

Minister: Terms of Reference +

DFE-26849

Membership proposals at Annex D
for your consideration.



Department of
**Enterprise, Trade
and Investment**

www.deti.gov.uk

From: Jenny Pyper
Energy Division

Date: 23 September 2009

1. Andrew Crawford
2. Arlene Foster MLA

Suggested names for group

① John Martin Bonuss Energy NI

② AFBI rep

③ DARD Chief Scientist Advisor?

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DETI SUB 481/2009

STUDY INTO THE POTENTIAL FOR RENEWABLE HEAT IN NORTHERN IRELAND

Content see Andrew's suggestion for additional names

Issue: To provide you with the Terms of Reference for the study into renewable heat potential and take your view on membership of the Project Steering Group

Timing: Routine

Need for referral to the Executive: Not at this stage, but heat is a cross-cutting issue and will require referral to the Executive at a later date.

Presentational Issues: None, at this stage.

Freedom of Information: Exempted under Section 35 of the Freedom of Information Act.

Financial Implications: It is expect that this consultation will cost in the region of £150K. You indicated approval for a consultancy spend of up to £250K following my submission of 27 May 2009.

Legislation Implications: There will be number of primary legislative issues to be addressed in relation to renewable heat.

PSA/PFG Implications: None at present, but it is likely that new PSA targets in relation to renewable heat will be needed for the future.

Statutory Equality Obligations: It is unlikely that this policy will have equality implications but it will be screened in due course.

Recommendation: That you note the draft Terms of Reference and offer views on the membership of the Project Steering Group.

Background

In April 2009, I updated you on developments in on renewable heat policy in Great Britain and the Irish Republic and proposed a work programme for DETI Energy Division for renewable heat (SUB 254/09, attached at **Annex A** for ease of reference). In addition, you approved the business case for consultancy spend in this area in May 2009, SUB 315/09, attached at **Annex B**).

2. You agreed to a work programme that will involve preliminary scoping of the NI heat market by consultants, the setting of a renewable heat target and the development of a draft strategy. Please now find attached at **Annex C** the proposed Terms of Reference for the first stage of this work to be undertaken by consultants on the potential for renewable heat in Northern Ireland, for your information. It is envisaged that this work will be a two stage process, with an economic appraisal being carried out separately.
3. As you will see, the output of this consultancy work will be;
 - provision of up to date and accurate statistics on current heat and renewable heat usage in Northern Ireland, including a base heat map;
 - recommendations on the options for encouraging the development of renewable heat technologies in the short, medium and longer term, specifically considering options for Northern Ireland in the absence of a legislative provision for a Renewable Heat Incentive; and
 - a proposed evidence-based renewable heat target and an assessment of the impact this target may have on the existing energy industries.
4. This work will also be informed by the responses to the draft Strategic Energy Framework, currently out for public consultation. The SEF included a provisional target of 10% renewable heat by 2020; however, this may need to be revised in light of responses from respondents and through information gathered by the successful consultants. DECC have recently confirmed a target of 12% renewable heat by 2020 for England and Wales. Scotland and the Irish Republic have set targets of 12% and 11% for 2020 respectively. The market in Northern Ireland is considered to be significantly smaller.
5. It had initially been proposed that this piece of work would include the development of a draft strategy to meet the proposed target. However, after initial meetings with key industry players we have decided that it would be more appropriate for the evidence to be gathered and considered by key stakeholders in the first instance. We will also be seeking to take your view on the proposed options, and get your approval on the final policy before developing a strategy. There may be opportunities emerging which the new Matrix energy panel might consider so I will keep Fiona Hepper's team in the loop as work progresses.
6. This is therefore seen as the first phase in a much wider work programme which should culminate in a NI strategy for Renewable Heat deployment (to be considered by the NI Executive), accompanying primary legislation and an appropriate NI equivalent to the GB Renewable Heat Incentive.

Project Steering Group

7. It is proposed that this project will be managed by a DETI-led Project Steering Group with the successful consultant expected to submit regular progress reports. I will chair the group which will comprise key civil servants and external stakeholders.
8. The exact membership of this group has not yet been decided though some possible public / private stakeholders that could be represented are;
 - Department of Agriculture and Rural Development
 - Invest NI
 - Action Renewables
 - Ulster Farmers Union
 - Queen's University Belfast and University of Ulster
9. A tentative list of participants is attached at **Annex D** and any further suggestions you may have would be welcome prior to us approaching the potential participants to sit on this Steering Group. It is envisaged that the first meeting will be held mid December 2009.

Next Steps

10. The tender documentation for this project has been placed in the Official Journal of the European Union on 15 September for 40 calendar days. The tender will close on 26 October when all applications will be considered by an evaluation panel. It is expected that the contract will be awarded by 18 November.
11. The successful consultants will be expected to produce a draft report in January 2010, with a final report presented to the Project Steering Group by the first week in March 2010. At this point the Project Steering Group will consider the findings and the options for encouraging Renewable Heat technologies in Northern Ireland in the short, medium and longer term. An economic analysis will be needed to assess the options emerging from the study and this will be commissioned once the way forward becomes clearer, and we have discussed emerging findings with you.

Recommendation

12. I recommend that you:
 - a) note the draft Terms of Reference for the study on the potential for renewable heat in Northern Ireland; and
 - b) offer any additional nominee(s) for inclusion in the Project Steering Group.



JENNY PYPER
Head of Energy Division
X 29577

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