

From: [Mills, John \(DETI\)](#)
To: [Cooper, Trevor](#); [Rooney, Eugene](#)
Cc: [McCormick, Andrew \(DETI\)](#); [Stewart, Chris \(DETI\)](#); [Brankin, Bernie](#); [Wightman, Stuart](#); [McFarlane, Iain](#)
Subject: RE: Treasury Position on RHI
Date: 08 December 2015 10:16:34
Attachments: [RHI LINES.DOCX](#)

Trevor

RHI lines

Stuart

Many thanks as ever

From: Cooper, Trevor
Sent: 07 December 2015 17:06
To: Rooney, Eugene
Cc: McCormick, Andrew (DETI); Stewart, Chris (DETI); Mills, John (DETI); Brankin, Bernie; Wightman, Stuart; McFarlane, Iain
Subject: Treasury Position on RHI
Importance: High

Eugene

Further to our earlier conversation on RHI, DFP has now informed me that they expect to receive Chief Secretary letter tomorrow which will amongst other issues cover RHI.

As regards budget for RHI they anticipate that NI will receive notification of a capped AME amount of £18.3M in 2016-17, £22.3M in 2017-18, £25.7M in 2018-19 and £28.9M in 2019-20. Any difference between actual spend in any of these years and the capped AME amount would in terms of the position presented fall as a call on NI Block Resource DEL.

Michelle is participating in a meeting with Treasury tomorrow pm to see if the position can be changed in any way. She is going to discuss further tomorrow arguments that may be deployed.

As things stand Energy colleagues are currently forecasting spend under both schemes would total £44.2M in 2016-17 (assuming steps taken immediately around closure of both schemes, and numbers do not take account of any further spike in demand that may result from announcements that each of the Domestic and Non-Domestic Schemes will be closed). Should the Treasury position on funding not change this would leave an inescapable resource pressure of at least £25.9M from commitments on RHI in 2016-17.

Trevor

(1) NI NON DOMESTIC RHI SCHEME IS OUTPERFORMING GB SCHEME

- Low levels of uptake with NI Non Domestic RHI scheme initially led to £15m of under spend during the four year 2011-2015 period.
- During 2014, DETI introduced the full Domestic RHI scheme in December 2014 and actively promoted both schemes to try and increase uptake.
- A high level of uptake during the last 12 months now sees the NI Non Domestic scheme outperform the GB scheme.
- The latest Ofgem figures at 30 September 2015 show that 2,021 MW of renewable heat capacity have been incentivised under the GB Non Domestic scheme.
- To date, 167 MW of renewable heating has been incentivised under the NI Non Domestic RHI scheme. This equates to 6.7% - 8.3% of GB capacity¹, yet the proposed NI allocations are still being based on 2.98% of DECC's allocations.
- Is this AME or not? RHI is demand led and just as difficult to control as other AME budgets.

Targets

- NI Executive has target of 10% renewable heat by 2020 (currently estimated to be achieving 6%) – aimed at fulfilling NI's contribution to EU member state renewables target.
- Secretary of State for DECC has said that GB renewable heat scheme is under-performing so what is intrinsically wrong with a higher NI contribution.

¹ Range given based comparing current NI figures with latest GB figures (higher end) and (estimated up to date GB figures (lower end).

(2) LACK OF COMMUNICATION OR CONSULTATION ON PROPOSED AME CAP / CUTS

- Assumption that like previous 2011-15 SR period, existing commitments would be honoured for 20 years.
- At no time were either DFP or DETI made aware of planned caps / cuts on future NI RHI AME allocations [and nothing in Conservative Manifesto to indicate this].
- If we had known, the Domestic RHI scheme would not have been introduced and no scheme marketing and promotion would have been carried out.
- Commitments entered into prior to SR Announcement on 25 November 2015 should be honoured in NI AME allocations.

(3) Existing Annual Commitments Must Be Met

- Increase in uptake has seen Non Domestic installations increase from 522 to 1,802 from April to November 2015. Committed annual Non Domestic RHI commitments have increased from £12.3m to £40m over the same period.
- All these new commitments have occurred before the SR announcement and DETI/DFP being made aware of HMT's proposed AME caps/cuts.
- With committed Domestic RHI payments (£2.2m/year) and forecast new Non Domestic RHI applications until 31/3/16 (£2m/year), committed annual expenditure is expected to be £44m from 2016/17 onwards. 2015/16 expenditure is forecast to be £30m.
- New commitments from April 2016 onwards will increase annual commitments further. Therefore, the only option available to DETI is to try and close both RHI schemes by 31 March 2016 to avoid the additional costs of new commitments.
- Closing the schemes however will not impact on the existing £44m of annual commitments which DETI is legally bound to pay for the next 20 years. Closing the schemes is likely to trigger a spike in demand and increase annual future annual expenditure further.
- Retrospectively changing existing annual payments for accredited installations would entail very significant legal risks so DETI has no way of reducing the costs of existing commitments [the sudden spike in demand has resulted in consideration of actions, such as additional audits, to ensure installations are in order].
- We therefore request that future NI AME allocations are provided to at least meet the existing annual commitments of £30m in 2015/16 and £44m from 2016/17 onwards.
- If no additional AME funding can be allocated for new RHI commitments from 2016/17 onwards, it is at least in the DETI Minister's control to close or suspend both RHI schemes (though it would be a shame to close the domestic).

(4) CASE FOR PROVIDING INCREASED AME FOR NEW COMMITMENTS (AND NOT RESTRICTING BY BARNETTS)

- NI AME allocations should be based on need. NI and GB RHI schemes are different schemes targeting different heat markets, although both schemes are collectively contributing to UK renewable energy target of 15% renewable energy by 2020.
- NI heating market is 70% reliant on oil whereas GB is almost 70% reliant on gas. Despite the current drop in oil prices, there should be much more scope in NI to switch households and businesses to renewable heating technologies. Oil is also a dirtier fuel than gas and generates much higher emissions. NI scheme should therefore deliver higher benefits in terms of CO2 savings.
- To date 167MW of renewable heating has been incentivised under the NI Non Domestic RHI scheme. This equates to 8.3% of GB non domestic capacity yet the proposed AME allocations are still based on 2.98% of DECC's allocations. Even allowing for a 25% increase in installed capacity on the GB scheme over the last 2 months, installed capacity on the NI is still 6.7% of GB.
- If future NI RHI AME allocations were based on 6.7% of GB allocations, this would provide enough funding to meet existing commitments going forward. It would still mean closing or suspending both schemes during 2016/17 but would enable restricted support for new installations to start being made available again in 2017/18.

	Proposed AME Allocations in £Ms					
	15/16	16/17	17/18	18/19	19/20	20/21
Estimated reduced DECC AME allocation²	430	640	780	900	1010	1150
Proposed HMT NI allocation	?	18.3	22.3	25.7	28.9	?
NI Allocation at 6.7% of DECC	28.8	42.9	52.26	60.3	67.67	77.1
Existing NI Commitments up to 31/3/16	30	44	44	44	44	44
Potential Funding for new Commitments	-1.2	1.1	8.26	16.3	23.67	33.1

² Reduced DECC budget provided by Ofgem.