

UFU WATCH

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COMMODITY WATCH

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Proposed Changes to the Northern Ireland Renewables Obligation

The Ulster Farmers' Union is currently compiling their response to the proposed changes to the Northern Ireland Renewables Obligation consultation, issued by the Department of Enterprise Trade and Investment (DETI).

Introduced in 2005, the Northern Ireland Renewables Obligation is the main policy measure for supporting the development of renewable electricity in Northern Ireland. This support is in the form of tradable Renewables Obligation Certificates (NIROCs) which renewable generators are awarded for each megawatt-hour (1,000 kilowatt-hours or units) of electricity generated. These NIROCs are then sold to electricity suppliers who need them to meet their obligations under the NIRO; currently NIROCs trade at prices between c.£40 and £50 depending on availability.

Since their introduction, they have been subject to amendment on 3 occasions, most recently in April 2009, when a system of 'banding' was introduced. "Banding" meant that the level of support available for electricity generated from renewable sources, varied depending on the energy source and the technology used. In particular, it was intended to increase the support available for offshore developments, certain non-wind technologies and for micro-generation. Under the "banding" arrangements, all micro-generation (installations with capacity of 50kW or less) were eligible for the then maximum two NIROC band.

The latest proposed changes in Northern Ireland are intended to on the whole replicate those in GB. Department of Energy and Climate Change (DECC) is currently consulting on Renewable Electricity Incentives.

In NI, the DETI consultation proposes;

1. Extending the lifetime of the NIRO, extending the lifetime from 2027 to 2033 and restricting the policy eligibility to 20 years.
2. Level of NIRO, use "headroom" rather than fixed levels and increase "headroom" from 8% to 10% by 2014.

The consultation then goes on to address Micro-generation.

The Government has been lobbied to introduce Feed-In Tariffs (FITs) for Micro-generation projects (up to 5MW). In GB, DECCs own consultation sets out their own intention to introduce FITs in April 2010. However, FITs cannot be introduced in NI as we as yet do not currently have the primary legislation to do this.

FITs are seen by some industry experts as an alternative to ROCs, as far as micro-generation projects are concerned, as they allow generators to enter into a longer-term contract with a supplier at an agreed output price. In the current unsure economic climate, FITs are seen as a more secure form of funding when negotiating with a bank.

In order to ensure an even playing field, DETI propose that in the absence of FITs in NI, we should have the following interim proposals for micro-generation projects;

Wind	4 x NIROCs	up to 250kW
Hydro	4 x NIROCs	up to 100kW
PV	4 x NIROCs	up to 50kW

The UFU are currently preparing a response to these proposals and will be issuing our views in the next couple of weeks. Consultation responses need to be submitted before the closing date **12 December 2009**.