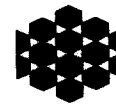


From the Office of the Minister



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Alban Maginness MLA
ETI Committee Chair
Northern Ireland Assembly
Parliament Buildings, Room 424
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16 September 2010

Dear Alban

You will be aware that my Department has recently been carrying out a significant study into the potential development and deployment of renewable heat in Northern Ireland. This study, which began in December 2009, came about as a result of the EU Renewable Energy Directive which requires the UK to ensure that 15% of its energy consumption comes from renewable sources – for the first time this requirement extended beyond electricity to heating and cooling and transport. Northern Ireland is expected to contribute to the United Kingdom's share of this target and, therefore, my Department's new Strategic Energy Framework, approved by the Executive on 9 September included an indicative target of 10% renewable heat by 2020.

This study was also commissioned in the context of the Department of Energy and Climate Change (DECC) announcing plans to incentivise renewable heat through a renewable heat incentive (RHI) from April 2011. DECC has statutory powers to implement the RHI through amendments made to the Energy Act 2008. Northern Ireland is not included in these measures and therefore it has been necessary to undertake this study to consider how best the Northern Ireland market could be most appropriately encouraged.

This work was taken forward by AECOM Ltd and Pöyry Energy Consulting and has gathered reliable data on the current heat and renewable heat usage in Northern Ireland; assessed the potential for deploying renewable heat here and considered appropriate methods of incentivisation. This has been absolutely vital to ensure that future policy decisions regarding the incentivisation of renewable heat are based on sound evidence and take into consideration the specific nature of the Northern Ireland heat market.

I am pleased to inform you that the study has now completed and I attach a copy of the Executive Summary for your information. This document is also available on the DETI website.

The report includes a lot of information on the current status of the heat market in Northern Ireland, levels of renewable heat already present and options for encouraging further renewable heat installations to reach a target of 10%. Obviously the various conclusions and recommendations will now need to be carefully considered and options developed for appropriately developing the market place.

I can assure you that I am committed to developing the renewable heat market in Northern Ireland and see many benefits in doing so. However, before promises on a renewable heat incentive can be made there needs to be a full economic analysis. It is only prudent considering the current financial climate that any new policies and schemes are fully costed and funded before commitments are made. We will therefore be beginning work on a full economic analysis as soon as possible; this will further inform options outlined in any future strategy.

Yours sincerely

A handwritten signature in black ink that reads "Arlene Foster". The signature is written in a cursive, flowing style.

ARLENE FOSTER MLA
Minister of Enterprise, Trade and Investment