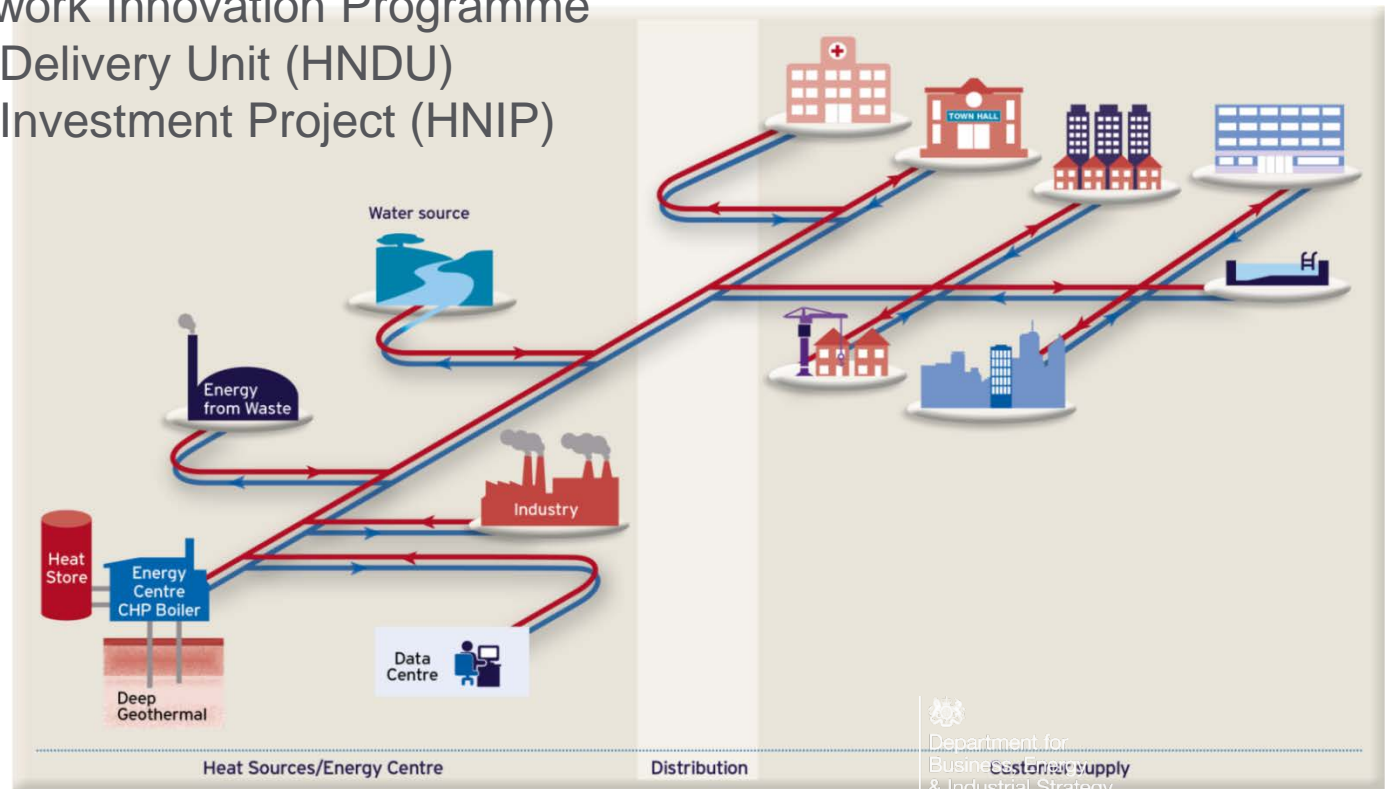
Heat networks can:

- save carbon, both now and in the future
- reduce heating bills by up to 30%
- improve the resilience and flexibility of the overall energy system
- support local growth and regeneration, generating new revenue streams
- offer an attractive opportunity for further investment to be made in the UK's energy infrastructure



# Heat Networks: the story so far

- Industry led schemes: Heat Trust and Technical Code of Practice
- Heat Metering & Billing Regulations
- £7m Heat Network Innovation Programme
- Heat Network Delivery Unit (HNDU)
- Heat Network Investment Project (HNIP)





# HNIP overview

- Aim of HNIP is to contribute to the creation of a sustainable heat network market in the UK by providing capital support to heat network projects
- £320m allocated for projects in England & Wales
- Pilot Scheme in 2017: £24m allocated to fund 9 Local Authority projects
- Main scheme due to launch in Autumn 2018
- Main scheme will be open to public, private and third sector
- BEIS are actively developing a pipeline of heat network projects and are engaging with other potential sources of third party finance
  
- A summary of the main features of the HNIP scheme are available here:

[HNIP Scheme Overview document](#)



# HNIP eligibility

**Q: What types of heat networks will HNIP support?**

A: Any efficient heating and cooling networks, including those that also generate electricity, that meet the conditions set out in the consultation document. As well as building new heat networks, HNIP capital funding can also be used to support:

- Heat network expansions;
- Refurbishment of existing heat networks, where additional carbon savings can be demonstrated; and
- Interconnection of existing networks, where additional carbon savings can be demonstrated.



# HNIP funding

## Q: What funding is available?

### A: Grants and loans

- Grants (primarily public sector)
- Corporate and Project loans (primarily private sector)
  - Lending to a credit worthy project sponsor organisation
  - Up to 25 years at below market rates; fixed rate annuity repayment
  - Principal Repayment starts when the project becomes operational
  - Ranked equally with other lenders
  - Project loans have the additional features below:
    - Secured lending direct to a project company without recourse
    - Project Loans will include a Connection Delay feature such that, in the event a number of key customer or off-takers fails to materialise for reasons beyond the operator's control and project cash flows suffer, the borrower may request an interest and repayment Grace period up to a maximum 3 years.

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