

**From:** [Hutchinson, Peter](#)  
**To:** [Bruce, Iain](#)  
**Cc:** [Lavery, Mary](#); [Baxter, Clare](#); [Fullerton, Karen](#); [Livingston, Joe](#); [Mateer, Kim](#); [Sames, David](#); [Hepper, Fiona](#)  
**Subject:** RE: MEDIA ENQUIRY:ACTION RENEWABLES - RHI/RATES OF INCENTIVE  
**Date:** 19 July 2012 13:55:20  
**Attachments:** [RHI Tariff and details \(2\).pdf](#)  
[image001.png](#)

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Iain,

The information is available on the website now but have attached a copy for you to send on to her.

Thanks,

Peter

## **Peter Hutchinson**

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*The new website for the European Sustainable Competitiveness Programme for NI is now available - visit [www.eucompni.gov.uk](http://www.eucompni.gov.uk)*



[www.ni2012.com](http://www.ni2012.com)

## **Please consider the environment - do you really need to print this e-mail?**

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**From:** Bruce, Iain  
**Sent:** 19 July 2012 13:54  
**To:** Hutchinson, Peter  
**Cc:** Lavery, Mary; Baxter, Clare; Fullerton, Karen; Livingston, Joe; Mateer, Kim; Sames, David  
**Subject:** MEDIA ENQUIRY:ACTION RENEWABLES - RHI/RATES OF INCENTIVE

Peter,

Nicola Murphy from an organisation called Action Renewables is to be interviewed by BBC Radio Ulster tomorrow morning on the RHI announcement made today and has asked if we could supply further details i.e. the rates of incentive.

Could you assist?

Thanks,

Iain.

**Iain Bruce**

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## Northern Ireland Renewable Heat Incentive (RHI)

Subject to the passage of appropriate legislation in autumn 2012, DETI will introduce the Northern Ireland Renewable Heat Incentive for the non-domestic sector. The tariffs that will be implemented are detailed below.

Tariff name	Eligible Technologies	Size range (kW)	NI RHI tariff (pence per kWh)	Length of tariff
Biogas injection	Biomethane injection and biogas combustion, except from landfill gas	Biomethane all scales, biogas combustion less than 200kWth	3.0	20 years
Biomass boilers	Solid biomass; Municipal solid waste (inc. CHP)	0-20	6.2	20 years
		20-100	5.9	20 years
		100-1,000	1.5	20 years
GSHP	Including water source heat pumps and deep geothermal	0-20	8.4	20 years
		20-100	4.3	20 years
		100+	1.3	20 years
Solar Thermal		0 - 200	8.5	20 years

Further guidance, including detailed Q&A, will be released in due course, however, some key elements of the RHI are detailed below. If you have further queries please contact [ni.rhi@detini.gov.uk](mailto:ni.rhi@detini.gov.uk).

### What is the Northern Ireland Renewable Heat Incentive?

The Northern Ireland Renewable Heat Incentive (RHI) is a DETI scheme that provides financial support to non-domestic renewable heat generators and producers of biomethane.

## **Why is the scheme being introduced?**

The primary objective for the Northern Ireland RHI is to increase the uptake of renewable heat to 10% by 2020 (baseline position of 1.7% in 2010). The 10% target for renewable heat equates to 1.6TWh (or an additional 1.3 TWh when considering existing levels). This target was included in the Strategic Energy Framework and an interim target of 4% renewable heat by 2015 has been included in the Programme for Government.

In addition to achieving the set target, it is expected that the RHI will have a number of other wider benefits in terms of fuel security, lower emissions and 'green jobs'.

Renewable heat technologies are currently unable to compete with existing fossil fuel alternatives given the often higher capital costs and also the lack of understanding and awareness amongst consumers of what are often seen as innovative technologies.

Without the RHI in place Northern Ireland will not achieve either the targets set for renewable heat by the Northern Ireland Executive in the SEF or be able to contribute to the UK target set under the Renewable Energy Directive.

## **How have the tariffs been designed?**

The RHI aims to compensate investors for the additional costs of renewable heat compared to traditional fossil fuel systems. For each technology, we have taken into account all the various types of costs involved (including capital, financing, barrier, fuel and operating) to produce a pence per kWh cost figure – this is known as a levelised cost methodology.

The RHI tariff setting methodology also includes the provision of a rate of return in order to stimulate interest in a developing unknown marketplace and to provide compensation for financing costs of making the necessary investment in capital projects. In most instances a

rate of 12% has been set. Solar thermal receives a lower rate of return as it is a well-known technology, it's relatively easy to install and it will not displace the same level of fossil fuel as the other technologies. In addition solar thermal heat is, at present, more costly per unit of energy than other technologies.

**Why are the tariffs lower than those available in GB?**

The Northern Ireland tariffs tend to be lower than those offered in the GB scheme as the NI tariffs are designed against an oil counterfactual rather than a natural gas counterfactual, as in GB. This reflects the heat markets in the two areas with oil the dominant heating fuel in NI at 75%+ and natural gas the dominant heating fuel in GB 70%+. Setting the counterfactual position against oil within the NI scheme reflects the likelihood that the majority of people switching to renewable heat will be displacing oil. As oil is a more expensive fossil fuel, less of an incentive is required to switch to renewable heat.

DETI does not think that NI consumers will be disadvantaged in comparison to GB consumers, as whilst the tariff levels are lower the ongoing savings that can be expected from switching to renewable heat will be considerably higher for NI consumers. Therefore the overall benefit for the consumer is similar.

**Why is there no support for biomass installations over 1MW in size?**

Biomass installations over 1MW in size will not receive a tariff under the current banding proposals. The reason for this is that, analysis has shown that it should be cost effective for these sites to switch to renewable heat by 2020 and therefore an additional incentive is not required. Indeed, when calculating a tariff for these technologies, using the same methodology as for the others, the calculated value is negative i.e. no tariff is required.

DETI is however willing to examine any alternative evidence as part of the second phase of RHI.

## **Why aren't bioliquids covered from the start?**

DETI is not supporting bioliquids from the outset of the scheme. We recognise there are valuable uses of bioliquids in renewable heat generation and combined heat and power, including those developed from wastes such as used cooking oil and those made from advanced technologies. There may also be potential to use bioliquids for domestic heating and that this could have significant impact in Northern Ireland given the prevalence of home heating oil.

However, there are complex issues we need to better understand and be able to address. These include potential competition for feedstocks with other sectors and sustainability reporting commitments under the Renewable Energy Directive (RED). We will consider supporting bioliquids under Phase 2 of the scheme.

## **Why are air source heat pumps not being supported?**

Further work is required to better understand the costs of air to water heat pumps at the commercial scale before committing long-term support for it. DECC has already worked with industry to gather relevant data and DETI will liaise with DECC to consider this matter going forward. At this stage, DETI intend to look to extend eligibility for air to water source heat pumps in Phase 2.

For air to air heat pumps we also have to overcome the practical problems of measuring the heat they generate and ensure we do not incentivise the installation of air conditioners.

## **How will payments be made?**

Payments will be made on a quarterly basis by the scheme's administrator, Ofgem. Payments will be calculated by multiplying the actual metered heat output of the technology over that quarter with the designated tariff.

## **Will heat be metered?**

Yes, all technologies installed under phase 1 of the NI RHI must have an appropriate heat meter installed. (Heat meters must fall within the accuracy of class 2 of Annex MI-004 of the EU Measuring Instruments.)

## **Will tariffs change over time?**

Once an installation is accredited under the scheme they will receive a fixed level of support which will be adjusted annually in line with inflation. However, to ensure the scheme is cost effective the tariffs will be reviewed over time and the new tariffs will be applied to anyone joining the scheme. The tariffs will be amended annually to reflect the Retail Price Index.

## **Who is eligible to apply for the scheme?**

The scheme is available to generators of heat and producers of biomethane that meet the eligibility criteria, that are based in Northern Ireland.

At the start of the scheme only non-domestic sectors will be supported. We intend to introduce a second phase of support which will establish support for the domestic sector as well as a number of other technologies and fuel uses that we are unable to support from the outset. The non-domestic segment includes businesses; public sector; charities and not-for-profit organisations; and industry.

A non-domestic installation is a renewable heat unit that supplies heat to anything from large-scale industrial heating to small business and community heating projects. This includes small businesses, hospitals, schools etc as well as district heating schemes (e.g. one boiler serving multiple homes).

## **When will the scheme close to new applications?**

It is expected that the scheme will remain open to new installations until March 2020. A review of the RHI will take place in 2014/15.

## **How long will the incentive payments last?**

RHI support for the first phase is for the lifetime of the technology to a maximum of 20 years.

## **I have already installed a renewable heat technology, am I eligible?**

Eligible equipment commissioned on or after 1 September 2010 will be able to avail of the RHI, however a suitable heat meter must be installed.

## **Why are domestic installations not included at this stage?**

A second phase of support will be introduced for some areas that won't be supported from the outset, including domestic installations. There are a number of important factors, specific to the domestic sector, that we need to consider further before we can launch a full RHI scheme for domestic buildings and ensure we pursue the most cost-effective way of increasing renewable heat at this scale. These include issues about how renewable heating systems operate in various types of homes and in combination with solar thermal panels; what the impact of changing the heating system is on the householder in terms of different behaviour; how long the RHI payback period should be, given the frequency with which people move house and the ways in which households raise and pay back finance; and how payments could be made, either through metering or a 'deemed' approach.

## **What support is currently available for the domestic market?**

The Northern Ireland, Renewable Heat Premium Payment (RHPP) scheme is a government support scheme to help domestic householders install renewable heating and hot water systems in their homes.

Individuals will be able to apply for a voucher which will be issued if their application is successful. When the qualifying technology has been installed the voucher can be exchanged for grant money.

The scheme was launched by the DETI Minister on 24 May 2012. Please read the eligibility criteria listed on the DETI website ([http://www.detini.gov.uk/deti-energy-index/northern\\_ireland\\_renewable\\_heat\\_premium\\_payment\\_scheme .htm](http://www.detini.gov.uk/deti-energy-index/northern_ireland_renewable_heat_premium_payment_scheme.htm)) to make sure you are eligible for the scheme before making an application. If you don't have access to the internet you will be able to apply by calling an advisor on 028 9052 9219.

The voucher values for each of the technologies are listed below.

<b>Technology</b>	<b>Voucher Value</b>
Air Source Heat Pump	£1,700
Biomass boiler	£2,500
Ground Source or Water Source Heat Pump	£3,500
Solar Thermal Hot Water	£320

DETI has confirmed that renewable heat installations installed in homes since 1 September 2010 will get the Renewable Heat Incentive once it comes in, provided they meet the eligibility criteria. They have also confirmed that this will include those who receive support under the N Ireland RHPP scheme, though the term of the incentive will be reduced to factor the grant paid.

#### **What issues will DETI consider as part of phase 2 of the RHI?**

Some of the issues that DETI wish to consider as part of phase 2 of the RHI are;

- Extension of the scheme to the domestic sector;
- A specific tariff level for deep geothermal heating (currently treated like ground source heat pumps);
- The introduction of tariff for Air Source Heat Pumps, Bioliquids; Solar thermal above 200kw;

- The need for support for large biomass installations; and
- The potential development of an 'uplift' for community or district heating schemes.

There may be further issues that DETI wish to consider relating to land fill gas, direct air heating and large biogas.

**What is the timescale for phase 2?**

At this stage DETI is keen to implement phase 2 in summer 2013. A public consultation on this matter will be held in early 2013.