

Christopher Osborne

From: Kirsty McManus <Kirsty.McManus@cbi.org.uk>
Sent: 26 September 2011 12:04
To: Christopher Osborne
Subject: RE: CBI meeting 26 September [Scanned]

Hi Christopher,

Thank you for your email and the points that you raise regarding the RHI consultation, we will be drafting a response later this week. I'm sure your point will be raised at today's meeting with members. If there are any further points you would like to raise or would like to email a copy of your draft response we would be happy to review and incorporate where appropriate into the overall CBI response.

Best regards,
Kirsty

From: Christopher Osborne [mailto:christopher@ufuhq.com]
Sent: 26 September 2011 09:20
To: Kirsty McManus

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Subject: CBI meeting 26 September [Scanned]
Importance: High

Good morning Kirsty,

My name is Chris Osborne and i am the UFU Policy Officer responsible for Renewable Energy and Heat. Clarke Black, our Chief Executive passed details to myself about the CBI Energy meeting being held today at 3pm in Mallusk.

Unfortunately i will not be able to attend, but we would like to contribute (if possible) to this event and future meetings. Clarke is out of the country on business and also not able to attend.

The land-based sector (which we represent) is playing a crucial role in the development of a renewables sector in Northern Ireland, both as a feedstock provider, but also as a generator and user of renewable energy and heat. In terms of the latter we are very concerned about the proposed RHI and these are concerns which are shared across the wider manufacturing sector in NI. We will be responding to the RHI consultation, but our concern that we would like to raise through the CBI is that DETI are missing a crucial trick here, by pitting the proposed tariffs at a lesser level than those in GB, we are leaving our industry at a competitive disadvantage, and there is a danger that some companies may find GB a more lucrative location and move sticks to where the greater incentive is.

Coupled with this, the over rising policy direction is driven by a desire to develop the gas infrastructure here in NI. Something which was a policy in GB 40 years, and again we are playing catch up. Some may say that this approach is updated, but the UFU would be concerned that more focus should be given to make renewable heat more accessible to rural communities, since the likelihood is that the gas network will never reach these rural locations.

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Over-riding problem is that NI faces higher fuel prices than GB and couple with this, our country has the highest instances of fuel poverty in the UK. Hence, we are surprised that the proposed tariffs for the RHI are less than GB. Fuel poverty extends to encompass those who live in rural locations who have no opportunity to access the gas grid and as i said previously, renewable heat sources would be one logivcal and viable alternative.

I have attached a summary of the UFU position on renewables and i would be grateful if you could make this available to any interested parties.

If you have any queries please do not hesitate to get in touch.

Chris Osborne
Ulster Farmers Union Policy Officer

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DRAFT FOR COMMENT BY MONDAY 3 OCTOBER 2011

CBI NI Response to the DETI Consultation on the development of the Northern Ireland Renewable Heat Incentive

NI 32 11

Introduction

CBI Northern Ireland is an independent, non-party political organisation funded entirely by its members in industry and commerce. Across the UK, the CBI speaks for some 240,000 businesses which together employ around a third of the UK private sector workforce. Our membership stretches across the UK, including businesses from all sectors and of all sizes. It includes the majority of the FTSE 100 companies, some 200,000 small and medium-sized enterprises (SMEs), more than 20,000 manufacturers and over 150 sectoral associations.

CBI Northern Ireland welcomes the opportunity to comment on the DETI Consultation on the development of the Northern Ireland Renewable Heat Incentive (RHI). The importance of energy competitiveness is central to our membership base and key to ensuring the future success of the Northern Ireland economy. The business community is committed to contributing to our target of 10% renewable heat energy by 2020.

In the following paragraphs we respond to the general issues raised within each section of the consultation document,

though we do not always address all of the specific questions raised. We start however highlighting a number of key issues which arose during our consultation with CBI members.

Chapter 3 - A Renewable Heat incentive for Northern Ireland

Do you agree with the decision to introduce a RHI tailored for Northern Ireland instead of pursuing other options considered?

Given that Great Britain has now introduced a RHI, it is imperative that Northern Ireland follows suit to ensure that we achieve our target of 10% renewable heat by 2020. We welcome the department's commitment to developing the renewable heat sector in Northern Ireland albeit we are apprehensive that our incentive levels for business are very significantly lower than the GB levels which will place Northern Ireland based businesses at a competitive disadvantage. In contrast the incentives for domestic households appear to be significantly more generous in Northern Ireland – this does not appear to be consistent with the Executive's policy of putting the economy as its top priority.

In the Comprehensive Spending Review the government announced £860 million over the spending review period to support renewable heat measures. NI's slice of this budget will be £25 million over the next four years. A successful NI RHI could contribute to the overall UK target of 12% renewable heat energy by 2020.

Do you agree that Ofgem are best placed to administer the NI RHI?

We agree that Ofgem are best to administer the NI RHI in order to ensure that administrative costs are minimised.

Do you agree with the eligibility requirements as prescribed? Please provide comments.

The suggested eligibility requirement seems reasonable although we do have specific comments regarding the heavy industrial sector.

Do you agree with the proposed eligible technologies and standards? Where you disagree with the proposed approach evidence should be provided to the contrary?

Members have raised concerns that the level of incentive for industrial/commercial consumers is significantly lower than those available in GB. This distortion will encourage investment in GB at the expense of Northern Ireland. Many of our members with sister operations across the UK raised a concern that renewable heat projects would be pursued as a priority in GB given the higher levels of incentive being offered.

We believe there are opportunities for geothermal to be further exploited in Northern Ireland. We welcome the call to evidence by the department. We would caution that the proposed very low level incentive proposed in Northern Ireland vs GB will place companies at a disadvantage, and will undermine opportunities to develop this technology in Northern Ireland.

Do you agree the heat should be metered under the NI RHI?

Yes, all heat should be metered

Do you agree that sustainability reporting should be introduced as part of the NI RHI?

Yes, although any requirement should have minimum of bureaucracy.

Do you agree that regular planned reviews should be undertaken?

The system should be regularly reviewed to determine performance versus targets but incentive levels must be grandfathered to provide comfort for those undertaking major investments. These regular reviews should re-evaluate the winners and losers within the technology sphere to ensure that NI has a competitive edge.

Do you agree that the tariff levels should be guaranteed for the life-time of the installation at the point of accreditation?

Yes

Chapter 4 - Support for the Industrial sector

Do you agree that the heavy industrial sector should be treated separately under the NI RHI?

We have no objections to this in principle provided that large industrial users are not presented with a costly and bureaucratic validation and certification process or other obstacles not faced by their competitors elsewhere in the UK. The approval system must be fair, transparent and efficient and avoid the creation of a new need for specialist consultation services to administer the approval process.

What is your view regarding heavy industrial sites being awarded relevant tariffs on a case-by-case basis, following consideration by DETI of the need, value for money and sustainability of the proposal?

The approval system must be fair and transparent. In GB, the only requirement a large industrial user needs to satisfy is to meet the technical requirements to qualify for the higher GB RHI. Any additional impositions proposed in NI could adversely affect the competitiveness of NI industry. We would therefore propose that DETI work closely with Ofgem to ensure that GB system requirements are applied where appropriate to NI RHI to ensure a level of consistency, and to ensure these companies are not disadvantaged.

It will be very hard for multinational groups to get the go-ahead for renewables investment in NI if incentives remain significantly lower than in GB.

We would propose that a significant amount of the £25m funding should be dedicated to supporting the business sector in NI – this should reflect the Executive’s priority of supporting the economy. Subdued house building will limit the uptake within the domestic sector in the short/medium term.

Do you agree with the criteria set by DETI for this sector?

All criteria except that of technical feasibility should be removed from the assessment in order to bring alignment with current procedures in GB. Heavy industry is competing against other facilities throughout GB and Europe.

Tariff rates in GB are likely to set the price of Biomass throughout the UK. Unless NI facilities can access the same level of incentive they will be at a significant competitive disadvantage. For those industries operating in international markets, criteria relating to the impact on the gas market should also be removed.

Do you agree that co-firing should be allowed in this sector and, if so, should it be time limited?

Given the potential distortion that one large user could have in the local biomass market the proposal to allow co-firing makes sense. The phased introduction of biomass to larger facilities will both help stimulate the supply market and should provide a lower risk to technical success.

Concerns have been expressed at the limited capacity of the biomass supply market.

Chapter 5 - Interim support for Domestic Households

What is your view of the proposed support levels under the Renewable Heat premium payments?

The incentives proposed for domestic householders are extremely generous relative to GB householders. In some cases the RH payments are double the value of the vouchers available in GB. This is in stark contrast to the lower level of support being proposed for the industrial/commercial sectors.

Reducing overall demand for heat through energy efficiency measures should remain the most cost-effective way to manage energy consumption within the domestic sector.

Do you agree with the proposal that existing gas customers should not be eligible for renewable heat premium payments?

We have proposed that those areas where there is no access to natural gas should be provided with an enhanced incentive. Where appropriate, domestic gas customers should be eligible to participate and must not be discouraged in exploiting the benefits of renewable technology. However it would be sensible to offer a much lower incentive for these householders.

Chapter 6 - Interactions with other DETI Energy policies

What impact do you think the implementation of the NI RHI will have on the future development of the natural gas market?

Members are particularly concerned that too much effort is being focused on developing/protecting the gas industry at the expense of both undermining the competitiveness of existing businesses, and developing a world class renewables heat industry in Northern Ireland. The natural gas industry is clearly of vital importance to the business community but it should be able to stand on its own merits. There is a concern that a too protectionist approach could undermine the competitiveness of key industrial consumers and undermine our industrial capacity. Ultimately it could commit customers to gas, when from a competitiveness position they should be investing in renewables. The two policies of expanding natural gas and RHI incentives as currently structured do not fit well together.

Members assert that the guiding principles outlined in the Strategic Energy Framework should remain that "the extension of the gas network can only take place where it is economically viable to do so and where it is not economically viable, the Department will seek to maximise other alternatives, such as renewable heat or biomass". (SEF)

As argued in our response to the extension of the gas network we believe DETI should consider offering a higher RHI incentive to

areas in NI whereby extending the gas network is not economically viable.

Do you agree with DETI's assessment of potential support CHP and agree that no changes should be made to existing arrangements until April 2014, at the earliest?

It seems fair for facilities to have the choice between NIRO uplift alone or the base NIRO plus RHI.

Chapter 7 - Renewable Heat Strategy Group

What key actions should the Renewable Heat Strategy Group consider in supporting the development of the renewable heat market?

The government must take the opportunity to deliver the RHI as part of an integrated heat policy within the wider policy framework for energy and climate change. Policy in this area has to be joined up to alleviate the risk of adding further to energy users costs.

Is there a need for ongoing engagement with external stakeholder as renewable heat policy is developed?

CBI members it is imperative that external stakeholders have an active role within this strategy group. There are clear and proactive channels for industry to feedback to government on potential opportunities, policy barriers and share best practice.

Do you wish to be considered to potentially give evidence on renewable heat to a future meeting of the Renewable Heat Strategy Group?

CBI would be pleased to participate in any future meetings of the Renewable Heat Strategy Group. We provide direct access to the industry and regularly engage with government on a range of areas from environmental policy, employment policy and energy policy etc.

Concluding remarks

For many businesses the RHI represents a good opportunity to help them reduce their carbon footprint while cutting the cost of energy bills, reduce their exposure to volatile fuel prices and receive a secure income stream from investment in renewable heat technology.

The misalignment with incentive levels set by the GB RHI for the commercial/ industrial sectors will place our local businesses at a competitive disadvantage and shift investment within renewable heat technology away from NI to GB. This lost opportunity will mean that NI may risk missing our 10% renewable heat target by 2020 and the opportunity of developing a world class renewable heat sector.

**CBI Northern Ireland
September 2011**



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in large text format, contact:

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