
Consultation Paper

**Proposed closure of the Northern Ireland
Renewable Heat Incentive.**

January 2016

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Purpose of Consultation and how to Respond

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Purpose of consultation

- 1.1 The purpose of this consultation is to seek views on the proposal to close the domestic and non domestic Renewable Heat Incentive schemes ('the RHI') to new applications.
- 1.2 Following an extensive consultation in July 2013, cost control measures were recently introduced to the non domestic RHI in November 2015. These included tiered tariffs for biomass, a change in biomass banding, and an annual cap on heat payments. However, an unprecedented increase in applications in the run up to these changes together with budget cuts arising from the Chancellor's November Spending Review Statement now means the RHI budget has been exhausted.
- 1.3 It is therefore, proposed to close the RHI to new applicants to prevent further overspend until such time as additional funding might be secured. We pointed to the need for such measures in the 2013 consultation, although at that time neither the significant increase in applications nor the budget changes were anticipated.
- 1.4 Further details and information on the proposal is set out in Chapter 2. A further public consultation will be carried out to inform long term policy for renewable heating in Northern Ireland after both schemes have been closed.

In the absence of additional funding being allocated to the scheme, DETI is seeking views on:

- 1) Whether there are feasible options other than closure of the RHI schemes with immediate effect; and
- 2) Whether there are factors which should be taken account in the closing the scheme.

How to respond

- 1.5 Responses should be sent, preferably by email, **to arrive by 5pm on 10 February 2016** to:

[enter email address]

or by post to:

**Energy Efficiency Branch
Energy Division
Department of Enterprise, Trade and Investment
Netherleigh, Massey Avenue
BELFAST
BT4 2JP**

- 1.6 All responses should include the name and postal address of the respondent.

Confidentiality & Data Protection

- 1.7 Your response may be made public by DETI and placed on the DETI website. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your fax cover sheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.

- 1.8 Information provided in responses, including personal information, may be subject to publication or disclosure in accordance with the access to

information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA)). If you want other information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

- 1.9 In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

Impact Assessment

- 1.10 The Department has screened the proposals for Equality Impact, Regulatory Impact and Rural Proofing. Copies of these documents can be provided on request.

Copies of the document

- 1.11 This document is being produced in electronic form and may be accessed on the [DETI Energy website](#) or may be obtained from the address above or by telephoning 028 9052 9581.
- 1.12 If you require access to this consultation paper in a different format – e.g. Braille, disk, audio cassette, larger font – or in a minority ethnic language please contact the Department on 028 9052 9581 and appropriate arrangements will be made as soon as possible.

PROPOSED RHI CLOSURE

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Background

- 2.1 The RHI, introduced in November 2012 to the non-domestic sector and in December 2014 to the domestic sector has been very successful. Over 3,500 renewable heating installations have been incentivised to date under the NI RHI schemes and we have met and exceeded the Executive's 2015 target of 4% renewable heat. It is currently estimated that around 6% of Northern Ireland's heating needs are provided through renewable heating technologies.
- 2.2 Over the last 18 months the number of non-domestic RHI applications has grown from around 200 to over 1,800. Over 900 of these applications were received in the run up to the cost control measures introduced on 18 November 2015. This success has placed significant pressures on the available budget.
- 2.3 Funding for the NI RHI is provided by Treasury, and up to this point has been additional to the NI Block Grant, meaning that it does not affect funding for other NI public services. However, the increase in committed RHI payments associated with the recent influx in non domestic applications means that the NI funding allocations from 2016/17 onwards will be exceeded even if both schemes were closed to new applications now. This situation is exacerbated by the UK Government's November Spending Review which included a significant cut in future RHI funding.

- 2.4 Despite total renewable heating capacity installed through the NI Non Domestic RHI Scheme currently equating to around 7% of total installed capacity in the GB scheme, NI receives below 3% of the GB RHI allocation.
- 2.5 To meet RHI commitments for existing installations, around £75m may have to be found from within the NI Executive's budget for the next 5 years to address the current deficit. This could take much needed funding away from other public services although the DETI Minister will continue to make the case for RHI at Executive level. To prevent further overspend action is required now to close both schemes to new applications until such times as additional funding might be secured.

Options and recommendation

- 2.6 The Department must act now to address the budget issue. Keeping the RHI open is not possible as the available budget from 2016/17 onwards has already been exceeded by existing RHI commitments. A reduction in tariffs for new applicants will not be sufficient to address the issue. Although it would reduce the costs associated with new applications, the available budget from 2016/17 onwards is already exceeded by existing RHI commitments. The scheme must be closed unless further funding is allocated to cover, not only the current deficit, but any new commitments ~~the scheme must be closed~~.
- 2.7 The Minister has considered the possibility of reallocating funds from elsewhere within DETI but with pressure on budgets in other areas this is not possible.
- 2.8 Given the budget position, and subject to further consideration by the Executive, immediate scheme closures is the only viable option at this stage. Subject to the outcome of this consultation (including identification of any further options), Executive consideration of the budget issue, and the legislative process, the Department will move to close the scheme as soon as possible during this Assembly.



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