



Foreword

by Arlene Foster
 MLA, Minister for
 Enterprise, Trade
 and Investment

I am pleased to see the Energy Institute in Northern Ireland continuing its tradition with this 2012 Yearbook. I know it is a popular source of reference not only with the energy industry but also with energy consumers in all sectors and I recommend it to anyone interested in energy issues in Northern Ireland.

Recent increases in energy prices present a real challenge to homes and businesses right across Northern Ireland. That challenge is all the more pressing in the current economic climate when families and businesses are already facing real difficulties in making ends meet.

Any increase in energy costs is unwelcome, but at this time it is particularly so. The Northern Ireland Executive has recognised this challenge, as demonstrated in our recent commitments in the Programme for Government in relation to energy efficiency. Energy efficiency is pivotal and we must maximise the value we get out of the energy we generate in and import into Northern Ireland. The efficient generation, distribution and supply of energy to consumers is equally as important as developing energy efficient technologies in our businesses and ensuring our homes are constructed and maintained to the highest energy efficiency standards. To try and ensure this I am committed to working with Ministerial colleagues with responsibility for energy efficiency to develop new initiatives.

However we are not alone in facing energy price pressures as energy cost is a global issue. The cost of wholesale gas used both for generating electricity and as a fuel source itself, has more than doubled since October 2009. The volatility and increase in wholesale fuel costs has been driven by worldwide events such as the tsunami/earthquake in Japan and the ongoing instability in the Middle East and North Africa. Electricity and gas customers in Great Britain and the Republic of Ireland have also faced increases in retail energy costs over recent months.

Competition can deliver more competitive energy prices and higher levels of customer service and I am pleased that there is now competition for both business and domestic electricity customers across Northern Ireland. There is also competition in the Greater Belfast natural gas market, where all consumers, including those using pre-payment meters, can switch supplier if they wish. Additionally, there are plans, commencing in October 2012, for the staged opening of the gas market in the 10 urban areas outside Belfast.

For many businesses, energy costs are a major factor in their overall competitiveness, hence I would urge businesses to make use of the 'Buyers Guides' to purchasing electricity and gas published by Manufacturing NI, and separately by the Utility Regulator, along with the range of energy efficiency advice offered through Invest NI to obtain the best energy prices for their company and to reduce energy costs where possible.

Of course the recent upward trend in energy costs has presented challenges for business growth. My Department has no direct role in the setting of energy prices, but DETI will continue to co-operate with the Utility Regulator and the respective energy companies to ensure that market arrangements are in place which can contribute to putting downward pressure on energy costs and ensure that they remain as competitive as possible.

Energy efficiency remains one of the key components to reducing energy costs and to building a sustainable future for generations to follow. DETI already has voluntary agreements with major energy suppliers and the trade bodies for oil and solid fuel to improve the energy services they offer to their customers. The agreements also track the level of energy efficiency activity and its outcomes. As the Strategic Energy Framework promised, my Department has just completed a study into the potential for a new energy efficiency instrument for Northern Ireland and will be working with partner departments and the Utility Regulator to develop the analysis of the study into policy proposals in the near future.

Our current energy mix is very reliant on gas, oil and coal which means Northern Ireland is exposed to the changing global demand for energy resources, predicted price rises in the cost of these fuels and ever increasing decarbonisation ambitions. Increasing the amount of renewables in Northern Ireland's energy mix offers long term benefits in terms of security of supply – but there is an associated cost to the consumer. We must therefore ask ourselves what will be the cost of not integrating renewables into the energy mix. Investing in renewables now will mean cheaper energy in the longer term for the next generation of energy consumers. If we do not act now to put in place the required infrastructure and renewable energy installations, future generations will be right to criticise us.

In 2010 the Northern Ireland Executive endorsed a target of 40 per cent of our electricity consumption from renewable sources by 2020. At that time I estimated that the combined cost of renewable electricity installations, together with the cost of the grid investment necessary to meet the 40% target, could be between £49 and £83 per household on an annual basis at current prices.

The development of renewables is undoubtedly a big challenge. But Northern Ireland, which has some of the best renewable resources in Europe, is uniquely positioned to overcome the challenge. For example, along with Energy Ministers from the Republic of Ireland and the Scottish Government, I recently announced publication of the ISLES offshore grid study. This proves the feasibility of building an integrated offshore grid network, linking wind and tidal and future wave sites off our coasts to enable the export of renewable electricity to major demand centres in Great Britain. The results of the study will form a key part of the European Union's North Seas Countries Offshore Grid Initiative to develop EU energy corridors and are being made available to the industry.

My Department is also currently consulting on changes to the Northern Ireland Renewable Obligation while in parallel working closely with DECC on the Electricity Market Reform proposals. I would propose to clarify Northern Ireland's position in respect of these EMR proposals in the first quarter of 2012. I am also working with HM Treasury on the UK-wide carbon price floor tax, which forms part of the package of EMR measures. It was designed for the GB electricity market but will have an unforeseen impact on Northern Ireland and the Single Electricity Market. This is a complex area that will not be easy to resolve but we are working hard to provide a solution that meets Northern Ireland's needs.

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Transitioning from our current fossil fuel dependence and maximising our renewable resources in a cost competitive way is imperative as a move to renewables brings many benefits – renewables can be a key player in creating the investment, exports and jobs Northern Ireland's economy needs. Renewables is no longer a fringe industry, but part of the mainstream.

The over reliance on fossil fuels is perhaps most evident within the local heating market where less than 2 per cent of demand is satisfied from renewable sources. We have therefore set a target of 10 per cent renewable heat by 2020 and in order to achieve this level I have made clear plans for a Renewable Heat Incentive (RHI) for Northern Ireland.

My Department is currently finalising the design of the RHI scheme in advance of implementation. The scheme initially represents funding of £25m, however over the entire lifetime of the RHI the actual support levels will be much higher.

In addition to the plans to develop the renewable heat market, my Department has also been seeking views on the potential for extending the natural gas market, with a three month consultation having ended on 30th September 2011. The development of both renewable heat and natural gas will assist in ensuring a more sustainable, secure, diverse and competitive heating market.

I wish the members of the Energy Institute every success in their challenges for 2012 and trust that you might also share in and support my Departments.

A handwritten signature in black ink, appearing to read 'Arlene Foster', is positioned above the typed name and title.

Arlene Foster MLA,
Minister for Enterprise, Trade and Investment

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