

From: [Hutchinson, Peter](#)
To: [Private Office DETI](#); [Hegarty, Damien](#)
Cc: [Sterling, David](#); [Thomson, David](#); [Hepper, Fiona](#); [Dolaghan, Paul](#); [Hutchinson, Peter](#); [Sinton, Dan](#); [DG DETI Press Office](#); [Aiken, Glynis](#); [Ross, Alastair](#)
Subject: FW: Correspondence -- Ref. Number: COR/148/2013 : POULTRY LITTER COMBUSTION UNITS
Date: 10 April 2013 16:50:40
Attachments: [COR 148 - RHI - Renewable Energy Manufacturing.DOCX](#)

Please see attached draft response to COR 148/2013.

Thanks,

Peter

From: Damien.Hegarty@detini.gov.uk [mailto:Damien.Hegarty@detini.gov.uk]
Sent: 03 April 2013 15:22
To: Hepper, Fiona
Cc: Dolaghan, Paul; Neth_Energy; Sterling, David; Lewis, Colin; Thomson, David; Aiken, Glynis; Stevenson, Valerie (DETI Private Office); DG_DETI Press Office; Hegarty, Damien; McLaughlin, Christine (DETI)
Subject: Correspondence -- Ref. Number: COR/148/2013 : POULTRY LITTER COMBUSTION UNITS

DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT

URGENT - CORRESPONDENCE

Reference: COR/148/2013
Raised By: Colin Turkington

Subject: POULTRY LITTER COMBUSTION UNITS

Referred To: HEPPEL FIONA (MRS) (Energy Branch)

Date Referred: 03/04/2013

ACTION REQUIRED

** Re-issued to Energy ***

Please provide advice and a draft reply for signature by the Private Secretary.

To be with Private Office not later than 10/04/2013 before Close of Play

For further information etc. contact :

Damien Hegarty (Private Office)
Netherleigh House Tel : 29209

Copied To For Information:
cc Energy
Hegarty Damien (Mr)

McLaughlin Christine (Mrs)



From: Joanne McCutcheon
Energy Division

Copy Distribution List Below

Date: 10 April 2013

To: 1. Andrew Crawford
2. Arlene Foster MLA

COR/148/2013 : POULTRY LITTER COMBUSTION UNITS

Issue: Colin Turkington, Managing Director, Renewable Energy Manufacturing, wrote to the DOE Minister following a meeting on environment issues. The letter focuses primarily on the Renewable Heat Incentive (RHI) and therefore has been passed to DETI to respond.

Timing: Routine

Need for referral to the Executive: N/A

Presentational issues: None

FOI implications: This submission is fully disclosable.

Financial Implications: None

Legislation Implications: N/A

PSA/PFG Implications: None

Statutory Equality Obligations: None.

Recommendation: That you respond to Mr Turkington's letter using the draft response at **Annex B**.

BACKGROUND

Mr Colin Turkington, Managing Director of Renewable Energy Manufacturing Ltd, wrote to the Minister of the Environment, Alex Attwood raising concerns about the Northern Ireland Renewable Heat Incentive (RHI) and the poultry industry. The letter, attached at **Annex A** for your information, has been passed to DETI for a response.

RESPONSE

2. Mr Turkington's concerns relate to a perceived flaw in the RHI whereby installers are incentivised to install multiple smaller boilers instead of a single large boiler – this is not the case. The Regulations that underpin the scheme state that where two or more boilers are used in the same heating system the total heat capacity is used to determine the tariff rather than incentives paid for the individual boilers. This prevents an applicant installing multiply boilers in place of a single larger system.
3. Secondly, Mr Turkington has concerns about the levels of tariff in NI, in comparison to support available GB. The NI RHI tariff levels are designed in the same way as the GB levels insofar that all additional costs involved in renewable heating are accounted for plus a rate of return of 12%. Actual tariff levels in Northern Ireland are lower than GB levels as consumers in Northern Ireland will primarily be switching from oil rather than natural gas in GB – as oil is more expensive than natural gas there is less of a difference in costs in comparison to renewables.

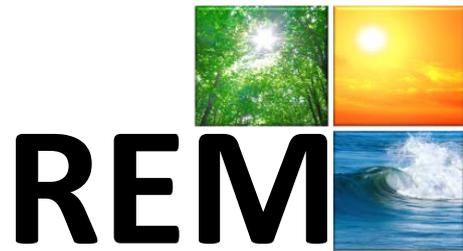
RECOMMENDATION

4. It is recommended that you respond to Mr Turkington using the draft reply at **Annex B**.

Joanne McCutcheon
Energy Division (EXT 29215)

cc: David Sterling
David Thomson
Fiona Hepper (o/r)
Paul Dolaghan
Peter Hutchinson
Dan Sinton
Press Office
Glynis Aiken
Alistair Ross MLA, APS

Annex A



Renewable Energy Manufacturing Ltd

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Web: www.remeurope.com

Joann Hanna,
DOE Private Office,
8th Floor,
44 – 58 May Street,
Belfast.
BT1 4NN

13th January

Dear Joann,

During our recent meeting with Minister Attwood (8/1) there were two follow up items we thought it would be useful to summarise and on which assistance would be appreciated:

NIEA: the Minister mentioned it would most helpful from a Northern Ireland perspective if we were to meet with the new CEO of the NIEA to brief him on what bhs1 is currently doing with the EA in England to progress the regulation of use of poultry manure as fuel for combustion. We are following up directly with Mr A'hern to request that meeting this week

The Minister also noted that he felt it was important NIEA takes a close and engaged interest in the SBRI competition that has been launched to find an alternative use for poultry manure. It would certainly be helpful for all concerned with this competition for Mr A'hern to made aware of this by the Minister.

Renewable Heat Incentive (RHI): the current Northern Ireland RHI tariffs act as a deterrent for farmers to employ our Poultry Manure to Energy (PM2E) system, as we also pointed out

during our discussions with the Minister. As a direct result reducing the land spreading of poultry litter in Northern Ireland is being made considerably more difficult to achieve

Currently the incentives provided by the RHI Scheme in England and Wales make the economic viability of using poultry manure in a modern on farm energy system by poultry farmers there decisively more attractive in terms of commercial return. How the RHI scheme is structured in Northern Ireland has the directly opposite effect.

I have attached for the Ministers information two tables showing the current RHI tariffs in Northern Ireland and England. The figures can be summarised as follows;

Northern Ireland

There are two tariffs for 'biomass boilers' in Northern Ireland. The first is 5.9p per kwh for all such units under 100kw. The second tariff is 1.5p per kwh for those that are 100kwh and over. This simply means that a farmer who installs two 99kw biomass (wood chip) boilers (Total output = 198kwh) will receive nearly four times more in incentives than a farmer who installs just one of bhsI's 200kwh energy systems based on our fluidised bed combustion technology (fbc) for using poultry litter to generate heat on their farm.

The result is a 'perverse incentive' for farmers needing more heat than a 198Kw unit will produce to install a number of small wood chip boilers rather than one larger PM2E system. The inevitable distortion in the market for the installation of single units over 100kwh in capacity that create energy/heat from the use of poultry manure is a barrier to encouraging this 'alternative use' thereby reducing the amount being land spread.

That is why we highlighted to Minister Attwood the unfortunate, but self-evident fact that a heating unit that has the capacity to use only wood chip is not making **any** contribution to the challenge being presented to Northern Ireland in implementing the EU Nitrates Directive

Therefore as the setting of rates for the RHI scheme is the responsibility of DETI, who are also involved in running the SBRI competition to find an alternative use to land spreading of PM, there is a evident absence of joined up thinking that needs to be urgently addressed and eliminated with some re-balancing by the responsible Minister, Arlene Foster MLA.

England

England has a different tariff structure. For the first 1,314 hours every year a biomass unit including one that uses poultry litter as fuel, and which is between 200kw and 1000kw, attracts 4.7p per kwh. This means that during the vast majority of the working year a bhsI PM2E system installed on poultry farms in England, where two of our units are already approved to receive 4.7p per hour (compared to 1.5p in Northern Ireland). This makes the economics much more attractive for an English farmer to install our technology.

I trust this gives you a clear illustration as to why bhsI believes the current RHI tariffs in Northern Ireland must be adjusted to ensure what is one of its fastest growing agri food sectors does not lose out to their competitors across the Irish Sea. And in doing so to remove a barrier to a viable and commercially attractive alternative that encourages farmers to use poultry litter as a fuel as opposed to a fertiliser.

Finally on behalf of my colleagues in bhsI and myself can I take this opportunity to thank the Minister again for the time he gave us during our briefing. If he has any queries regarding the meeting or this document or he would like any more information please do not hesitate to contact me.

Yours sincerely,

Colin Turkington

Managing Director – REM Ltd.

DRAFT REPLY

Colin Turkington
Managing Director
Renewable Energy Manufacturing
14 Tullylagan Road
Sandholes
Cookstown
Co Tyrone
Northern Ireland
BT80 9AZ

Dear

RE: RENEWABLE HEAT INCENTIVE

Your letter of 26 March 2013 to the Minister of the Environment, Alex Attwood MLA, has been passed to DETI to consider and respond as it relates primarily to the Renewable Heat Incentive (RHI). The DETI Minister has considered your letter and asked that I respond on her behalf.

In your correspondence you raise a number of concerns regarding the NI RHI. Firstly, you raise the issue of two or more smaller systems being installed and receiving a much higher incentive than a similar system comprising only one installation i.e. a 200kw system in comparison to two 99kw systems. I can assure you that this is not the case and that under the Regulations where two or more plants are using the same energy source and form part of the same heating system that they are treated as a "component plant" and the total capacity is assessed. This means that two biomass 99kw systems that form the same heating system would receive the tariff appropriate for a 198kw system. I hope that this addresses your concerns. If you have further questions on the administration or guidelines for the scheme you should contact Ofgem (RHI.Enquiry@Ofgem.gov.uk) who act as the scheme's administrators.

You also raised concerns about the tariff levels in NI in comparison to levels of support available in Great Britain. In designing the tariff levels for the NI RHI a number of factors had to be considered. Firstly, they had to be appropriate for the Northern Ireland heating market, secondly, they had to provide sufficient support to achieve the target of 10% by 2020 and finally budgetary issues had to be

considered. The tariffs for Northern Ireland were designed in the same way as GB tariffs were designed, in that the support levels ensure all additional costs involved in deploying renewable heat are met plus a rate of return of 12%. The difference in tariffs with GB result from the fact that NI consumers will be moving to renewable heating from oil heating rather than natural gas in GB. As oil heating is more expensive than natural gas, less of an incentive is required to ensure all additional costs are covered.

If NI adopted GB tariff levels the budget limits would be breached and less renewable heat would be delivered. It is also worth noting that whilst GB consumers might receive greater incentive payments they benefit far less in terms of ongoing savings. When considering incentive payments and ongoing savings DETI is confident that NI consumers are not disadvantaged. If you have any further queries on RHI policy issues you can contact officials working in this area by emailing ni.rhi@detini.gov.uk.

The NI RHI is an important policy as DETI seeks to develop a more sustainable, diverse and secure heat market. It is expected that the RHI could support around 20,000 new renewable heat technologies by 2020 as well as deliver over 10% renewable heat. The development of this sector has the potential to deliver real benefits in terms of energy security, reduced carbon emissions and new 'green jobs'.

Glynis Aiken

Private Secretary to Arlene Foster, Minister of Enterprise, Trade and Investment