



From: Peter Hutchinson
Sustainable Energy

Date: 2 March 2010

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To: 1. Andrew Crawford
2. Arlene Foster MLA

COR/97/2010: RENEWABLE HEAT INCENTIVE

Issue: Colin Stewart, Transen Sustainable Energy Systems, has written to express concern that Northern Ireland is not included in the Renewable Heat Incentive.

Timing: Routine.

Need for referral to the Executive: Not at this stage.

Presentational Issues: Not applicable.

Freedom of Information: This submission is fully disclosable.

Financial Implications: None.

Statutory Equality Obligation: Not applicable.

Legislation Implications: There are a number of potential legislative issues which may need to be addressed in the future in relation to renewable heat.

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

Recommendation: That you respond to Mr Stewart using the attached draft at Annex A.

BACKGROUND

Colin Stewart, Director of Transen Sustainable Energy Systems Ltd (Transen), has written to you to express his concern that Northern Ireland is not included in the scheme proposed by DECC to incentivise low carbon heating technologies through a Renewable Heat Incentive (RHI) from April 2011. He has asked for an explanation

as to why NI is not included and information on steps being taken to incentivise renewable heat in NI. The same letter has also been sent to Minister Poots.

TRANSEN SUSTAINABLE ENERGY SYSTEMS

2. Transen is primarily involved with the design, development and manufacture of a range of water-source heat pumps and ground source heat pumps. The company was established in August 2008 and aims to offer high quality, price competitive heat pumps which operate with a higher efficiency rating for the residential and commercial market. Transen is an Invest NI client.
3. Colin Stewart wrote to you, Minister Poots and Minister Ritchie in July 2009 (COR 376/09) promoting his company and highlighting the potential for the company's building products to be used in public buildings and social housing. In his letter he also asked for you to encourage local banks to be more active in providing finance for small businesses. You responded to Mr Stewart's concerns by advising of the meetings you had held with local banks regarding their lending practices and by emphasising your support for those company's, such as his, exploring the potential of sustainable energy technologies.
4. In October 2009, Minister Poots visited the Transen plant in Coleraine, using the tour to highlight the increasing number of local companies becoming involved in the production, manufacture and supply of renewable energy technologies.

RENEWABLE HEAT INCENTIVE

5. You will be aware that DECC recently announced that it intends to incentivise low carbon heating technologies through a RHI from April 2011. DECC has statutory powers to implement a RHI via last minute amendments to what is now the Energy Act 2008 (in advance of the Renewable Energy Directive coming into force). At that time (September 2008) the timing was too tight to get a Legislative Consent Motion through the Assembly for extension of powers for an RHI to Northern Ireland and Energy Division was unable to advise categorically that an RHI was the best course of action for NI, because of the lack of any evidence base or detail on the DECC proposals and the significant difference in the NI and GB heat markets.
6. The RHI will apply across England, Scotland and Wales and will be open to individuals, community groups and businesses. The incentive is intended to increase the uptake of technologies such as air source and ground source heat pumps, biomass boilers, solar thermal etc.
7. Under the DECC consultation document, water source heat pumps have not been deemed eligible under the scheme. DECC has considered water source heat pumps to be an innovative but largely untested technology and therefore it is not included, this could however change as part of the consultation process. Ground source heat pumps would be eligible for the RHI with a tariff of 7 pence per kWh for installations under 45kW, 5.5 pence per kWh for those between 45-350kw and 1.5 pence per kWh for large installations over 350kw. Payments would last for 20 years for installations over 45kW and for 23 years for those under that amount.

8. DECC are currently consulting on their proposed RHI and this has generated increased interest here. One issue that is emerging is that DECC are considering allowing retrospective support for their RHI, deeming appropriate installations from 15 July 2009 (the date DECC published their Renewable Energy Strategy) as being eligible. If this goes ahead the industry here may claim that Northern Ireland companies are significantly disadvantaged.

DETI POSITION

9. Sustainable Energy Branch appointed AECOM Ltd and Pöyry Energy Consulting in December 2009 to consider the potential for the deployment of renewable heat in Northern Ireland. This study includes the collection of reliable up-to-date data for renewable heat in NI; the consideration of options for encouraging the market in the short, medium and longer term; and the development of an evidence based target for renewable heat to 2020. This study will complete in April 2010.
10. Grant assistance for heat generating microgeneration technologies remains available across the UK through the Low Carbon Building Programme (LCBP) until April 2011 so as to provide some support until the RHI commences. However DECC have indicated that they are likely to run out of funds for 2010/11 renewable heat applications as early as April 2010.
11. While the introduction of a RHI is planned for April 2011 in GB, it is unlikely similar legislation will be in place in NI before 2012 due to the necessary consultation process that will be required, should you be content that an RHI is the way forward. The current study will therefore include considerations as to options for encouraging the market in the short term so Northern Ireland is not unduly disadvantaged.

RECOMMENDATION

12. I recommend that you respond to Mr Stewart along the lines of the attached draft letter (**Annex A**).

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Tel: 028 9052 9532

cc:

David Sterling
David Thomson
Jenny Pyper
Alison Clydesdale
Ann Williamson
Dan Sinton
Glynis Aiken
Neth Energy

Draft letter from PS/Minister to Colin Stewart

Colin Stewart
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Northern Ireland

March 2010

Thank you for your letter of 22nd February 2010 regarding the introduction of the Renewable Heat Incentive (RHI) in Great Britain, I understand that you have also written to Minister Poots. The Minister has read your letter and asked me to respond on her behalf.

The Department of Energy and Climate Change (DECC) intend to incentivise renewable heat technologies through a Renewable Heat Incentive (RHI) from April 2011. DECC has the power to implement these proposals through the Energy Act 2008 and as Northern Ireland is not covered by this legislation, we are therefore not included in the DECC proposals.

It is, however, important to note that the Northern Ireland heat market is significantly different to the GB heat market and therefore it is essential that any method for incentivising renewable heat in NI takes into considerations the specific nature of the NI market. Therefore, in advance of DECC's announcement, DETI initiated a significant study into the potential for the deployment of renewable heat in Northern Ireland. Specifically this work will, assess and quantify the current scale, future sustainable growth potential and optimum size of the renewable heat sector in NI; make recommendations as to the options for encouraging the deployment of renewable heat technologies in NI; and make recommendations for an appropriate evidence based renewable heat target to 2020.

This work, which will complete by April 2010, will ensure that up to date information on heat and renewable heat is gathered, that all possible options for incentivising the NI market place are considered and that future policy decisions are based on sound evidence. If this work indicates that a RHI would be the most effective way of developing renewable heat in NI then a legislative timetable will need to be developed. While the introduction of a RHI is planned for April 2011 in GB, it is unlikely similar legislation will be in place in NI before 2012 due to the necessary consultation process that will be required.

One key aspect of the current study therefore will be to include considerations as to options for encouraging the market in the short term so Northern Ireland is not unduly disadvantaged.

In the meantime, however, grant assistance for heat generating microgeneration technologies remains available across the UK through the Low Carbon Building Programme (LCBP) until April 2011, subject to the availability of funding. The LCBP can be contacted on 0800 915 0990 or by email at info@lowcarbonbuildings.org.uk.

GLYNIS AIKEN

PS TO ARLENE FOSTER MLA

Minister of Enterprise, Trade and Investment