

Minister: for your consideration and if correct signature please  
**DFE-128512**



From: John Mills *eltc-lylhw*

Tel No: 29215

Date: 26 February 2016 *29/02/16*

To: 1. Timothy Cairns  
2. Jonathan Bell MLA

*See slight Amendment  
Minister contact with amendments.  
9/3/16  
\* amended letter opposite for consideration + if correct signature please  
D Hegarty  
9/3/16.*

DETI COR 0047/2016

**UPDATE ON PROPOSED CHANGES TO GB RENEWABLE HEAT INCENTIVE (RHI)**

**Issue:** Amber Rudd, MP has written to you to advise of proposed changes to the GB RHI schemes.

**Timing:** Desk Immediate

**Executive Committee Referral:** N/A

**PfG Implications:** The PfG targets for renewable heat are 4% by 2015 and 10% by 2020.

**Presentational Issues:** None

**FOI Implications:** Not discloseable on grounds of policy development.

**Financial Implications:** N/A.

**Legislation Implications:** N/A.

**Statutory Equality Obligations:** N/A.

**Recommendation:** That you note the background to the issue and respond to Amber Rudd MP using the draft provided at **Annex A**

**BACKGROUND**

1. Amber Rudd MP has written to you about the proposed reform of the GB Renewable Heat Incentive, (RHI) Schemes, (**Annex B**). Two stages of reform are proposed in Spring 2016 and 2017 respectively. Only the second stage will be the subject of a consultation. A copy of the draft consultation paper has been provided, (**Annex C**). The main aims of the reform are indicated as:-

- Ensuring the RHI is affordable by firmly controlling costs
- Offers value for money
- Promotes deployment of those technologies which are likely to be strategically important in the longer term
- Contributes to the development of sustainable markets

- • Promotes widespread access
- Incorporates robust scheme design

## OVERVIEW OF PROPOSED GB CHANGES

### *First Stage*

2. The first stage reforms would introduce further cost controls by introducing annual spend caps to ensure the schemes do not exceed agreed annual budgets. This would allow for suspension of the schemes once a spending cap is hit, similar to the suspension powers you've just introduced for NI RHI schemes. There are a number of other proposed minor reforms and the planned reforms also set the digression triggers for 2016/17.

### *Second Stage*

3. The second stage of the reforms introduces more significant changes. Support would be provided for technologies most crucial for the 2030's and beyond by limiting further deployment of domestic and smaller scale non domestic biomass with a focus on heat pumps, larger non domestic biomass and biomethane projects. More cost control would be achieved by limiting support to larger domestic properties and also tackling some potential gaming issues in the schemes. The value for money would be improved by altering some eligibility requirements and tariff levels, and removing support for solar thermal systems.

## NI RHI POSITION

4. Amber Rudd highlights the importance of the RHI in achieving the UK target for 15% renewable energy by 2020. The recent take up of the NI RHI demonstrates the contribution that NI can make towards the UK target. However, the recent increase in demand on NI non domestic scheme together with caps on future NI RHI allocations from Treasury has resulted in the available budget for new applications being exhausted. This has forced you into having to close both RHI schemes to new applications from 29 February 2016.
5. We estimate that over 6% renewable heat is now in place. In fact, with over 170MW of installed capacity through the Non Domestic Scheme – the NI RHI is responsible for over 6% of total installed non domestic capacity under both GB and NI schemes (according to the latest DECC statistics). NI funding is restricted to less than 3% of DECC's budget.

## POTENTIAL FOR UK WIDE RHI SCHEMES

6. In the short term at least there would seem little prospect of additional funding being secured for the Northern Ireland RHI, particularly given the ongoing impact of overspend on the NI block. However, although there are differences between the Northern Ireland and GB RHI schemes and the fuel displacement model is different the schemes are broadly similar. There may therefore be potential in the medium term to work with DECC and the other devolved administrations to develop a UK wide scheme that would have a better fit looking forward towards the 2030's.

○ Recommendation

7. That you note the background to the issue and respond to Amber Rudd MP using the draft provided at **Annex A**



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cc: Andrew McCormick  
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