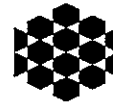


From the Office of the Minister



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Our Ref: DETI SUB 511/2010

FROM: ARLENE FOSTER MLA

DATE: 8 NOVEMBER 2010

TO: SAMMY WILSON MP MLA

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 (£24/7/12 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.

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.

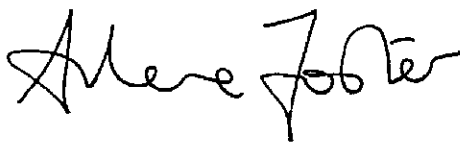
I would ask therefore that you seek clarity from HMT on this and advise me as soon as possible how much funding can be made available for this in Northern Ireland and when and how this can be made available to off shore wind manufacturers looking to locate to new facilities in Northern Ireland.

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 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