

From: [Brennan, Mike](#)
To: [McCormick, Andrew \(DETI\)](#)
Cc: [Sterling, David](#); [Crawford, Andrew](#); [Downie, Jill](#)
Subject: FW: Draft memo FM and dFM mb2 (3) (2) (2)
Date: 03 February 2016 11:40:21
Attachments: [RHI Draft memo FM and dFM mb2 3.2.16.docx](#)

Andrew – please see attached revise of Urgent Procedure paper.

The aim now is to close the scheme as quickly as possible. I've amended the paper to drop the consultation references (tracked). I understand that the intention is to bring the paper into play as soon as possible so we would appreciate your thoughts / concerns on this suggested way forward

Regards

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From: Brennan, Mike
Sent: 03 February 2016 10:05
To: Sterling, David; Aiken, Glynis
Cc: 'Crawford, Andrew'; 'Scott, Michelle'; Morelli, Emer
Subject: RE: Draft memo FM and dFM mb2 (3) (2) (2)
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Sent: 02 February 2016 16:00
To: Aiken, Glynis
Cc: Brennan, Mike; 'Crawford, Andrew'; 'Scott, Michelle'; Morelli, Emer
Subject: FW: Draft memo FM and dFM mb2 (3) (2) (2)
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From: McCormick, Andrew (DETI)
Sent: 02 February 2016 15:52
To: Sterling, David
Cc: Brennan, Mike; Stewart, Chris (DETI); Mills, John (DETI); Rooney, Eugene; Hill, Janice
Subject: Draft memo FM and dFM mb2 (3) (2) (2)
Clean copy as discussed.

Many thanks.

From the Office of the Minister



Department of

**Enterprise, Trade
and Investment**

www.detini.gov.uk

NETHERLEIGH
MASSEY AVENUE
BELFAST
BT4 2JP

Tel: 028 90 529452

Fax: 028 90 529545

Text Relay: 18001 028-9052-9452

E Mail: private.office@detini.gov.uk

**FROM: JONATHAN BELL MLA
MINISTER OF ENTERPRISE, TRADE AND INVESTMENT**

DATE: FEBRUARY 2016

TO: FIRST MINISTER AND DEPUTY FIRST MINISTER

**REQUEST FOR A DECISION BY URGENT PROCEDURE – CLOSURE OF THE
RENEWABLE HEAT INCENTIVE SCHEME (RHI)**

Introduction

1. In accordance with paragraph 2.14 of the Ministerial Code I am seeking agreement to take an urgent decision on the closure of the Northern Ireland Renewable Heat Incentive Scheme (RHI). The urgent decision is required to minimise significant DEL overspending on the scheme.

Background

2. The Non Domestic RHI scheme was introduced in November 2012 and the Domestic RHI scheme in December 2014. Both schemes provide payments for people to move from conventional heating (mainly oil) to sustainable heating such as wood pellets (biomass). In light of unprecedented numbers of applications for the Non Domestic Scheme and the outcome of the Government's Spending Review, an urgent decision is now needed on the future of the NI RHI schemes.
3. Successful Domestic RHI applicants receive an upfront payment of up to £3,500 (depending on the technology) along with 7 annual tariff payments based on the heat requirements of the property. Annual payments are typically around £1,200 but are capped at a maximum of £2,500. Uptake of the Domestic RHI scheme has increased steadily (c.700 applications since the scheme was introduced).
4. The Non Domestic RHI scheme on the other hand involves 20 years of annual tariff payments based on the metered heat usage of the business. Tariffs are dependent on the type and size of technology. To date, average annual payments have been around £24,000. The Non Domestic scheme therefore involves much larger and longer financial commitments than the domestic scheme.
5. After a slow start during the first two years, non domestic scheme uptake increased steadily during 2015. During the Autumn of 2015 there was an unprecedented surge in applications. This increase relates to one particular technology – biomass.
6. A sustained increase in applications during March and April 2015 was the catalyst for the legislative changes I brought through the Assembly in November to, inter-alia,

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7. The increase in applications means that over 6% of NI's total heating needs are estimated to be provided through renewable technologies. The PfG target of 4% renewable heat by 2015 has been exceeded and we would be well on track to reach the 10% target set for 2020. However, this success comes at a price. Total expenditure for both RHI schemes in 2015/16 is now forecast to exceed £30m. Even if no new applications are received in 2016/17 (i.e. both schemes are closed by 31/3/16), forecast RHI expenditure in 2016/17 is expected to be around £45m.

Scheme Approvals

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9. The affordability of the NI RHI schemes going forward obviously depends on the budget available. The RHI schemes (non-domestic and domestic) are paid out of Annual Managed Expenditure, (AME) which normally would not have an impact on the NI DEL Block funding. However, when the scheme was first introduced in 2012, HMT confirmed that RHI spending would not be treated as conventional AME, where the Exchequer takes on all risks. Instead, a risk-sharing arrangement was introduced whereby, should RHI spending in one year exceed the allocated budget, NI would need to repay this in future years. However, it was DETI's understanding that the rules provided that only a very small proportion of any required future savings (likely to be of the order of 5%) would have to be funded directed by NI through DEL.
10. Also unlike conventional AME, the initial 4 year (2011/12-2014/15) NI allocation of £25m was based on a Barnett formula of circa 3% of the DECC budget (£838m). HMT confirmed that any 20 year commitments entered into during this period would be honored. This arrangement was rolled forward in 2015/6 though the AME 2015/16 budget has since been raised to £30m in light of increased demand.

Implications of Chancellor's Autumn Statement

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Renewable Heat Incentive (RHI)

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Consultation

15. I have consulted the Finance Minister on these issues and he concurs with my concerns and desire to minimise the exposure of the NI Block DEL.

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19.18. This letter is copied to all Executive Ministers, the Attorney General, the Departmental Solicitor, Office of Legislative Counsel and Executive Secretariat.

JONATHAN BELL MLA

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To: [Sterling, David](#); [Aiken, Glynis](#)
Cc: ["Crawford, Andrew"](#); ["Scott, Michelle"](#); [Morelli, Emer](#)
Subject: RE: Draft memo FM and dFM mb2 (3) (2) (2)
Date: 03 February 2016 10:05:18
Attachments: [RHI Draft memo FM and dFM mb2 3 2 16.docx](#)

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From: [Crawford, Andrew](#)
To: [Timothy Johnston](#)
Subject: Fw: Draft memo FM and dFM mb2 (3) (2) (2)
Date: 03 February 2016 12:09:35
Attachments: [RHI Draft memo FM and dFM mb2 3 2 16.docx](#)

Sent from my BlackBerry 10 smartphone.

From: Brennan, Mike
Sent: Wednesday, 3 February 2016 11:40
To: McCormick, Andrew (DETI)
Cc: Sterling, David; Crawford, Andrew; Downie, Jill
Subject: FW: Draft memo FM and dFM mb2 (3) (2) (2)

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