

From: [Private Office DETI](#)
To: [Mills, John \(DETI\)](#)
Cc: [Thompson, Mike](#); [Dolaghan, Paul](#); [Crossin, Nuala](#); [Cowan, Marie](#); [DETI Energy Mailbox](#); [Kerr, Sean](#); [Hegarty, Damien](#)
Subject: (HOBS) SPENDING REVIEW 2015
Date: 27 November 2015 11:49:00
Attachments: [image001.png](#)
[image003.png](#)
[AMBER RUDD TO JONATHAN BELL 26 NOVEMBER 2015.pdf](#)

John

Please see attached correspondence from Amber Rudd MP. Grateful if you can consider and advise if a response is required or are you content that it is passed to the Minister for information.

I am cc'ing to MAPB colleagues iro carbon storage point.

Regards

Damien

From: Cabinet Committees (DECC) [<mailto:cabinetcommittees@decc.gsi.gov.uk>]
Sent: 27 November 2015 11:03
To: private.office@detini.gsi.gov.uk
Cc: SoS Rudd; Irrelevant information redacted by the RHI Inquiry
Subject: SPENDING REVIEW 2015

Good morning

Please see attached letter from Amber Rudd to Jonathan Bell.

Best
Jack

Irrelevant information redacted by the RHI Inquiry
Secretary of State's Office
✉ Email: Irrelevant information redacted by the RHI Inquiry
✉ Confidential: Irrelevant information redacted by the RHI Inquiry
☎ telephone: Irrelevant information redacted by the RHI Inquiry

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Department
of Energy &
Climate Change

Jonathan Bell MLA
Minister for Enterprise, Trade and Investment
Department of Enterprise Trade and Investment
Netherleigh
Massey Avenue
Belfast
BT4 2JP

The Rt Hon Amber Rudd MP
Secretary of State

Department of Energy & Climate
Change

3 Whitehall Place
London
SW1A 2AW

www.gov.uk/decc

26th November 2015

Dear Jonathan,

SPENDING REVIEW 2015

As you know the outcome of the Spending Review has now been announced by the Chancellor.

I am taking this opportunity to write to you setting out the implications of some of the Spending Review decisions for DECC policies. While most of the policies discussed are devolved to Northern Ireland I thought you would be interested to know what we are doing.

Based on the Spending Review settlement my Department will also now need to undertake a comprehensive business planning process where we decide how best to deploy the resources available to us, and this exercise will run into 2016. This means that some decisions, policies and spending in a number of areas will not be finalised until then.

RENEWABLE HEAT INCENTIVE

RHI schemes have an important contribution to make towards our carbon and renewable targets and, in Great Britain, the Government will be providing budget for the RHI in the next Spending Review period which increases to £1.15 bn in 2020/21 from the existing £430m 2015/16 budget.

We will be working on reforming the RHI to provide an improved focus on meeting our long-term heat needs, support those households least able to pay and on action to tackle past abuses. I propose to consult on scheme changes in the New Year with a view to implementation in 2017, subject to state aid approval.

In the intervening period, we will be developing regulatory amendments to temporarily extend the existing budget management. Additionally I intend to introduce in-year budget caps. This would enable me to take action to stop accreditation of new applications in the event spend is forecast to reach the agreed budget for that year or any future year.

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DISTRICT HEATING

In addition to ongoing support for renewable heating at the individual building level through the Renewable Heat Incentive, we will also be prioritising the delivery of district heating systems in England and Wales over the next five years. I know that you also support the greater deployment of renewable and networked heat. I look forward to continuing to work with you as heat networks become a more important part of affordable, secure and low carbon heating in our towns and cities across the UK.

ENERGY INTENSIVE INDUSTRIES

The Chancellor also announced our intention to exempt Electro Intensive Industries from indirect costs of the Renewable Obligation (RO) and Feed in Tariff (FITs) schemes. The policy is still being developed and will be subject to consultation and state aid approval. I know that you have responsibility for the operation of the RO in accordance with the Renewables Obligation Order (Northern Ireland) 2009 and do not have a FITs scheme. However, I have asked my officials to engage with yours as we take this work forward to ensure that we understand fully any implications for Northern Ireland.

PUBLIC SECTOR ENERGY EFFICIENCY

We are prioritising energy efficiency across the public sector, with the announcement today that over the next 5 years we will provide £295m of funding for public sector energy efficiency retrofit projects, building on the Salix Finance interest free loan scheme.

CARBON CAPTURE AND STORAGE

As part of the Spending Review, the Government has had to take the very difficult decision to no longer make available the £1 billion ring-fenced capital budget for the Carbon Capture and Storage (CCS) Competition. This decision means that the CCS Competition cannot proceed on its current basis and we will be engaging closely with the bidders on the implications of this decision for them.

**AMBER RUDD**

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Version number added by RHI Taskforce 06.04.17

From: Stuart Wightman **Tel No:** 29425

Date: xx November 2015

To: 1. Timothy Cairns
2. Jonathan Bell MLA **Copy Distribution List**

below

RENEWABLE HEAT INCENTIVE – RESPONSE TO AMBER RUDD LETTER ON FUNDING

Issue:	Funding for Northern Ireland Renewable Heat Incentive (RHI).
Timing:	Routine.
Executive Committee Referral:	N/A
PFG Implications:	The PSA targets for renewable heat are 4% by 2015 and 10% by 2020.
Presentational Issues:	Interest from key stakeholders and the media. There has been interest from the public in relation to the scheme.
FOI Implications:	Not discloseable on grounds of policy development.
Financial Implications:	Funding for the scheme payments is via Annually Managed Expenditure, (AME).
Legislation Implications:	Any changes to the RHI will require legislation through draft affirmative resolution procedure under the powers conferred by section 113 of the Energy Act 2011.
Statutory Equality Obligations:	Equality screening shows that the proposed Regulations do not have a significant equality impact.
Recommendation:	That you:

- a) Note the background to the RHI position;
- b) Reply to Amber Rudd MP using the draft letter provided,(**Annex B**)

Background

1. Amber Rudd MP has written to you on foot of the Chancellors Spending Review announcement on 25 November 2015 setting out some of the implications for DECC policies including for the RHI, (**Annex A**). In Northern Ireland the RHI has as you know been very successful with over 1800 applications received on the non domestic scheme and steady progress on the domestic. This has resulted in the achievement of our interim target of 4% renewable heat by end of 2015 the current being approximately 6% against our 10% 2020 target.

Need for clarity on budgets

2. The success of the RHI has however come at a price and an estimated £33m is needed for 2015/16 and £42m from 2016/17 assuming no new applications after 31 March 2016. The current annual RHI budget for 2105/16 based on the Barnett principles, (2.98% of DECC allocation), only equates to £12.8m although there has been under-spend in the previous years. While funding for the RHI is provided directly from HMT, the scheme is subject to DFP approval and DETI's own internal governance controls. Prospective approval has now been received from DFP for scheme expenditure from 1 October 2015 through to 31 March 2016.
3. On 18 November 2015 through the Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015 you introduced cost control measures in an attempt to bring RHI expenditure within budget. You also advised of the possible need for further cost controls in the New Year.
4. Although the Chancellors statement on RHI in the Spending Review is positive at face value and the £1.15 billion expenditure by 2020/21 is welcome it does in effect represent a reduction of 30% over the term to 2020/21. The Northern Ireland RHI is currently overspending against budgets and unless clarity on future budgets and increased funding can be secured for Northern Ireland there will be no option but to close both RHI schemes to new applications from 31 March 2016.
5. In seeking this budget clarification it will also be important to confirm if RHI funding is considered to be Annual Managed Expenditure, (AME) and therefore not impacted by Departmental Expenditure Limits, (DEL), or if there is an impact what this would be.

Comment [SH1]: Recent advice from Finance confirms the RHI funding is AME so this reference can probably come out.

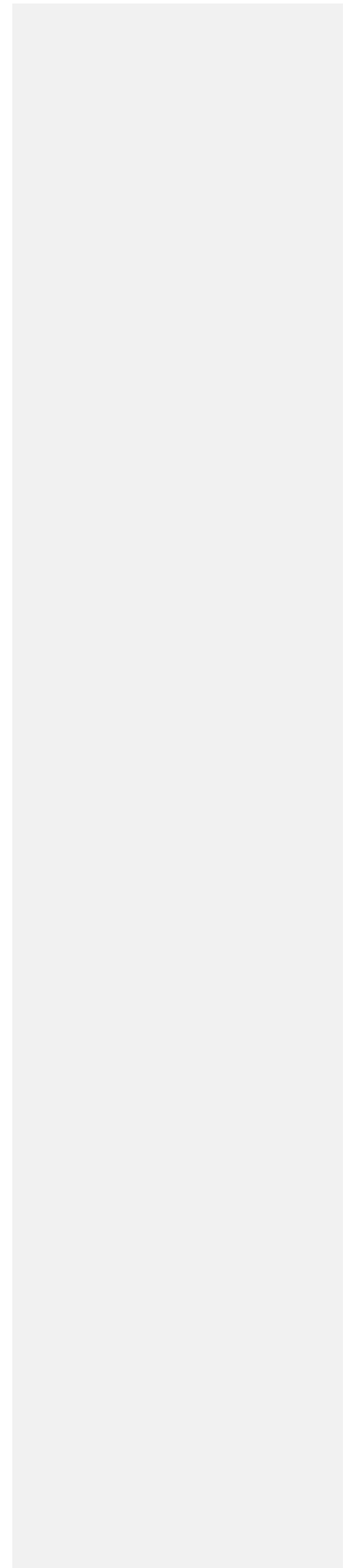
Recommendation

6. That you:
 - a) Note the background to the RHI position;

b) Reply to Amber Rudd using the draft letter provided (**Annex B**);

Stuart Wightman
Energy Division
Ext. 29425

cc: Andrew McCormick
Chris Stewart
John Mills
Trevor Cooper
Rob Robson
Ian McCrea MLA APS
Sean Kerr
Press Office
Neth energy



Annex B

The Rt Hon Amber Rudd, MP
Secretary of State
Department of Energy and Climate Change
3 Whitehall Place
London
SW1 2AW

Xx November 2015

Thank you for your letter of 26 November 2015 on foot of the Chancellor's Spending Review announcement setting out some of the implications for DECC policies.

I would like to take this opportunity to raise the matter of the Renewable Heat Incentive, (RHI) with you and in particular the budget implications. Whilst the Chancellor's announcement of RHI expenditure increasing to £1.15 billion by 2020/21 is welcome this is in reality a reduction of 30% over the term.

In Northern Ireland the RHI has been very successful with some 1800 applications received under the non domestic scheme and steady progress on the domestic. This has enabled us to exceed our NI Programme for Government target of 4% by the end of 2015 and currently we are at approximately 6% against our 10% 2020 target.

However, this success has come at a price an estimated £33m is need for 2015/16 and £42m from 2016/17 onwards assuming no new applications after 31 March 2016. The current Northern Ireland RHI budget for 2015/16 is £12.8m based on the Barnett principles, (2.98% of DECC allocations), although there has been under-spend in the previous years.

On the 18 November 2015 I introduced legislation to bring in cost controls in an effort to bring RHI expenditure within budget and have also indicated to the NI Assembly that there may be a need for further cost control measures in the New Year.

The Northern Ireland RHI is currently overspending against budget and unless clarity can be provided and additional funding secured for Northern Ireland I will have no option but to seek to close both schemes to new applications from 31 March 2016. Also, in relation to budget clarification it would be important to confirm if RHI funding is considered to be Annual Managed Expenditure, (AME), and therefore not impacted by Departmental Expenditure Limits, (DEL), or if there is an impact what this would be. There seems to be some confusion around this issue but it is a fundamental point to clarify.

Comment [SH2]: Reference to status of funding i.e AME probably not required now?

JONATHAN BELL, MLA
Minister of Enterprise, Trade and Investment