

**Sterling, David**

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**From:** Sterling, David  
**Sent:** 20 November 2008 10:26  
**To:** Davison, Janice  
**Cc:** Davison, Janice  
**Subject:** FW: Heat and resource issues - note to JP as requested

Janice

After a recent Issues Meeting I agreed to set up a meeting between Andrew C, Jenny and myself to discuss strategic energy issues. Have we got a date for this yet/

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**From:** Rooney, Therese  
**Sent:** 18 November 2008 10:05  
**To:** Sterling, David  
**Subject:** FW: Heat and resource issues - note to JP as requested

David

We are due to meet to discuss resources shortly. I thought you should see this note from Olivia. I will also prepare a note on what we are currently doing and what we are not resorted to do to inform the discussion.

Jenny

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**From:** Pyper, Jenny  
**Sent:** 10 November 2008 09:39  
**To:** Rooney, Therese  
**Subject:** FW: Heat and resource issues - note to JP as requested



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issues - not...

From: Olivia Martin  
8 November 2008

Jenny Pyper

## **HEAT & RENEWABLE HEAT: VIRES; STATORY DUTIES AND RESOURCES**

1. When I put up the submission to the Minister on what was then BERR's early proposals on a renewable heat incentive we took the following paragraphs out:

### "Resources

18. DETI cannot hope to develop this area of work with current resources, but will come under increasing pressure to say what it is doing in response to announcements from the EU and BERR in this area
  19. To help deal with lack of resource at least on renewable heat, we are working to develop contacts in BERR so that they will remember that this issue is transferred to Northern Ireland and keep us informed, although this can be time-consuming of itself. We are also trying to be creative in moving this area forward by creating a stake-holder group to make recommendations about what is needed to develop renewable heat in Northern Ireland."
2. You requested a note on resource implications: I apologise it has taken so long to provide this paper.

### Drivers on heat

3. The key driver for work on heat here must be the Renewable Energy Directive which, if adopted as expected next month, will require member states to source a proportion of their gross final consumption of energy from renewable source, which, for the first time includes heat. Since energy is a devolved matter, we are also obligated in this way.
4. Other drivers include climate change and the need to switch to lower carbon forms of energy, including heat energy. As Hergen Haye, Director of Heat Policy in DECC, is fond of saying: "heat is half the problem", as heat represents half of all final energy consumption and around 80% of domestic energy consumption through space heating and hot water heating. While we do not have responsibility for climate change in Northern Ireland, it is part, but not the whole, of our rationale on renewables.
5. There are other drivers such as the volatility of fossil fuel prices. In the past year, all main fossil fuels used for heating here (oil, gas and coal) have increased substantially in price increasing fuel poverty by an

estimated 6% in as many months. A recent speech, given at the AFBI conference by Dean Marcelja of Gussing in Austria, pointed out the amount of money that leaves regions dependent on fossil fuels that could be retained if local sources of fuel were harnessed. He gave some impressive figures on the wealth generated by switching to locally sourced fuels.

### Heat – vires and statutory duties

6. As BERR now DECC have recognised, one cannot focus on the part without at least understanding, if not actively working on, the whole, so it is difficult to understand renewable heat without understanding and then interfering with the heat market to the benefit of renewable heat, because one is aiming to promote renewable sources of heat at the expense of other potential sources.
7. I very much agree with what Iain Osborne said in his comments on the SEF: we need to widen our scope to look at heat as a whole, not just renewable heat. I have asked DSO about vires on renewable heat (although he did not come back on this issue), but not on heat in its widest sense – we may or may not need primary legislation. But I assume that we would need new vires in primary legislation and a shift in our structure and resources to reflect that. We then need an evidence base to enable us to talk about heat as a whole in NI sensibly.
8. There might be some scary knock-on effects: might we have to drop our statutory duty to "promote" the gas industry, thereby potentially disincentivising further investment by that industry in NI?

### Renewable Heat

9. If these changes aren't made and renewable heat is the only aspect of heat that we are required (by EU Directive) to pursue, then I believe that we still need vires for renewable heat in primary legislation. A lot of the work mentioned above would still be required, but will be as background to work on renewable heat. It may be very difficult to make sensible decisions on renewable heat in isolation and we will almost certainly be criticised (probably mostly by NIAUR!) for commenting on and incentivising renewable heat without understanding the full implications for other sectors of the market.

### Resources

10. DECC has committed significant resource to this area. Hergen Hays is a Grade 5 with policy responsibility for heat – he told us he had 20 staff. He will shortly have 6 grade 7s on this covering: RH Incentive policy; CHP; Heat strategy and delivery; regulatory framework – carbon trading and heat markets; economic advice and RIAs; stakeholder

engagement and consultation. I know we cannot expect anything like this type of resource.

11. If we shift to have heat and electricity as the main statutory categories, then "heat section" could incorporate much of gas section, but would probably require someone separate on oil and coal and someone on renewable heat. Of course, if we shift vires, duties, structure and resources, NIAUR will want to follow on from this as prefigured in Iain's note on SEF. So the potential impact of a shift to heat would be quite large.
12. We will shortly be required to increase our share of energy from renewable heat. If we stay as we are and renewable heat is the only form of heat policy we pursue, then, to pursue it properly, I believe I need dedicated resource, probably one DP for starters – and renewable heat will cover both my area and Alison's. It's difficult to be precise, but this is going to be a huge area of work to 2020 because it is new, extremely urgent in view of 2020 focus, and probably trickier to get a handle on than renewable electricity because it is a much more dispersed market that isn't all fed through a convenient single supplier as electricity has been.

#### Discussion with Action Renewables

13. In the meantime, and in the absence of vires or resources, I met Leanne Rice of AR last week to discuss scoping work. We decided that we would aim for:
  - A short summary of key policy texts in the area of heat and renewable heat to be completed by end November – these would be used to inform the focus groups below;
  - A series of focus groups by sector (domestic, commercial etc) to explore "what needs to be done" in more detail to get renewable heat going properly, building on the renewable heat seminar we had in September – the focus group would be co-branded as people are more interested when they think Government is listening;
  - Use results of those as a starting point for consultancy for a renewable heat map of NI;
  - *Maybe* then move on to a group of experts to advise government on a prioritised list of actions to promote renewable heat.

Happy to discuss.

**OLIVIA MARTIN**  
**29381**