

Christopher Osborne

From: Rutherford, Joyce <Joyce.Rutherford@dardni.gov.uk>
Sent: 23 June 2010 14:19
To: Christopher Osborne
Cc: Scott, Peter; McKibben, Liam; Rutherford, Joyce; Doherty, Jonathon; Cunningham, Blinnia; Brown, Roy
Subject: RE: [Scanned]

Chris

Many Thanks for your positive comments and enquiry on elements of the Biomass Processing Challenge Fund

For Convenience I have addressed them below in the order you presented them

Query 1 - Will there be any limit on size in terms of capacity of CHP/AD plants?

Response – DARD will not determine a limit on the size of installation in terms of capacity of CHP / AD plant. The size and capacity of any installation will be the decision of the applicant in meeting their business need and fulfilling the criteria of the scheme.

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Query 2 - What are these secondary products defined as?

Response – secondary products will be deemed as anything else that is left from the process after the generation of heat and/or electricity for use on the farm.

Query 3 - what will the reduction be? I am concerned that applicants may decide to install technology with the hope that they can benefit from any on-farm generated electricity (for example) will be exported back onto the grid. Joyce – this is the part that I would wish for you to clarify via email

Response – We are presently in discussion with regard to the impact of the NIROC on aid intensity. In addition, the impact of the NIROC will differ from project to project depending on the amount of electricity generated. Currently, as you will know, DETI are considering the consultation responses on the call for evidence for AD and will hope to make a decision subject to state –aid and possibly treasury considerations on whether the NIROC should be increased for AD here. To summarise, each project will be assessed individually with regard to the impact of the NIROC on aid intensity and if successful in the evaluation process the letter of offer will stipulate the grant rate awarded in respect of that specific project. It will be up to each applicant to accept or refuse the letter of offer conditions, which will include the grant rate calculation.

Query 4 - Could you explain this to me? When you are referring to “revenue” by this to mean money generated from putting it back into the grid?

Response - Revenue generated means any income stream from the sale of outputs from the project. Revenue generated will not include cost savings; for example costs saved on electricity as a result of using the new technology

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or the substitution of digestate in place of purchased chemical fertilizer on the farm will not be classed as a revenue stream, whereas the sale of electricity and digestate to a third party would be classed as revenue.

Query 5 - the way this reads, we are not sure who would need to declaring the expenditure to the Commission? DARD? The applicant? Could you clarify this for me?

Response - The applicant will be required to and will be requested to provide information at various stages of the project in line with the requirement stipulated in the information brochure at 5.29. The Department will consider this information to ensure the correct grant rate has been applied and aid intensity has not been breached.

Chris I would be grateful if you would ensure that references to the Biomass Processing Challenge Fund are contextualized within implementation the DARD Renewable Energy Action Plan. Although The Biomass Processing Challenge Fund forms an important element of the Renewable Energy Action Plan it is important that the suite of support that DARD is offering in respect of renewable energy is promoted in a holistic manner.

Hope this has been helpful

Best Regards

Joyce

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From: Christopher Osborne [mailto:christopher@ufuhq.com]
Sent: 21 June 2010 13:46
To: Rutherford, Joyce
Subject: [Scanned]

Joyce,

Apologies for the wrongly sent email, but here is what i was meant to say.

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These comments are not meant to detract in any way from what is a very thorough, well-written and comprehensive document and an acknowledgement needs to be made to the principal author (you!)

I would be grateful if you could clarify a few matters for me before we issue our press statement on the BCF. On the whole we will be complimentary, as this will be a most welcome and needed boost for the biomass generation/renewables sector. It is our concern that should this £3m not be spent, it could go to waste and impact upon any future capital grant requirement further down the line for the sector.

UFU query – Will there be any limit on size in terms of capacity of CHP/AD plants?

- 2.18 - To avoid waste, any secondary products produced, which can not be used to support agricultural activities may be sold to third parties.

UFU query – What are these secondary products defined as?

Grant Rate (page 23) – the UFU still has queries about taken NIROCs into consideration. You sent me a section of the draft in your email dated 9 June, but after reading the final document, we are still no clearer on what can be generated and used on farm and what can be exported. We understand that EU State Aid rules will influence what can or cannot be exported off farm, in light of the 40% grant, but we feel that the document should make it clear as to what the deduction will be.

- 5.15 - NIROCs in the case of electricity generation will be taken into consideration when assessing the grant rate and ceiling for the project. This may result in a downward variation in grant rate.

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UFU query – what will the reduction be? I am concerned that applicants may decide to install technology with the hope that they can benefit from any on-farm generated electricity (for example) will be exported back onto the grid. Joyce – this is the part that i would wish for you to clarify via email.

Joyce, as far as the NIROC issue is concerned, we are aware that during the ROC accreditation process, OFGEM carry out deductions, but applicants must be made aware of this. In my eyes, come 3 years down the line, the ROCs might not be needed after the farmer makes use of the 40% capital grant and the plant could be paying for itself!

- 5.16 - Where a project is expected to generate revenue this revenue will be taken into account in the calculation of eligible expenditure. The eligible expenditure should not exceed the current value of the investment cost less the current value of the net revenue from the investment over the specific period for investments in infrastructure where it is possible to objectively estimate the revenues in advance.

UFU query – Could you explain this to me? When you are referring to “revenue” by this to mean money generated from putting it back into the grid?

- 5.17 - Where it is not possible to estimate the revenue in advance the revenue generated within 5 years of the completion of the operation must be deducted from the expenditure declared to the Commission.

UFU query – the way this reads, we are not sure who would need to declaring the expenditure to the Commission? DARD? The applicant? Could you clarify this for me?

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