

From: Arlene Foster arlene@arlenefoster.org.uk
Subject: Fwd: RHI
Date: 16 Dec 2016, 18:55:06
To: Timothy Johnston timothyjohnston@dup.org.uk,
Richard Bullick richardbullick@
Jeremy.Gardner@executiveoffice-ni.gov.uk

Personal information redacted by the
RHI Inquiry

Sent from my iPad

Begin forwarded message:

From: "Philip Kelso" <philip@kelsocarsales.co.uk>
Date: 16 December 2016 at 17:44:57 GMT
To: <arlene@arlenefoster.org.uk>
Cc: <office@arlenefoster.org.uk>
Subject: RHI

Dear Arlene

Please take time to read this through.

Like so many businesses at the moment, I am frustrated with the continued press around the RHI scheme.

Correct me if I am wrong, but nobody seem to understand the scheme that was launched in the first place!

Don't get me wrong, most of us realize the fact that our government spent a lot more than they found out to have in their pot to fund this scheme and so mistakes were made.

However instead of trying to take the wind out of the BBC's and Stephen Nolan's sails, with some proper facts and calculations, it seems for us that everybody is running around in circles! Nobody is coming out with the facts!

Instead of allowing the BBC to portray the illusion that farmers will be made millionaires within the next 20 years, Ferrari garages and churches will make a fortune as well, nobody is speaking out to stand up for those who supported the government meet their EU directive before 2020.

The businesses who invested heavily to help the government, are now being victimised for doing exactly what the scheme was designed for. Businesses are being portrayed as criminals all on the back of a very small number of people, such as the farmer who was caught heating his empty chicken house.

Some things that need mentioned in defence of the people who supported your government:-

1. The reason for the scheme in the first place was because of pressure from the EU to meet their commitment of having 10% Renewable Heat Resources by 2020! Replace oil by renewable energy.

Before the scheme was put in place, not enough people were investing in the expensive systems required due to high cost and so the result of the shortfall would have cost us dearly in the future. If the UK does not meet its commitment, EU fines will have to be paid.

2. (Mentioned but not stressed!) When the grant was introduced it was recognised that the firms that committed to install the systems would need several months from their order date, to meet completions of their systems.

Can you imagine the Agriculture minister convincing farmers with the new grants for Milking parlours etc out at the moment, allowing them to start say a £60,000 grant on a new system to be completed by March next year and then when they are half way through their job on the 30th Jan, tell them sorry we have overspent so that now ends tomorrow. You are getting no money! Just go bankrupt and lose your business because we

made a booboo!!

Of course not! Out of respect to the people who committed to support the incentive, time had to be given to allow them to complete their systems. This explains some of the extension. You did touch on that last night, but with the BBC's editing, they managed to brush over it.

3. (POSSIBLY THE MOST IMPORTANT FACT). **We are all hearing the fantasy figures off farmers been made millionaires through RHI.**

Nobody is showing the proper figures that the average user is **actually** getting paid.

Yes at the moment after the fuel is paid for there is some money left over. At the moment if a system is run efficiently with today's fuel prices, with the average system you may have £10,000 - £12,000 left over, **before maintenance and paying for the install.**

Now this is based on wood pellets being £150 per tonne and your boiler still under warranty and not breaking down too often.

Remember the RHI rate of 6.4p per kw is fixed for 20 years!! (bar a possible of inflationary rise of currently 0.2%)

As the RHI was not tiered up over the 20 year period, the system does makes some money the first years. (but this is all eaten up with set up costs)

This 6.4p figure was designed to allow to pay back the £60,000 - £70,000 investment required to put the complete system in.

For the first 3 years most systems have warranties. So during this time servicing costs should only be approx £1000ish per annum. Between year 4 and year 20 the boilers and complete systems will require maintenance and repairs. This is suggested to amount from anywhere between £2,000 to £4,000 per annum over the 20 year period. These are complex machines with loads of moving parts.

Also the systems take approximately £1,200 per annum of Electricity to run, calculated at today's Electricity prices.

Remember the system cost of £70,000 so over 7 years at 7% interest it works out at £14,900 per annum to pay the system off (as most banks would not support the project, specialist firms stepped in to fund these at slightly higher rates).

Combine that with average £2000 per annum maintenance and £1,200 per annum electricity bill, the cost per year for the first 7 years amounts to £18,100 per annum plus fuel.

So after maintenance and running costs that left you with a bill of approx -£6,100 to £8,100 per year to run your system for the first 7 years.

(Maintenance of £2,000, Electric of £1,200 and finance payments of £14,900 = -£18,100... RHI payment after fuel of £10,000 - £12,000 leaves approx -£6,100 to -£8,100)

NOT THE £10,000 - £12,000 profit portrayed by Mr. Nolan and the BBC , that isn't being challenged!!

Now this is where it gets interesting!!!!

Nobody in their wisdom seems to have realized that fuel costs will most certainly will rise over the next 20 years.

Across the world the demand on wood chip is massively increasing. In mainland UK I am led to believe that they are converting two power stations to run on wood chip rather than coal. I am told that thousands and thousands of tonnes of trees are being stockpiled to fuel these alone! It is not hard to see where this is going and the demand will put pressure on the supply of renewable product.

That aside back to NI, we all know that fuel will rise in price over the next 20 years.

A massive percentage of our woodchip and pellets are imported from countries like Lithuania etc. Costs are certain to increase. 20 years is a long time!

If fuel rises by £50 per tonne, it will cost - £15,100 to £17,100 to run the system. (NOT £10,000 - £12,000 PROFIT)

If it rises by £100 even after 7 years time and all finance is paid for, it will still mean -£17,200 to -£19,200 to run the system including maintenance and electric.

If it rises by £150 per tonne and let's face it over 20 years this is most likely to happen, the system will cost -£24,200 to -£26,200 to run the system including maintenance and electric, not the £10k - £12k surplus suggested at the moment.

OK there may be a inflationary rise of maybe 0.2 to 0.5% in the RHI payment, but do you think that this will even dent the surface of the costs of running these systems?

In light of the above, in my opinion many of these systems may not still be in operation in 10 years time let alone 20 years, because of the increasing cost of fuel and the cost of keeping the ageing boilers going. So the public won't have to fund this for a fraction of the time they think!!

These three things are being completely ignored.

Three of the things that actually made up the incentive and figure that the RHI had originally created that so many think are wrong. A figure which users are locked into by a fixed payment for 20 years!

Why have our politicians not explained this to the public, to show that the 6.4p per kw is fixed for 20 years, but the running costs are not fixed for

the same!! They will rise yearly!!

It is time that someone stands up for the people that supported the government to meet their EU requirements and expose the inaccuracies of the BBC and their crony's!

As well as that, someone needs to make clear to the public, that the RHI receivers are not criminals' and should be supported, not frowned at!! Without them the UK would be facing massive fines from the EU.

This media pantomime needs to be stopped!

Businesses are already suffering due to people avoiding and frowning at (even boycotting) so called RHI beneficiaries!

It will get worse too if the public are not calmed down and made understand the true facts!!

Please have your people study these figures and hopefully it may be of some help to you to address to our nation next week, not to mention protect you and the governments integrity.

Yes mistakes were made in that the funding wasn't properly secured to cover the size of the uptake of the incentive, but size of the payment was and is not fundamentally wrong.

The only wrong was the timescale it went on for, without proper backing from the mainland.

Note:- I would respectfully ask that my business nor my name be used in relation to this information, due to the public and retail factor of my business, but I don't mind the figures and suggestions I have written being used by your department to maybe understand and portray this better.

Kind Regards

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