

**From:** [McCoy, Laura](#) on behalf of [Mills, John \(DETI\)](#)  
**To:** [Private Office DETI](#)  
**Cc:** [McCormick, Andrew \(DETI\)](#); [Stewart, Chris \(DETI\)](#); [Rooney, Eugene](#); [Cooper, Trevor](#); [Robson, Rod](#); [Wightman, Stuart](#); [Hughes, Seamus](#); [Harris, Michael](#); [McCrea, Ian](#); [Kerr, Sean](#); [Murray, John \(DETI\)](#); [DETI Energy Mailbox](#); [DG DETI Press Office](#)  
**Subject:** FW: INV-1151-2015 : \*\*Assembly Motion \*\* Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015  
**Date:** 16 November 2015 11:14:03  
**Attachments:** [Submission on November RHI amendment regulations - Motion papers.tr5](#)  
[Submission on November RHI amendment regulations - Motion papers.DOCX](#)  
**Importance:** High

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## RESTRICTED POLICY

Private Office

Please see attached submission cleared by John Mills.

Regards,

### Laura McCoy

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-----Original Message-----

**From:** [private.office@detini.gov.uk](mailto:private.office@detini.gov.uk)  
[<mailto:private.office@detini.gov.uk>]  
**Sent:** 10 November 2015 16:27  
**To:** Mills, John (DETI)  
**Cc:** Ingram, James; Cahoon, Gillian; Stevenson, Valerie (DETI Private Office); Dolaghan, Paul; McCormick, Andrew (DETI); Kerr, Sean; Rooney, Eugene; Stewart, Chris (DETI); DG\_DETI Press Office; DETI Energy Mailbox  
**Subject:** INV-1151-2015 : \*\*Assembly Motion \*\* Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015

From: John Mills

Reference: INV-1151-2015

Subject: INV-1151-2015 : **\*\*Assembly Motion \*\*** Renewable Heat  
Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015

Referred To: JOHN MILLS

Date referred: 10/11/2015

**ACTION REQUIRED**

Please provide briefing to include the following:

Background

Lines to take

Positive/Negative Q&A

Key Facts

Speaking Notes

Names of officials for 'officials box'

Any other information deemed relevant

Please return to [private.office@detini.gov.uk](mailto:private.office@detini.gov.uk) by noon on Friday  
13/11/15.

For further information etc. contact:

Gillian Cahoon

Private Office

29440

Copied To For Information:

Ingram, James; Cahoon, Gillian; PO CC Energy Division

**From:** Stuart Wightman

**Date:** 16 November 2015

Copy Distribution List Below

**To:** 1. Timothy Cairns  
2. Jonathan Bell MLA

**INV/1151/2015: THE RENEWABLE HEAT INCENTIVE SCHEMES (AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2015 – MOTION FOR APPROVAL**

**Issue:** Assembly Debate on the Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015.

**Timing:** Debate scheduled for 12.00-12.10 on Tuesday 17 November 2015.

**Need for referral to the Executive:** There is no requirement for formal approval from the Executive. However you informed Ministerial colleagues of your proposals in a write-round on 9 November 2015.

**Presentational Issues:** Interest from key stakeholders and the media in relation to the proposed tariff and scheme changes.

**Freedom of Information:** Some parts of this submission may be exempt under section 35 of the FOI Act.

**Financial Implications:** Funding for scheme payments is via Annually Managed Expenditure, (AME).

**Statutory Equality Obligations:** Screened out.

**PFG/PSA implications:** NI Renewable Heat Incentive supports the PfG interim target of 4% renewable heat by 2015 and the SEF 10% target by 2020.

**Legislation Implications:** The draft Statutory Rule requires the affirmative resolution of the Assembly.

**Recommendation:** That you use the attached speaking notes and briefing for the debate (**Annexes A-D**).

## Background

1. The draft Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015 will provide new tariffs for combined heat and power installations and introduce cost control measures. The draft Regulations are subject to clearance by the ETI Committee at its meeting on 17 November 2015. You will be presenting the draft Regulations for affirmative resolution in the Assembly on 17 November 2015. We will update you on progress through the Committee if necessary. You previously issued a Press Release on 8<sup>th</sup> September 2015 advising of the forthcoming changes.

## Assembly Debate

2. You will open the debate and speak for few minutes. Members will then have the opportunity to contribute before you wind up the debate and ask for the Regulations to be approved.
3. The following briefing for the debate is attached for your consideration:
  - Annex A:** Draft opening and winding up speeches
  - Annex B:** Q&A on the Domestic Renewables Heat Incentive Scheme
  - Annex C:** Draft Regulations as laid before the Assembly (attached separately)
  - Annex D:** Explanatory Memorandum
4. John Mills and I will be in attendance at the Assembly on the day. We are also available for pre-brief if required. I would be grateful if your office could arrange the appropriate box passes.

## Coming into operation

5. Subject to the regulations being approved by the Assembly, the scheme amendments will come into operation on 18 November 2015.

## Recommendation

6. That you note the attached speaking notes and briefing for the debate (**Annexes A-D**).

**STUART WIGHTMAN**  
**ENERGY DIVISION**  
**Tel: 028 9052 9425**

## Distribution List

cc: Andrew McCormick  
Chris Stewart  
Eugene Rooney  
John Mills

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Press Office

**ANNEX A****OPENING SPEECH FOR DEBATE ON THE RENEWABLE HEAT INCENTIVE SCHEME REGULATIONS (NORTHERN IRELAND) 2015**

- I beg to move.
- [Mr Speaker/Mr Deputy Speaker], this statutory rule is being made under powers contained in the Energy Act 2011, which prescribes that these Regulations must be laid in draft for approval by affirmative resolution of the Assembly.

**SUSTAINABLE ENERGY & RENEWABLE HEAT**

- In addressing sustainable energy our focus often falls on renewable electricity. Yet a greater proportion of our energy use is for heat. This includes domestic central heating, heating of commercial premises and heating for industrial processes such poultry as production.
- NI's predominant form of heating fuel is oil – in contrast to GB where it is gas which is a much cleaner fuel.
- The Executive is supporting the extension of the gas network through a grant of £30m for Gas to West and we hope to see this progress over the next few years along with the extension of gas to East Down.

- The Executive's principal vehicle for promoting renewable heat is the Renewable Heat Incentive. This is designed to deliver the Executive's PfG renewable heat targets of 4% by 2015 and 10% by 2020.
- This will contribute to the UK's target of 15% renewable energy by 2020 as required by the EU Renewables Directive.

## THE RENEWABLE HEAT SCHEME

- The Non-domestic RHI was introduced in 2012. It incentivises the uptake of renewable heat technologies such as biomass, heat pumps and solar thermal installations. It provides payments for 20 years based on heat energy generated. The level of tariff is dependent on the size and type of technology and is calculated to cover capital costs, operating costs and non-financial 'hassle' costs over the lifetime of the technology.
- Following this the Domestic RHI Scheme was introduced in December 2014, replacing the earlier Renewable Heat Premium Payment scheme.
- It was always the intention to introduce changes to the Non-domestic Scheme to make tariff changes and introduce cost control measures. These were consulted on in 2013 but since then implementation of the Domestic scheme was given priority. These regulations begin the process of introducing measures to update the Non-domestic scheme.

**CHANGES IN THE LEGISLATION**

- First, new tariffs are being introduced for Combined Heat and Power (CHP). This is to allow CHP projects to claim for their renewable heat under the RHI and their renewable electricity under the NI Renewables Obligation.
- Second, the medium biomass tariff is being extended to encompass larger boilers. This will incentivise single larger boilers and brings NI into line with GB.
- Third, a tiered tariff and cap are being introduced for new small and medium biomass installations to ensure value for money.

**FUNDING & UPTAKE**

- Just under £38m of funding has been provided by Treasury for the Northern Ireland RHI schemes during the 5 year 2011-16 period. However, low levels of uptake generated an under spend of around £15m during the first 4 years.
- My Department's focus over the past 12 months was on trying to improve the performance of the RHI scheme to achieve the Executive's PfG target and ensure that the renewable heating sector and the wider NI economy benefitted from this investment. To give one example, extensive advertising campaigns were conducted during 2013/14 and 2014/15.

- This has resulted in increased scheme uptake over the last 12 months. The total number of renewable heating installations under the Non-domestic scheme has increased from just over 250 to over 1600 during the last 14 months. Current estimates suggest around 6% of our total heating needs in Northern Ireland are now met through renewable heating technologies.
- In addition to the reduction in CO2 emissions that this brings, the local NI economy is benefiting from over £23m of annual investment through the RHI schemes. This investment brings benefits in terms of job retention and creation in the energy services sector.

## **FUTURE CHANGES & COST CONTROLS**

- But unfortunately all this success comes at a cost. Total application numbers for the NI non domestic scheme are now exceeding our highest estimates. We therefore need to look at the full range of cost control measures that have been introduced in GB. Of necessity this will include measures to curtail the scheme should Treasury funding be restricted.
- I will take decision in light of any announcements in the spending review. However, these are matters for another day.

## **CONCLUSION**

- At this time I ask members to support the Regulator.

736 words

**WINDING UP SPEECH FOR DEBATE ON RENEWABLE HEAT INCENTIVE SCHEMES (AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2015**

- I would like to thank those who have contributed to today's debate. Energy matters are obviously a major issue for this Assembly and for local households and businesses.
- In answer to some of the issues raised today, I want to say....

**BRIEFING TO BE PROVIDED BY OFFICIALS AS REQUIRED**

- I am committed to expanding opportunities to provide greater choice for consumers, promoting more sustainable technologies and supporting those wishing to change from conventional fossil fuel heating. The development of the renewable heat sector promotes a more diverse and competitive heating market in Northern Ireland: it brings new jobs and business and contributes to our targets for cutting carbon emissions.
- I commend the motion to the House.

**RENEWABLE HEAT INCENTIVE - Q&A****What changes are being introduced?**

- Firstly, a new RHI tariff is being introduced for Combined Heat and Power.
- This means new CHP installations will be eligible for both support under the NIRO for electricity and support under the RHI for the heat.
- Secondly, the medium biomass tariff is being extended to encompass larger boilers.
- This means installations from 20Kw up to 199Kw in size will receive the current 6.4p tariff. This is in line with GB and will encourage the installation of larger more efficient boilers.
- Thirdly, a tiered tariff and cap are being introduced for new small and medium biomass installations to ensure value for money.
- This means new biomass installations will receive the standard tariff for the first 1314 peak hours of operation each year. Annual kilowatt hours of heat thereafter will be paid at a reduced rate up to an annual cap of 400,000 KWh after which no further payments will be made.
- The two tier tariff structure is being introduced for small and medium biomass heating plants to ensure the affordability of the RHI going forward.

**Why having debate on same day as Committee approval**

- It is somewhat unusual for a motion to be debated on the same day as scrutiny by the ETI Committee but my intention was to have the changes introduced from 4<sup>th</sup> November. Unfortunately due to delay in progressing the necessary legal and financial clearances I was unable to bring this to the house earlier but I wanted to ensure I did so as close to the 4<sup>th</sup> November as possible.

**Why has the medium biomass banding being changed?**

- The current medium banding of 20 – 99Kw with a tariff of 6.4p / Kwh is much more attractive than the higher banding (100 Kw and above) which only attracts a tariff of 1.5p / KWh.
- This has encouraged the installation of:
  - multiple 99kW boilers to receive the 6.4p tariff instead of larger single installations (at 1.5p tariff); or
  - 99kW boilers to receive the 6.4p tariff even though a larger sized boiler is required.
- Extending the banding upwards to 199kW will encourage the installation of larger more efficient boilers.
- The banding change also brings us into line with the GB scheme in this regard.

**What is the basis for the annual 400,000kWh cap?**

- The majority of biomass applications are from the poultry sector which has a very high heat requirement for its broiler houses.
- The annual cap is based on the annual heat requirement of a typical poultry house as assessed by DARD in association with key stakeholders.
- It is expected that most installations would not reach the annual cap.

**What is the timescale for the other Non Domestic changes?**

- I hope to bring forward further legislation in the New Year to strengthen existing administrative controls for both schemes.
- I appreciate that these changes could be viewed as reducing incentives but as I have already indicated, it is estimated that over 6% of our heating needs in NI are already being met through renewable technologies. Over 3,250 renewable heating installations have already been incentivised through the RHI schemes. These cost controls are essential to ensuring that RHI spending remains affordable.

**Will systems installed before November 2015 be impacted by these changes?**

- No, only systems installed after today are affected by these changes.

**What has the uptake been on the Non Domestic RHI to date?**

- The NI Non-domestic RHI has received over 1600 applications of which 780 have been approved. The majority of these have been for biomass installations. The other technologies are 8 Ground Source Heat Pumps and 2 Solar Thermal.
- The NIRHI has been slow to take off but applications have risen dramatically this year.
- This means that we will now meet our PfG target of 4% renewable heat by 2015.
- On the other hand it means we will have to look at the affordability of the scheme.

**What is the main reason for the increase in the uptake of biomass?**

- The uptake of biomass in the poultry sector is the main reason for the significant increase in applications.
- Biomass has considerable animal welfare benefits for birds and this is being heavily promoted by Moypark as the main player in the poultry sector having some 800 broiler houses.
- In addition there are the benefits in CO2 savings and wider support for the agri food sector.
- However, whilst the uptake of the RHI must be seen as positive there is a need to ensure that the scheme remains affordable and available for all sectors seeking to install renewable heating. There has been in the order of a 100% increase in applications over the past 6 weeks.

**What is the Northern Ireland Renewable Heat Incentive?**

- The Northern Ireland Renewable Heat Incentive (RHI) is a DETI scheme that provides financial support to domestic and non domestic renewable heat generators.
- This is the primary means by which NI contributes to the UK renewable heat targets set under the Renewable Energy Directive. The target for the Northern Ireland RHI is to increase the uptake of renewable heat to 4% by 2015 and 10% by 2020 (baseline position of 1.7% in 2010).
- The 10% target equates to an additional 1600 Giga Watt Hours of renewable heat per year by 2020. To provide some sort of perspective on this. In the domestic sector, 1600 Giga Watt Hours is roughly equivalent to 40,000 domestic boilers (running 3 hrs / day) – quite a challenge!
- The interim target of 4% renewable heat by 2015 has been included in the Programme for Government. Current estimates suggest we have already exceeded this target with as much as 6% of our heat demands coming from renewable.
- In addition to achieving reducing CO2 emissions, the RHI has had wider benefits in terms of fuel security, lower emissions and ‘green jobs’.

**How much is this all Costing?**

- Just under £38m has been allocated to the NI renewable heat incentive for the 5 year period 2011-15
- A dramatic increase in uptake of the Non Domestic Scheme has seen total application numbers rise from just over 250 to over 1600 in the last 14 months.
- Committed annual RHI expenditure is expected to reach £30m by the end of 2015/16.
- The Non Domestic Scheme provides payments for 20 years and the Domestic Scheme for 7 years. Total RHI Scheme expenditure over the lifetime of both schemes is expected to reach somewhere in the region of £900m.

**Where's the funding coming from?**

- Funding for renewable heat is currently provided by the UK Treasury as AME outside of the NI Block Grant.
- Administration and marketing costs for both schemes are funded directly by DETI as part of the block grant.
- Costs for administration are just over £200k pa.

**How will the Executive's budget cuts impact on the RHI?**

- The renewable heat funding is currently provided by Treasury outside of the NI Block Grant.
- It is therefore not affected by the Executive's current budgetary pressures but could be affected by wider cuts made by Westminster and the Government's current Spending Review which is to be published on 25 November 2015.
- The Treasury funding cannot be used to cover the administration or marketing costs of the NI RHI. I have therefore prioritised funding for RHI administration within my Department's budget.

**How have the tariffs been designed?**

- The RHI tariffs are designed to cover the additional costs of renewable heat technologies compared to traditional fossil fuel systems and provide a rate of return of investment of 12% - the capital costs should be recouped within 8 years.

**What is the comparison with GB on take up**

- Current levels of uptake for the Non-domestic RHI Scheme in Northern Ireland are higher than the rest of the UK. NI Non-domestic applications currently account for a significantly greater percentage of UK total renewable heat than our population percentage. This demonstrates that the NI RHI tariffs are providing effective incentives for switching to renewable heat.

**Why are the tariffs different to those available in GB?**

- The Northern Ireland tariffs have historically been lower than those offered in the GB scheme as they are designed to incentivise businesses and households in the main to switch from oil to renewable technologies rather than natural gas, as in GB.
- This reflects the heat markets in the two areas with oil the dominant heating fuel in NI at 75%+ and natural gas the dominant heating fuel in GB 70%+. As oil is normally a more expensive fossil fuel, less of an incentive is required to switch to renewable heat. Although oil prices are currently low it may be optimistic to assume they will remain so.

**Will tariffs have to be reduced in the future like the ROCs?**

- Cost control measures including a two tiered tariff system and annual payment cap are now being introduced for small and medium biomass under the non domestic RHI. This is to ensure affordability of the scheme going forward.
- The budgetary situation will be kept under review and consideration will be given to tariff digression measures along with measures to curtail the scheme should this be necessary.

Draft Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015

**(Separate attachment)**