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Peter Hutchison
Sustainable Energy
Department of Enterprise, Trade & Investment
Netherleigh
Massey Avenue
Belfast
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Dear Peter,

Assessment for Potential Development of Renewable Heat in NI June 2010

Please find attached the Ulster Farmers' Union views on the document. First, we would wish to convey our sincerest thanks to Andy McCrea and the team at AECOM for what was a most thorough and well researched document, which was insightful and has produced some very interesting and encouraging conclusions.

I have included the following pointers;

5. Resource Assessment

Biomass - I think that a comment needs to be made about Food Security. Competing demand is a valid point but it should be elaborated upon. As it reads at the moment, it would make a reader think that the crop decision is basely surely upon commercial interest, whereas competing demand maybe driven by policy influenced by Food Security.

10. Benchmarking against other EU countries

"A long term strategic vision is required to provide confidence to markets to develop and grow the renewable heat industries".

This is very encouraging and a key message that the UFU has been putting forward.

11. Assessment of targets and incentive mechanisms

The UFU welcomes the acknowledgement of the need for cross departmental support. This is a problem which the UFU has encountered on many occasions. Renewable heat is such a multi-departmental area, with inter-action between DARD, DETI, OFMDFM, DOE, DRD and DSD being a minimum requirement. To date the UFU has seen very limited cross departmental support in other cases, and the importance of a change in culture cannot be emphasized enough.

The following areas were identified and each the UFU acknowledges after first hand experience to be sizeable and relevant non-financial barriers.

Non-Financial Barriers

- **Fuel supply chain** – Particular attention needs to be paid to the biomass supply chain which is currently in its infancy and will in its current non-developed form will act as a barrier to many consumers.
- **Knowledge and education** – with this subject area still very much in its infancy, there is a lack of knowledge on the ground, both in terms of the ethos behind renewable heat, but also lack of understanding of the technology available. It is only education that this will change and action needs to be taken.

Resource supply chains such as the biomass industry may also need incentivising and support, to encourage growth in this area, and provide confidence in developing biomass markets. Biomass availability has a strong influence on the cost of achieving renewable heat targets. A biomass agency could have a key overseeing role here.

12.Key conclusions and recommendations

UFU agrees whole-heartedly that the key statement is that long term support is needed, both politically and financially, for the establishment of a Renewable Heat Market in Northern Ireland.

Conclusion One : Achieving a 10% renewable heat share by 2020 is possible but will require significant Government intervention. and cross departmental support. The UFU believes that this is the key to success.

Recommendations:

- A 10% target by 2020 for renewable heat should be adopted.

UFU View – This is a realistic and achievable target, assuming all the other barriers which have been identified are addressed and tackled.

- Develop a long term strategy for the deployment of renewable and low carbon heat based on achieving a 10% renewable heat share by 2020, including options for incentivisation.

UFU View – Long term deployment strategy is welcomed, and the UFU would be keen to see how this evolved, success is crucial.

- Set up a cross departmental strategy group.

UFU view – We welcome the moves on a cross departmental group, but the UFU would be concerned about the effectiveness of such a group. We would wish to see any finding or recommendations which come from the group are put into action and play a role in defining policy for the respective government departments.

Conclusion Two: Develop a NI specific incentive scheme but also put in place interim measures to help meet the 10% target while the details of a NI specific scheme are being assessed further.

UFU view – fully agree with the views on the GB RHI scheme. In fact there have been a growing number of statements from heavy industry in GB criticising the RHI and support the view that there is a strong need and desire to develop an NI-specific incentive scheme. As far as the interim measures are concerned, the UFU are of the view that a specific time scale should be set to ensure that any interim measures do not over run and become established. They will only be a stop gap.

Recommendations:

I have highlighted the areas that the UFU feel to be relevant, both in terms of our own sector and to where we believe that we can make a contribution;

- Analyse and develop options and support mechanisms.
- Investigate in further detail and develop a renewable heat incentive (RHI) for small and medium scale projects in the domestic and commercial sectors.
- Consider the appropriateness and the cost of allowing the retrospective payment of incentives to eligible installations.

Introduction of Incentive Schemes

UFU encouraged by the commitment to carry out preliminary studies, rather than “running before you can walk”. There have been too many cases where incentives schemes have been introduced without looking at the basics first.

UFU welcomes commitment to make retrospective payments, but we do believe that existing installations should be considered, otherwise it would be again appear that the “pioneers” or “innovators”, who took in the gamble early in the game would be left at a disadvantage, many of whom who invested large amounts of their own capital or borrowed large amounts of money to install new technologies.

Next Steps

- **Biogas –** Develop a biogas road-map for Northern Ireland. Incentivisation of biogas requires further analysis of options and support mechanisms including economic and non-economic barriers.
- **Biomass -** Develop a long term strategy for biomass to provide confidence to consumer, incentivise the uptake of renewable heat, maximise the resource availability and manage competition with other sectors. The land-based sector has a role to play in this and this should be acknowledged, but we are encouraged by the following;
 - Investigate the practical level to which home grown biomass could be developed. Examine the environmental impacts of increasing the use of energy crops including impact on other sectors such as food production.

UFU View - what vehicle will drive this? What will pay for the work to be carried out? The home grown biomass should be something which suits the environment in Northern

Ireland, looking into the past at crops which were once indigenous to NI and which might play a role again. This will need to be kept as broad as possible, and not one single type should be given favouritism.

- Conduct a resource and demand assessment which considers all other potential biomass applications, for example, electricity generation and transport fuels.

UFU View – what vehicle will drive this? What will pay for the work to be carried out? What would happen if a large amount of money was spent and electricity was found to be the incorrect application?

- Investigate the potential for a public sector Biomass Agency to help coordinate biomass activities and provide long term support to markets and confidence in price.

UFU View – would it be possible for this agency to play a role in the establishment of a working supply chain? The UFU have been looking into the possibility of a NNFCC-style presence in NI and this could be such an opportunity.

- Develop a strategy / policy for the import of biomass fuel to ensure there is a cost-effective security of supply

UFU View – this would need to be done only as a last resort. For example, at such time that it has been proven that a biomass fuel is indigenous to Northern Ireland, and the necessary supply chain and market mechanism is in place, priority should be given to these. It is only in adverse circumstances that any gap in the market should be met by imported matter/fuels.

UFU View – whilst these are all encouraging signs for the future, the UFU would wish to find out what vehicle will be utilized to bring about these aims and goals?

If you have any queries do not hesitate to contact me and I look forward to hearing from you soon.

Yours sincerely,



**Chris Osborne
UFU Policy Officer**