

**WRITTEN BRIEFING PAPER TO
THE ENTERPRISE, TRADE AND INVESTMENT COMMITTEE.**

**THE DEVELOPMENT OF THE NORTHERN IRELAND
RENEWABLE HEAT MARKET.**

Introduction

1. Renewable heat is simply heat produced from renewable sources such as solar radiation, biomass materials, heat pumps, geothermal energy, anaerobic digestion and waste materials.
2. The EU Renewable Energy Directive (2009/28/EC)¹, published in the Official Journal of the European Union on 5 June 2009, set a binding target that 20% of the EU's energy consumption should come from renewable sources by 2020. The UK share of this target commits the UK to increasing the share of renewable energy to 15% by 2020. This requirement extends beyond electricity to heating and cooling and to transport. Northern Ireland is expected to contribute to the UK's share of the EU target and therefore DETI has carried out significant research into how best the local Northern Ireland renewable heat market could be encouraged, developed and incentivised.

The GB Renewable Heat Incentive (RHI)

3. The Department of Energy and Climate Change (DECC) has set a target of 12% renewable heat for England and Wales by 2020, this target, coupled with the 30% target for renewable electricity consumption, will assist in Great Britain meeting its requirements under the Renewable Energy Directive. Scotland has a separate target of 11%, although is included under the wider GB RHI.
4. In order to achieve this target, DECC has made clear plans to introduce a RHI in Great Britain from July 2011². The RHI in Great Britain will initially only be open to the non-domestic sector, DECC has recently initiated research to consider how the domestic sector should be incentivised with a view to supporting that sector from October 2012. In the interim, domestic consumers wishing to install renewable heating technologies can apply for 'renewable heat premium payments' to support the capital cost of the installation.
5. The RHI is seen as a ground-breaking initiative which will provide the necessary financial support to increase the level of renewable heat generation significantly. Over the next 4 years, DECC anticipate that £860m will be invested in new renewable heat installations, this investment will go beyond 2015/2016 as new installations are supported for 20 years under fixed tariffs. The tariffs set by DECC are designed to provide a rate of return of 12% (considering the capital costs, operating costs and non-financial 'hassle' costs) across each technology, barring solar thermal which will have a rate of return closer to 6%.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:EN:PDF>

² <http://www.decc.gov.uk/assets/decc/What%20we%20do/UK%20energy%20supply/Energy%20mix/Renewable%20energy/policy/renewableheat/1387-renewable-heat-incentive.pdf>

The scheme will be open to new applicants until 2020 and will be administered by Ofgem.

Tariff Name	Eligible Technology	Eligible Sizes	Tariff Duration (years)	GB Tariff Levels (pence per kWh)
Small Biomass	Solid biomass; Municipal solid waste (inc. CHP)	Less than 200 kWth	20	7.6 (1.9 after a certain level)
Medium Biomass		200 kWth and above; less than 1,000 kWth	20	4.7 (1.9 after a certain level)
Large Biomass		1,000 kWth and above	20	2.6
Small Ground Source	Ground-source heat pumps; Water-source heat pumps; deep geothermal	Less than 100 kWth	20	4.3
Large Ground Source		100 kWth and above	20	3
Solar Thermal	Solar thermal	Less than 200 kWth	20	8.5
Biomethane	Biomethane injection and biogas combustion, except from landfill gas	Biomethane all scales, biogas combustion less than 200 kWth	20	6.5
Likely levels of support for RHI Premium Payments for the domestic sector				
Solar Thermal		£300/unit		
Air Source Heat Pumps		£850/unit		
Biomass boilers		£950/unit		
Ground Source Heat Pumps		£1250/unit		

The Northern Ireland Renewable Heat Market

Economic Appraisal of a Northern Ireland RHI

Options considered

Proposed approach

RHI for Northern Ireland

Interim Support for Domestic Consumers

Support for heavy industrial market

Call for evidence on Deep Geothermal Energy

Establishment of a Cross-Departmental Group on Renewable Heat

Timescales and Next Steps

6. It is anticipated that the consultation paper on the development of the Northern Ireland Renewable Heat Market and the proposed incentive mechanisms will be finalised in the next few weeks. The public consultation will then be launched in early July and last 12 weeks. We will ensure that the consultation document and associated appendices are sent to the Committee; however this may be during the summer recess.
7. Following the 12 week consultation period the final scheme will be developed and presented to the Committee and published on the DETI website, with all interested stakeholders notified. Subordinate legislation will then be put in place to provide the legal framework for the scheme to be administered and for payments to be made. It is anticipated that the scheme will be in place by 1 April 2012.
8. The first meeting of the Renewable Heat Strategy Group will take place on **xx October 2011**. This meeting will focus on discussing the membership, objectives and purposes of the group, the shape of the NI RHI and the ongoing Bioenergy issues that the group is already tasked with.
9. DETI will undertake to carry out regular reviews of the incentive scheme and will endeavour to keep the Committee up to date with any proposed amendments to the scheme.

Recommendation

10. The Committee is invited to note the proposed outline of the Northern Ireland RHI and the next steps in the design and implementation of the scheme.