

NORTHERN IRELAND RENEWABLE HEAT INCENTIVE SCHEMES

Lines to take (updated 7 March 2016)

Why the need to close the RHI?

- The Renewable Heat Incentive, (RHI), introduced in November 2012 to the non-domestic sector and in December 2014 to the domestic sector has been taken up very successfully.
- With over 4,700 renewable heating installations incentivised to date, uptake has been higher than GB. We have exceeded the Executive's 2015 target of 4% with around 6% of Northern Ireland's heating needs now provided through renewable heating technologies.
- Over the last 18 months the number of non-domestic RHI applications has grown from around 200 to over 2,100. Over 900 of these applications were received in the run up to the scheme changes of 18 November 2015. However, this, together with reductions in available funding means we now face significant budgetary pressures.
- In the circumstances I had no choice but to close the scheme to prevent further overspend. The urgent need to manage the financial risk means that legislation must be brought forward at the earliest possible juncture. The regulations to facilitate closure of the scheme were approved by the Assembly on 15 February and the scheme closed to new applications at 11.59 pm on Monday 29 February.

Not Consulting on the Decision

- With the RHI budget exhausted, closure of both RHI schemes was the only viable option. Given the urgency of the situation both RHI schemes had to close to prevent further overspend.

Not seeking ETI Committee Approval

- Given the urgency of the situation both RHI schemes had to be closed as soon as was possible.
- Regrettably, the timescale did not allow time to follow the established convention of seeking the Committee's approval of the policy and draft legislation.
- I recognise the importance of the Committee's role but I must take the course of action which addresses the risk to the public finances as soon as possible.
- The regulations were approved by the Assembly on 15 February 2016.

Compensation provision

- As the budget for RHI has already been exhausted there is no funding available for compensation for anyone unable to complete an installation prior to the scheme closure on 29 February 2016.
- However, the extra two weeks that the Minister allowed for in February prior to closure provided an opportunity for more installations to be completed and commissioned. Some 318 non domestic and 671 domestic applications were received in February which would suggest that most applicants who were in a position to complete installations did so and these will be accredited under the relevant schemes.
- The immediate priority is to prevent further financial pressures in the short term. Once this has been achieved consideration will be given to wider proposals on the schemes long term future.

Loss in Investment for NI

- The closure of the scheme does not represent a loss of investment in Northern Ireland. On the contrary, continuing payments under the scheme for existing participants will bring around £130 million into Northern Ireland over the next 5 years. This is in addition to the £50 million already provided under the RHI schemes since 2012.

How has the RHI been funded to date?

- Both RHI schemes (non-domestic and domestic) are paid out of Annual Managed Expenditure, (AME) which normally would not have an impact on the NI Departmental Expenditure Limit (DEL) Block funding.
- Even though total renewable heating capacity through the NI RHI equates to around 7% of total capacity in the GB scheme, the Chancellor's Autumn Statement confirmed that the AME cap for Northern Ireland would be set at the Barnett share of circa 3%.
- This means that the Block DEL will have to meet any funding in excess of this.
- This means a significant shortfall in funding which has to be met from NI DEL.

DETI Mismanagement of Scheme

- Low levels of uptake initially, created a £15m under-spend in the first 3 years. Uptake improved in 2015 following promotional campaigns and the introduction of the Domestic scheme in December 2014.
- A sustained increase in applications in the Spring was the catalyst for the demand control measures brought forward for the Non Domestic scheme in November 2015.
- However, in the run up to these changes, there was an unprecedented surge in applications with over 900 applications received in 6 weeks. This doubled the number of installations on the non-domestic scheme.
- The increased costs associated with this surge in applications together with budget reductions arising from the November Spending Review means the available budget for new applications has been exceeded.
- Meeting existing RHI commitments, let alone any new ones, will have a very significant impact on the NI Executive's budget, so both schemes had to close.

Managing Fraud Risk

- The unprecedented increase in demand requires special scrutiny. My Department has initiated procurement of additional auditing and checks to supplement the programme of audits already completed by Ofgem – who administer the non domestic scheme.
- Measures will be taken to ensure that the operation of the schemes is in compliance with the scheme requirements and the underpinning legislation.

Allegations of Fraud

- There has been anonymous correspondence, alleging abuse of the non domestic scheme. I can confirm this has been brought to the attention of the scheme administrator - Ofgem.

Independent Investigation

- Measures will be taken to ensure that the operation of the schemes is in compliance with the scheme requirements and the underpinning legislation.

Success of both Schemes

- The RHI provides homes, businesses, hotels, leisure centres, churches and schools with the opportunity to receive ongoing financial assistance to cover the costs incurred when switching to renewable heating.
- The RHI has been very successful supporting over 4,700 renewable heating installations.
- The RHI is an innovative scheme that is designed to support the achievement of 10% renewable heat by 2020. This is a challenging target considering a baseline position of 1.7%.
- The PfG interim target of 4% renewable heat by 2015 has been met and exceeded. The current estimate suggests 6% has been achieved.
- By securing increased levels of renewable heating, Northern Ireland becomes more self-sufficient, more energy secure and reduces our carbon footprint.
- The RHI is a positive news story for the Northern Ireland energy market as consumers embrace new technologies, reduce their carbon emissions and help support the development of this new sector.