

Consultation on the development of the Northern Ireland Renewable Heat Incentive

Comments by

Northern Ireland Environment Link

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Northern Ireland Environment Link (NIEL) is the networking and forum body for non-statutory organisations concerned with the environment of Northern Ireland. Its 55 Full Members represent over 90,000 individuals, 262 subsidiary groups, have an annual turnover of £70 million and manage over 314,000 acres of land. Members are involved in environmental issues of all types and at all levels from the local community to the global environment. NIEL brings together a wide range of knowledge, experience and expertise which can be used to help develop policy, practice and implementation across a wide range of environmental fields.

These comments are agreed by Members, but some members may be providing independent comments as well. If you would like to discuss these comments further we would be delighted to do so.

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We welcome the opportunity to submit comments on the proposed development of the Northern Ireland Renewable Heat Incentive (RHI). We also support the introduction of an RHI to Northern Ireland and would like to highlight some important issues in the current proposal that we hope you will consider. The comments outlined reflect the key aspects of the RHI that we wish to contribute to and therefore have not answered all the questions contained in the consultation document.

At present 98% of Northern Ireland's heating energy comes from imported fossil fuels. The challenging target for renewable heat generation by 2020 is 10% of the overall heat demand; currently just 1.7% of the total heating energy is met from renewables. To reach this target it is necessary to ensure that the appropriate fiscal measures are in place to facilitate a growth in renewable heat equivalent to an increase on existing levels of approximately 40% per annum. NIEL are supportive that the department has chosen to develop an RHI that is specific to Northern Ireland as the region requires locally targeted actions to enable effective delivery of this policy. Industry growth rates of uptake of renewable heat technology must be higher than the average experienced in other European countries and therefore the RHI must be set to effectively incentivise this. It is also feasible for investors to locate in Great Britain to avail of a more attractive RHI, reinforcing the need to deliver an effective level of incentive. Consequently NIEL feel that there is need to consider that the proposed NI tariff is increased to prevent the likelihood of this relocation of commerce and industry as an extremely detrimental outcome. Renewable heat must become an attractive energy source for consumers and at present the pricing levels are slightly low. The assumption made within the tariff calculations suggest that gas prices are not going to rise after 2020 and woodchip is not predicted to have an effective price increase: these are flawed assumptions within the economic appraisal. A further factor that has not been highlighted is the serious challenge of achieving an improvement of 40% year on year growth of renewable heat is required in Northern Ireland to meet its target. In order to reach this target the price tariff must be attractive to ensure that payback times are credible, particularly in a time when the commercial sector is extremely sensitive to the volatility of the local economy. NIEL does not feel that there will be any risk of over-incentivisation from setting higher tariffs than outlined and would strongly recommend that pricing is increased accordingly.

In developing an RHI for Northern Ireland we are happy to see that DETI have included air source heat pumps and bioliquids as eligible technology; however, we feel it is vital to also include heat generated from landfill CHP and anaerobic digestion within the tariff schedule. NIEL also feels that it would be more cost effective and relevant for management responsibility to be based within Northern Ireland rather than the suggested duty to go to Ofgem. Accessible local administration will help the success of this policy and therefore a regional organisation can regulate this most efficiently to establish a more cost effective delivery framework. The need for review is critical and NIEL would like to emphasise the requirement for DETI to carry this out at regular periods of the RHI implementation. In this respect, we would recommend that the system is flexible and

adjustments to tariffs and operations can be carried out smoothly if necessary. It may be useful to have an interim assessment on the roll out of the policy within the first four years to ensure that the scheme is operating effectively or at least not showing any early signs of problems that may need to be addressed. Should the review be carried out after the suggested four year period there may already be initial impacts on industry within Northern Ireland that cannot be resolved and therefore monitoring of the early stages of implementation could be vital to the success of the RHI and the resulting economic outcome of the policy delivery.

NIEL is supportive of the implementation of sustainability reporting as part of the NI RHI; however, we would like to see more detail on how this will be carried out. Participants in the scheme will need to be aware of the process that will have the relevant detail to obtain significant qualitative and quantitative information, whilst keeping the administration relatively straightforward so as not to act as a disincentive for those who are keen to utilise renewable heat technology. NIEL would also like to see DETI actively engage with end users throughout the process of policy development and implementation to facilitate its delivery, encourage understanding and gain knowledge from potential consumers. Excessive and inappropriate levels of bureaucracy and administration can provide powerful disincentives to adoption of microgeneration at home, farm and community scale and must be avoided.

A key issue within the energy policy framework is the lack of integration. Although this has improved somewhat, there is still a conflict between current policy documents produced by the department. The consultation on the extension of the natural gas network has been running alongside the renewable heat incentive proposals, which in our view is creating a mismatch of policy priorities and therefore there is no clear delivery framework on a renewable energy future which should be the key outcome of policy implementation over the next few years. Should the proposals for the gas extension consultation be implemented there is likely to be conflict and difficulty in reaching the set targets for renewables across Northern Ireland. The extension of the gas network is sending a mixed message to the public and has the potential impact to deter any further adjustment to renewable technology within the commercial and domestic sectors. An integrated energy development roadmap must be provided in order to secure a sustainable energy framework for the whole of Ireland. Fuel poverty in Northern Ireland is at its highest level in the UK and as unemployment is rising it is time to structure the economy around the delivery of sustainable renewable energy technology, and to support this there is need for consistent and robust policy. The implementation of the renewable heat incentive is critical to make renewables attractive for investment, particularly within the commercial sector and we hope that DETI will consider the issues raised within the consultation process to develop the most effective strategy for Northern Ireland and ensure that our target for 2020 is successfully met.