



Northern Ireland
Assembly

**COMMITTEE FOR
ENTERPRISE, TRADE AND
INVESTMENT**

**OFFICIAL REPORT
(Hansard)**

**Renewable Energy Inquiry:
Action Renewables**

14 October 2010

NORTHERN IRELAND ASSEMBLY

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ENTERPRISE, TRADE AND
INVESTMENT**

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Members present for all or part of the proceedings:

Mr Alban Maginness (Chairperson)
Mr Paul Butler (Deputy Chairperson)
Mr Leslie Cree
Mr Paul Frew
Mr Paul Givan
Mr William Irwin
Ms Jennifer McCann
Dr Alasdair McDonnell
Mrs Claire McGill
Mr Gerry McHugh
Mr Sean Neeson

Witnesses:

Mr Michael Doran) Action Renewables

The Chairperson (Mr A Maginness):

I welcome to the Committee Mr Michael Doran from Action Renewables. Mr Doran, we have already received your useful response to the Committee's request for submissions to its inquiry. However, I am sure that you want to make some opening remarks.

Mr Michael Doran (Action Renewables):

Thank you, Chairman, for the opportunity to present to the Committee. My oral presentation will last about five minutes; as you said, I have already submitted a written presentation. I want to highlight what I believe to be significant barriers to renewable energy and, more important, how they can be overcome. I want to find a positive way forward rather than to complain or lay blame.

First, I want to discuss feed-in tariffs and renewables obligation. It is unfortunate that feed-in tariffs have not been introduced in Northern Ireland as in GB. I understand that it is not possible to introduce them because the Energy Act 2008 has not been adopted here; therefore, we have to make do with the renewables obligation. The way in which DETI has delivered that is a positive way forward.

Secondly, the interdepartmental working group on sustainable energy, which has been positive, could be more effective if it had industry representation. It can be compared to an initiative that the Department of Agriculture took a couple of years ago. It set up a group called the Agricultural Stakeholder Forum on Renewable Energy, which not only included departmental movers and shakers but also people in the industry. It worked quite effectively.

The strategic energy framework has been criticised for not having a long enough timescale. At present, although some targets go to 2020, it is really only a five-year development plan. We need a long-term strategy for the issue; it is not going to go away. There has been much criticism of planning, and, although I appreciate that that is not within the Committee's remit, there is an issue with the time that it takes and the cumbersome procedures involved in making planning applications for renewable energy projects. Typically, it takes two to three years to get a relatively large-scale renewable energy project through planning. I suspect that that will deteriorate because there has been a change in the divisional and central planning units over the past few weeks. That means that there is now decentralised intelligence in the Department; therefore things could get worse.

My biggest complaint is about communications strategy. There is, generally, a very low level of awareness among the population in Northern Ireland about the implications of energy security and climate change. Our submission contains a report by the Energy Saving Trust in February 2010 showing that of 500 householders in Northern Ireland, 41% were completely unaware of or

unable to name any renewable energy technology. If I had not seen that statistic, I would have said that that figure was ridiculous. However, most people in Northern Ireland do not have an appreciation of renewable energy or its implications. They think that there are other, far more pressing, issues.

Grid infrastructure is an issue of which the Committee is probably aware. The grid needs an investment of about £450 million over the next 12 years to allow renewable energy projects to move forward, particularly those that try to put electricity on to the grid. Our system was designed from three or four primary energy sources, namely the power stations. The further from the power source, the smaller the capability of the line to handle additional load: if additional load is put on the end of the line, it will not cope unless it is reinforced. Therefore, unless investment in the grid infrastructure continues, there will be no further development with renewable energy, particularly with electricity.

I have concerns about how the green investment bank may operate in Northern Ireland; I do not think that anybody has an answer to that at the moment because the coalition Government have not made it clear how they will deliver. However, my understanding is that it will operate from London and that it will probably go after the big-hit, large-win projects, which are not likely to be in Northern Ireland. Therefore, I am not sure how that investment will continue. I appreciate that we are in stringent financial territory at the moment, and, therefore, I do not expect capital investment or capital grants to come forward from government as a way to move the situation forward. However, if the green investment bank issue is not managed adequately, we will have a problem in Northern Ireland.

The final issue that I want to highlight — again, it is possibly beyond the remit of the Committee — is that one third of all energy consumed in Northern Ireland is consumed through transport fuels, and, to date, the Department for Regional Development (DRD) has done little to address that issue. Given that we still import 93% of our primary energy requirement, if we do not address the transport issue, we will sideline one third of the problem in trying to address all the other problems.

The Chairperson:

Thank you for being so succinct and for your written presentation. You highlighted the establishment of a centre of excellence for renewable energy in Scotland. How do you envisage

that being replicated in Northern Ireland?

Mr Doran:

One small element is already in place in Hillsborough; it was put in by the Agri-Food and Biosciences Institute (AFBI) and looks at energy for farms. That leads me to another point, which is the lack of co-ordination between Invest NI, the universities and industry; there does not seem to be an umbrella body pulling them together. The considerable expertise in Queen's University and in the University of Ulster gives us an opportunity to move forward, and there is a centre for sustainable technologies in the University of Ulster on which we could build.

To date, there has been very little engagement with the industry. One of the largest lobbying bodies for the renewable energy industry in the UK, the Renewable Energy Association based in London, is not very active in Northern Ireland. Since Action Renewables is not a trade association, one of the problems in Northern Ireland is that there is no one to represent the trade. We need collaboration between the universities, the Departments and the industry.

The Chairperson:

Where are we with renewable energy here?

Mr Doran:

In football terms, we are at the bottom of division 2 in everything. We are third worst of the EU 27 for importing renewable energy; only Malta and Luxembourg are worse. Biomass, which is our natural resource —

The Chairperson:

May I interrupt? Are you talking about the UK or about Northern Ireland as a region?

Mr Doran:

Actually, Northern Ireland is even worse than the UK. The UK is third from the bottom; if Northern Ireland were isolated, we would be second from the bottom — having said, that, we are not one of the EU 27 — so we are actually worse off than the UK. The only thing at which we are better than the UK is producing renewable electricity from wind. We produce a higher proportion because we have more wind resource and it is likely that we will also have more tide and wave energy resource. However, if that is restricted by the planning process, we will not be

able to move it forward. We are a very poor renewable energy performer. If Northern Ireland were isolated, we would be the second worst area in the entire EU 27 for biomass production. Only Malta is worse.

The Chairperson:

You said that the interdepartmental energy group works reasonably well.

Mr Doran:

Yes.

The Chairperson:

Have you evidence to substantiate that? I do not detect that; what I detect in government is a lack of focus on renewable energy. I do not see any Department or Minister championing renewable energy in the Executive, and each Department seems to have its own focus on renewable energy. I do not detect a coherent, central, focused government approach.

Mr Doran:

I agree to a large extent. I think that Minister Foster has done a relatively good job in pulling that group together. I am not completely sure how effective it has been, because I am not part of it. The feedback that I get from the members of the group is that they believe it to be quite useful.

The Chairperson:

Are the members of the group departmental officials?

Mr Doran:

Yes; they are civil servants who work for Departments. Most of those with whom I interact — I will not mention names — feel that it is quite effective. However, some of them say that they feel that it could be more effective if it had industry input.

Mr Butler:

Thank you for your presentation. You spoke about a target of 40% renewable energy by 2020. How realistic is that objective, given the state of renewable energy in the North of Ireland?

Mr Doran:

We have to remember that the target is to source 40% of electricity from renewable sources by 2020, not 40% of energy. Electricity is about 35% of total energy consumption in Northern Ireland. We are going after 40% of 35%, which is realistic if two problems can be sorted out. We have the resource, and it is possible to get the finance to drive it forward, because the projects are economically viable. The two barriers are grid connection and planning. On average, it takes between two and a half to three years to get through the planning process, and that is a disincentive. If an investor can get their return faster by investing in a Scottish rather than a Northern Irish wind farm, they will do that. It is an ambitious target, but it is definitely achievable.

Mr Butler:

We have debated the renewables obligation certificate (ROC) versus the feed-in tariff. It centres on small-scale renewable-energy projects that feed-in tariffs support. How many of those small-scale projects will contribute to achieving the overall renewable energy target?

Mr Doran:

The percentage —

Mr Butler:

ROCs are still used here, but it seems that feed-in tariffs are used in the South.

Mr Doran:

The proposal is that the ROC system will cope with anything up to two megawatts here. The feed-in tariffs in England work at a slightly lower level, but you are quite right: they are not only for domestic use, but they do not work at a very large scale. If you do not get the buy-in of the population and you do not give them the opportunity to engage in renewable energy development, you will get nowhere. Putting one-kilowatt wind turbines on individual houses will not solve the problem; they are not cost-effective. There are tables to show which technologies at which scales are most effective and which give the faster payback of return on investment over time. The very small renewables make little economic sense, but renewables make financial sense at about 100, 200 or 300 kilowatts.

Mr Butler:

What would a renewable of that size be?

Mr Doran:

That is a large wind turbine on a farm; it is not something that you would put in your back garden in Belfast.

Mr Frew:

Thank you for your presentation. You gave us a startling figure about awareness of renewable energy. What can the Government do to raise the awareness of small businesses, individuals and households? How can Departments communicate better with one another to cut down the confusion on renewable energy? What can the Government here do to obtain grant funding from the European Union?

Mr Doran:

As far as I am aware, there is now no direct communication on renewable energy between government in Northern Ireland and the population. There were some programmes in the past; however, unless people understand the extent of the problem, they will not buy into it. That problem will not go away, and oil and gas prices will go back up substantially. My opinion is that, by November 2011, the price of oil will be back at \$100 a barrel and that by 2013, it will be back at \$150 a barrel. The pressure will be back on, so, unless we do something in the meantime, we will not be able to respond. Joe public does not see that as an issue; it is only when oil prices go up that he starts shouting.

Most people do not understand the implications of energy security, where energy comes from and energy price for Northern Ireland in the short, medium and long term. For various reasons, many people in Northern Ireland do not believe in climate change. I am happy to park that and focus on energy security and the cost of energy, but the Government need a communication strategy to inform Joe public.

The second question was about information sharing among Departments, and the Chairman mentioned that. Various Departments have an interest in renewable energy. I did some work with councils yesterday to find out the level of interest in renewable energy among local councils in Northern Ireland and what assistance they want from DETI. They think that councillors need

information. Councillors are residents like everyone else, and, generally, the energy managers in councils feel that many councillors do not see this as an issue. Therefore, when it is put to councillors that the boiler in a swimming pool needs to be changed at a cost of £200,000 with a three-year payback, they ask why they are wasting £200,000. They do not understand the issue.

Similarly, when I was out yesterday conducting a survey that we have been carrying out over the past couple of weeks, most council energy managers said that they continually feed information on renewable energy into different Departments. I said surely the information goes only to DETI, and they said no, because DFP has responsibility for the government estate and is continually looking for statistics and information. Even the councils send some information to DRD, DETI, DFP and OFMDFM; there is no co-ordination. It cuts across different Departments.

Mr Frew:

Thank you for your answers. You made the point about cost very well. We can talk about the planet and climate change but, to focus people's minds, it will come down to the price of energy. That is the primary concern. When oil prices rise, individuals and businesses sit up and take notice. Cost-effectiveness must be driven home; we must get that information out. There is confusion about the upfront costs of renewable energy and how long it takes to pay back. However, there is a payback. Furthermore, people are scared because nobody really knows the cost of maintaining the equipment. We should emphasise that more.

Mr McHugh:

You are welcome, Michael. This is a difficult subject for councils, the public and for all of us. We have concentrated on this, and, therefore, you can imagine that it is not a priority for those who encounter the issue only the very odd time. I have two questions, one about the grid and one about planning.

Is enough work being done with planners so that they are engaged with the future needs of the planning system, for example, the grid and the placement of renewables technology? Are they up to speed or are they just fiddling away as normal? Perhaps planners do not consider renewable energy a priority, although I could be wrong.

The other question is about the grid, and there is, at the moment, an end time of 2014 for us to move forward. That is the lockdown for the grid. In other words, there is no point in putting up

any more wind farms because there is nowhere for them to go. They will have to be switched off. That seems to be where we are at. The order books of the two companies in Germany involved in the production of cable are filled with five years of orders. That will cause a blockage for us. How will we overcome those obstacles?

Mr Doran:

Most planners do not have an understanding of renewable energy. For example, approximately three months ago, there was a DOE consultation on permitted development for renewable energy and what small renewable energy projects would be allowable under planning legislation without a planning application being made. We, along with many other organisations, responded to that consultation. In places, the proposed legislation was ridiculous because the Department did not understand what it was proposing. One example is that the legislation proposed that a certain scale of wind turbine should be permitted development; however, nobody in the market manufactures wind turbines the size permitted. Although, on the face of it, that proposal is great and means that people would not have to put in planning applications to put wind turbines up in their back gardens, nobody makes that size of turbine. Therefore, there was a lack of understanding.

Planners are not technical experts in renewable energy; however, there is some lack of understanding. That said, the Planning Service was developing expertise. The way in which planners managed large-scale applications in the past is different from how it has been done recently. Recently, a central planning division has looked after the larger planning applications, depending on whether the energy produced goes into the grid or is retained for one's own use. However, my understanding is that, at the moment, because of cost cutting, the Planning Service is removing that expertise from the central planning unit and devolving the authority for it to the local planning units, which do not have the expertise. That is a step backwards.

Does that adequately address your first question?

Mr McHugh:

Yes.

Mr Doran:

You are quite right that there are constrictions on how much wind can be taken onto the grid. At

present, there is about 450 MW of renewable wind energy on the system. However, if someone wanted to put up a wind farm tomorrow morning in certain places, they could not because the energy could not be fed back into the grid. In the planning system, there is about 1,200 MW of wind energy. Therefore, three times more energy is going through the planning process than is on the ground. More than half of that cannot come to fruition without investment in the grid.

To return to Mr Frew's question, unless Joe public understands the implications, there will be more issues similar to those in south Armagh around bringing in the grid interconnector. The general groundswell of opinion is that people do not want overhead pylons. I can understand that; I may not want a pylon in my yard either. However, there are three choices: either no grid reinforcement is put in, in which case we cannot have renewable energy; if grid reinforcement is put in, it is done above or below ground; and, if reinforcement is put in below ground, it will be 10 or 15 times more expensive. If people want to make the third decision, let them make an informed decision knowing that their rates or taxes will go up to pay for it. I understand why people do not want more pylons in their area; however, that view was taken because people did not understand the implications. If people knew that it would cost 15 times more to bury the cables, they might have thought twice before voting against the pylons.

Mr McHugh:

Since there will be a hold-up for a few years with the grid, farmers could get involved in biomass. Seemingly, some of the CAP reforms aim at using willows to add to the production of energy in certain areas.

Mr Doran:

Even if that was done on a relatively large scale — up to two MW or three MW — the problem would remain.

We have an issue here, and I am not sure what the answer is. The average cost of grid connection in Northern Ireland is considerably more than it is in other parts of Europe. We did some research on that issue about six years ago. At that stage, the average price of grid connection quoted by NIE for a farm that was wishing to export electricity — I am not talking about a farm that was just connecting its dairy — was in the order of £50,000. In Germany, six years ago, the average grid connection cost for a farm in a similar situation was €8,000. Those two prices are not even comparable, so there is an issue with grid connection costs.

The Chairperson:

Were the costs similar in Britain?

Mr Doran:

The costs were lower in Britain but still substantially higher than those in Germany.

The Chairperson:

You said that there are applications in the system that are potentially worth 1,200 megawatts. What would happen if all those applications were granted?

Mr Doran:

Do you mean if they were granted tomorrow morning?

The Chairperson:

Let us say if they were granted within the next year.

Mr Doran:

They could not be built, because the grid would not be able to accommodate them. Most of the applications could not be accommodated within the current grid structure. So, at some stage, we will have to make a decision about whether we are going to invest in the grid. I am not sure of the exact figures involved, but they are in the order of £400 million to £500 million. We have to make a decision about whether we are going to incorporate renewable electricity and move it forward. If so, we will have to invest in the grid. We have to prioritise.

The Chairperson:

You consider that the Planning Service is going backwards due to the decentralisation of decision-making.

Mr Doran:

Yes, I do.

The Chairperson:

Is there not a case for the Planning Service to have a specialised unit that deals with all those

applications, moves them on, and concentrates on them so that they can be dealt with expeditiously?

Mr Doran:

It did have such a unit, and it is in the process of taking it apart at the moment.

The Chairperson:

Were all applications dealt with centrally?

Mr Doran:

No; it was dependent on the scale of the project and whether the electricity was going into the grid or being generated for personal consumption. That was a slight anomaly that I was not terribly happy with, but my main concern is that that centre of knowledge is being taken apart and that those individual planners are being sent back to their divisional units.

The Chairperson:

So, in other words, there was, effectively, a centralisation of those applications. That is being changed; the process is being decentralised, and there may well be a less efficient and less expert view at a local level.

Mr Doran:

Yes, and that is unfortunate, because the planners were beginning to get a grip of the situation. I think that they are going to lose that grip.

Mr Frew:

There will also be an inconsistent policy throughout the country.

Mr Givan:

You are speculating that the process will become less efficient and that there will not be sufficient expertise locally. On what evidence are you basing that view?

Mr Doran:

The situation was improving for the people who were putting in the planning applications to the central unit; they were finding an expertise there that was consistent and that understood the

technical problems. Once that is taken apart, there will be, as Mr Frew said, an inconsistency, because one area will approve something that another area will not.

Mr Givan:

What evidence is there for that? Planners implement planning policy statements. The expertise is put into developing a policy that is supposed to be applied consistently across the Department. The planners apply a policy. I know that councillors and other individuals have had experiences whereby they got approval for something in one area and not in another area. However, I am curious as to how you feel that you can allege that something will be approved in one area and not in another when the planners have to implement planning policy statements, which used expertise in their formulation.

Mr Doran:

Because it goes back to visual amenity, which tends to be the grounds on which most of the large-scale applications fail. Those are subjective decisions.

Mr Givan:

You are right. However, visual amenity is more an issue for the Northern Ireland Environment Agency (NIEA) than for planners because the agency is consulted on it. That is the case for the central division, as it is for local divisions: the NIEA will be consulted about visual amenity. Again, I am curious as to how you can say that that is a backward step.

Mr Doran:

I say that because I think that a level of understanding of the technologies and implications is needed. Once that specialism is taken away and dispersed, it will be less effective.

Mr Givan:

How quickly were those applications being turned around under the centralised system? In my experience, it was incredibly difficult to get approval for such planning applications. Planning applications have sat for years under the centralised system and have still not been approved.

Mr Doran:

Minister Poots came in around September 2009. He had been in post for about two weeks when one of the first speeches that he gave was to the British Wind Energy Association conference,

which was held in Belfast. He said that he was going to take the handcuffs off the planning process and that things were going to move forward. That did not actually happen. However, during the past three to five months, most people who were making large-scale wind-energy applications were finding that there was a level of understanding from the Planning Service that had not been there before. In my opinion, that level of understanding will drop when planners start to be put back into their own divisions.

The Chairperson:

With regard to the point that Mr Givan has raised, planning policy applies throughout Northern Ireland. PPS 18 and the guidelines thereunder is the relevant advice. Mr Givan makes a fair point to counter your suggestion. The point is that, if PPS 18 and the guidelines are in place, there should be a consistency of approach across the Planning Service's regional offices. How do you counter that argument? I understand your point that the process has improved and that the service has been building up expertise centrally, and so forth. Would that not balance out?

Mr Doran:

Although I have just been complaining about subjectivity, I will now give you a subjective answer. In my opinion, part of the problem is whether there is confidence. If there is a central planning division that is responsible for all of the larger-scale applications, it will have the confidence to issue or to reject applications. When that is devolved to local areas, offices are under more pressure locally to deal with issues. I am not sure that they will respond as quickly.

The Chairperson:

That is a fair answer.

Mr Cree, I am sorry that Mr Givan jumped the queue. However, it was appropriate that he asked his question.

Mr Cree:

It is all part of the same mix. Certainly, the Planning Service is notorious for its inconsistency, both between districts and even within districts. That is nothing new.

To return to the issue of the grid, it is fair to say that most thinking on renewable energy relates to wind generation. Most of the work and the expectation is emanating from that aspect.

Mr Doran:

Yes; at the moment. Although the focus should be on renewable energy, there is a focus on renewable electricity in Northern Ireland, because we have the capability to deliver more on that in the short term. In the long term, the focus will also shift to renewable heat and transport. That is slightly further down the line.

Mr Cree:

I accept that. However, let us stay with the issue of electricity generation. You have, quite rightly, identified the grid problem. How do you see that problem being overcome? Who will finance the necessary investment in infrastructure, transmission and distribution?

Mr Doran:

The ratepayer will do that. It is either that or we do not move forward with renewable energy. There is constriction. The Assembly has to decide whether to make it a priority. There is a decision to be made.

Mr Cree:

I suggest that the ratepayer does not expect to be doing that. If major energy companies are in the business or coming into the business, they should be prepared to invest for the sake of their own profits. I know that we have a regulated market, but this whole thing is going to fall flat on its face unless the grid is reinforced very quickly.

Mr Doran:

That is correct.

Mr Cree:

Are we just going to hope that, somewhere down the line, the Government will decide that they have to tax people in order to raise money to be given to the electricity distribution company?

Mr Doran:

I am not an expert in how the money will be raised. I have to be honest and say that I do not know the answer to that question.

Mr Cree:

I have a simpler question. Viridian was part of your organisation's original set-up. Action Renewables does not get any money from DETI now, but does it still get money from Viridian?

Mr Doran:

We do not get any money from Viridian. We get approximately 15% of our turnover from DETI, but, by April 2011, that will be nil.

Mr Cree:

Will you have to ask the ratepayers for money?

Mr Doran:

We now contract commercially, so 85% of our income comes from commercial activity.

Ms J McCann:

I have two questions: one is general, and one is about the generation of electricity through renewables. Your written response states that, with a population of 1.7 million, we are a small economic unit when it comes to energy. It also states that we should have an overall strategic policy with Britain. I am thinking about an all-island approach to energy and energy policy. We live on a small island of just over six million people, and we could generate electricity from wind and wave energy, though there would obviously have to be investment in the grid to enable that to happen. Committee members went to a place once where we were told that, if there were proper investment in the grid, we could not only use electricity generated from wind energy but we could export that in the future. I am sure that Action Renewables looks forward to the day that that happens.

Do you believe that the Government have any sort of vision for the use of wind and wave energy as well as other renewable energy on an all-island basis? I know that you said that part of the responsibility for renewables sits with the Department of Enterprise, Trade and Investment and other Departments all over the place. Therefore, do you think that the Government have the right vision for renewable energy at the moment? We have a single electricity market. Have there been any discussions about that vision and about looking at that on an all-island basis as well as with Britain? When we talk about renewable energy policy, I sometimes feel that there is no innovative thinking on the export of such energy. It would become more economically viable

if we could export that energy. Is there any movement towards that?

Mr Doran:

You are putting pressure on me, Ms McCann, because to answer that question honestly, I will have to tread cautiously into the field of politics, which is not my area of expertise.

Ms J McCann:

I understand that.

Mr Doran:

Therefore, what I am about to say is a personal opinion, which may not be the opinion of Action Renewables. In my opinion, the way in which government operates in Northern Ireland and the way in which some of the Departments carry out their business are affected by the party that the Minister at the head of that Department belongs to. Therefore, it is my opinion that the Agriculture Department, which has a Sinn Féin Minister, is more comfortable doing business with the Republic of Ireland than Minister Foster, who comes from a DUP background, might be. Some members may completely disagree with that.

Mr Neeson:

What you say is not true.

The Chairperson:

Do you wish to challenge that, Mr Neeson?

Ms J McCann:

Let him finish; he was answering the question.

Mr Doran:

I am quite happy to let members come in on that point. It is not my area of expertise; that is just my perception. Therefore, although there is an all-island grid now, which benefits Northern Ireland and the Republic of Ireland, I think that DETI generally looks to London to partner rather than to Dublin. I think that there are opportunities. You are quite right; the wind, the waves and the crops do not know where they are in Ireland, so it makes more sense to move forward. There were difficulties with the way in which electricity is incentivised in Northern Ireland and the

Republic; they are very different incentivisation schemes. They have not been co-ordinated, and I am not sure that is possible to do that with the current regulatory frameworks in both countries. But yes, it makes sense to have collaboration between North and South, because the same wind blows north and south.

Looking at a long-term vision, in my opinion, Ireland has the opportunity to export large amounts of electricity by 2025. It is likely that, by 2025, there will be a European grid. We have already got an interconnector coming in through Scotland, so we already export some electricity. It is possible that Ireland could be exporting 50% of its electricity production by 2050, so there is an opportunity. I am not sure that that vision is there at the moment, possibly because it has cost implications.

The Chairperson:

Do you want to come in on that, Mr Neeson?

Mr Neeson:

No; I have made my point.

Mr Irwin:

Michael, you are very welcome. I apologise for not being here for your presentation. There are a number of issues, from planning to grid connection, of which we are all aware. I was speaking with someone last night who had just got grant approval for a biodigester, and the cost of connection to the grid was £84,000, which he thought was astronomical. There are targets relating to renewable energy, but do you agree with me that part of the problem is that there is no clear direction or joined-up approach from government? There needs to be clearer direction from the top down if we are to meet targets and to move forward on renewable energy. Do you accept that?

Mr Doran:

I do. Mr Neeson may disagree with what I am about to say, but I think that part of the issue is the structure of government in Northern Ireland and the way in which it operates. When you say that there is no vision or joined-up government, you have to look at the size of the Departments and the number of people who are working in, for instance, the DETI energy division. There are six or seven employees in that division who are trying to manage all of those issues. The Department

of Energy and Climate Change (DECC) has more than seven people in its energy policy division in London.

I think that we would have been better off importing the Energy Act 2008 en bloc and just delivering it here, rather than trying to reinvent the wheel. The people in the DETI energy division are doing the best job that they can with limited resources, but there are only six or seven of them working on an agenda that is increasing substantially every year. I am not suggesting that 25 or 30 people should be employed in that division, because it is not going to happen. However, to a certain extent, we are making a rod to beat our own backs by trying to reinvent legislation every time that it comes out, instead of just importing what GB is doing. I think that we could do it more easily if we just took what the rest of the UK is doing and delivered it, and, if 5% of it is not appropriate for here, well tough.

The fact that feed-in tariffs did not come in here has created a real problem for installers in the market here, because there has not been a demand at a domestic level, which there has been in the UK. Most of the installers have either shut up shop or have relocated to GB over the past six months because there is no buoyancy in the market here.

The Chairperson:

There is a problem here. We are a devolved Assembly that is trying to work through legislation. Are you suggesting that the Energy Act 2008 should apply here?

Mr Doran:

I think that it should have applied.

The Chairperson:

What do you think of the situation now?

Mr Doran:

DETI has coped with that, but it has taken two years to deliver on it. In the meantime, lots of renewable energy installation companies have gone to the wall or have relocated to GB.

The Chairperson:

We now have a problem because Britain has feed-in tariffs and we do not, which causes

dislocation in respect of incentives, and so forth.

Mr Doran:

Yes. The feed-in tariffs remunerate at a slightly higher level than the new ROC system. DETI has done a good job to manage the situation. I am not saying that DETI created it. I am not sure who decided that we were not implementing the Energy Act 2008. I am not sure how that came about.

The Chairperson:

The Minister explained that she tried to submit an amendment about the feed-in tariffs, I think, in the House of Lords. However, it was too late in the legislative process to get that extended to here.

Mr Doran:

It created an unfortunate situation where we were disadvantaged for two years. We should not have to wait for two years every time there is an initiative in GB. If an investor is looking to put money into a project and can get returns now in GB that cannot be got in Northern Ireland because the policy is not clear, that investor will go to GB and not stay here.

The Chairperson:

They will walk. Does the South have a different system of incentives?

Mr Doran:

Yes; it is a completely different system.

The Chairperson:

Is it a feed-in tariff?

Mr Doran:

It is slightly different from that. The general opinion is that the system in the South is worse. Therefore, I do not suggest that we adopt that.

The Chairperson:

It is not a feed-in tariff system?

Mr Doran:

No.

The Chairperson:

Does that cause problems in respect of exporting renewable energy from the South to the North or vice versa?

Mr Doran:

No. That system has been managed. However, an installer who operates in the North and the South operates in two very different systems.

The Chairperson:

So there is no real problem?

Mr Doran:

No.

The Chairperson:

OK. You say that there are six or seven people in the DETI energy division.

Mr Cree:

We have a chart that shows that it has over 30 people.

The Chairperson:

Let us examine this point. I assumed that six or seven people work on energy, as Mr Doran said. Energy does not simply mean renewable energy. Is that right?

Mr Doran:

That is correct. There could be other people who are attached to Invest Northern Ireland working on energy. It is the actual energy division that we deal with. That may not be the entire energy division. I apologise if I have given incorrect information.

The Chairperson:

What sort of complement would you see as being most effective for the energy division in the Department?

Mr Doran:

I do not know; my expertise is not in running Departments.

The Chairperson:

Do you think that, on balance, the unit is too small?

Mr Doran:

To be honest, given the volume of work and what it is trying to manage at the moment, I am surprised that it has delivered as much as it has.

Dr McDonnell:

I am sorry that I missed Michael's presentation. However, I heard it a couple of weeks ago and was very impressed. I will comment rather than ask a question as such. Nobody is criticising the people in the energy division. They work very hard. However, I think that there is a lack of focus and priority given in DETI to energy issues, particularly renewable energy issues. I would appreciate Michael's indicating whether he agrees or disagrees with me. It is not just a question of numbers. It may even be a question of, rather than using people with a general Civil Service approach, creating an expertise pool of a team of 10 or 15 people who are committed to energy and have a specialisation in that. Am I right in saying that?

Mr Doran:

Yes, you are.

Dr McDonnell:

I have talked to the Minister about it, and she is in full agreement that there is a need to put more resources into that division. It is a growing priority. It was not that significant 10 years ago but has now trebled or quadrupled in size.

I want to probe a bit into the feed-in tariffs and the ROCs. Am I right in my impression that ROCs suit the big off-shore wind farms and that feed-in tariffs are preferable and desirable for

small on-shore producers?

Mr Doran:

No, that is not correct. The way in which the ROCs are being delivered in Northern Ireland is an attempt to match the revenue that can be accrued from feed-in tariffs in GB. They fall slightly short, so people are getting slightly less money in Northern Ireland than they would be getting in GB, but the delivery of the ROCs has tried to address the situation. The main issue was that we were two years late in matching what the feed-in tariffs were going to be, so the companies that were trying to deliver here were looking at a buoyant market in GB and nothing happening here. The issue was the time delay. The ROCs have gone a long way towards addressing the amount of money that people can get out of feed-in tariffs.

The Chairperson:

If you were an investor or were trying to set up your own business, would you find the ROC system or the feed-in tariff system preferable?

Mr Doran:

The feed-in tariffs, because it would be the same as in GB. If I had come over from GB to here, I would be wondering why there was a different system. The initial reaction would be to question why the system was different and then to discover that I would be getting slightly less money here. Therefore, there is some reluctance. I think that DETI has done a good job, under the circumstances, to deliver the ROC system, but it would be —

The Chairperson:

It has tried to tailor the ROC system to suit the fact that we do not have a feed-in tariff system. Unofficially, it is almost a hybrid system. Is that right?

Mr Doran:

That is correct.

One other thing that I have not mentioned today, and nobody else has brought it up, is that one of the difficulties in the market here at the moment relates to what Invest Northern Ireland is doing. Invest Northern Ireland is being very active in promoting renewable energy development within companies in Northern Ireland, but its remit covers exporting, job creation and inward

investment. Unless the companies here are exporting, they do not receive support. Therefore, Invest Northern Ireland does not really have — I am trying to avoid using the words “vested interest” — any interest in seeing an indigenous industry developing here. As long as we are making things and exporting them, it is fulfilling its remit. Again, that relates to the fact that there is no joined-up thinking, in that it is not part of Invest Northern Ireland’s thinking to try to sell into the Irish market; it wants us to sell outside. If there is not a pull in the Northern Irish market, Invest Northern Ireland does not really care.

The Chairperson:

If a generator is exporting to the South, is it really exporting into the same market as that in the North?

Mr Doran:

Exporting to the South is recognised as exporting.

The Chairperson:

Even though it is a single market?

Mr Doran:

Yes.

Mr McHugh:

If we have run out of grid or grid time, perhaps we should be developing some of the other things such as biomass, so that farmers could at least plan, over the next five years, to consider that as a possibility, along with CAP reform, because they are going to be asked to change tack. The other point is that we could have all the wind turbines we like, but there are times when there is no wind. There is hydroelectricity in Norway that could be fed back here if we had the grid to do it. Alternatively, we have a lot of small hydro positions throughout the island of Ireland. Is there a possibility of bringing those back into use? There were small mills, and so on, in the past.

Mr Doran:

Small hydro will never make a significant impact in Ireland because of the topography. I am exaggerating now, but, basically, Norway is a plateau with lots of cliffs on the edge, and all the turbines are placed where the water falls off the plateau. Ireland is like a basin, with Athlone

stuck down in the middle. We do not have lots of tidal runs, so we are never going to generate a lot of electricity. I agree that we could be generating a lot more electricity off-farm. Mr Irwin talked about anaerobic digestion. That is likely to become much more significant, and the Agriculture Department has an initiative in place. The person whom Mr Irwin talked about was probably involved in that initiative.

Mr McHugh:

I was thinking that people could create their own dams or high water.

Mr Doran:

There will be instances, but it will not be significant in terms of percentages or numbers.

The Chairperson:

I think that everybody has asked their questions.

Mr Neeson:

I would like to clarify for Michael's benefit why I made the comment that I did. Minister Arlene Foster saw the sale of NIE to the Electricity Supply Board (ESB) as a business matter; she did not consider it a political matter, as some other unionists did.

The Chairperson:

Mr Doran was very careful not to get into any party politics.

Mr Doran:

It is not my area of expertise, and I stand corrected.

The Chairperson:

He was pushed on the points, and I think that he dealt with them as best he could in the circumstances.

Thank you, Mr Doran, for your very helpful submission to the Committee. If the Committee thinks of further questions, perhaps you would be willing to send in a written answer.

Mr Doran:

That is great. Thank you very much.