

From: [Mills, John \(DETI\)](#)
To: [McCoy, Laura](#)
Cc: [Stewart, Chris \(DFE\)](#); [McIlwrath, Linda](#); [Hill, Janice](#); [McCoy, Laura](#)
Subject: FW: DETI Submission - DECC RHI Correspondence
Date: 08 February 2016 16:34:14
Attachments: [COR 595 - GB RHI.tr5](#)
[COR 595 - GB RHI.DOCX](#)

Andrew,

You wanted to see sub on previous correspondence from DECC from late 2013 on GB RHI changes. As you will see, the digression element was only one element and the focus was elsewhere.

From: Joanne McCutcheon
Energy Division

Date: 25 October 2013

To: 1. Andrew Crawford
2. Arlene Foster MLA

Copy Distribution List Below

COR/595/2013: GB RENEWABLE HEAT INCENTIVE

Issue: The RT Hon Gregory Barker MP has written to you providing an overview of decisions taken by DECC on the GB Renewable Heat Incentive scheme.

Timing: Routine

Need for referral to the Executive: None.

Presentational Issues: None

Freedom of Information: Fully discloseable.

Financial Implications: None.

Statutory Equality Obligations: There are no Section 75 implications.

PFG/PSA implications: None.

Legislation Implications: None.

Recommendation: A draft response, that Mr Barker for his letter and providing him with a brief update of the NI scheme, is provided at Annex A for your consideration.

Background

The RT Hon Gregory Barker MP has written to you providing an overview of decisions taken by DECC on the GB Renewable Heat Incentive scheme. The Department of Energy and Climate Change (DECC) has held a number of public consultations on proposed revisions to the GB RHI, these include the introduction of the domestic RHI in GB; changes to the commercial scheme to include new technologies and tariffs; and changes to the

administration arrangements for the scheme. DECC have now finalised proposals and announced their plans to proceed with the planned changes.

GB Renewable Heat Incentive

2. The GB RHI is the main policy driver to support the achievement of 12% renewable heat in the UK by 2020, in line with the EU renewable energy target of 15%. The changes proposed by DECC are designed to increase deployment under the non-domestic scheme, whilst ensuring the scheme remains within budget limits, and to extend the scheme to the domestic sector. DECC have a budget of £430m for 2015/16 and they expect this to support the deployment of 5,000 new installations and 6.4TWh of renewable heat.
3. The main elements of Mr Barker's letter and the key DECC proposals are as follows;
 - Increase in tariff levels for large biomass (1MW+), solar thermal and ground source heat pumps due to concerns in low uptakes.
 - New support for air to water heat pumps, deep geothermal, biomass combined heat and power (CHP) and some other technologies.
 - £430m (from general UK taxation) is secured for 2015/16 and an updated budget management process has been implemented.
 - DECC intend to revise Regulations to give applicants greater flexibility regarding the receipt of public grants and RHI, whereby monies could be repaid or a reduced RHI be calculated.
 - Provision of greater certainty of tariffs for the largest technologies.
 - Confirmation of plans for the domestic RHI (to be introduced in GB in spring 2014) with the expectation of around 90,000 domestic installations by 2016.
4. The receipt of the letter is very helpful in terms of early notification of DECC's intentions and therefore should be welcomed. Whilst the GB and NI schemes operate independently there is significant synergy and DETI can utilise the work carried out by DECC in implementing appropriate changes to the NI scheme. Finally, notification of the budget of £430m for 2015/16 is also of interest and clarification is required on the NI share of this budget (the previous NI budget for 2011-2015 was a share of the overall UK budget of £840m).

NI Renewable Heat Incentive

5. In responding to Mr Barker it is also proposed to provide a brief update on the NI scheme. The NI RHI has been in place since November 2012 and to date has received 77 applications and 65 of these have been accredited under the scheme. These applications equate to a renewable heating capacity of over 10MWs. The scheme has been relatively successful in comparison to GB – when comparing the first 12 months of each scheme the NI scheme is close to 7% of applications, 6% of accreditations and 3.2% of heat demand, this is despite NI being around 3% of the heat demand and budget.
6. DETI has recently consulted on Phase 2 of the NI RHI, many of the measures proposed are similar to the issues highlighted in paragraph 3 relating to the GB scheme. It has been proposed to introduce a domestic RHI scheme (to replace the current Premium Payment scheme) and to provide new tariffs in the commercial scheme for technologies such as

large biomass, deep geothermal, biomass CHP and others. The consultation process demonstrated that stakeholders were largely supportive of DETI proposals and therefore the final policy position currently being finalised before necessary approvals are sought.

Recommendation

7. It is recommended that you respond to Greg Barker using the draft attached at **Annex A**.

JOANNE MCCUTCHEON
Renewable Heat Branch
Energy Division

cc: David Sterling
David Thomson
Peter Hutchinson
Dan Sinton
Press Office
Glynis Aiken
Alastair Ross, MLA, APS

DRAFT REPLY FROM MINISTER TO GREG BARKER MP

The Rt Hon Gregory Barker MP
Minister of State
Department of Energy & Climate Change
3 Whitehall Place
London
SW1A 2AW

RE: PUBLICATION OF GOVERNMENT RESPONSE FOR THE NON-DOMESTIC RENEWABLE HEAT INCENTIVE (RHI) CONSULTATIONS AND DOMESTIC RHI COST CONTROL.

Thank you for your letter of 29 November 2013, outlining the next steps that your Department propose to take regarding the introduction of changes to the non-domestic RHI scheme in Great Britain and the domestic RHI proposals. I am grateful for the sharing of this information in advance and for the detail you provided in terms of the next steps for the scheme in GB. Whilst the NI RHI and the GB RHI operate independently there are, of course, many linkages between the schemes and therefore it is very helpful when information is shared that might assist my officials in determining the potential ramifications for Northern Ireland.

I agree that the RHI mechanism is vital in the development of the renewable heat sector across the UK. Perhaps it is of increased importance in Northern Ireland where the majority of businesses and householders still use heating oil and therefore the switch to renewable heat offers greatest potential in terms of savings on energy bills and carbon reductions. The NI RHI has only been in operation of 12 months yet there has been encouraging levels of uptake, with applications for the NI scheme accounting for around 7% of number of applications GB RHI over the first 12 months of that scheme. I believe this demonstrates the significant potential that renewable heat has in Northern Ireland to displace fossil fuels and, in particular, heating oil.

Regarding your proposals, I note your intention to introduce new tariff in the non-domestic scheme and revise existing tariffs for technologies such as large biomass and ground source heat pumps. I also note your plans to introduce measures to give large installations greater certainty regarding tariffs and for biomass sustainability. My Department has recently consulted on similar proposals to expand the non-domestic RHI scheme and to introduce new tariffs for more innovative technologies. In addition, consideration has been given to issues such as enhanced preliminary accreditation, biomass sustainability and cost control. Final decisions are still to be taken on the agreed policy position but it can be expected that there will be a level of synergy with the proposals you have outlined.

I also note that a budget of £430m has been secured for the GB RHI for 2015/16 and that this budget is from general taxation. You may be aware that the previous budget for Northern Ireland of £25m between 2011-15 came as a pro-rata share of the GB budget; I therefore assume that similar arrangements have been considered for 2015/16. I will, of course, pursue with my colleague, the Minister for Finance and Personnel, however if you are able to provide clarity that would be most helpful.

Finally, I note your proposals for the domestic RHI in GB. Again, DETI have consulted on similar proposals for Northern Ireland whereby domestic consumers installing renewable heat technologies would receive annual incentive payments for 7 years. This would replace the ongoing Renewable Heat Premium Payment scheme which has proven popular with homeowners.

The expansion of the RHI scheme is an exciting next step for the deployment of renewable heat technologies across the UK. I believe that by extending the scheme to the domestic sector and expanding the non-domestic scheme to include new technologies there is the potential to increase deployment levels in line with the set targets. In doing so, DETI will be supporting the wider energy policy objectives of increased fuel security, reduced carbon emissions and realising the potential for new green jobs. The development of this sector will ensure a more sustainable, more diverse and more competitive heating market in Northern Ireland.

I trust that our officials will continue to work closely on areas of mutual interest relating to the RHI.

Arlene Foster MLA

Minister of Enterprise, Trade and Investment