



**From:** Fiona Hepper  
Energy Division

**Date:** 6 October 2010

**To:** 1. Andrew Crawford  
2. Arlene Foster MLA  
3. OFMDFM Private Office

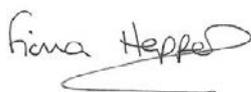
**DETI Part Input: INV 684/2010: The First Minister and deputy First Minister meeting with John Gilliland on Tuesday 12 October**

### **Background**

1. The First Minister and deputy First Minister have agreed to meet with Dr John Gilliland OBE, Chairman of Rural Generation Ltd, and a visiting delegation of Austrian Biomass experts. Dr Gilliland had also requested a meeting with yourself (**INV 557/10**) however diary commitments have meant that this meeting can not go ahead.
2. OFMDFM Private Office has requested background briefing for this meeting by 7 October 2010, in advance of the meeting to be held on 12 October. DETI Private Office has advised that a full covering submission is not necessary in this instance.

### **Recommendation**

3. I recommend that you approve the attached part input at **Annex A** for onward transmission to OFMDFM. This part input includes lines to take and background briefing on;
  - i. DETI's work on renewable heat ;
  - ii. The recently published Strategic Energy Framework;
  - iii. Targets for renewable energy in Northern Ireland;
  - iv. Invest NI's support for renewable energy; and
  - v. A background note on Rural Generation.



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**Issue: RENEWABLE HEAT POLICY****Lines to take**

- Welcome the partnership between Rural Generation and the Austrian delegation, as a good example of the opportunities available to NI businesses within the renewables sector.
- DETI is committed to developing the renewable heat market in Northern Ireland as there are many benefits in doing so such as increased fuel security, reduced carbon emissions and the opportunity in this sector for 'green' jobs. The recently published Strategic Energy Framework includes a target of 10% renewable heat by 2020.
- DETI has recently completed a study into the potential development of renewable heat in Northern Ireland. This study has demonstrated that a Renewable Heat Incentive (RHI), specifically tailored for Northern Ireland, would be the most appropriate way to support the achievement of the 10% target for renewable heat by 2020. However, in light of the current financial constraints that government is facing it is important that a full appraisal is carried out on a Northern Ireland specific RHI to ensure that it is viable, economic and could be appropriately funded in the future. The DETI Minister made an announcement on this matter on 20 September 2010.
- The Department for Energy and Climate Change (DECC) has previously announced and consulted on a proposed RHI in GB. The Coalition Government is yet to make a full commitment to the RHI and I understand a decision on the future design and implementation of the scheme will be taken as part of the Spending Review (scheduled for end of October).
- My officials will be liaising closely with DECC's Renewable Heat Team over the next number of months as this work progresses.

**Background****Great Britain Renewable Heat Incentive**

1. The Department of Energy and Climate Change (DECC) has proposed to incentivise renewable heating technologies through a Renewable Heat Incentive (RHI). The legislation for this incentive is planned to be in place by April 2011, however, DECC has indicated that appropriate installations made after 15 July 2009 will also be eligible for the payment.
2. DECC has statutory powers to implement a RHI via last minute amendments to what is now the Energy Act 2008 (in advance of the Renewable Energy Directive coming into force). The RHI will apply across England, Scotland and Wales and will be open to individuals, community

groups and businesses. The incentive is intended to increase the uptake of technologies such as air source and ground source heat pumps, biomass boilers, solar thermal etc. The incentive will mean that those installing eligible renewable heating technologies will be entitled to a payment which varies depending on the size and type of the technology.

3. Consultation on the proposed design and implementation of the RHI in GB closed on 24 April 2010. Ministers and officials in DECC are now considering these responses in order to determine the next steps in the development of the scheme and the most appropriate method of funding. A decision on the final design of the RHI will be taken as part of the ongoing spending review. In the Annual Energy Statement in Westminster on 27<sup>th</sup> July 2010, Chris Huhne reiterated his commitment to developing an incentive scheme for renewable heat but acknowledged that decisions would have to be taken as part of the wider spending review.

#### DETI Work on Renewable Heat

4. The RHI is not available in Northern Ireland because at that time (September 2008) the timing was too tight to get a Legislative Consent Motion through the Assembly for extension of powers for an RHI to Northern Ireland and Energy Division was unable to advise categorically that an RHI was the best course of action for NI, because of the lack of any evidence base or detail on the DECC proposals and the significant difference in the NI and GB heat markets.
5. In December 2009, DETI appointed AECOM Ltd and Pöyry Energy Consulting to undertake an independent assessment to identify and quantify the current scale, future sustainable growth potential and optimum size and scale of the renewable heat sector in Northern Ireland.
6. This study has demonstrated that Northern Ireland has the potential to reach 10% renewable heat by 2020 (current level is 1.7%) however policy and financial support will be required by the Executive. The DETI Minister announced on 20 September that DETI would be adopting a 10% target for renewable heat and that work would shortly begin on developing a specific RHI for Northern Ireland, providing it is economically viable to do so. The commitment was also made that eligible installations made after 1 September 2010 would be able to avail of a future RHI when/if it is introduced.

**Issue:        STRATEGIC ENERGY FRAMEWORK****Lines to take**

- DETI's strategic aim is for a more sustainable energy system in which energy is used as efficiently as possible; where much more of our energy is from renewable sources; and where energy is as competitively priced as possible.
- Energy policy is about making reasoned choices for the longer term and none of these choices are easy.
- Moving away from our dependence on fossil fuels and ensuring that NI has a secure and sustainable energy future must be the priorities.
- The new Strategic Energy Framework (SEF) 2010, will details Northern Ireland's energy future over the next ten years or so and illustrates the key energy goals in terms of building competitive markets, ensuring security of supply, enhancing sustainability and developing our energy infrastructure.
- The Framework also sets ambitious renewable energy targets – in particular 40% renewable electricity and 10% renewable heat by 2020. These will require substantial investment over the next decade.
- Northern Ireland is not unique in having to make these choices and putting off difficult decisions will only add more cost to consumers in the long run.
- Following Executive approval the SEF was published on 27<sup>th</sup> September.

**Background**

1. With the launch of its pre-consultation scoping document in November 2008, DETI began a process aimed at identifying and securing consensus on the strategic energy priorities for Northern Ireland over the next five to ten years and beyond.
2. Officials engaged with their counterparts in other Departments who have a significant interest in energy matters to ensure complementarity with other key Executive strategies.
3. Feedback from the scoping paper and a number of related energy workshops helped inform, develop and shape a revised draft Strategic Energy Framework, which was out to consultation until September 2009. Following a detailed analysis of the responses a final draft Framework was put to the Executive and approved on 9 September.
4. DETI remains committed to ensuring that energy policy in Northern Ireland focuses on addressing energy costs, building competitive energy markets and protecting our future by enhancing the reliability and sustainability of our energy supply and consumption.

**Issue: RENEWABLE ENERGY TARGETS****Lines to take**

- Renewable energy not only helps mitigate against climate change but also helps to address the current disadvantages associated with being so heavily dependent on fossil fuels from overseas – e.g. security of supply and price volatility.
- Our renewables effort in the past - as in other countries - has been focused on electricity generation and at present almost 10% of our electricity comes from indigenous renewable sources (mainly wind).
- Northern Ireland has a target of 12% for the amount of electricity consumption that is to come from renewable sources by 2012. Based on existing operational wind farms and those in development and accepted on to the Grid by NIE, it is expected that the 2012 targets will be met.
- The Strategic Energy Framework (SEF) includes an evidence based renewable electricity target of 40% for the region.
- The SEF also includes a 10% target for renewable heat.

**Background**

1. 99.8% of Northern Ireland's primary energy requirement (ie what we need to produce our electricity, heat and transport fuel) is both fossil fuel and imported.
2. 9.6% of our electricity consumption currently comes from indigenous renewable sources – target is 12% by 2012 of which 15% is expected to come from non-wind sources.
3. Wind is the predominant renewable source in Northern Ireland with the remainder generated from small hydro or biomass plants. Currently 280MW capacity of renewables is in operation –about 1,000MW still in the Planning system. Around 400MW in total will be needed to achieve our 12% target.
4. The installed capacity needed to meet the proposed 40% target will vary depending on the mix of technology, but, broadly, around 1500MW of installed capacity will be needed by 2020 and will depend on new, strengthened grid network costing perhaps in the region of £1 billion.
5. The total heat demand for Northern Ireland has been estimated at 17,362 GWh per year.

6. Oil provides the majority of heating at 77% of the overall demand. Gas is the second largest heating provider at 17% of the overall demand. Coal currently meets around 3.2% of the overall demand; electricity (E7) provides around 1.2%. Currently only 1.7% of NI's heat demand comes from renewable sources, the vast majority of which comes from biomass.
7. The majority of heat used is in the domestic sector, at 61% of the total heat demand or 10,644 GWh. The large industrial sector consumes an estimated 22% of the total heat demand, the commercial sector 12% and finally the public sector 4%.