

Version numbers added by RHI  
Taskforce Final 19/4/17



**From:** Peter Hutchinson  
Sustainable Energy

**Date:** 24 February 2010

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**To:** 1. Andrew Crawford  
2. Arlene Foster MLA

## **COR/69/2010: GOVERNMENT GREEN POLICY AND PRICE OF WOOD PELLETS**

**Issue:** [Personal information redacted by the RHI Inquiry] has written to you regarding a price rise he has experienced in biomass wood pellets.

**Timing:** Routine.

**PfG implications:** Not applicable

**Need for referral to the Executive:** Not applicable.

**Presentational Issues:** Not applicable.

**Freedom of Information:** This submission is fully disclosable.

**Financial Implications:** None.

**Statutory Equality Obligation:** Compliant; there are no Section 75 implications.

**Legislation Implications:** None.

**Recommendation:** That you respond to [Personal information redacted by the RHI Inquiry] using the attached draft at Annex B.

## **BACKGROUND**

[Personal information redacted by the RHI Inquiry] has written to you regarding a recent price rise he has experienced in 10kg wood pellet bags which he uses for his wood pellet stove. [Personal information redacted by the RHI Inquiry] explains that a 10kg bag of wood pellets cost him £1.74 (exc VAT) in December 2009 but in January 2010 the price rose to £2.31 (exc VAT). This is a price rise of 57 pence or 33%.

2. [Personal information redacted by the RHI Inquiry] does not say where he purchased these pellets but does make reference to Balcas, as the largest wood pellet producer in NI, and raises the

issue that they received government funding to develop their pellet production facility. As <sup>Personal information redacted by the RHI Inquiry</sup> purchases 10kg bags it would be likely that he buys these from a local independent retailer to which Balcas would supply, rather than buying directly from the company.

3. <sup>Personal information redacted by the RHI Inquiry</sup> also raises concerns regarding the regulation of the price of biomass, suggesting that the Utility Regulator should have powers in this area to ensure that the price of wood pellets doesn't become prohibitive.

## BALCAS / PRICE OF WOOD PELLETS

4. Balcas is the largest supplier of wood pellets in Northern Ireland and is based at County Fermanagh. The table attached at **Annex A**, produced by Balcas, compares the wholesale price of a tonne of Balcas wood pellet or *brites* with the equivalent amount of home heating oil over a 3 year period. The table shows the price of oil as being quite volatile in comparison to the constant price of *brites*. Balcas would stress that even when oil was at its highest price they did not increase the price of *brites*.
5. <sup>Personal information redacted by the RHI Inquiry</sup>'s complaint however is directed towards price rises in smaller bags (10kg) of *brites*. While Balcas do not track the retail price of these smaller bags, the company has advised that they currently recommend a retail price of no more than £2 per 10kg bag and has stated that if they become aware of retailers selling *brites* for more than £2 per bag they may review their relationship with the retailer concerned.

## POTENTIAL FOR RENEWABLE HEAT AND MARKET REGULATION

6. You will be aware that Sustainable Energy Branch is currently undertaking a study into the potential for the development of renewable heat in Northern Ireland. As part of this study the various options for incentivising and developing the local renewable heat market will be considered. This will include an assessment of Northern Ireland's potential to develop its supply of biomass.
7. To date there has been no assessment as to whether any future renewable heat market would require regulation by the NIAUR. Following the conclusion of this initial study into the potential for renewable heat there will need to be further consideration into developing and implementing a strategy for renewable heat. The Utility Regulator has already indicated that he would be happy to be involved in this process. The biomass market, like the oil market is a competitive one and it is hard to see at this stage what benefits could be derived from regulating this fuel.

## WOOD FUEL QUALITY ASSURANCE GROUP NI

8. A working group has recently been created by the industry to consider the quality of wood fuel with the aim to set a workable standard for wood fuel, which can be understood by consumers and implemented by the sector. This group is chaired by John O'Brien, General Manager of Ecowood Energy Systems Ltd, and

includes representatives from Balcas, Rozell Renewables, the NI Housing Executive, Green Energy Technologies, as well as others.

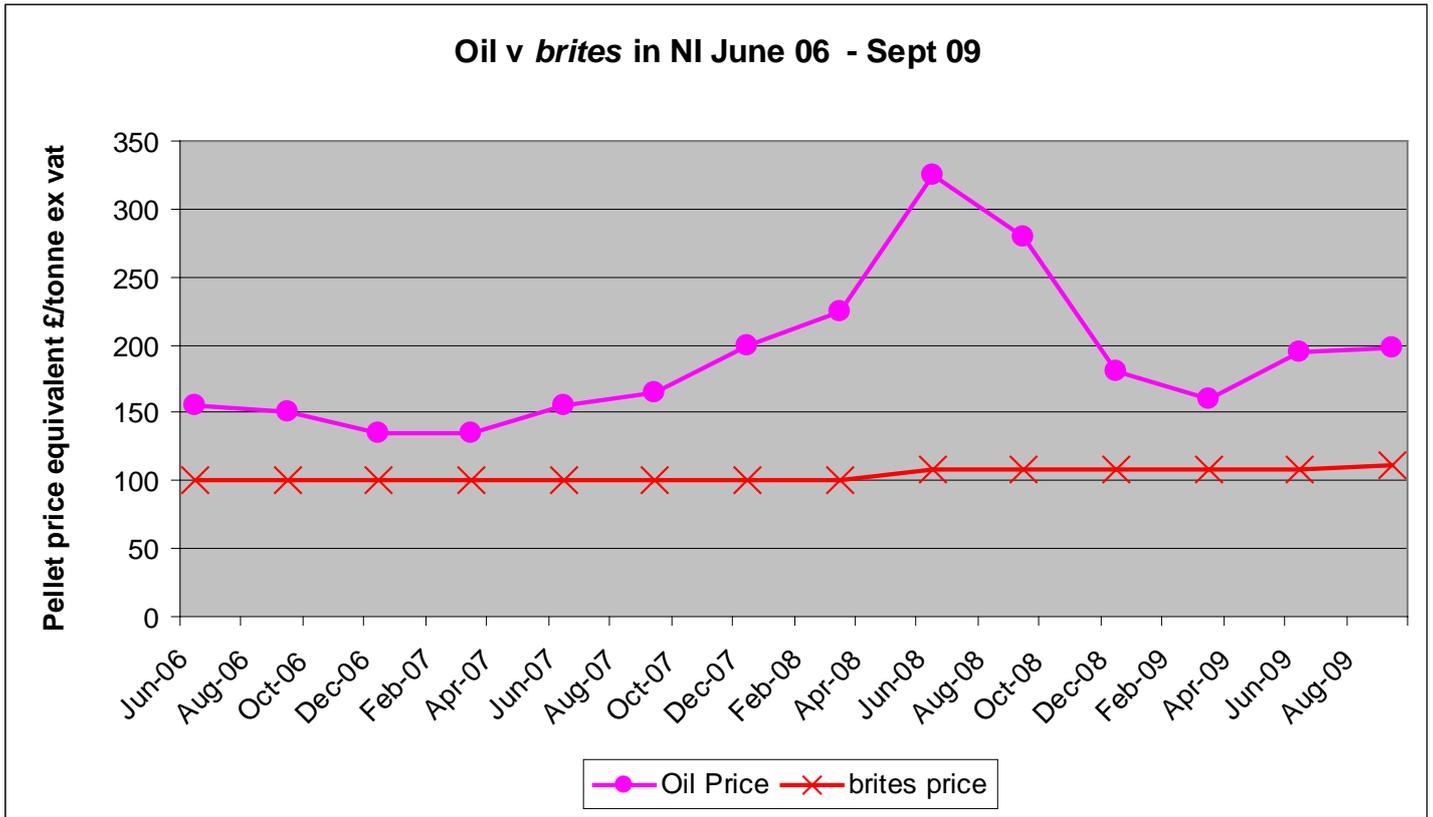
9. We would welcome the formation of this group, and indeed I met with them at their inaugural meeting. While the focus of the group is currently on considering a standard for wood fuel the issue of cost and accessibility could be considered in the future. While there is no direct role for DETI in this group going forward, we have asked to be kept informed and have asked the group to be aware of the standards being developed across all sectors of the renewable industry by the various working groups of the Microgeneration Certification Scheme.

## RECOMMENDATION

10. I recommend that you respond to Personal information redacted by the RHI Inquiry along the lines of the attached draft letter (**Annex B**).

**Peter Hutchinson**  
**Sustainable Energy**  
**Tel: 028 9052 9532**

cc: David Sterling  
David Thomson  
Jenny Pyper  
Alison Clydesdale  
Barbara Swann  
Ann Williamson  
Dan Sinton  
Glynis Aiken  
Neth Energy



Draft letter from PS/Minister to

Personal information redacted by the  
RHI Inquiry

Personal information redacted by the  
RHI Inquiry

February 2010

Thank you for your letter of 12 February 2010 to the Minister regarding the cost of wood pellets. I can assure you that the Minister, and the Department, is committed to ensuring a diverse and competitive energy market and encouraging the uptake of renewable energy technologies in the public, private and domestic sector.

Indeed, DETI is currently examining issues pertaining to renewable heat; this includes the potential for maximising the potential from the indigenous supply here as well as encouraging the wider market place to embrace renewable heat technologies. At this stage there is no evidence to suggest the need for regulation in the biomass market place, however, officials in the department work closely with the NIAUR and will consider this matter as the work progresses.

Overall it is my understanding that, historically, biomass fuel has not suffered the same price volatility as fossil fuels and it is important that this trend continues. This will be assisted by increased indigenous supply. We understand that the wood pellet supply industry has formed a Wood Fuel Quality Assurance group which considers quality and cost issues relating to wood fuel.

You will appreciate that the wood pellet suppliers here distribute their product through a wide network of independent retailers, and as such, it is for those independent retailers to set a retail price for the products they stock.

If the price rise you have encountered relates to the purchase of Balcas *brites* I would advise you to contact Balcas directly with details of the price increase and information on where you have purchased the wood pellets. Balcas currently

suggest a recommended retail price of £2 per 10kg bag and would be interested to hear where prices exceed this recommendation. You can contact Balcas directly at [brites@balcas.com](mailto:brites@balcas.com) or on Tel: +44 (0) 28 6641 1001.

**GLYNIS AIKEN**

**PS TO ARLENE FOSTER MLA**

**Minister of Enterprise, Trade and Investment**