



Northern Ireland
Assembly

Committee for the Economy

OFFICIAL REPORT (Hansard)

Renewable Heat Incentive Scheme:
Renewable Heat Association

19 January 2017

NORTHERN IRELAND ASSEMBLY

Committee for the Economy

Renewable Heat Incentive Scheme: Renewable Heat Association

19 January 2017

Members present for all or part of the proceedings:

Mr Steve Aiken (Deputy Chairperson)
 Ms Sinéad Bradley
 Mr Thomas Buchanan
 Mr Alan Chambers
 Mr Gordon Dunne
 Dr Stephen Farry
 Mr Gordon Lyons

Witnesses:

Mr Michael Doran	Renewable Heat Association
Mr Tom Forgrave	Renewable Heat Association
Mr John Martin	Renewable Heat Association
Ms Elaine Shaw	Renewable Heat Association

The Deputy Chairperson (Mr Aiken): Ladies and gentlemen, we are very sorry for the length of time that you have had to wait. You probably heard the deliberations with the Department, but, as you can imagine, the information flow that we have had has been fairly sparse. I am particularly glad that you have been able to come to the Committee, because we need to hear the other side, which we have not heard at all.

Michael, please feel free to give us your opening statement that gives your views and perspectives. I also ask you to introduce your team so that we get a sense of who we are talking to and have a bit more of a feel for the information. Welcome and thank you very much for coming.

Mr Michael Doran (Renewable Heat Association): Thank you very much. I will introduce the team as I go through our presentation, which will not last more than about 14 or 15 minutes. I am Michael Doran, the chair of the Renewable Heat Association. I am also the managing director of Action Renewables.

The Renewable Heat Association was set up two weeks ago to cope with the issues that we have at the moment. It represents owners, trade bodies, suppliers and installers throughout the industry. We currently have about 350 members. Within the space of two weeks — we only formally launched on 9 January — we already have about 350 members. We represent responsible operators who do not seek to abuse the scheme but are using it for legitimate reasons. I want to make that very clear: we are not here to support any form of abuse. At the moment, the group membership — the 350 — is primarily from the agricultural sector. That is not deliberate, but because of the nature of the organisations that originally indicated that they wanted to form an association. Those were the Ulster

Farmers' Union, Biomass Energy Northern Ireland and poultry producers' and mushroom growers' associations. Those were the people who came to us and asked us to put it together.

We are concerned at the speed with which the proposed legislative changes being brought in and that there has been no consultation before that change. That is our main concern at the moment. It is very unclear what the figures are.

As we go through the presentation, we will deliberately try to stay away from complicated data and piles of figures. We will try to give you an understanding of what is happening in the industry and keep the numbers out of it. If you subsequently want more analysis, with data, we can give you that, but, at the moment, we are trying to keep it as simple as we can.

First, there are factual errors in the auditors' report from last July. So, already we have an issue. I will give you one example. Recently, it was indicated that there is an overspend of £12 million, but the auditors' report in July stated that there was an underspend of £15 million in the previous year. Could somebody tell me whether the underspend of £15 million has been set against the overspend this year? I do not challenge that there may have been an overspend this year, but, as of today, are we sitting at a minus £3 million spend? That is not clear.

We have taken legal advice on where it might go if the legislation is implemented. We believe that the actions to modify the scheme are illegal, and it is our intention to challenge that decision in court.

Before I hand over to some of my colleagues, I want to talk about the proposal we have for how to solve the issue. We launched that proposal on 9 January, and it is interesting that the Department seems to have adopted most of it, except that it is now cutting the scheme. On 9 January, we proposed that there should be audits of all the schemes' technical and business cases, that we should set up a voluntary code — the Department has not yet got that far — that all the existing contracts should be audited, and where anybody is found to be acting fraudulently —

The Deputy Chairperson (Mr Aiken): Does any code exist at the moment?

Mr Doran: No, and we think that there should be one. We are in the process of developing a voluntary code for our members. We are going to commission our own economic assessment to look at the cost of the scheme to date; the actual cost to the Exchequer; the extent of the anticipated overspend; and the environmental value, which is something that you are going to hear about later on. I want to take you back one step. What was the objective of this at the very beginning? It was to increase the use of renewable heat in Northern Ireland. That seems to have been lost in all the figures and facts on overspend.

There will be three presentations. We have John Martin, who is acting on behalf of Biomass Energy Northern Ireland and will also do the summary; Tom Forgrave, who is acting on behalf of the poultry industry; and Elaine Shaw, who is acting on behalf of the mushroom industry.

Ms Elaine Shaw (Renewable Heat Association): Thank you very much for giving us the chance to speak to you, because I think that it is very important that we, as a sector, get our concerns across. The mushroom sector is a relatively small sector. We have 27 growers with an approximate turnover of £27 million. We employ 1,200 staff directly and a further 720 indirectly in packaging, compost and casing. The mushroom industry, along with a lot of agri-food sectors, has been under substantial cost pressures over the last months due to exchange rate fluctuations. Northern Ireland mushrooms are becoming less competitive in the marketplace. This is further compounded by the constant pressure from customers looking for cheaper food. Many of the savings and efficiencies made on our farms do not stay with the primary producer but are passed down the supply chain. As a result of the living wage increases over the last 18 months and exchange rate fluctuations, costs for growers have risen about 17% in real terms. The current climate in mushroom production —

The Deputy Chairperson (Mr Aiken): Sorry, did you say that the costs have risen by 17%?

Ms Shaw: Yes. There have been two wage increases, which account for 14%, and then there have been exchange rate fluctuations. We buy our compost in the South of Ireland, so those costs have increased dramatically. It is a 17% increase across the board. In the current climate of mushroom production, it is not about growth — it is about staying in business. The potential of breaking the contract that was created with our growers and implementing the proposed tariff is to very quickly put the growers under severe financial pressure.

I will just fill you in on where the mushroom industry has been on energy strategy and how the RHI fitted into that. Over the last 10 years, our industry has implemented an energy efficiency strategy, working with both the College of Agriculture, Food and Rural Enterprise (CAFRE) and the Farm Energy Centre in Stoneleigh to carry out energy audits on farm. We went to great lengths to ensure that our farms are energy efficient and reduce the energy that they require by upgrading pipework, improving insulation, sealing doors and all that. Over a five-year period, our mushroom growers have reduced their energy usage by 25%. An integral part of this strategy, since 2013, was the conversion from oil to biomass. It did not matter if we were burning oil or biomass, we wanted to be energy efficient first. The next stage was renewable energy. The capital investment was the barrier. There was a significant cost to move to renewables plus a significant hassle factor in that, when you have an oil boiler, you hit a button and it works all the time but there is a lot more managing in renewable energy.

The Deputy Chairperson (Mr Aiken): For the sake of the record, what is the cost of a standard biomass boiler? Let us say it is a 99 kilowatt boiler or one that you use.

Ms Shaw: The standard cost is about £55,000. That includes the boiler, the pellet store and the pipework. The whole installation cost was, on average, about £55,000.

The RHI scheme was timely. It incentivised growers and provided them with a route to be able to invest in the boilers. The first installation of a 99 kilowatt boiler was in 2013. Over the next three years, 90% of the growers invested over £2 million collectively on installing the boilers. This investment reduced our growing costs by 4%, which was a substantial margin. That has been critical to allow our growers to remain competitive and compete with the Polish mushrooms that are being imported.

What is the impact on the sector if the contract is broken? Breaking the contract in this manner and speed would leave our mushrooms less competitive and result in a potential reduction of our margin by 4%. Growers have met the requirement of the scheme. When we were pricing mushrooms, we priced in the cost reduction. When we were pricing contracts with customers, we set prices based on the RHI scheme. We cannot go back to customers next week and say, "From 1 April, your mushroom price has increased by this much". The potential is for contracts to be lost with certain customers if they will not give us a price rise. I addressed the ARD Committee last year on the concerns of the horticultural industry about prices, and prices have not increased over that time.

The Deputy Chairperson (Mr Aiken): Elaine, have you looked at the costs of the scheme being changed as the Department is proposing? What impact would that have on your cost base?

Ms Shaw: It would probably be about 2%.

The Deputy Chairperson (Mr Aiken): That is a lot in tight margins.

Ms Shaw: Yes. We will get into this later, but, in the GB scheme, we would have been allowed a 199 kilowatt installation, which would potentially have cost £80,000. We had to do two 99 kilowatt installations at a cost of £110,000. So, we are at a cost disadvantage because of the 99 kilowatt cap. That was imposed on the scheme. We did not ask for a 99 kilowatt cap. We had to follow that. It has put us at a great disadvantage, because somebody in the November scheme could put in a 199 kilowatt boiler. It is a massive —

The Deputy Chairperson (Mr Aiken): In essence, what you are saying is that you are being penalised for going early.

Ms Shaw: Yes. It impacts on the grower's ability to pay commitments to the bank and on further investment. Shane was out at one of our mushroom units two years ago, and as he said, growers were making a decision about return from capital on whether to invest in biomass or in Dutch shelving. Dutch shelving allows you to put in more mushrooms and increase economies of scale. They made the decision to go to renewable energy. That decision was made on the basis of the contract that we have. A different decision may have been made if we had known that this was coming down the line.

The Deputy Chairperson (Mr Aiken): Sorry, when you referred to Shane, is that Shane the economist?

Ms Shaw: Yes.

The Deputy Chairperson (Mr Aiken): So, he came out and —

Ms Shaw: On a totally separate matter; he knows the sector. He was talking about people making decisions on what they were going to spend. The decision was made because of the tariff in the contract that meant that renewable energy reduced our cost and made us more competitive. If we had known what was going to happen now, the grower might have said, "Actually, I will invest in Dutch shelving. That is a better route to reduce costs."

It is wholly unfair to break the contracts with mushroom growers who have adhered to the conditions of the scheme in full. Growers will be penalised due to the poor implementation of the scheme by the Department for the Economy. As an industry, we have gone to great lengths to reduce our energy requirements and will continue to monitor and assess our ongoing energy usage to ensure maximum efficiencies. Mushroom growers entered this scheme for the correct reasons and have at all times adhered to the criteria. We believe that the current proposal is in no way a solution to any of the problems that have been raised and merely acts as a diversion from the real issue of the governance and lack of due diligence in this scheme.

Mr Tom Forgrave (Renewable Heat Association): I am here on behalf of the poultry sector. I will just take you back pre RHI. The poultry sector was one of the largest users of liquid propane gas (LPG) in Northern Ireland. Knowing what we do now, I can say that we did have issues with the use of LPG and burning it within the sheds. The RHI scheme came along and made a huge difference to poultry production in Northern Ireland. We have hugely reduced our reliance on imported LPG. We have removed the burning of a naked gas flame within our sheds. We now have hot water heating. That has provided numerous benefits to the welfare of our chickens because the environment is now drier and healthier. We have reduced the use of antibiotics to almost zero —

The Deputy Chairperson (Mr Aiken): Sorry, just for the record: you say that you have managed to reduce the use of antibiotics in poultry to almost zero.

Mr Forgrave: Almost zero.

The Deputy Chairperson (Mr Aiken): Are you saying that that is attributable to the fact that you have gone from the damp heating effect of LPG to the more efficient heating from the boiler system?

Mr Forgrave: Not all of it, but most of it has come from that improved environment.

Ammonia used to be a problem in the sheds. It is a recognised greenhouse gas, and the hot water heating has reduced it by a factor of up to 10. Carbon monoxide is no longer present in the shed, because we are no longer burning a naked flame. We also have much less CO₂ in the environment. Because of these things, we have found that bird performance has improved, and we are now importing fewer tons of soya from South America. We have been able to reduce the amount of bedding required in the poultry shed because it is drier, and, subsequently, we have dramatically reduced the amount of waste bedding coming out the poultry shed at the other end. This helps us to reach targets set by the Northern Ireland Environment Agency (NIEA) on reducing litter being spread to land. We used to have two significant welfare issues in the poultry industry. We had pododermatitis, which is a burn on the foot pad of the bird, and we had hock marking. Since moving to biomass hot water heating, we have reduced both these welfare issues dramatically. We now have a higher percentage of saleable chicken with less waste, and the RHI scheme has enabled us to remain competitive with production in GB, where biomass heating is an ongoing success story and where the RHI scheme remains open.

The Deputy Chairperson (Mr Aiken): Just for the evidence base, if you have the data for GB, could you say what proportion of the poultry industry in GB, particularly in England and Wales — I know that Scotland might be slightly different — is now being supported by biomass?

Mr Forgrave: I do not know the numbers, but it is significant.

Leading on from all that, I would like to highlight the effects that these proposed amendments that are on the table will make to our industry. We have a high heat requirement in the sheds. Nobody is disputing that. But with the new tariff ceiling that is being proposed, we will have to revert to burning

LPG once we hit that cap. If the additional LPG required is cost-prohibitive, which it most certainly will be, many of the benefits that I have just outlined will be lost. We will once again be at the whim of international energy markets. We may very well become uncompetitive with poultry production in GB, and we therefore fear that any future expansion in the poultry industry will happen in GB rather than in Northern Ireland. One of the main fears that farmers have is that they have invested significant sums of money not only in the boilers but in the equipment that we need to put inside the chicken sheds to transfer that heat. There have been significant investments, and there is a real fear that the growers will be unable to meet their financial requirements should this change be implemented.

The reality is that there have been cost savings over the last two years and these have already made their way down the supply chain. We fear that they cannot be recovered if a change is made. I reiterate what the mushroom industry has said. If this change is implemented, the early adopters will be unfairly disadvantaged. The early adopters have a 99 kilowatt boiler. That is what the scheme limit was, and the proposal is to limit that to 1,314 hours. The late adopters had a 199 kilowatt boiler, and 1,314 hours is double the kilowatts per year on the 6.5p. So, by the law of unintended consequences, you are introducing a two-tier system that is unfair to the early adopters.

During the last couple of weeks, a couple of questions have come to the fore from the poultry industry. The first is this: was the poultry industry even taken into consideration during the original consultation process? If it was not, that was quite a large oversight by the consultants. However, if it was taken into consideration, the Barnett formula was never going to work with the RHI. Northern Ireland has only 3% of the population, but we account for between 10% and 20% of the UK chicken production. The other question being asked is this: was 3% of the total UK RHI budget set by Westminster ever going to get us to the 10% renewable heat target for Northern Ireland by 2020? We are currently at 6.8% renewable heat, with a projected overspend of between £20 million and £30 million. Surely the budget was flawed from the very beginning. Was the overspend not inevitable?

The Deputy Chairperson (Mr Aiken): For the record, what size is the Northern Ireland poultry industry in finance and employment terms?

Mr Forgrave: The Northern Ireland broiler meat industry is producing 2.2 million to 2.5 million chickens per week. We are Northern Ireland's single largest employer. I believe that Moy Park employs 12,000 people. Financial turnover in Moy Park is £1.2 billion to £1.4 billion, I believe. Again, I do not have those figures in front of me. And there are other poultry industries beyond Moy Park.

The Deputy Chairperson (Mr Aiken): So, it is a multibillion-pound industry?

Mr Forgrave: Yes.

Mr John Martin (Renewable Heat Association): I have been chairman of Biomass Energy Northern Ireland for a number of years, and we have been active in promoting local supply chains for Northern Ireland-grown and produced biomass. There has been a biomass sector in Northern Ireland for quite a number of years, and predating RHI there were in excess of 25 drying facilities. They were producing renewable fuel, mainly for local consumption. The introduction of RHI has replaced fossil-based heat sources for the drying of woodchip in those facilities in order to meet customer specifications. That is very much in line with internationally recognised quality standards. It is now viable to chip and dry biomass material, such as forestry brash, which was previously considered waste and had no value. That generates additional income for the economy.

I want to set that to the side and move to summarise what my colleagues and I have raised this afternoon in our presentation. First, to emphasise, we do not condone any fraudulent behaviour in any way, shape or form. The proposed RHI amendment will have very significant consequences for many small businesses, which most of the participants are. The participants applied legitimately to make the switch to renewable heat. They were not responsible for managing applications or administering the budget but are being forced to carry the cost of failures in administering the programme.

Renewable heat is a proven technology, which has operated very successfully in other jurisdictions and continues to do so. We believe that the current proposal to amend the scheme is poorly thought out and is a knee-jerk reaction caused by the solely negative portrayal of RHI by some sections of the media. We believe that the proposal to vary the contract has much wider implications for future government contracts. Foreign direct investors, for example, may ask whether any contract they sign with the Northern Ireland Executive is worth the paper it is written on. We believe that it is a much wider issue than just simply RHI.

Businesses that participate in the scheme are involved across a range of sectors, including manufacturing, the public sector, leisure, hospitality, eldercare and agricultural production among others. They generate significant income and create employment for the Northern Ireland economy. These businesses install renewable heat to improve their efficiency. We recognise the concern relating to the overspend in the non-domestic scheme. However, the figures used in the Department's calculations are not clear and, to date, we have been unable to clarify the assumptions that have been made — some of those have been raised already. A public inquiry will not address the financial implications of amending the payments rate. It will simply look at the administration and development of the scheme.

We would submit the following recommendations to help achieve a workable solution. First, there has been no consultation on the proposed amendment. There should be a delay of three months to allow a statutory period of consultation to be completed with no changes in contracts imposed in the meantime. Secondly, the Department should use the three-month period to complete the audits of all RHI installations. I am pleased to hear departmental officials say that they are going to go down that line. However, we would urge them to speed that up, so that inspections are completed with more haste. These should look at the technical design and operation of the equipment as well as the business need for the heat that is produced.

Next, there is a compelling need to complete an independent economic assessment, which will quantify the benefits of RHI to the Northern Ireland economy as well as the costs of operating the scheme. All of the focus has been on the negative and none on the positive. As an association, we are prepared to complete that within an eight-week period. Of course, we can discuss the terms of reference for that assessment with the Committee. Finally, we will produce a voluntary code for members to ensure compliance with the terms and spirit of the RHI scheme.

In conclusion, we believe that the rush to draft this amendment has bypassed the scrutiny mechanisms that should be the cornerstone of good government. Legislation produced in a hasty manner is likely to be flawed and may reflect poorly on those who adopt it.

The Deputy Chairperson (Mr Aiken): Sorry, we were just talking amongst ourselves. There is the question about an economic assessment. I think that one of the things that is missing throughout this is that we have not seen a lot of data. There seems to be a lot of hastening towards particular things, and we have not actually seen, on any side, any detailed economic assessment of what has happened. I was just talking to the Clerk to get some views about that, so please do not take that as any slight.

I will talk to the rest of the Committee on the actions afterwards, but one of the things I will be proposing is that we write to the Department to be in the process of commissioning and working towards an independent economic assessment of what the impact of this is likely to be. I will invite other members to ask questions in a second, but I am very concerned about the impact on the mushroom business. I am very aware of some of the issues that it has had with disease across the border, and I do not want to see anything that is going to severely impact on the mushroom industry. We need to be able to quantify that issue. As for the poultry industry, it is one of Northern Ireland's success stories, and it is an area of growth as well. We need to really understand the likely impact of this. I am not prejudging anything. We do not have sufficient data and do not have those particular things.

Ms S Bradley: Thank you for your presentation. John, have you noticed any increase in the numbers of new businesses starting up, in terms of drying out, that could have been born purely to serve the RHI scheme?

Mr Martin: As I indicated, there have been quite a considerable number of installations involved in producing biomass, particularly woodchip, arising from locally-grown energy crops. Some of the material was also derived from forestry that was chipped. As I indicated, there have been other materials that previously have been pushed into a pile and simply had a match put to them, releasing carbon in the process, and have been considered to be a waste. With RHI in place, there is now the opportunity to utilise some of that material. Forestry brash, for example, which is the material left after all the saleable product has been removed, is now being baled up and can be chipped, and it requires a degree of drying to make it saleable and usable for end users.

Part of the reason around the whole drying issue is to do with stability in storage. Because of our temperate climate, material does not dry out naturally to the required moisture content to allow it to be

stored safely. In store, there is the risk that it could heat naturally and spontaneously combust. Additionally, you can have moulds, such as aspergillus, which causes farmer's lung and was associated in the past with poorly-cured hay. So that creates a significant health risk to everybody involved in the handling, transport and use — even those in the place of use — of the material.

To answer your question: there has been some development within the sector, partially to provide material for additional boilers, although the majority of additional boilers use wood pellets rather than woodchip —

Ms S Bradley: Have there not been new businesses set up specifically for that?

Mr Martin: In the normal course of the business cycle, people will set up a new painter's business or plumber's business, so there are additional people who have —

Ms S Bradley: Was it a notable number, or would it be in the natural order? Have you noticed a spike? I just think that, because the RHI scheme was so attractive to so many, new businesses may have been created to serve that.

Mr Martin: There would be some new businesses, yes, but there have also been a number of long-standing businesses involved in the sector.

Ms S Bradley: OK. Thank you.

I really do take your point. I am looking at the conclusions, which basically say that, if anybody supports any efforts to claw back, it will reflect poorly on them. However, even as individuals, you have to appreciate that there is a balance needed here. There is a balance against the public purse, and nobody is intent on costing anybody their job or not supporting anything that does not promote growth in the economy. I suppose, Tom, when I hear the words that you used — antibiotics, bedding, welfare, heating — I think of the people who cannot get antibiotics because they do not have access to GPs because of our public purse problems. "Bedding" — we all know about the trolleys in hospitals and people who cannot get a bed. "Welfare" — do I need to say "welfare reform"? As for heating, there are people who have to choose between heating and eating. Therefore I do not think that you can say that it "reflects poorly".

We all have to take a measured yardstick to this. It is nice to know that our chickens are doing well, and I do not say that flippantly because we are acutely aware of the potential job offer and the importance of growth in our economy. However, it is about finding a balance. We are all duty-bound to take a measured approach rather than saying that it is just a poor reflection on someone if they want to take action to alleviate this drain on the public purse. We are not talking about businesses that are in the scheme legitimately; we are looking at cases that, we are told, involve potential fraud and abuse.

It is incumbent on everybody to do everything that they can to make sure that that stops with immediate effect.

Mr Doran: I agree with 98% of what you say. However, what is proposed will not stop fraud; what they are doing is just cutting it across. I gave the following example on the radio the other day. We all know that there is benefit fraud in Northern Ireland. However, I do not hear anyone suggesting that we cut the benefits of everyone who receives benefits legitimately to make up for those who receive them illegitimately. I will give one other example. People have developed businesses on the back of RHI. It is like you signing up to a mortgage for 20 years. Two years into the mortgage, the mortgage company says, "We are going to increase your payments by a factor of three". This is cutting RHI payments by a factor of three. If I came back to you and said, "Sorry about this, made a bit of a mistake; we're going to charge you three times as much on your mortgage", it would cause financial hardship.

I agree completely with you that we need a solution. However, a quick-fix plaster is not a solution.

Ms S Bradley: I take your point.

Mr Lyons: First, we need to recognise, and people have not yet recognised this, that there are people who are operating boilers in a completely legitimate way. There is innuendo and insinuation that if you have one of these boilers you are doing something wrong.

Mr Doran: Correct.

Mr Lyons: It is important that that be placed on the record. We want to hear your point of view and your evidence. At the same time, we had others giving evidence before you who have responsibilities and a job to do. Andrew McCormick said that it was the Department's intention that the rate of return for those who invested would be in and around 12%. However, in some cases the rate of return has been 40%, 50% or, in some cases, over 60%.

My first question is whether you believe that that is an excessive rate of return.

Mr Doran: We are moving as fast as we can. Yesterday, we sent a notification to all our members to get data. To date, we have got 102 responses to assess the rates of return. At the moment, I honestly do not know because it will take us three or four days to plod through the data.

The Deputy Chairperson (Mr Aiken): When you get that data, Michael, would you forward it to the Committee?

Mr Doran: Yes. I do not know how you define what an acceptable rate of return is. If that was not the intention of the scheme, that may be an unintended consequence. You are quite right that it is possible that some schemes are giving that rate of return. However, I bring you back to the fact that we did not create the scheme. It is supposed to be a 20-year scheme, but it has been cut after two years. It will leave a very tarnished image of Northern Ireland on the world stage if the Government are seen to be backing out of a 20-year commitment.

Mr Lyons: I understand that it is not your job to define a reasonable rate of return or to comment on it. However, I ask again: do you think that a return of 50% or 60% is excessive?

Mr Forgrave: I will take that question. We have to think back to the economic situation when the scheme was first set up. The RHI tariff was set when oil was \$110 a barrel and wood pellets were £200 a ton. However, there has been a big change: today, oil is \$50 a barrel and pellets are £150 a ton. With hindsight, I think that a fuel ratchet price mechanism probably should have been built into the scheme, and it was not. That was quite a big oversight: if fuel prices had come down, the tariff could have come down accordingly. With that knowledge, the tariff's being set at 5.9p was correct, as that left the correct return on investment for the conditions at the time. We also have to remember that we had a limit on a 99 kilowatt boiler. The GB scheme had a 199 kilowatt boiler, so a guy who had a poultry shed in GB had the facility of a 199 kilowatt boiler to heat that shed. We were trying to heat the same shed with a boiler half that size, so that boiler was going to work longer hours. It is simple physics.

Another thing that we need to remember is that, when the scheme was first launched in GB, they were getting 9p a kilowatt; they also had access to cheaper fuel than we did. To say that we were over-incentivised is a fallacy.

Go back again to 2012. The proposal on the table now is for a tiered scheme on a 99 kilowatt boiler; 1,314 hours at 6.5p reducing to 1.5p and a cap of 400,000 kilowatt hours. If that offer were put on the table today as the definitive RHI scheme, would anybody sign up to it and put a boiler in? I can say categorically no. The numbers do not add up. Not one boiler would be put in under that tariff.

Mr Lyons: That is what I am trying to get at: you are saying that you do not believe these rates of return are excessive.

Mr Forgrave: I want to bring something to your attention. I am sure that you are all aware of the NIAO report of 2015-16. Paragraph 42 on page 110 refers directly to poultry production. It makes an assumption that poultry producers run their boilers 365 days a year and turn them off only to service them. We cannot do that. We have a period every seven weeks when the birds go out. The boiler is turned off for anything from seven to 14 days, depending on turnaround. Further to that, page 117 of the same report has a work-through page on running a boiler 365 days a year. That page is flawed, as it assumes that, because you run your boiler 365 days a year, after five years it is completely done

and will need to be replaced. Number one: why would we run our boiler every day knowing that it would break down in five years' time? The more important point is this: under the RHI scheme, you get the payment only for the boiler that you install on day one; if that boiler is destroyed for any reason, it cannot be replaced. It does not attract RHI. To put that assumption in the report and say that a boiler would be replaced every five years is completely false. There is a glaring misunderstanding, or lack of understanding, of the technicalities of the scheme. It worries us around this table that that is not understood fully.

Another factor, and why I highlight it, is that it is in the press. The press has got this and is showing poultry producers making an 82% return. Is it any wonder that we are being demonised? Nobody is making that return, but that is in the papers. They have also assumed that, prior to RHI —

Mr Lyons: Sorry; can I interject? I suppose that we are going on to a different topic now. Is your argument that nobody is getting a 60%, 70% or 80% return?

Mr Forgrave: Have you factored in all the costs? The NIAO report does not factor in costs such as insurance and interest on bank loans. A lot of information is missing. We do not believe that anybody is making those rates of return. Are they making more than 12%? Some are; some are not. In our industry, we have a multitude of ranges of sheds. We have sheds that hold 10,000 chickens, and we have sheds that hold 40,000 chickens; we have sheds on top of a hill, and we have sheds in a valley; we have sheds that are 40 years old, and we have sheds that are two years old. There is a huge range. The suggestion that 400,000 kW is the number that a man needs to produce chickens does not stand up. Some guys will use less; some will use more. Should we be criminalised for using more? I do not believe that we should if we use more than 400,000 kW under the new tariff. The birds still need heat. We cannot turn the heat off and let birds go cold, but we are going to have to fund pellets out of our own pocket. So, the proposal on the table has serious consequences for our industry.

Mr Lyons: I think that it is useful as well, as Andrew said earlier, to differentiate between fraud and overcompensation. Overcompensation is, I think, still an issue that needs to be addressed, because the Department has a budget envelope in which it has to operate. No one is saying that this is an ideal situation. It is a short-term one, because the regulations will cease on 31 March next year.

The Deputy Chairperson (Mr Aiken): If they are passed.

Mr Lyons: You have included in your own plan — is that right? — the rates that you want to see.

Mr Doran: No, we have not put anything in about rates. What we are saying is that we need to take a considered opinion. I do not want to contradict anything that anybody said, but I want to take you back to one thing that you said about it being a one-year scheme. I thought that the permanent secretary said earlier — I might have misheard it — that it may be that the scheme will then continue. So, I do not think that the intention is for this to be a temporary fix.

Mr Lyons: As a Committee, that is all that we are doing today. We are not looking at what comes after that. Understandably, this could form the basis of what comes next, so that is important for us to consider.

Mr Doran: I will give you another example, although fully I accept that it is an exaggerated one. One of our members has invested £1 million in a back-end process that is driven by his boiler. He is making a profit out of running the boiler that allows him to drive a very specific kind of product that he is selling outside Northern Ireland. He has already signed up to a five-year contract, so if the rate is cut he cannot continue to run that business. His investment is not just in a £50,000 boiler; it is in a £1 million bolt-on that cannot function cost-effectively without the RHI. There are consequences.

I have to go back again to something that was said earlier. One of you asked about risks, and it was, I think, Shane who said that doing nothing has operational risks as well as legal ones. They do not, however, seem to consider the financial hardship risks to the many businesses that will be affected. I fully agree with your earlier point that we have to do something to cut this back because there is an overspend.

The Deputy Chairperson (Mr Aiken): Michael, that is fully understood. More than anything, the Committee has realised that there are significant issues to do with how risk is looked at as well. Gordon, do you want to come in?

Mr Lyons: I really appreciate your indulgence, Deputy Chair. I have one more question, if that is OK.

In your submission, you say:

"The current proposal to amend the scheme is poorly thought out, and a knee jerk reaction".

In our evidence session with the permanent secretary just before this, he said that there is no "quicker or better option". He said that it was:

"a very defensible and viable proposal".

We have to make a decision to ensure that it is the best option on the table; that it is viable and defensible. As decision-makers, we need to have all the information. If this is a proposal that you believe is not viable, is not defensible, and is not a good option, what do you suggest we do instead that will have the same outcome: reduce the overspend to effectively zero?

Mr Doran: Take three months to do the economic assessment and then come to a considered opinion about what you are doing.

Mr Lyons: That takes us into the next financial year.

Mr Doran: Yes, it does. I am reluctant to give you an instant solution for several reasons. First, I do not know what the outworkings could be. I will throw you out a figure of 4p per kilowatt hour. I have no idea what the financial implications are to people and to the budget for that. I would be making figures up. Secondly, we have not consulted our 350 members, so, if I put a figure out here today, that has not been agreed. Thirdly, we do not represent the entire industry, so if I throw a figure out now, there are another 1,600 people who are not in our association who will ask, "Who are you talking on behalf of?". We are saying that this is premature.

Mr Lyons: I think that that highlights the difficulty that we are in because we believe that there needs to be a solution to this as soon as possible, and I think that everybody is united in wanting to see that. We want this in place for the next financial year, and I do not think that there is anything else on the table. I do not think that there are any other ideas for us, and it is hard to disagree with the analysis that this is the best option and that it is defensible and viable. There is certainly a lot of information here for us to consider. This is important as we go forward, if an Assembly exists, and if an Executive comes about, and if we are returned, and if we are on the Economy Committee. There are a lot of ifs here. It forms the basis of what we should be looking at in the next scheme, but I think that it is clear from what you are saying that there is no better option for our time and financial requirements.

Dr Farry: Welcome to all our guests. I want to push you on a couple of points. Without delving into who did what and why, the premise of what you are essentially saying is that, if we go back to the initial design of the scheme in Northern Ireland, if those who made the decision had copied the GB scheme literally word for word, it would not have been fit for purpose for the conditions in Northern Ireland. Arising from that, the funding envelope with annually managed expenditure moneys would not have been sufficient to cover what would have been the practical costs of implementation in Northern Ireland. Is that a fair summation?

Mr Doran: No, I do not agree with your first premise that it would not have been suitable. It would have put in additional cost controls that were not here.

Dr Farry: On the tariff levels and the tiered approach, would that have been economically viable for all the different sectors that are represented here?

Mr Doran: Yes. However, there is a "but" to answer the second part of your question. I know that this is complicated to get over without a drawing board, so I will make it as simple as I can. We started off at 3% renewable heat. The intention was to go to 10% renewable heat, so we were trying to add in 7% renewable heat. We have gone to about 7%, so we have gone up by four percentage points on our target, which was seven percentage points. Therefore, we are about 60% of the way there, and,

by doing that, we have overspent by a factor of two. There is something fundamentally wrong with the way in which the scheme was drawn up. How is that possible? I would love to see the original analysis because, if we are all producing more heat, why have we overspent on the budget? Can you understand that? This is crucial. If we had a budget, somebody must have worked out how much money was in the piggy bank to fund this scheme to 2020 to get us to 10%. We have only gone to 7%, but we are overcommitted by a factor of two already, and we are only 60% of the way there. There is something fundamentally wrong with the way in which the original scheme was run.

Dr Farry: Indeed, that will be for the public inquiry, or one of the various public inquiries that seemed to be announced today, to delve into. In a similar light, Michael, and maybe Tom, if the conditions in 2012 were such that this was a leap or a greater step change on what was on offer, why was take-up low initially and below budget? Leaving aside what has been talked about in the media, from the perspective of the sector, you then see a very rapid increase in applications beyond 2014-15.

Mr Forgrave: There were probably two reasons for the slow uptake at the start. First, it was not promoted; DETI did not seem to be promoting this technology. We did not really know about it. Most of us found out by word of mouth, and that takes time. Moreover, there is a long lead time with boilers: you do not just go to a shop, buy a boiler and install it next week.

The Deputy Chairperson (Mr Aiken): What is the lead time roughly for getting a boiler?

Mr Forgrave: Anything from six to 10 weeks from order to delivery. You then have to construct a shed to put it in. That all takes time.

Mr Doran: The lead-in time is actually considerably longer because you also have to get planning approval. The actual lead-in time from deciding that you want a boiler to getting it installed is more like nine to 12 months.

Dr Farry: Is that building control or planning approval or a combination of both?

Mr Doran: Planning and building control.

Mr Forgrave: That was part of the reason for the slow uptake. As an offshoot from that point, if the scheme was so lucrative, why did more people not come in earlier? Surely the slow uptake proves that the scheme was not the cash cow that people think it is. The press talk about the spike in applications. Was there a spike in applications when people signed the letter to report to DFE last Tuesday? Did people leave it to the last day or two? That is human nature. What we found is that a lot of people got a quotation from their installer to put a boiler in up to two years before the tariff changed. They were not convinced that it would work in their business; they were not sure of the numbers; they were sitting on it and watching who else progressed. They sat on the fence for one or two years. All of a sudden, DETI announced the date when the tariff would change. Those guys thought, "Right, we had better go ahead and get this done". That does not cover the reason for all the spike at the end, but I believe that it is a contributory factor.

Dr Farry: I want to go back to the point about the divergence between Northern Ireland and GB. Obviously, we have a different economy and a much larger farming sector. In essence, GB under its version of the scheme was living within the AME control figures and is not having a similar controversy. I appreciate, Michael, that this may not go the full way to the targets, but something really bizarre is going on here in the context that our overspend is more than twice the AME cover.

Mr Forgrave: There is a fundamental difference between GB and Northern Ireland: cheap natural gas. The guys in GB can put in a 199 kilowatt boiler, run it for 13 or 14 hours, turn it off and go back to cheap natural gas to top up whatever requirement they still have. We did not have access to that in 2013 or 2014. It is starting to come in more now, but farms most certainly did not have access to cheap natural gas. I believe that that was one of the reasons why the tariff was set where it was and was uncapped. It was a recognition that we do not have access to a cheap alternative and that we have a genuine, high need for heat.

Dr Farry: Leaving aside the whys and wherefores, if there had been a tiered approach in place from day 1, would the uptake of the scheme have been substantially different, taking into account your points about marketing and it being human nature for people to wait to see how things would turn out?

Would we be in a fundamentally worse or a much better place today, based on how the industry would have responded to the situation?

Mr Doran: My opinion is that the answer is "Yes". I cannot prove it, but I think that we would be in a more stable situation now without any overspend.

Dr Farry: The point is that what we are now trying to do is put in place retrospectively as best we can what should have been put in place at the commencement of the scheme. Obviously, we cannot simply wind the clock back and pretend that what has happened has not happened. People made decisions based on the scheme as it then was. Will you give us some sense of that? It would give us an indication of the viability of, essentially, going back to first principles in terms of the impact. Is it now the transition and, obviously, the consultation around matters, that are critical to you, or is it that the fundamentals of a tiered approach are utterly counterproductive to your respective industries?

Mr Doran: It is to do with the fact that the Government contracted with people for 20 years on the basis of a certain tariff, and they are now tearing that up after two years. Most people have made business decisions. There may be some people out there who are not terribly affected, but my guess is that most of the businesses will be very seriously affected. It is not just the running of the boiler; it is about the knock-on effect that that has on the other investment that they have put into their business.

Dr Farry: I will be devil's advocate here: you could separate out the issue of what is, arguably, bad faith on the part of government and what is a speculative point in relation to the knock-on impact on the wider investment context, whether in renewables or further afield. The critical thing is whether the substance of the proposed changes is of a nature that will fundamentally create a problem for your industries.

Mr Doran: Yes.

Dr Farry: It is that as well?

Mr Doran: Yes.

Dr Farry: In the context, therefore, where we have an overspend, you are focused very heavily in your documentation on the issue of fraud and the tackling of fraud as being the means by which we bring our budgets back in. The contrary argument put by the Department is the point that others have mentioned already about excessive profits being the case. Am I correct in assessing that your emphasis is on the issue of fraud? If government has a view that there are excessive profits, do you have an alternative approach or a different financial model that would allow government to more efficiently recoup or balance its budgets without doing as much potential damage to your respective industries?

Mr Doran: I will answer the second question first: no, we do not have a proposal on what those new tariffs should be. We have been in existence for two weeks. As I have already said, it would be inappropriate for me to suggest a different tariff scheme when there has been no consideration of it by our members in the industry and I do not know what the financial or economic implications are.

Sorry, what was the first question?

Dr Farry: I have forgotten myself. Do you accept that the issue is broader than simply fraud and that there is an issue of excessive profit?

Mr Doran: Our stressing of fraud is not because we think that there is a lot of it out there; our stressing of it is because there has been so much negative publicity about ash-for-cash people. I do not think that it is that big, but, by all means, do the audits and throw the people out. I do not think that that is going to recoup a lot of money, but let us get those out of the scheme.

Dr Farry: We are agreed on that one.

That brings me neatly to my final point. I invite you to make a comment on the potential naming next week of the full list of recipients. I am aware of your current position, which is that you are opposed to that happening. I put it to you that we are still seeing a drip feed of names coming forward. Clearly, quite a hysterical reaction is happening in individual cases. In terms of what you term getting ahead of

the curve, there has been a wider lesson from this situation over the past number of weeks. In that spirit, do you see an argument that it would be in the public interest and also in the interests of all the recipients for a single list to be published as soon as possible, rather than death by a thousand cuts in terms of one name coming out, another name coming out and an accusation? That way, you would get ahead of the story as opposed to a situation where things are coming out piecemeal.

Mr Doran: I am not sure what the benefit is for the public to know who has received what amount of money when they do not know what the business is doing, what the overheads are, what the costs are or what the contribution to the economy is. They going to say, "Mr A got £100,000 out of it this year, and Mr B got £20,000. Mr A is the baddie". That will be the perception. It is quite possible that Mr B was acting fraudulently and Mr A has a business that is consuming all the heat and he is doing everything dead right. I do not see the benefit of putting that in the public domain.

Dr Farry: You will also recognise that, for example, competitiveness and innovation programme (CIP) payments are subject to publication.

Mr Doran: Yes.

Dr Farry: The point that you made could be equally valid in that context as well. Why one and not the other?

Mr Doran: In the current environment, there is so much negative publicity. We have had difficulties even getting some of the people to come here today to give evidence, because they are putting their head above the parapet.

Dr Farry: That is the point that I was making, Michael. On the negative publicity, which I agree is there and is problematic, I am trying to suggest to you that there is an argument for getting ahead of the curve and getting the full list out, rather than, over the next number of weeks, one name after another and one headline after another emerging. If the whole list is published in one go, you can better manage the impact across the entire sector.

Mr Doran: That is possible; I do not necessarily agree.

Ms Shaw: We have asked for the audits. Once the audits have been carried out, you can put the list of names out and beside it you can say, "Tick, that guy has his business case and technical case", so that if somebody reads the list, they can see that he is fine. At the moment, everybody is being tarred with one brush.

The Deputy Chairperson (Mr Aiken): Michael, would you agree with that?

Mr Doran: Yes, completely.

The Deputy Chairperson (Mr Aiken): So, an audit with names.

Mr Doran: Yes, after the audit. We have said that all along — well, sorry, for the last two weeks that we have been in existence. Once the audits have been carried out, release the names and the moneys. We have no issue with that whatsoever.

Mr Dunne: Thank you very much for your presentation. Michael, I suppose that a lot of this has been covered but, as I understand it, the objective of the scheme was to encourage a switch to renewable energy. Do you agree with that?

The Deputy Chairperson (Mr Aiken): Correct.

Mr Dunne: Is there a risk that people were using it and it became an income generator for the business or the farm?

Mr Doran: No, I do not think —

Mr Dunne: Is that a possible risk? I think that that is part of the perception out there and something that I think needs to be addressed.

Mr Doran: You are quite right that there is a perception, but I do not think that that is what drove most people. Most people might have seen it as an opportunity to expand their businesses. There may be a few who saw it as an opportunity to make some additional money.

You need to have an eligible use for your heat — that is the critical bit. That is why we are saying that, in addition to technical audits, you need a business case audit. Earlier, we heard the Department say that it is not sure how to assess that. We are quite happy to chip in and give advice. It is relatively easy to work out how much heat you need, what that process was doing, how much fuel you used to consume all that heat, what was the product and where the invoices are for the things that you sold, whether it is chickens, mushrooms, woodchip or whatever. That is auditable and will get rid of the fraud. I do not know the extent of the fraud. I do not think that it is great, but that will take away the perception of ash for cash.

Mr Dunne: I appreciate that. What about the idea — it has been talked about in the PAC — of a capital grant scheme for putting in the boilers? What did you think of that initially? I know that it is too late now, but what do you think of that principle?

Mr Doran: I will answer that as fast as I can, because it leads on to something else. As the renewable energy industry progresses, you have different kinds of support mechanisms. You basically have two: an obligation or an incentive. An obligation is the stick and an incentive is the carrot to make you do something. At a very early stage of development, it is usual to use capital investment — you give somebody a specific amount of money to do something. As an industry and a sector become more established, you normally move to an obligation or an incentive. If you had an obligation where there were no boilers, it would not work. You have different kinds of policy intervention at different states of maturity.

One of the other things that the Department failed to pick up on is that, irrespective of what the scheme is or whether it is renewable heat or electricity, when you put break points into the tariff, you incentivise development in the market. For instance, in Northern Ireland, for up to 250 kW, you get a certain amount for ROCs. Above that, you get a lower tariff. You go around Northern Ireland: all the farms have 225 kW or 250 kW wind turbines. There are no 80 kW wind turbines. It is about the way that you design the scheme. The Department said earlier that they thought that most of the boilers would be 50 kW, but then they put in a 99 kW break point. In some clever jurisdictions, that is how you incentivise the market at that point: you incentivise the market at the break point. I could have told them five years ago that, if you put it in at 99 kW, most of your boilers will be 99 kW.

Mr Dunne: The people who are here today are genuine business representatives. Are they now caught having to repay the capital cost? That is still the burden that they are left with, so the 12% return is not good enough. Is that where the risk really is?

Mr Martin: You have highlighted one of the major concerns. I have already indicated that many of the people who have invested in this technology are small businesses. They have borrowed the money from banks and other finance sources to be able to install these boilers. We are only a very short time into the repayment period, so the bulk of the loan is outstanding and accruing interest. The business case that they used to go to the lender or the banks, in some cases, was based on the premise that they would derive some income from RHI as part of their normal business activity.

The Deputy Chairperson (Mr Aiken): Of course, the various Ministers wrote to the banks to say that this was a good scheme and they would be very supportive, so the banks would have taken a renewable view when giving loans.

Ms Shaw: Guys who have misused the scheme will walk off and it will not matter to them if the bank comes and lifts those boilers, whereas we still need heat. We are going to have to pay our boilers off, but the fraud guys will not care about the banks coming to lift the boilers.

Mr Doran: Say somebody has expanded their business on the back of this and they now go back to the bank and say, "Sorry, I do not have the extra money. I cannot make the repayments. There will be defaults", what will happen in two or three years' time? At the moment, the Department is not developing any new renewable energy policy. It is a difficult place to be at the moment. We are all going to try to sort out the problem that we have at the moment, but let us say that, in two or three years' time, the Executive come up with a new support mechanism for renewable transport fuels. How much support are the banks going to give then? They will say, "What happened back in 2017? The

Government just pulled the plug". I agree that you have to make a decision about something, but this has implications and you have to think your way through those implications.

Mr Dunne: Finally, can you give us an indication of the running hours of these boilers in the poultry sector, for example, and deal with the perception that there are people running them 24 hours? What is the average running time of a boiler?

Mr Forgrave: I do not want to repeat myself but, as I said earlier, it is variable. It really depends on the size of the shed, the age of the shed and its location. There are men out there with a small poultry shed who might be heating the water for their dairy as well. You cannot put a number on it.

Mr Dunne: We all heat our homes about six or eight hours a day. We do not heat our homes 24 hours a day.

Mr Forgrave: Chickens need heat. A chicken lives for two years. We have it for six weeks. It is not even a teenager by the time it is leaving the farm. It needs heat. When the birds arrive on our farm, we need 35°C in that shed. On a December day in Northern Ireland, a 99 kW boiler will struggle to get there.

Mr Dunne: Not last December they did not. *[Laughter.]*

Mr Forgrave: In previous years, they have. My point is that poultry needs heat through pretty much all of its life.

Mr Dunne: I appreciate that. It is a constant, dry heat, is it not?

Mr Forgrave: It is a constant, dry heat, but the amount of the heat they need will depend on the age of the bird and the outside climate. On a summer's day when it is 25°C outside, they do not need heat. However, at 3.00 am in the summertime, when it is 10°C, they still do need heat at a certain age. There are too many variables to say that there is a certain number of running hours. What I do know is that there is legislation that, if the poultry are out of the shed, the shed is empty and the doors are open, the heat has to be turned off. Anybody caught doing anything other than that has to be answerable. We will not defend somebody burning heat unnecessarily. However, when those birds go out, the heat is turned off and we have to go through the whole process of turnaround, mucking out, washing and all the rest. Those chicks arrive with us at day nought as day-old chicks. That shed has to be preheated for 48 hours before the birds arrive. You cannot throw them into cold concrete or a cold shed.

Mr Dunne: I appreciate that.

Mr Forgrave: Poultry has always had a very high heat requirement. It is a technical point, but I will try to explain energy usage. When we had gas brooders inside our chicken sheds, it was a naked flame. I think that everybody here will remember the old Superser. When you had a Superser in your room, what happened? Condensation ran off the walls and everything was wet, but you felt warmer at a lower temperature because of the humidity. Now that we have gone to hot water heating, which is effectively central heating, we need a higher temperature to give the chicks the same what you call a dry-bulb temperature. We cannot even compare our energy usage pre RHI and post RHI in a straight-line graph. Multiple other factors have to be taken into account. The CAFRE report touched on it. It is not perfect; it is based on one farm in England. There could be more work done.

Mr Dunne: Is that the one that talked about the 99 kW — it was talking about the 388 kWh one, and you run it for 40% or 45% of the time. Is that right?

Mr Forgrave: Yes.

Mr Dunne: Yes. CAFRE figures. You have covered it well. You would not stand over those percentages?

Mr Forgrave: We have too many variables. New sheds are being built, and those green sheds in the country hold 35,000 to 40,000 chickens.

Mr Dunne: They are very eco-friendly, though.

Mr Forgrave: They are very eco-friendly, but there is an awful volume of air to warm with a 99 kW boiler. A new shed today, built post RHI, will have between a 200 kW and 300 kW gas boiler to cover every eventuality in that shed.

Mr Dunne: On the mushroom side, do we have any indication of the percentage time of running of the boilers?

Ms Shaw: Again, mushrooms have to be kept at certain temperatures at certain times. I do not know how many hours, but it is probably — this is an average, and we have asked for figures from growers — around 375,000 kW. Depending on the times of the year, that may vary. Several of our growers have had an Ofgem audit. Everything is computer-controlled. You can see to the last tenth of a second what a house was run at and when it was run at that. We cannot run a mushroom tunnel at 29°C, or we will have no mushrooms. It has been a very constant heat that has allowed growers to use the energy efficiently, but not be afraid to use the energy to steam more and to reduce disease levels, because it is a renewable heat source. The cost of increasing that steaming would previously have been prohibitive, but they have done more steaming and so have reduced the level of disease incidence on the farm, improved their quality —

The Deputy Chairperson (Mr Aiken): It improves biosecurity and all the rest of it.

Mr Dunne: We are all agreed that the use is fine, but the abuse is the problem and has to be tackled.

Ms S Bradley: Just on the gas, I did not quite catch that, Tom. You said that, in England, they have access to affordable, cheap gas whereas we do not. Therefore, in that instance, would it not have been harder to incentivise those users in England to take up such a scheme? If anything, it would have been there that would have been lifting tariffs and caps, whereas here they would have more reason to apply. Correct my logic here.

Mr Forgrave: I do not know the numbers behind the reason for the setting of the GB tariff. Maybe that is why it was set at 9p as opposed to 6p or 5.9p. Maybe the reason behind that was to get the early adopters in quickly. I just know that, as part of the reasoning with our tariff, natural gas was mentioned as a contributory factor. It is a facility that we did not have.

Ms S Bradley: I just do not get that. If anything, the reverse seems true to me. Anybody?

Mr Doran: I do not think the uptake in the poultry industry in GB, in percentage terms, has been as high as it has been here, because of natural gas. It is back to incentivising behavioural change. If what is called the counterfactual fuel — the one that you started off with, whether it is oil or gas — is terribly expensive, then it is not difficult to incentivise something which is cheaper or of a similar price. However, if the fossil fuel price has gone down, which Tom explained earlier, and you are trying to incentivise a move away from fossil fuel which is cheaper, then your incentive has to go up or nobody will switch. They will just stick with the fossil fuel. Does that answer your question?

Ms S Bradley: No, it does not because we are saying that in England they had access to cheaper, affordable gas. Here, we had no access to that.

Mr Doran: That is correct.

Ms S Bradley: The First Minister said that. So, obviously, the two schemes did not match and they lifted the caps and the tariffs. Now, in my logic, if you have access to cheap and affordable gas, it will be more difficult for me to convince you to be incentivised by the scheme. So, therefore, you could understand that they may have lifted the tariffs and caps, but when you are in Northern Ireland and you do not have access to cheap and affordable gas, surely then it would follow that the tariffs and caps would be less of a barrier.

Mr Doran: No. The incentive in Northern Ireland has to be higher, if the gas and the oil is more expensive.

Mr Forgrave: The margin.

Mr Doran: Yes.

Ms S Bradley: I beg to differ.

The Deputy Chairperson (Mr Aiken): Michael, Tom, Elaine and John, thank you very much indeed. Thank you for coming at short notice. We appreciate that you have just recently been formed and that we have asked very difficult questions and asked for datasets that have not been available and all the rest of it. Please, while we are still a Committee, keep us informed of what is going on in this issue. Thank you very much indeed for your time and for providing us with a lot of information. I am not sure that we understand much more, but thank you for that information. It has given me a lot of food for thought. Thank you very much indeed.

Mr Doran: Thank you very much.