

Scott, Michelle

From: Scott, Michelle
Sent: 20 January 2017 07:46
To: Brennan, Mike; Morelli, Emer
Subject: Fw: RHI

For information.

The economists met again with Shane and Alan yesterday to run through the model which we had discussed with Alan last week while Shane was on leave.

Noel had been off ill.

I spoke to Patrick yesterday and Colin has shared with him the latest position.

Michelle

Sent from my BlackBerry 10 smartphone.

From: McNally, Noel <Noel.McNally@finance-ni.gov.uk>
Sent: Thursday, 19 January 2017 20:12
To: Neeson, Patrick (DoF)
Cc: Finlay, Christine; Simpson, Tony; Scott, Michelle
Subject: RHI

Patrick

I thought that our meeting with Alan and Shane this morning was quite instructive and, in some ways, comforting in the sense that both Shane and Alan seemed to be on top of the game and relayed their confidence in their financial analysis of the situation. I was particularly impressed by their deft handling of the tricky but pertinent questions that we put to them. In short, I am slightly less nervous than I was when I first read the RHI paper.

With time now short I feel that we now need to deal head on with the DOF approval decision on this. In coming to a vfm decision I think that we need to bear in mind several key criteria that serve to guide our decision. Firstly, the EU State Aid position needs to be factored into our consideration, namely the EU Commission 's expectations of an overall IRR of between 8 and 22 per cent. Since the Rate of Return that we are now looking at is 12.9 per cent (compared to 12 per cent previously), this would, on the face of it anyway, appear to be compliant with the EU position. Secondly, the legal position needs to be borne in mind and although I have not seen any formal, written legal advice my reading of the situation is that the current proposal (as set out in the RHI paper) represents the most legally defensible position that we have before us. You will recall from our meeting that other options involving lower tariffs etc would dilute a sound legal defence. Lastly and certainly not least, there is the public finance perspective, particularly the need to act quickly in order to resolve the current difficulties, especially from a future generational point of view. There are other criteria such as the Renewable Heat Directive commitments but while important I feel that they are secondary in comparison.

So let me me stick my head above the the parapet and give you my personal and professional view. The current proposal (as set out in the RHI paper) is less than ideal but given the circumstances that we all find ourselves in I think that is the best option on offer now. It represents an emphatic vfm improvement

compared with doing nothing and hold out the promise of future reviews and re- calibrations. So that is my view.

Start shooting!

Noel

Sent from my BlackBerry 10 smartphone.