

From: Jim McManus
Committee Clerk
Committee for Enterprise, Trade & Investment

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To: Alban Maginness
Chairperson

cc Daithí McKay

Date: 9 February 2012

**CHAIR'S BRIEF FOR THE MEETING OF THE COMMITTEE FOR ENTERPRISE,
TRADE AND INVESTMENT IN THE SENATE CHAMBER, PARLIAMENT
BUILDINGS ON 2 FEBRUARY 2012 AT 10.30AM.**

<p>Before the meeting begins: Advise members that the meeting will move into closed session at the end to allow members to discuss issues relating to the Presbyterian Mutual Society.</p>

Agenda Item 1 – Apologies

1. **Welcome** and remind members and the public that the meeting will be held in **public session** and that all mobile phones and electronic devices should be switched off as, even in silent mode, phones interfere with the recording system.
2. **Inform** members that apologies have been received from. **Ask** members if they have any further apologies.

Note to Chair: You may wish to welcome Sandra Overend to the Committee and advise members that you will be writing to Mike Nesbitt to thank him for his contributions to the Committee during the time he was on the Committee.

Agenda Item 2 – Minutes of meeting held on 2 February 2012

3. **Inform** members that copies of these minutes have been included in their papers at **Tab 1**. **Ask** members if they are content with the draft minutes.

Agenda Item 3 – Chairperson's Business

4. **Inform** members there is no business under this agenda item.

Agenda Item 4 – Matters arising from 2 February 2012 meeting

5. **Inform** members that papers on this item are at **Tab 3**.

Green New Deal

6. **Inform** a member that in papers is a response from the Department to the Committee's query regarding Green New Deal. It states that any information on Green New Deal should come from DSD as they are the lead Department.
7. **Ask** Members if they are content to write to DSD for further information on the Green New Deal and progress of the Inter-Departmental Working Group.

Innovation Unit Request

8. **Inform** members that DETI Innovation Unit has requested a list of the other stakeholders providing evidence to the Committee on the R&D inquiry when available.
9. **Ask** if members if they are content to share this information.

Credit Unions

10. **Remind** members that at last week's meeting the Committee agreed to write to Treasury and the Secretary of State for Northern Ireland regarding transition arrangements to FSA regulation of credit unions. **Advise** members that draft letters are **tabled today**. Also **tabled** is a draft letter to the Minister seeking her support, and that of the Executive, for a package of financial assistance to help credit unions with the transition and a draft response to credit unions who write to the Committee to raise their concerns.
11. **Ask** members if they are content with the draft letters.

(10.45am) Agenda Item 5 – InterTradelreland Agri-Food: a study for cross-border co-operation – Oral Briefing

Note to Chair: You may wish to welcome members of the Agriculture, and Rural Development Committee to this meeting to listen to the oral briefing by InterTradelreland on its report on agri-food and cross-border co-operations.

12. **Advise** members that papers on this item are at **Tab 4**

13. **Remind** members that at the meeting on 15th December the Committee agreed to receive an oral briefing from InterTradeIreland on its report, Agri-Food: A Study for Cross-Border Co-Operation.
14. **Inform** members that briefing the Committee today are Mr. Liam Nellis CEO Mr. Aiden Gough, Director of Strategy and Policy and Mr Eoin Magennis, Research Manager.

Note to Chair: following the briefing you may wish to open discussion on the issue. At the end of this item you may wish to thank the Agriculture Committee members for their attendance before moving to the next item of business.

(11.30am) Agenda Item 6 – Electricity Market Reform (EMR) – Oral Briefing

15. **Advise** members that papers on this item are at **Tab 5**
16. **Inform** members that briefing the Committee today is the economist John Simpson. **Remind** members that the Committee has asked Mr. Simpson to provide further information on Electricity Market Reform and on the report from Cambridge Economic Policy Associates Limited (CEPA) which was commissioned by DETI and considered by the Committee on 26th January.
17. **Inform** members that included in papers are a Clerk’s briefing paper and a Clerk’s briefing paper from the previous meeting providing background, summary of content and analysis, a covering letter from the Minister to the Chair and a copy of the CEPA report. Also included is a press article on EMR from Monday 30th January, written by John Simpson and a presentation from John Simpson on ‘Policy and Actions’ from the Irish Wind Energy Association website.
18. Mr. Simpson has provided a short paper which raises a number of questions on electricity policy.
19. Following the briefing **ask** members if they are content to write to the Department, the Utility Regulator and the NIE to seek their views on the questions raised by Mr. Simpson.

Agenda Item 7 – Draft Economic Strategy- Update on Public Consultation: Written Briefing

20. **Advise** members that papers on this item are at **Tab 6**

21. **Remind** members that, at the meeting on 8th December, the Committee agreed to coordinate responses from other relevant statutory committees on the draft Economic Strategy and Action Plan.
22. **Remind** members the Committee also agreed to write to key stakeholders to obtain their views. Included in papers is the draft response to the Strategy and Action Plan.
23. **Inform** members that included in papers are responses from other Statutory Committees and key stakeholders and NI Independent Retail Trade Association has provided its Economic Programme for Government
24. **Inform** members the purpose of this session is for members to agree a response to the Department on the draft Economic Strategy and Action Plan.
25. **Tabled today** is a response from the Committee for Employment and Learning and an update briefing from the Clerk. **Ask** members if they are content to include the issues raised by the Employment and Learning Committee in the Committee's response to the Department. **Ask** members which of the issues raised they wish to include as recommendations from this committee in the response.
26. **Ask** members if they have any comments on the response and if they are content with the proposed recommendations. **Ask** members if they are content to agree a final response at next week's meeting.

27. **Agenda Item 8 – Forward Work Programme**

28. **Inform** members that the updated draft forward work programme is at **Tab 7**.
29. **Inform** members that the written briefing by the Department on DETI's Consultation to amend weights and measures regulations planned for the 16 February has now been deferred until May at the earliest.
30. **Ask** members if they are content with Forward Work Programme.

Agenda Item 9 – Correspondence

31. **Advise** members that following items of correspondence are at **Tab 8**:

<p>I. Correspondence from Committee from OFMDFM regarding the draft European Priorities 2012-13</p>

<p>Ask members if they are content to consider a draft response at next week's</p>

meeting.

- II. **Tabled today** is a letter from Northern Ireland Renewables Industry Group requesting a further meeting with the ETI Chairman to discuss some recent developments concerning the renewable energy sector in Northern Ireland.
- III. **Tabled today** is an invitation to members to a 'STEM in Action' event in the Long Gallery on Thursday 1st March from 5.30pm - 7.30pm. **Ask** members to contact the Committee office if they wish to attend.

Agenda Item 10 - Any Other Business

- 32. **Advise** members that there are no additional items of business. **Ask** members if they have any additional items of business.

Agenda Item 11 - Date, time and place of next meeting

- 33. The next meeting of the Committee will be on **16 February 2012** in South Eastern Regional College, 81 Victoria Avenue, Newtownards, **at 10.30am**.
- 34. **Ask** members if they are content to book a bus for the visit. **Inform** members the bus will leave Parliament Buildings at 9.45am. Directions will be provided for those members who are making their own travel arrangements.

- 35. **Advise** members that the meeting will now go into closed session to allow members to discuss issues relating to the Presbyterian Mutual Society.

Agenda Item 12 – Closed Session: Presbyterian Mutual Society (PMS)

- 36. **Inform** members that papers for this item are at **Tab. 9**.
- 37. **Advise** members that included in papers is a press article relating to disqualification proceedings against PMS Directors.
- 38. Inform members that **tabled** today is the legal advice on the issue that the Committee commissioned from Legal Services.
- 39. Note to Chair: you may wish to advise members on the “privileged” nature of legal advice which should not be disclosed.

40. **Ask** members if they are content to return copies of the legal advice to the Committee staff following the meeting.

41. **Inform** members that also **tabled** today is a letter to the Chair from a former Director of the Presbyterian Mutual Society which raises a number of points in relation to the proceedings against directors.

Note to Chair: You may wish to ask members if they are content to request the report from the Administrator which is referred to in the letter.



Ireland

Who are OFTEC?

The Oil Fired Technical Association (OFTEC) is the Representative body for companies involved in the oil fired heating and cooking sector. The Association consists of 70 manufacturers, 10 associates and 80 training centres. Members include local companies such as Warmflow, Clarehill Plastics and Kingspan Environmental Ltd. **OFTEC registered technicians are the only people defined as 'competent' for oil installation and servicing** and able to certify their work in GB by informing the local building control department through OFTEC. There are over 10,000 technicians on the OFTEC register working in the UK and Ireland.

What is a bioliquid, and how can it help reduce carbon emissions?

Field trials over an 18 month period have seen the oil industry test a blend of 30% Fatty Acid Methyl Ester (FAME) manufactured from waste cooking oil and 70% kerosene. This blend has been proven to **reduce carbon emissions by 28%** compared to conventional kerosene which is currently used by the majority of households on oil.

How many people use oil in their homes?

500,000 homes in Northern Ireland rely on oil to heat their homes and the industry has been working hard to develop technologies to enable these households and approximately 2 million customers across the UK and Ireland to reduce their carbon emissions from space heating and hot water.

How many consumers could switch to an environmentally friendly bioliquid by 2020?

If included in the RHI at the right tariff level, **we estimate that 90% of existing oil customers could transfer to use it by 2020**, given boilers have a natural lifespan of 15-20 years and around 80,000 oil boilers are replaced every year. To facilitate switchover, OFTEC and our members would undertake intensive consumer campaigns once this happened. Industry estimates that the switch from kerosene to this renewable fuel technology would see up to 2 million tonnes of CO₂ per annum saved by 2020.

How much will it cost?

Conversion of the boiler and fuel lines will cost approx £300; if a new oil tank is needed the cost will be £2,000 - £2,500. This compares favourably with other technologies.

Why is it important bioliquids are in the Renewable Heating Incentive (RHI)?

OFTEC welcomes the inclusion of bioliquids in NI RHI proposals as inclusion is vital to compensate households for the cost of conversion (£2,500) to this renewable fuel technology and higher fuel running costs, as the blended fuel will cost more than fossil fuel. OFTEC is however concerned about the current level of subsidy that is being offered (1.5p/KWh).

What is the right level of tariff for bioliquids in the RHI?

At the proposed level of 1.5p/KWh our calculation (using the UK Government's economic model) shows that this would produce an RHI payment of £176 p.a. (for a 3 bedroom cavity wall semi detached house). This is just £16 more than the additional cost of the fuel and we believe **this is not an incentive to switch**. Our recommendation is that the **tariff should be increased to 3p/kWh which would yield an RHI payment of £377 p.a. which would be an incentive for consumers to move across to the more environmentally friendly fuel**.

Why is this such a significant opportunity for Northern Ireland?

There is an interesting potential for all the feedstocks for the biofuel (used cooking oil, oil seed rape or wheat) to be sourced/grown in NI, providing significant employment potential. A new bio-fuel production plant could be established which would provide fuel for both heating and transport. If the RHI succeeds in switching consumers to B30K there will be plentiful demand for local biofuel which is a great opportunity for Northern Ireland.

Conclusion

We should be grateful if you would consider the request to increase the tariff being made available to bioliquids to 3p/KWh. Without this increase in tariff, the move to the more environmentally fuel is not an attractive option for consumers.

For more information, please contact David Blevings, Ireland Manager dblevings@oftec.org

Received from the Committee for the Economy on 08.06.2017
Annotated by RHI Inquiry



Alban Maginness MLA
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 Committee for Enterprise, Trade and Investment
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7th February 2012

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Dear Mr Maginness

Re: Renewable Heat Incentive (RHI) for Northern Ireland

Following on from our letter of 15th November 2011 (see attached), I am writing to see if the Committee for Enterprise, Trade and Investment would be interested in OFTEC presenting our thoughts on the RHI for Northern Ireland and the solution we are innovating to use bio-liquids in household oil heating.

As you may recall, OFTEC is a trade association for manufacturers of oil fired heating and cooking equipment; our members in Northern Ireland include Kingspan Environmental and Clarehill who make oil tanks and Warmflow Engineering who make boilers.

We have been researching a new fuel that blends kerosene with FAME biofuels (called B30K) and have proven that this works in existing oil boilers subject to some adaptations. We believe that bio-liquids offer a quick and easy renewable alternative to the 500,000 home owners in Northern Ireland currently using 100% fossil fuel, and therefore could deliver significant carbon reductions.

However, while we welcome the tailored approach proposed for a Northern Ireland RHI, we wish to express our serious concern at the low tariff level proposed for bio-liquids in the recent consultation document. The current level simply is not sufficient to encourage oil users to move to the bio product because the bio-liquids will be more expensive than fossil fuel.

We have been briefing a number of your fellow MLA's in a bid to build support for our campaign and as a result a number of your colleagues have written to the Minister to encourage DETI to make a change. As the Committee charged with scrutinising DETI we would be very grateful for the opportunity to present to your members so that they are well briefed and, if convinced by our case, can engage with the Minister on this issue with authority.

the energy behind the fuel

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I do hope that this will be possible in the near future and my colleague David Blevings, our Ireland manager will be in touch to try and set up a date for this.

Yours sincerely,

Jeremy Hawksley
 Director General

cc. Jim McManus, Committee Clerk, Committee for Enterprise, Trade and Investment, Room 414, Parliament Buildings, Ballymiscaw, Stormont, Belfast, BT4 3XX

*P.S. My Direct Dial is 01673-618555
 email jhawksley@oftec.org*

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15 November 2011

Dear Mr Maginness

Re: Renewable Heat Incentive (RHI) for Northern Ireland

OFTEC is a trade association for manufacturers of oil fired heating and cooking equipment; our members in Northern Ireland include Kingspan Environmental and Clarehill who make oil tanks and Warmflow Engineering who make boilers. In addition we run a Competent Persons Scheme for oil technicians licensed by DCLG for England and Wales. We currently have over 9,500 registered technicians in the UK and Ireland who install and service oil-fired equipment.

We have been researching a new fuel that blends kerosene with FAME biofuels (called B30K) and have proven that this works in existing oil boilers subject to some adaptations.

Bio-liquids have proved successful in large scale tests in GB and a small scale pilot is ongoing with the NIHE in Northern Ireland. Bio-liquids offer a quick and easy renewable alternative to the 500,000 home owners in N.I currently using 100% fossil fuel, and therefore could deliver significant carbon reductions.

While we welcome the tailored approach proposed for a Northern Ireland RHI, we wish to express our serious concern at the low tariff level proposed for bio-liquids in the recent consultation document. The current level simply is not sufficient to encourage oil users to move to the bio product because the bio-liquids will be more expensive than fossil fuel.

As a member of the Enterprise and Investment Committee of DETI we would wish to point out the enormous potential that exists to reduce CO2 emissions by incentivising the 504,000 oil households to switch onto B30K. In addition there is many commercial premises such as offices, hospitals, schools, and community centres now using gas-oil could switch to a similar bio-liquid fuel.

The B30K fuel has been assessed by the Building Research Establishment for the SAP 2009 calculations, and Table 12 of that document shows that B30K has CO2 emissions of 0.193 kg / kWh compared to emissions of 0.274 kg / kWh for standard kerosene and natural gas of 0.198 kg / kWh.

Using these figures we estimate that each household which converts to B30K will save 1.6 tonnes of CO2 per annum.

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If 75% of NI households currently using oil are incentivised to convert to B30K by 2020, (which is feasible with the right incentive) this will save a total of 600,000 tonnes of CO2 per annum in Northern Ireland.

This is a significant figure which we believe can be achieved with the right intervention from DETI. Conversion costs are low compared to other renewable technologies, and householders already accept heating oil so there is no perceptual resistance ("hassle factor") to bio-liquids - as there can be with other heat renewables such as heat pumps and bio-mass boilers.

On a separate point we are concerned that the RHI in Northern Ireland is designed to produce anti-competitive conditions for the oil heating sector, whilst safeguarding mains gas suppliers.

The consultation paper and the proposed current tariff structure suggests to us that the aim of the RHI is to move the majority of oil users to non liquid based renewable technologies. The consultation document states;

"The incentive measures outlined in this consultation have been designed, so far as possible, not to have a direct impact on the gas network. These considerations include designing tariffs based on an oil counterfactual, which in essence ensures that the financial incentive for existing gas customers to switch to renewables is considerably reduced". Para 6.7 (page 34)

Given the present dominance of oil heating, we can only conclude that one of DETI's aims with the RHI is to protect the gas industry, whilst encouraging householders to move away from oil. This cannot be defensible either on carbon abatement grounds, or in terms of the unfair commercial advantage that the policy gives to the gas industry

As proposed the RHI clearly sets out to target the heating oil market because it offers no incentive whatsoever for gas users to switch to renewable fuels. We believe this is fundamentally wrong. A more balanced approach would be to incentivise any switch away from fossil fuels and to ensure that the level of the incentive (tariff) is related to the degree of carbon abatement that will be achieved.

I would welcome the opportunity for either myself or my colleague, David Blevings -OFTEC's Ireland Manager - to meet you to discuss this further, and we will call your office shortly to see if such a meeting might be set up. Alternatively I would be happy to meet the ETI committee and set out our proposal more fully.

Yours sincerely,

Jeremy Hawksley
Director General

the energy renewable fund

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