

Mark Cockburn

From: Hutchinson, Peter <Peter.Hutchinson@detini.gov.uk>
Sent: 06 April 2011 17:24
To: Iain Morrow
Cc: Mahmoud Abu-ebid; Oliver Edberg; Mark Cockburn; Paget Fulcher; Tom Cochrane; Jeremy Stambaugh; Clydesdale, Alison; Connolly, Samuel
Subject: RE: Draft report on a Renewable Heat Incentive for Northern Ireland
Attachments: RHI - EA requirements.DOC; RHI - Economist comments.doc; DETI RHI draft report - tracked comments - April 2011.DOC

Iain,

As discussed, thank you for this first draft of the report, whilst recognising that this is very much a first draft of the report I wish to provide some comments that should be considered when finalising the final report.

- **Structure** – I think the report would benefit from being structured more closely to the 10 NIGEA Appraisal Stages (I have attached an outline, prepared by our economists, of what could be included in each section) this will ensure that each element of the appraisal guidelines is covered and can be easily identified.
- **Impact on gas**- I think the section on the potential impact on gas needs to be upfront in the report as how/if we mitigate for the impact on gas has an affect on each of the identified options. The context of the gas industry in Northern Ireland and the reason why it needs to be given specific consideration could be included in the overarching strategic context section with the economical analysis later on. There are three issues to be dealt with when looking at gas; what is the impact? is this significant enough to alter the incentive options? how would the options be altered? When it comes to altering the RHI/Challenge Fund options there are probably three options, i) varying support levels based on current/potential access to gas, ii) no support for existing gas customers (barring potential solar thermal?), or iii) no variation, support levels would be same for everyone (this could be suggested if the impact on gas is deemed as negligible).
- **Industry** - Early in the report you rule out supporting industry however the industrial sector then is referenced as eligible in a number of your options. Similar to gas there needs to be analysis of whether or not industry should be included early in the report. If the recommendation is that it is excluded then this should follow through to the options. It has been suggested that only 5 industrial sites would have the potential to switch to renewables (i.e. not on gas and technically possible) it may be worth considering whether these 5 sites could be incentivised outside of the conventional RHI?
- **Risk** - Need a more detailed section on risks (as per stage 6 of appraisal guidelines). Risks to be considered would be low uptake, rising renewables prices, low resource, low gas/oil prices, damage to other sectors, risk of perverse incentives, inadequate / overly generous support levels etc
- **Objectives** - Need to be more upfront and clearly stated. SMART targets to be used also (10% Renewable Heat, CO2 emissions, oil decrease, gas levels, jobs, etc....)
- **Options** - Need to clearly set out and number each of the options (1. Do Nothing, 2. Short term Challenge Fund, 3. Long term Challenge Fund, 4. NI RHI)
- **NI RHI** - Obviously the final report will have more detail on each of the shortlisted options. In terms of the NI RHI it will be important to have a full rationale for the tariff levels for each technology, detailed option on front-loading tariffs, if it is deemed necessary to have varying levels for non-gas v gas areas then this should be included, consideration to be given to "tiers" in biomass - as per GB, consideration of whether bio-liquids could be included from start or later (2013 or

2014 following further research) and appropriate tariff levels, consideration on if/how ESCO's could be incentivised through varying tariffs?

- **Contact with stakeholders** - There appears to be some questions in regards to bio-liquids resource, biomass sustainability and potential uptake in commercial/industrial sector. If it has not already been done it would be useful for someone to speak with David Blevings (bioliquid resource and supply), Joyce Rutherford (biomass) and Geoff Smyth (industry/commercial). Contact details have previously been passed on.

I have also made some comments on the attached copy, some of these relate to the general comments above but some are more specific, I have also attached a note from Sam with some comments/questions about this first draft.

We can discuss all these matters further at when we meet next Thursday.

As discussed, we invited a few relevant internal stakeholders (DETI Energy, Invest NI, DSD, DARD, DFP, NIAUR) to the afternoon session of your visit, this is mostly to hear of the work to date. This will also provide an opportunity for interested parties to make comments, raise issues or ask questions, these may need to be considered by yourselves in drafting the final report or by ourselves as we develop and design the policy option.

For the presentation it would be useful to cover the following;

- Background to work (AECOM report, GB RHI, NI funding position)
- Renewable Heat Objectives (10% target, fuel security, jobs, co2 emissions etc)
- Support options (1. Do Nothing, 2. Short term Challenge Fund, 3. Long term Challenge Fund, 4. NI RHI)
- Other considerations (Gas, Industry, Resource, Accessibility)
- Economic analysis of options
- Preliminary conclusions
- Next Steps
- Q&A

I think the presentation should last no more than 20-25mins and then allow comments and Q&A. Again, we can discuss further next week.

Thanks,

Peter

Peter Hutchinson

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From: Iain Morrow [mailto:Iain.Morrow@cepa.co.uk]
Sent: 01 April 2011 19:54
To: Hutchinson, Peter
Cc: Mahmoud Abu-ebid; Oliver Edberg; Mark Cockburn; Paget Fulcher; Tom Cochrane; Jeremy Stambaugh
Subject: Draft report on a Renewable Heat Incentive for Northern Ireland

Peter

As promised, please find attached our draft report. We would be happy to talk to you next week about it, if you wish, ahead of our formal meeting later in the month. Just let me know when would suit. In any event, we will be doing more work on the report, and expect to send you a more final version next week. If you'd prefer to discuss once you've seen that, again please just let me know.

Have a good weekend.

Regards

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