

RESTRICTED - POLICY



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From: Fiona Hepper

Date: 1 November 2010

1. Andrew Crawford
2. Arlene Foster MLA [Minister cleared 08.11.10]

DETI SUB 511/2010

**FUNDING FOR RENEWABLE ENERGY IN NORTHERN IRELAND AS PART OF
2010 THE SPENDING REVIEW SETTLEMENT**

- Issue:** To ensure that DFP are aware that a number of devolved renewable energy funding issues have been included in the Northern Ireland settlement of the 2010 Spending Review.
- Timing:** URGENT: The attached letter should issue ahead of the scheduled meeting with the DFP Minister on 8 November.
- Need for referral to the Executive:** Future renewable energy strategies will require Executive approval in due course.
- Presentational Issues:** There will be an expectation from key external stakeholders in the renewable energy industry that funding will be made available on a par with that available in England and the rest of GB.
- Freedom of Information:** This submission is exempted under Section 35 of the Freedom of Information Act.
- Financial Implications:**
- (i) Her Majesty's Treasury (HMT) has advised that AME funding of £2m/£4m/£7m/£12m is available for a Northern Ireland Renewable Heat Incentive (RHI) over the spending period, if one is introduced; and
 - (ii) The Prime Minister (in support of DECC and The Crown Estate) has announced £60m support for offshore wind manufacturing infrastructure at ports in England. The associate press release states that through devolved settlements separate additional funding had been made available to the Devolved Administration's; and

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- (iii) **An additional £140m will be made available to assist wider renewable energy projects across the UK.**

Legislation Implications: DETI will need to take additional statutory powers for renewable heat.

PSA/PFG Implications: There is no current PSA target for renewable heat – one may need to be developed.

Statutory Equality Obligations: Not applicable.

Recommendation: That you write to the Minister of Finance and Personnel Mr Sammy Wilson, MP MLA to seek clarity on the funding for renewable energy activities in Northern Ireland. A draft is attached at Annex A for your consideration.

Background

Danny Alexander MP, Chief Secretary to the Treasury (CST), outlined in the 2010 Northern Ireland settlement that Annually Managed Expenditure (AME) funding of £25 million (£24.7/12 million) will be available over the spending review period for Northern Ireland to implement a Renewable Heat Incentive (RHI), should the NI Executive choose to do so. In addition, as part of the CSR settlement, DECC announced that £200m would be made available for low –carbon technologies including off shore wind technology and manufacturing infrastructure at port sites.

2. Given the magnitude of this funding, and the expectation from the industry here that similar will be available, it is recommend that you write to the Minister of Finance and Personnel, to seek clarity on the Northern Ireland position for renewables funding. You may also wish to take the opportunity to raise the issue at your meeting with him on 8 November.
3. Subsequently the Prime Minister (at a CBI event) in support of DECC and the Crown Estate, announced that £60m (of the £200m) would be available in England to support the offshore wind manufacturing industry seeking to locate to new facilities. DECC has advised (both at official level and through a press release) that through devolved settlements **separate additional** funding has been made available to Scotland, Wales and Northern Ireland which could support potential projects in the devolved administrations. This was restated by Charles Hendry (several times) while chairing a meeting of the Off-Shore Wind Developers Forum on 28th October, which I attended.
4. The details of the remaining £140m of funding are not yet finalised but initial indications are that it will be UK wide and it is hoped that NI companies will benefit from UK wide schemes that are administered directly from London.

Renewable Heat Incentive Funding

5. Further to your announcement on 20 September that a RHI for Northern Ireland was the best way of developing the market subject to a full economic appraisal being undertaken, the availability of AME funding is most welcome. The economic appraisal will be commissioned shortly and should be complete by the end of February 2011. As funding has been offered, the economic appraisal can now focus on determining tariff levels, assessing eligibility requirements and developing a cost-effective RHI for Northern Ireland.
6. It is essential that you (again) stress to DFP that the AME funding that is offered for a RHI should be accepted and that DFP officials should inform HMT of Northern Ireland's intentions to feed into AME forecasts. (You covered this in the input sought by OFMDFM for the response to Danny Alexander's letter). It would be useful to clarify with DFP how/ if DETI can feed into this process. This funding is broadly in line with early estimates of initial costs for a Northern Ireland RHI over this period. The £25million available is based on a population share of the GB scheme.
7. In Great Britain, the RHI is due to go live from April 2011. Sustainable Energy Branch officials are awaiting sight of a paper on the GB RHI which is due to issue in November with final details of how the scheme will work. Sustainable Energy Branch will need to begin significant work to design, develop and implement the RHI in Northern Ireland, but, as legislation will be required here, it is unlikely that we could have a Northern Ireland scheme operational before April 2012.

£200m for low carbon technologies

(i) Off shore wind manufacturing infrastructure at port sites (£60m)

8. Within the £200m for low carbon technologies, the Prime Minister and DECC have announced that £60m is available to support off shore manufacturing infrastructure at port sites in England to meet the needs of off shore wind manufacturers looking to locate to new facilities. DECC has publicly announced that **separate additional** funding has been made available to Scotland, Wales and Northern Ireland, however further discussion with DECC has revealed that the absolute origin of the devolved settlements is not clear. If it has been included via Barnett then clearly it is not truly additional, nor is it ring-fenced.
9. DECC is assuming that as this is a devolved matter it will be for each DA to decide how much to spend on this issue. It does appear that there has been a clear intention in Whitehall for DAs to receive funding to support this. **As this has been publicly announced there will be, understandably, an expectation from the industry here that this support will also be available in Northern Ireland.**

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10. It is recommended that you ask DFP to urgently seek to identify this money in the current CSR settlement and advise the amount that is available to DETI for this purpose.

(ii) **Remaining £140m of the low carbon technologies budget.**

11. The details of how this support will be offered are still emerging. Latest discussions with DECC indicate that it will be some form of UK wide support, centrally administered from London, and so NI companies may have to compete across the UK for this funding. We will follow this up with DECC.

Green Investment Bank

12. It is worth noting that the Green Investment Bank's purpose will be to fund large infrastructure projects. It is anticipated that this will be UK wide. The work on the Green Investment Bank will be lead by the Department for Business, Innovation and Skills (BIS) with DECC and HMT working alongside. At the moment there are two approaches being considered – a form of infrastructure fund or a bank structure. A working group has been established to take this work forward and I will continue to liaise with DECC to ensure that Northern Ireland's interests are represented.

Recommendation

13. I recommend that you write to the Minister of Finance and Personnel, stressing the importance that the funding for renewable energy is identified and allocated to DETI as part of the normal budgetary process. It is recommended that you raise this at your meeting to discuss December monitoring on 8 November. A draft letter is attached at **Annex A** for your consideration.

(signed)

FIONA HEPPER
ENERGY DIVISION
(Ext 29215)

Distribution List:

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Annex A

From the Office of the Minister**FROM: ARLENE FOSTER MLA
MINISTER OF ENTERPRISE, TRADE AND INVESTMENT****DATE: ~~29~~ ^{NOVEMBER} OCTOBER 2010****TO: SAMMY WILSON
MINISTER OF FINANCE AND PERSONNEL****FUNDING FOR RENEWABLE ENERGY IN NORTHERN IRELAND AS
PART OF THE 2010 SPENDING REVIEW SETTLEMENT**

You will be aware that my Department, endorsed by the Executive, has set challenging targets through the Strategic Energy Framework for 40% of electricity consumption to be from renewable energy sources by 2020 and a 10% target for renewable heat in the same timeframe. Both these targets are derived from the need to comply with the Renewable Energy Directive which sets binding targets for member states in regards to renewable energy and, despite not being a member state, Northern Ireland is expected to contribute to the United Kingdom's share to meeting these targets

The ramifications of the step change that is required to meet the requirements of the Renewable Energy Directive appears to have been accepted and taken on board at UK level, with many renewable energy initiatives being recognised and funded through the 2010 Spending Review (SR) process.

I am keen that Northern Ireland will play its part in meeting its obligations under the Renewable Energy Directive and also that NI companies benefit from the injection of support available to the renewable energy sector. Hence, I am writing to you to seek clarification on the funding of a number of renewable energy matters that are emerging as part of the SR.

Renewable Heat Incentive Funding

My Department has recently carried out a major study into the renewable heat market in Northern Ireland which has demonstrated that there is significant potential for deploying and developing these technologies in Northern Ireland and that a RHI, which specifically considers the nature of the Northern Ireland market, is the most appropriate method of developing the industry here. The incentive would provide the industry with long term, stable and consistent support and allow investors and consumers to invest with confidence.

Following the conclusion of the study, I announced that DETI would pursue the development of a RHI, however this was subject to the availability of funding.

The Chief Secretary of the Treasury, Danny Alexander, has now outlined in the Northern Ireland settlement that Annually Managed Expenditure (AME) funding of £25million (£2/4/7/12 million) will be available over the spending review period for Northern Ireland to implement a Renewable Heat Incentive (RHI). The level of funding offered by the Chief Secretary is broadly in line with early estimates of how much a Northern Ireland RHI might cost, roughly £2.5m per annum per %. This share is based on a population share of the GB scheme. The method of this funding is also welcome as it will ensure that the cost of the RHI will not be borne by consumers.

HMT has asked that Northern Ireland Executive officials inform HMT officials of their intentions to feed into AME forecasts to ensure this funding is secured. I would ask therefore that this offer of funding for a RHI in Northern Ireland should be accepted and would ask your officials to liaise with HMT officials to advise that NI will feed into the AME forecasts in relation to this funding. I would be grateful if you can advise how DETI officials can feed into this process.

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A RHI also presents opportunities to create green jobs, help tackle fuel poverty and reduce carbon emissions. Whilst DETI holds the policy lead on renewable heat there are many cross-cutting issues and therefore a future strategy for renewable heat will be developed in conjunction with relevant departments and require the approval of the Executive.

Without this funding, the target agreed by the Executive in relation to renewable heat will not be met

Additional funding to support off shore wind manufacturing infrastructure at port sites

The Prime Minister launched the National Investment Plan last week and announced that £200m is being made available for low carbon technologies. DECC and the Crown Estate subsequently announced that £60m of this is available to support off shore manufacturing infrastructure at port sites in England. This is primarily to meet the needs of off shore wind manufacturers looking to locate to new facilities. The statement included the following:

'Through devolved settlements separate funding has been made available to Scotland, Wales and Northern Ireland which could support potential projects in the devolved administrations.'

It therefore appears that there has been a clear intention in Whitehall for DAs to receive funding to support this work. As this has been publicly announced there will be, understandably, an expectation from the industry here that this support will also be available in Northern Ireland.

I would ask therefore that you seek clarity from HMT on this and advise me as soon as possible how much funding can be made available for this in Northern Ireland and when and how this can be made available to off shore wind manufacturers looking to locate to new facilities in Northern Ireland.

Remaining £140 m for low carbon technologies

The details of how this support will be offered are still emerging. Latest discussions with DECC indicate that it will be some form of UK wide support, centrally administered from London, and so NI companies may have to compete across the UK for this funding.

It's unlikely that it will be for off shore wind though as this has already benefited through the £60m initiative. I would ask that DFP officials keep in touch with HMT on this issue to ensure that if any separate amounts are due through the Barnett consequential process that these are identified and all possible efforts to make this funding available for renewable energy projects in Northern Ireland is exploited.

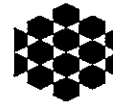
I know that you share my ambition to meet our renewable energy targets and I am keen to ensure that the funding is in place to do this as it offers such a tremendous potential to the economy of Northern Ireland. *remove*

I am copying this letter to the office of the First Minister and Deputy First Minister, the Minister of the Environment and the Minister for Regional Development.

ARLENE FOSTER MLA

Minister of Enterprise, Trade and Investment

From the Office of the Minister



Department of

**Enterprise, Trade
and Investment**

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Our Ref: DETI SUB 511/2010

FROM: ARLENE FOSTER MLA

DATE: 8 NOVEMBER 2010

TO: SAMMY WILSON MP MLA

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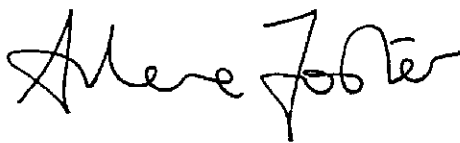
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I am copying this letter to the office of the First Minister and Deputy First Minister, the Minister of the Environment and the Minister for Regional Development.

A handwritten signature in black ink, appearing to read 'Arlene Foster', written in a cursive style.

ARLENE FOSTER MLA
Minister of Enterprise, Trade and Investment