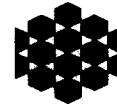


From the Office of the Minister



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Our Ref: DETI SUB 364/2010

Rt. Hon Chris Huhne MP
Secretary of State
Department of Energy and Climate Change
3 Whitehall Place
LONDON
SW1A 2AW

16 September 2010

Dear Chris

I understand that you are currently considering responses to the public consultation on the design and implementation of a Renewable Heat Incentive (RHI) in Great Britain in order to determine the appropriate next steps to develop policy for renewable heat.

You will be aware that Northern Ireland is not included under the proposed RHI scheme. The reason for this is that at the time the amendments to the Energy Act were made to allow for a RHI, there was not sufficient time to pass a Legislative Consent Motion through the Northern Ireland Assembly for extension of powers. Further to this, there was a lack of evidence to suggest that a RHI would be the most appropriate method to incentivise the Northern Ireland heat market, which you will understand is quite different from the GB market. Understandably there has been significant interest in the RHI locally and concern that Northern Ireland could be adversely affected by the introduction of the RHI in GB if Northern Ireland does not follow suit.

In order to assess the various options for supporting the renewable heat market, my Department has undertaken a comprehensive study into renewable heat in Northern Ireland. This work includes reliable data on heat and renewable heat use in Northern Ireland, an assessment of an appropriate target to 2020 and consideration of the most effective method to reach that target. I attach a copy of the report for your information.

The report shows that a target of 10% renewable heat by 2020 is appropriate and achievable, though significant policy support and financial intervention will be required. The report recommends that a Northern Ireland specific RHI for the domestic and commercial market is required to demonstrate a long term commitment, as well as giving confidence to the market. There is also a case for specific financial support in the industrial sector, given that 17 industrial sites account for 22% of total heat demand.

In order to progress to the next stage, my officials will shortly be undertaking further economic analysis on a possible Northern Ireland RHI. This work will include determining appropriate tariffs, making projections as to the expected uptakes and estimating the possible costs. I would be very keen to learn from your experience in developing the RHI and if your Department held any relevant information that may be useful in our work I would be grateful if it could be shared.

Obviously a key issue that will need to be addressed is how any future scheme would be funded. I understand that this is an issue still to be determined by your Department, with various possible options being considered. Can I ask you to confirm that, if it is determined that the most appropriate method of funding is through a UK wide tax or levy, that Northern Ireland would be able to avail of a share of those monies in the normal way? I would also be grateful if you would be able to share any further information on possible funding routes.

I hope that you find the attached Northern Ireland heat report of interest and I trust that our officials will be able to work closely in the coming months as policy on renewable heat becomes clearer.

I am copying this letter to Sammy Wilson MP MLA, Minister of Finance and Personnel.

Yours sincerely

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