

From: [Hepper, Fiona](#)
To: [Private Office DETI](#)
Cc: [Sterling, David](#); [Thomson, David \(DETI\)](#); [Clydesdale, Alison](#); [Williamson, Ann](#); [Hutchinson, Peter](#); [Sinton, Dan](#); [Aiken, Glynis](#); [Neth Energy](#); [Press Office](#)
Subject: COR 143/11:RHI SCHEME
Date: 18 March 2011 11:30:16
Attachments: [COR143 11 Patsy McGlone RHI Scheme.DOC](#)

Private Office

Please see attached for consideration.

Fiona

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From: Fiona Hepper

Date: 18 March 2011

1. Andrew Crawford
2. Arlene Foster MLA

COR 143/11: RHI SCHEME

Issue: Following DECC's announcement on the GB RHI, Patsy McGlone, MLA, has written to you enquiring what DETI is doing regarding a similar RHI scheme in Northern Ireland.

Timing: Routine

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

Presentational Issues: None.

Freedom of Information: Elements of this submission may be exempt under Section 35 of the Freedom of Information Act.

Financial Implications: HMT has advised that £25m of AME is available over the spending period should Northern Ireland choose to introduce a RHI.

Legislation Implications: Energy Division is currently working with colleagues in DECC to extend renewable heating powers to Northern Ireland.

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

Statutory Equality Obligations: Not applicable.

Recommendation: That you reply to Patsy McGlone MLA, using the draft attached at Annex A.

Background

Patsy McGlone, MLA, has written to you about the planned introduction of the Renewable Heat Incentive (RHI) in Great Britain and seeking an update on the potential introduction of a similar scheme in Northern Ireland. Mr McGlone has written in similar terms to the Minister for Social Development and DSD officials have advised that they do not anticipate issuing a response as it is a DETI matter.

2. The email follows on from the 10 March 2011 announcement by the Department of Energy and Climate Change (DECC) of the final design of the GB RHI scheme. Mr McGlone has been alerted to this issue by a Mr Colm O'Kane who fears that Northern Ireland might be at a disadvantage in comparison to GB.

GB Renewable Heat Incentive

3. DECC has just recently published the final design of the RHI scheme to be introduced in Great Britain in July 2011. DECC are now proposing a two phased approach, with the RHI only available to the non-domestic market in the first phase. The domestic market will then enter the RHI scheme from October 2012 at the same time as the Green Deal is launched in GB. In the interim DECC intend to provide "Renewable Heat Premium Payments", basically a capital grant, for early adopters within the domestic market from July 2011.
4. It is clear from the GB scheme that DECC is focussed on the most cost-effective renewable heating installations, hence the focus on non-domestic in the first phase. However the document does state that the RHI is subject to receiving state aid clearance from the European Commission in this regard. There is also an acknowledgment that new installations should be targeted off the gas-grid where possible.

DETI Economic Appraisal of a Northern Ireland RHI

5. You will be aware that Energy Division is currently carrying out an economic appraisal of a Northern Ireland RHI. This work follows on from a study into the potential development of the renewable heat market in Northern Ireland that advised that long term support, both in terms of policy support and financial incentives, was needed to grow the renewable heat market. In September 2010, you announced that DETI would seek to develop a RHI for Northern Ireland to assist in achieving the target of 10% renewable heat by 2020.

6. The economic appraisal is being carried out by Cambridge Economic Policy Associates (CEPA), in conjunction with AEA Technologies, and is expected to complete in April 2011. The appraisal will consider various options for incentivising the local renewable heat market, will advise on appropriate tariff levels, consider the cost/benefit and consider the impact of each of the options.
7. This work will be followed by a public consultation on the design and implementation of a renewable heat incentive scheme for Northern Ireland. The consultation is provisionally scheduled for Summer 2011. DETI may be in a position to introduce a scheme in early 2012, subject to appropriate subordinate legislation being passed by the Assembly and state aid clearance if there is a focus on the non-domestic sector.

Recommendation

8. I would recommend that you respond to Patsy McGlone, MLA, using the draft attached at **Annex A**.

(signed)
FIONA HEPPER
ENERGY DIVISION
(Ext 29215)

Distribution List:

cc: David Sterling
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Draft letter

Patsy McGlone MLA
54A William Street
Cookstown
BT80 8NB
Patsy.mcglone@sdlp.ie

Dear

RENEWABLE HEAT INCENTIVE SCHEME

Thank you for your email of 10 March 2011 in regards the introduction of the Renewable Heat Incentive (RHI).

The Department of Energy and Climate Change (DECC) has recently announced the final design of the RHI which should be in place in Great Britain by July 2011. The RHI will be introduced in two phases, with the first phase only open to the non-domestic sector (industrial, commercial, public, not-for-profit and community buildings). Those technologies that are eligible and the relevant tariff levels are set out within the DECC publication.

The domestic sector will join the RHI in October 2012 to align with the GB Green Deal initiative. In the interim early adopters of renewable heat technologies in GB can apply for support through the "Renewable Heat Premium Payment". Further details on how the domestic sector will be supported through RHI will be made available in May 2011.

As you will be aware, Northern Ireland is not included within the scheme announced by DECC, instead my officials are working on designing a specific incentive scheme for Northern Ireland.

The heat market in Northern Ireland is very different to the market in GB. Northern Ireland is largely dependent on oil with a developing natural gas market, whereas in GB the gas market is well established and is the predominant fuel source. There are also differences in fuel prices between GB and Northern Ireland and the amount of our income that goes towards heating our homes and businesses, as a consequence the levels of fuel poverty tends to be higher. Finally the geography of Northern Ireland is very different to GB, with Northern Ireland being more rural with fewer larger cities and therefore having a very different heat density.

All these factors mean that it is appropriate for separate consideration to be given as to how the heat market here might be encouraged and incentivised. In effect, we need a bespoke Northern Ireland solution that best suits our needs.

In September 2010, I announced that my Department would seek to support the renewable heat market in Northern Ireland by developing a RHI scheme, similar to the GB proposals, but specifically designed and tailored to incentivise the local market. Work on this is underway. Her Majesty's Treasury (HMT) has also allocated £25m for the spending review period for a Northern Ireland RHI, should one be introduced.

At this stage DETI is carrying out a detailed economic appraisal of a Northern Ireland RHI. This work is essential and will assist in the design of an appropriate and cost-effective incentive scheme for Northern Ireland. Following the conclusion of this appraisal, a full public consultation will be carried out (provisionally scheduled for Summer 2011) on the proposed design of a Northern Ireland scheme. In advance of implementation, DETI will also need to pass appropriate subordinate legislation and may need to seek State Aid clearance from the European Commission.

The NI Assembly recently passed a Legislative Consent Motion that should allow DECC to extend primary powers for renewable heat to Northern Ireland, this will assist in the timely introduction of a local incentive scheme.

I can assure you that my Department is committed to developing the renewable heat market in Northern Ireland and recognises that there are many benefits in doing so such as increased fuel security, reduced carbon emissions and the opportunity in this sector for 'green' jobs. Indeed, the Strategic Energy Framework includes a target of 10% renewable heat by 2020.

I trust that you have found this response informative. I would be grateful if you would pass this letter to Mr O'Kane, who first raised this issue with you.

ARLENE FOSTER MLA

Minister of Enterprise, Trade and Investment