



Northern Ireland
Assembly

**COMMITTEE FOR
ENTERPRISE, TRADE AND
INVESTMENT**

**OFFICIAL REPORT
(Hansard)**

**Energy Bill [HL]: Legislative Consent
Motion**

24 February 2011

NORTHERN IRELAND ASSEMBLY

**COMMITTEE FOR
ENTERPRISE, TRADE AND
INVESTMENT**

Energy Bill [HL]: Legislative Consent Motion

24 February 2011

Members present for all or part of the proceedings:

Mr Paul Butler (Deputy Chairperson)
Mr Leslie Cree
Mr Paul Givan
Mrs Claire McGill
Mr Sean Neeson

Witnesses:

Ms Alison Clydesdale) Department of Enterprise, Trade and Investment
Mr Paul Hutchinson)

The Deputy Chairperson (Mr Butler):

We will begin the evidence session on the legislative consent motion for the Energy Bill [HL].
This session is being recorded for Hansard.

I welcome Alison Clydesdale and Peter Hutchinson from the sustainable energy branch of the Department of Enterprise, Trade and Investment (DETI). They will give us a briefing on the legislative consent motion.

Ms Alison Clydesdale (Department of Enterprise, Trade and Investment):

As the Committee is aware, DETI is committed to supporting the development of heat from renewable energy, and its strategic energy framework (SEF) has a 10% target for renewable heat. The Department believes that the renewable heat market presents many potential benefits. For example, it could not only play a role in reducing our reliance on imported fossil fuels but create green job opportunities. The work on renewable heat that we have carried out to date has included a very detailed analysis of the potential for renewable heat in Northern Ireland. When that piece of work was concluded, the Minister announced in September 2010 that she felt that a Northern Ireland-specific renewable heat incentive (RHI) was the way to support renewable heat in the longer term, subject, of course, to value for money being confirmed through an economic appraisal. It is important to note that, in September 2010, the Minister confirmed that installations that were done from that month on would be supported when the renewable heat incentive came online.

That economic appraisal is now under way, and we hope to have it finished by the end of March. We have received a funding allocation of £25 million from Her Majesty's Treasury. However, to ensure that a scheme can be implemented in a timely manner and that the £25 million funding can be utilised, we now need to make primary enabling powers to deal with renewable heat.

The Energy Act 2008 does not extend to Northern Ireland; as it stands, it covers only GB. We have been liaising with the Department of Energy and Climate Change (DECC), and an amendment to the current DECC Energy Bill [HL] can be made to extend those powers to Northern Ireland. However, that will require a legislative consent motion to be agreed. The Minister of Enterprise, Trade and Investment has now received Executive agreement to table in the Assembly a legislative consent motion that will seek to extend those general powers to Northern Ireland. However, we will require further subordinate legislation to be made in due course, even after the primary powers have been extended.

If we miss the opportunity to get the primary powers extended at this point, the introduction of a renewable heat incentive will be delayed, because we would need to take primary legislation through the Assembly in the next mandate. We are liaising closely with DECC, and if the legislative consent motion is agreed, based on DECC's current timetable for the passage of the Energy Bill [HL] through Westminster, it is likely that the amendment will be tabled in

Westminster in May. That Bill is due to receive Royal Assent in July. Therefore, it is important that we meet that timetable. Obviously, a full public consultation will still be required in advance of an RHI coming in to Northern Ireland.

The Deputy Chairperson:

Although the legislative consent motion will speed the process up and will mean that we do not have to take primary legislation through the Assembly, what is the timescale? For example, how long will the consultation last?

Ms Clydesdale:

A consultation would be required for secondary legislation. If the primary legislation goes through Westminster, the process will obviously be speeded up. While that is happening, we are working on the economic appraisal and drawing up the consultation document. Our hope is that we will have the subordinate regulations ready in time to go out with the public consultation. Therefore, if DECC's timetable is met and if the primary powers are made in May and extended to us, we can proceed with the consultation once the new Assembly has been established. The issue will obviously have to come to the new Assembly and the new Committee in due course, but we are hopeful that we will be able to get the consultation out in June.

The Deputy Chairperson:

Will the technology that is needed include geothermal energy, solar power and anaerobic digestion, for example?

Ms Clydesdale:

As part of the economic appraisal, we are looking at how those could be included. That will be part of the consultation document that we will hopefully publish in June.

Mr Neeson:

I really welcome this. I was very interested to hear on the news last night that, in Newcastle, they are doing a very substantial borehole to provide geothermal heat. This is great. I presume that it brings us in to line with the rest of the UK. Hopefully, the money that has been promised by the Treasury will be delivered.

The Deputy Chairperson:

You see the overall figure of £850 million, with £25 million allocated to here? How was that arrived at? Are we being hard done by?

Ms Clydesdale:

No, that is a pro rata amount that DECC has calculated.

The Deputy Chairperson:

So we will not be getting any more than £25 million?

Ms Clydesdale:

I do not think so.

Mr Cree:

It is good to see this. Arguably we should have been a bit quicker off the mark; it is three years since the relevant legislation kicked in over there. Maybe it is too soon to know, but one of the things that intrigues me is that, in Great Britain, the incentive is linked to the feed-in tariff for electricity. How do you see that working here? We have the ROC (renewables obligation certificate) system, which is different.

Also — you will remember, Deputy Chairperson, that we discovered this ourselves — other countries in Europe actually have real incentives. We are told that in France, for example, anyone installing a renewable heat system can claim back up to 50% of the equipment cost against income tax. What sort of incentives are we thinking about for applications in Northern Ireland?

Mr Peter Hutchinson (Department of Enterprise, Trade and Investment):

As the economic appraisal carries on, we will need to think about the interactions between the renewable electricity market and the renewable heat market, specifically for technologies like anaerobic digestion and combined heat and power. The GB RHI levels were set along the same lines as the feed-in tariffs. Basically, under the GB RHI you get a 12% rate of return on most of your technologies and 6% on solar thermal technology. That is how they link in to the feed-in tariff: the rates of return are similar.

The final GB scheme will probably come out in the next two or three weeks. We hope that the final design of that will provide further clarity on the final tariff levels. We need to be mindful of the links between renewable heat and renewable electricity so that we do not end up double incentivising. You could end up getting ROCs and an RHI. We will look at how GB looks at that issue, and consider it from there.

Mr Cree:

That is one of the dangers. I do not see why, if someone is maximising their capability by providing renewable heat, they should be penalised for that while someone who produces that on their own gets an incentive.

Alison mentioned geothermal energy. That is a necessity for renewable heat incentives. We do not seem to be making any plans, despite an ideal site in Antrim that is available to us.

Ms Clydesdale:

Do you mean Ballymena?

Mr Cree:

Quite a lot of the southern Antrim plateau is suitable.

Ms Clydesdale:

There is a project. We helped a company in Ballymena secure funding through DECC that is hoping to aspire to geothermal in the longer term. Grant funding has been made available for that. Obviously, if an RHI provides incentives for that, that will make the economics of it much more attractive. At the moment, that project is focusing on biomass heating as the first stage, working towards geothermal. It is still in the early stages. It greatly depends on how many people sign up for it. If enough people sign up for the biomass power element, it will eventually be viable to move to geothermal.

Mr Cree:

The danger there is that you need both. You have renewable heat, and you also have renewable energy, generated from biogas or whatever. That is one of the things that is going to have to be sorted out fairly soon.

Ms Clydesdale:

As Peter said, it will be looked at as part of the economic appraisal, but we do have to be mindful of EU law in terms of double incentivisation. The developers themselves will have to decide whether they want to take the ROCs for the electricity generation and either not take the heat ROCs or reduce the amount of electricity ROCs and take an equivalent amount of heat. There will be an option to take both, but it will very much fall to the developers to decide which route they wish to take.

Mr Cree:

That is a built-in flaw in the whole system. It is wasteful.

Ms Clydesdale:

It depends on the use of the heat. With many combined heat and power plants, it depends on what they are doing with the heat —

Mr Cree:

Yes, but the alternative — and I do not want to labour the point — would be simply to let it go, to waste it and to ignore the renewable heat incentive because you cannot get paid twice.

Ms Clydesdale:

But a lot of people with biomass plants will use that waste heat to dry the biomass before they put it into electricity generation.

Mr Cree:

Take a larger unit such that a district heating system could be connected to it: there has to be an incentive because of the costs involved. I take it that the Department will be looking at all of this.

Ms Clydesdale:

We will be looking at the provision and the interaction of the electricity and heat ROCs.

The Deputy Chairperson:

When do you reckon all this is going to —

Ms Clydesdale:

We hope to have a consultation document ready for June. The economic appraisal should finish around March, but it will probably be June before it comes through to the new Committee. It will require Executive approval.

The Deputy Chairperson:

And how long after that —

Ms Clydesdale:

There will be a 12-week consultation period over the summer. If the consultation ends in September, we will have the passage of the regulations.

The Deputy Chairperson:

So we will have it before the end of the year?

Ms Clydesdale:

I hope so. With a fair wind, yes.

The Deputy Chairperson:

Thank you very much for your presentation.