

Northern Ireland Affairs Committee

Oral evidence: Renewable Heat Incentive—recent developments, HC 48

Wednesday 15 November 2023

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Members present: Sir Robert Buckland (Chair); Stephen Farry; Sir Robert Goodwill; Carla Lockhart; Jim Shannon; Bob Stewart.

Questions 1-25

Witnesses

I: Roger Pollen, Head of the Federation of Small Businesses in Northern Ireland; Christopher Osborne, Senior Policy Officer, Ulster Farmers Union; Andrew Trimble, Executive Chair, Renewable Heat Association NI.

Examination of witnesses

Witnesses: Roger Pollen, Christopher Osborne and Andrew Trimble.

Chair: Good morning. This is a meeting of the Northern Ireland Affairs Committee of the House of Commons. My name is Robert Buckland and I am a member of this Committee. With the Committee's consent, I am chairing proceedings today after the translation of our former Chairman, Simon Hoare, who has become a Minister in the Government. Jim Shannon, I think you wanted to say a few words.

Jim Shannon: I think it is only right, with Simon moving on to greater things, that we recognise his contribution as Chair of this Committee, and his enthusiasm, energy and interest in Northern Ireland, which will never diminish. I perhaps recognised his sense of humour more than most because of our age. When he mentioned Max Bygraves last week, I understood what he meant; some of the younger members didn't. I think we should wish him well for the future.

Chair: Jim, thank you very much for those very kind words, and I know that is the view of the Committee. It is certainly my view too. We wish Simon well in his new endeavours at the Department for Levelling Up, Housing and Communities. We hope there will be a Northern Ireland dimension to his work.

On with the business today. Welcome to our first panel: Andrew Trimble sits centrally, Christopher Osborne sits to my right and Roger Pollen to my left. Of course, we are conducting a follow-up session, in particular to deal with the implications of the 2023 Court of Appeal of Northern Ireland decision, the Lady Chief Justice presiding, on changes to the RHI payment scheme. We are very grateful to the witnesses for their attendance. I am going to hand over again to Jim to lead the questioning.

Q1 **Jim Shannon:** Gentlemen, it is a pleasure to see you. I have to declare an interest as a member of the Ulster Farmers Union and Christopher is one of my constituents—I want to put that on the record. It is nice to see Roger and Andrew here as well.

The scheme across Northern Ireland offered much and, perhaps with all the complications, did not deliver that. I understand that recommendations have been put forward by the farming community in relation to the buy-out scheme, the hardship unit and the future of renewables in Northern Ireland, to which I am very much committed. We will be having an inquiry on the contracts for difference scheme because we understand the need for renewables in Northern Ireland and what we need to do. I am very keen to get your ideas on the best way forward. I am not sure which of you will come in on that.

On Northern Ireland agriculture and the RHI, I understand some 300 members are in that system. Do you think we should have a public inquiry? Is that the best way forward? How do we give satisfaction to



HOUSE OF COMMONS

those who were in the RHI scheme and who wished to see what was promised delivered? Where does that money come from? Just your thoughts, please.

Andrew Trimble: It might be helpful if I kick off on this. You have asked what the solution is. The Committee, in its 2019 report and inquiry, came up with a solution. The solution is equality or equity with the rest of the national scheme. I will quote from Sir Patrick Coghlin's report. "There was a £13 million public inquiry" The wider costs of that public inquiry in terms of legal aid costs and the costs borne by those who were witnesses before that inquiry are probably of the same order. "The overspend, which was avoidable, foreseeable and utterly unacceptable, was £33.8 million." Since 2018 the measures put in place by the Department in its 2017 regulations have avoided any overspend; in fact, the underspend is currently running at around £130 million. The Department refused to confirm the number of participants still in the scheme. In 2017 there were 2,128 participants in the scheme. The Department said that its report on that matter was currently in draft, so I asked Ofgem, and I have the Ofgem certification as to how many are in the scheme. More than 800 of the participants have abandoned the scheme.

Northern Ireland produces 10% of the poultry meat consumed in the United Kingdom. Some 90% of poultry meat consumed in the United Kingdom is produced, therefore, other than in Northern Ireland, and 90% of that poultry production—one needs to be aware that only half of the participants in the scheme were in agriculture—has the cost of moving to renewables offset by the national scheme. As far as I am concerned there is an overwhelming argument that the scheme should never have been established in Northern Ireland. I will quote. Let us put these into context. The Comptroller and Auditor General in his statement of evidence said: "If the scheme amendment brought into effect in November '15 applied"—that amendment did not have EU state approval, so we will talk at length about EU state approval, which will still be required for Northern Ireland if this is a stand-alone scheme, "If the closure of the scheme to new applicants in February '16 took effect and the further changes made in April '17 apply for the remainder of the scheme, then based upon the projected cost under the new rates in 2017 and inflation increases of 1.6%, the amount to be funded from the Northern Ireland budget would be projected to disappear from 2018 as the cost would be met in full from the annual managed expenditure allocation."

Turning to Sir Patrick's comments, "The non-domestic Northern Ireland RHI scheme was a project too far for the Northern Ireland Government. While motivated by the laudable aim of encouraging the use of renewables rather than fossil fuels in heat production, the Northern Ireland stand-alone scheme should never have been adopted. The RHI scheme was novel, technically complex and potentially volatile, especially because of its demand-led nature and the wide range of variables (such as fluctuating fuel costs) which could affect its operation. These features together made the scheme highly risky, yet the risks were not sufficiently understood by all those who should have understood them within the Northern Ireland

Government, either at the outset or at any time during the life of the scheme.

“Without necessary resources and capability, Department of Enterprise, Trade and Investment should never have embarked on such a novel and complicated, demand-led scheme.

“Like Scotland, it is likely that it would have been less exposed to risk by participating in the GB RHI scheme.”

I will find the statement that says what the proportion is with regard to the Barnett consequential, but to put the economics into context, the Barnett consequential benefits Scotland to the tune of 8% under normal circumstances, yet Scotland has 20% of the installed capacity nationally. We have challenging climate change targets to be met, and the removal or termination of this scheme would exacerbate the drift away from adoption of bioenergy. The scheme was determined by the then Minister of Agriculture, Environment and Rural Affairs as contributing 7% to Northern Ireland’s overall reductions.

Forgive me for collapsing the debate, but the suggestion and the appeal to the Committee is: level up—level up to the rest of the national scheme. That will be complex, perhaps, but, since a scheme existed within the national construct to reduce the payments in order to control the budget and adjust to the differences in fuel prices, I could also suggest that you level up to the date of accreditation in the national scheme.

Bob Stewart: You should be lucky there, because our Chairman has just gone to be the junior Minister in the Department for Levelling Up, Housing and Communities, so you should have an ally there.

Andrew Trimble: Colonel Stewart, you are absolutely right. The question is, would that achieve equity? I believe that it would.

Q2 **Jim Shannon:** It is quite clear that the Ulster Farmers Union and other farmers groups have said that parity is lacking and has to be addressed. It is completely wrong that other parts of the United Kingdom—England, Wales and Scotland—have an advantage that Northern Ireland does not have.

If you don’t mind, Andrew, I am keen to get the farmer’s point of view from Chris.

Christopher Osborne: Northern Ireland is currently at a severe disadvantage. One of the headlines, which I wrote at the top of my notes and keep coming back to, is a very clear message: Northern Ireland is currently at an environmental and economic disadvantage. Looking forward, agriculture as an industry in Northern Ireland is in the spotlight in relation to emissions. It was identified that the RHI scheme could reduce heat emissions by up to 7%. When the scheme was introduced, back in 2012, we were working to a 10% target, so we were well on the road by then. As it stands, however, we are at a competitive disadvantage not just to our neighbours in the Republic of Ireland but also to our neighbours in



HOUSE OF COMMONS

GB. Looking forward, we currently do not have any decarbonisation schemes in Northern Ireland to help us to meet any targets that are coming to us. I think it was one of the senior staff at CASE at Queen's University who made a very good point that it is not about the decarbonisation of agriculture, but about what Northern Ireland agriculture can do for the decarbonisation of Northern Ireland.

Q3 Jim Shannon: I agree. I think that is often forgotten about. I understand that the farming community can make a 33% contribution to net zero by their participation, so what they can do is important.

The RHI inquiry made 44 critical recommendations; only 18 of them have been carried out. Perhaps you will give us some thoughts on the ones that have not been done.

You were right to say something else as well. A Northern Ireland Minister made a statement not long ago on the RHI scheme to say that the scheme could reduce emissions by between 6% and 7%. That figure is often forgotten about—hardly ever mentioned, actually—but it is a critical factor if we are to meet the net zero targets, which here in Westminster they want us to do in Northern Ireland.

Christopher Osborne: I will leave the RHI inquiry and its unaddressed issues to my colleague. On where we stand at the moment with Northern Ireland agriculture, since the RHI tariff reductions have been in place, we have heard from one of the major gas suppliers in Northern Ireland that the use of LPG—a fossil fuel—has increased by 20%.

Roger Pollen: To summarise your questions, Mr Shannon, you asked three: should there be a public inquiry; what is the best way forward; and how do we achieve satisfaction? On the public inquiry, no. That is the straight answer. We have had so many inquiries; the issue is, what do we do with their findings, as you alluded to.

The second question was on the best way forward, I know that energy is regulated differently in Northern Ireland, but none the less Scotland and Wales saw fit to adopt the GB system. They have a system that works right across GB. I think that there would be an awful lot of merit in Northern Ireland being brought into that, becoming a UK system, so that the capacity that exists in GB is extended—the intellectual and management capacity, and all that—to include Northern Ireland. I think that there is recognition that we did not do it well when we tried to go solo.

On satisfaction, I do not think that we want to urge this Committee to go into the detail of what that modelling would look like. It would be good if the Committee supported that ambition, to try to raise it elsewhere in Government, as Colonel Stewart recognised, to make sure that there is Government drive behind addressing the issue through adoption into that wider scheme. If we go down that route, we could see a reasonable and a reasoned way forward. We can get into the detail of what that looks like and what is fair, but none the less I think that that would go some way.



HOUSE OF COMMONS

That would also achieve another thing, which we might come on to. There is a seismic issue in the recent court judgment, which is: what is a Government commitment? Is it just a statement of intent? Is it a promise? Is it an idea? What can we rely on? We know what pension policy is, so we know that when we reach retirement age, Government will stand behind that, but why is there a difference between that policy and the policy behind the commitments they make on a scheme such as this? We have to restore confidence in the word of Government. We are seeing that in the concerns expressed. When we survey our members, we see concern about what we can rely on. It has had a chilling effect—no pun intended—

Q4 **Chair:** You anticipate a question I wanted to ask about trust in Government and certainty. You are saying that with uncertainty, why would people invest?

Roger Pollen: I don't want to have a pop necessarily just at the Northern Ireland Administration, because we saw the same here in Westminster, where a 2030 target for moving to electric vehicles was changed for lots of reasons. At least the policy remains the same; it is just the implementation date that was changed, as happens with pensions. In this case, however, the rug was completely pulled out.

It is bizarre that that happened at a time when the Assembly had gone. There is an old phrase about "advisers advise and Ministers decide", but in this case the advisers advised and the Assembly chose to disregard it. Instead of going for the 82% contribution to the climate change targets, the Northern Ireland Assembly went for 100%. That will put a massive burden on the industries there and on business, but it is business that will deliver the change, so we need to have confidence in Government putting in place systems that will allow them to invest their own money to make a change that the Executive, the Assembly and the country have decided that they need to make.

Chair: Mr Trimble?

Andrew Trimble: I have two points to make. First, to quote from a report that we submitted in evidence to a judicial review: "Finally, we may note that the decision to have a separate Northern Ireland scheme has had the arguably perverse consequence that Northern Ireland receives a share of less than its installed capacity. Thus, we estimate that Northern Ireland has 6% of the UK capacity installed under the scheme, but receives, as per the Barnett formula, just under 3% of UK funding. In contrast, Scotland is in the GB scheme, has 20% of the GB capacity, and so receives 20% of the funds, as compared to its normal Barnett allocation."

It is entirely proper that this matter should come before Westminster and this Committee, because of the sovereignty of Parliament, and that sovereignty was used by the Department's former permanent secretary, who convinced several former Secretaries of State to act on three occasions. First, because the statute construct of the 2017 regulations, which were retrospective, retroactive and silent as to what was to happen on 31 March 2018, the Secretary of State had to bring forward a Northern



HOUSE OF COMMONS

Ireland rates and energy Bill in 2018, which sustained the tariff as per 2017. But then the Secretary of State was advised—in our sincere estimation, incorrectly advised—that reducing the tariff from 7.1 pence to 1.7 pence would represent a reduction from a 17% rate of return to a 12% rate of return. Intellectually and mathematically, that scale of change—dropping it by 90%—could not reduce the tariff. In any case, the European Union had said it could run forward at the interim tariff. All you need to do, UK Government plc, is apply, because the tariff, at 19%, was within the approved range of 8% to 22% rate of return.

I have a bundle of evidence as to how that series of flawed decisions came about, all uncovered by way of FOI requests to the Northern Ireland Office and the minute that was sent from the permanent secretary of DfE to the Northern Ireland Office permanent secretary. I also have the minute from Sue Gray assessing the business case that was put forward as part of the 2018 consultation. There were eight options in the 2018 consultation, and the ninth was the termination of the scheme. Sue Gray came to the assessment that the scheme no longer represented value for money and, therefore, the Government would be entitled to terminate the scheme on that basis. I sincerely believe that the evidence that was presented to her by way of the 140-page business case was fundamentally flawed, and it was at significant variance from the determination made by Sir Patrick Coghlin in his inquiry.

Chair: Thank you very much, Mr Trimble. I think Bob Stewart wanted to come in.

- Q5 **Bob Stewart:** Roger, my question is to you most of all, because I am really concerned about small businesses, and that is where you come in. This February 2023 Court of Appeal decision—you have slightly suggested it is not a good thing, but can you just elaborate on that?

Roger Pollen: I suppose at the heart of it is the question: is the public interest better served by Government being able to limit its financial liabilities when it has made a mistake, or by being an inviolable constant on which we can all rely? That is at the heart of that decision, and we probably realise we have stumbled, so we need to get back to giving assurances, reassurances and so on. I think Mr Shannon made the point earlier that there is nowhere else in these islands that does not support its businesses and its electorate to make the changes. We are unique in being disadvantaged in that way, so I think that that decision has really undermined confidence, and we are going to need to work hard to rebuild that confidence. It is very mercurial whether people have confidence or not in something, and it is very easily lost. It is much more easily lost than it is gained, so in terms of lots of other Government policies that may flow, that decision was deeply concerning.

- Q6 **Bob Stewart:** My point of view, and I think I speak for the Committee, is that we really think this Committee should be a bit of a voice for business in Northern Ireland.

Hon. Members: Hear, hear.



HOUSE OF COMMONS

Bob Stewart: We actually champion business. I am chair of the business in Ireland all-party parliamentary group, too, so I occasionally go to constituencies like Stephen's. All I can say, rather than asking you to elaborate further, is that we the Committee consider this to be a bit of a voice for you, and when we write reports we are trying to champion you.

Roger Pollen: That is much appreciated. I am here not to say what I think; I am trying to reflect what our members tell us. We surveyed them in the summer on a few of these key points, and a couple of the findings that relate to this stand out, such as their understanding of net zero targets. Some 53% have limited or no understanding of those, and I think that is partly a reflection of the fact that they have become almost a taboo subject, because Government have made the mess that they have in this sector. Some 42% find it too expensive to consider renewable technologies—almost half of our businesses find it too expensive to consider them. But interestingly, more than a quarter are considering battery storage as part of a solution. That is not really coming to the fore through Government interventions, but it shows that there is an appetite for it. There is a lot of interesting information that our members bring to the fore, but the overwhelming sense of this is that it has chilled interest and action among more than half our members.

Bob Stewart: Christopher, do you want to add something?

Christopher Osborne: Just to back up what Roger said about a lack of appetite for people to embrace renewables, Jim pointed to the payment of contracts for difference, and I am sure that the DfE, when they give evidence later on, will point to that. We replied to the consultation back at the end of March this year and highlighted our concerns that we felt small-scale renewables could possibly not be included, because the level of capacity that will be covered by contracts for difference will miss out small businesses such as Roger's, but also small businesses such as our own. For as long as this carries on, we will not have any desire or mechanism in place to grasp renewables.

KPMG produced a report a couple of months ago; I do not know if anyone has actually seen it. In the last 12 months, only 30 MW of renewables have come online. In the Republic of Ireland, it has been 20 times that figure. Come the end of this year, 2030 will be only six years away, and we are not leaving an awful lot of time for what was already a very, very overgenerous target.

Andrew Trimble: Chair, could I speak to your question about confidence in Government? There is also the risk of contagion. We have not yet established a principle whereby if civil servants make a mistake and offer something that they cannot afford, because they had not realised that the income was limited to the Barnett consequential, any scheme that is at risk of overspending its budget must be terminated. That would apply to support for renewables in any format.

In a related scheme—or we say it is related—at about the time of the creation of this scheme, UK Government plc was supporting solar



HOUSE OF COMMONS

installation. In a series of High Court and Court of Appeal actions, the then Secretary of State for the Department of Energy and Climate Change put forward a submission that said that if we honour the feed-in tariff that is in law at the moment, it will exceed our budget or cost us a further £1.6 billion. The counsel for the appellants in that case, which was successful in both the High Court and the Court of Appeal, said that a Government promise should be like a bond: if you welch on a bond or a promise, your credibility—

Chair: As a proud Welshman, I take issue with the use of the word “Welsh”.

Andrew Trimble: It depends on the spelling, though. Da iawn, Sir Robert.

Chair: Diolch yn fawr. I’m only half-joking.

Andrew Trimble: It depends how you spell “Welsh”.

Chair: Perhaps “renege”?

Andrew Trimble: I will happily correct my statement to “renege”. In terms of my statement, I have provided the Clerks with a number of documents for the review of the Committee. I have provided a brief dated 12 July and a number of papers that spoke to the issues about animal welfare, the rate of return and its calculation. I would be happy for the Committee to publish those papers.

Chair: Thank you, Mr Trimble. I am going to ask Stephen Farry to come in.

Q7 **Stephen Farry:** Thank you, Chair, and good morning to all our witnesses. I am primarily going to ask how the industry overall has responded to both the 2019 legislation and, more recently, the Court of Appeal judgment. As part of that, could I ask you to cover some particular angles? Particularly for those who are watching, talk us through, in simplistic terms, what the current arrangements are for support that is available and the current rate. Perhaps you could also address the issue of the AME money that is left on the pitch at present; there is a potential opportunity cost to Northern Ireland in resource that we are not fully utilising. Then talk through—I am looking particularly to Roger and Christopher here—how things are developing in terms of those who availed themselves of the original RHI scheme. Give us an idea of how many people have actually exited the scheme. I am conscious that for many people there were considerable capital outlays in entering the scheme. At one stage, obviously, there was a sense, with the original scheme being too generous, that people were going to pay off that capital, in theory, in a very short time. Given the changes in rates, are there quite a few people with considerable loans that they are, potentially, struggling to maintain at this stage?

Andrew Trimble: Dr Farry, please keep me straight on answering all your questions, because this is a complicated question.



HOUSE OF COMMONS

The largest cohort are in the sub-100 kWh capacity, and the current rate of rebate for that capacity is 2p per kWh. The rebate rate established by the 2019 legislation was 1.7p, to be adjusted not by RPI, which was the original proposition, but by CPI; that was a suggestion from Sue Gray. Since 2019, it has risen only to 2p per kWh, and there is no compensation beyond, or no rebate beyond, 1,314 hours, so the maximum a participant can receive out of the scheme is around £2,200.

That is not free money. You rightly say that the installation costs were of the order of £70,000 to £90,000. You have a piece of capital that is no longer of any functional value and that will cost of the order of £600 per annum to service; and because of the war in Ukraine, there has been a huge spike in the fuel costs. Northern Ireland can produce only 60% of what there is demand for; the capacity in Northern Ireland to produce pellets is only at 60%. Therefore, the balance has to be imported, either from mainland GB or from Europe, and the European Pellet Council removed accreditation for material sourced from Belarus and from Russia. So, the cost of pellets has jumped from around £150 per tonne to being, for small deliveries, of the order of £400 per tonne.

One of the conundrums that the Committee will wrestle with is the fact that the 2017 legislation terminated the relationship that had pre-existed and from the point calculation of the difference between kerosene and pellet costs. Therefore, what would be the fair point to recalculate that and what would be the basis for the comparison? I say that the Department's use of domestic volumes and prices inclusive of tax in setting the comparator is entirely erroneous. If you are buying in bulk pellets—and they went first to the high-demand organisations and businesses, and a copy was taken of their invoices—you enjoy a discount. Comparing bulk, discounted pellet prices with domestic volumes in terms of 900 litres, which is the kind of delivery that you would have at home, is entirely an erroneous perspective.

Your next question was, how does that compare with the rest of the UK? If a boiler was installed in 2014-15, before the spike in the UK, then that participant today would be receiving in excess of 12p per KW, not 2p per KW. Beyond the 1,314 hours for a boiler which is of twice the capacity—so therefore capable of generating twice the amount of heat in that timeframe—there is a further payment of 3p per KW uncapped. It is entirely wrong to say that the price of fuel should determine what the rebate should be.

If HMRC allows organisations and the Government to pay 45p per mile for the use of a petrol engine car, that is clearly more than the cost of the fuel. It is dealing holistically with the whole cost of the operation and the additional cost of the operation. I will provide to the Committee a paper with the proposal for the poultry sector. We have a monopsony in Northern Ireland, and that monopsony controls production from cradle to grave, as it were—from grandparent producers of hybrid birds through to the meat production. That business proposition was based on the assurance of the Government guarantee.



HOUSE OF COMMONS

There were two forms of financing. The first form—I am sure Mr Osborne will speak to this point—was a tripartite mortgage of around £750,000. But that would have maxed out any small business's credit line. The second form of financing adopted by almost all the poultry sector participants was asset financing, or HP, over five or 10 years. That answers your question in terms of affordability. That asset financing was at rates of up to 12% APR, and therefore, whenever the rebate was collapsed, it was no longer affordable. There has been some mention of cross-fertilisation or cross-subsidy between parts of the business. That is a myth. The next part of your question, Dr Farry?

Q8 Stephen Farry: It was about the AME money.

Andrew Trimble: The allocation for both the national scheme and the RHI in Northern Ireland is annual managed expenditure—AME. It is ring-fenced and cannot be spent on anything else. If you go to figure 5 of the Department's published data—it is not up to date—the overspend was £33.8 million, and the underspend since the beginning of the scheme is now in excess of £130 million.

Q9 Stephen Farry: That is cumulative over many years, though?

Andrew Trimble: It is. I asked the Department and Ofgem how much, in the closed financial year, it was costing to operate. The answer is under £2.7 million. When I compared that with the national spend, Northern Ireland is drawing down 0.304% of the national spend, and yet the AME cap at the moment under the Barnett consequential is 2.98%, so it is less than a tenth.

I submitted a number of freedom of information requests asking: if this tariff were to continue, what is the likely outcome? In the first instance, the calculated response from the Department was that the underspend would be £390 million until 2036. The national scheme has been extended twice, but it now expires in 2042—and that was on the assumption that level funding of £25 million per annum would be the case. At the second time of asking, that had risen to an £420 million underspend over the period of the scheme that would be lost to decarbonisation, but that assumed a level funding of £29 million for the rest of the scheme. In the current fiscal period, the income is £33.5 million, so the cumulative stated underspends are wrong, and I would venture that the underspend of the loss to renewable energy in Northern Ireland is of the order of probably £750 million—three quarters of a billion.

Christopher Osborne: Thank you for those questions, Stephen. The one question that I would be able to answer directly would be in relation to the impact of the 2019 reductions upon my sector. It has been brought to our attention that 30% of boilers were turned off, and between a third and a half of those are poultry. As I think I mentioned earlier, the effect of this has been that basically guys have had no choice but to go back to burning fossil fuels. Also, there has been an increasing use of bedding, and it has had an adverse impact on the actual welfare of the birds as well. I think those figures pretty much stand out.



Q10 Stephen Farry: Is there an issue in terms of farmers managing capital outlays?

Christopher Osborne: Basically overdrafts, etc. My colleague mentioned the use of HP, etc. But yes, there are issues on the ground in relation to basically meeting debt repayments. Also, it has not been mentioned—although I think you might have mentioned opportunity cost?

Stephen Farry: Yes.

Christopher Osborne: Basically, a large number of farmers decided to borrow money on the basis of the scheme, but the money could have been used elsewhere in agriculture for other projects, such as their own farm developments, etc. So farm developments have most definitely struggled.

Q11 Stephen Farry: Roger, do you have anything you want to add?

Roger Pollen: Mr Osborne and Mr Trimble have covered a lot of the detail. From our perspective, yes, we had a lot of members who were impacted as subscribers to the scheme, if you like. Beyond that, a whole industry had developed of people to manufacture, install and service systems to support this initiative. Suddenly, almost at a stroke of Government, that industry was brought almost to its knees or beyond; it was destroyed in some instances and some of those businesses did go bust. I think the real concern then is, if we need to ramp up again to another initiative to meet some of our other targets—again the chilling effect—how quickly will people respond to deliver on another Government policy that may or may not have longevity about it? I think that it has had different impacts in different ways, not just on the consumer of the service, if you like, but on the suppliers to it. I suppose that has been one of the less well noted and charted downsides of this whole episode.

Andrew Trimble: Chair, may I just add a supplementary point?

Chair: Very briefly, Mr Trimble.

Andrew Trimble: The 2019 legislation made provision for voluntary buy-out and some £12 million was set aside to address those participants—initially believed to be a small number but subsequently identified as a 480 cohort—who would never receive capital repayment on their investment. That buy-out was not proceeded with. Ironically, the then permanent secretary said that he was minded not to proceed with the buy-out unless and until he had sight of this Committee's recommendations.

Q12 Carla Lockhart: I thank the panel for your evidence thus far. Obviously, there has been much talk about RHI in Northern Ireland and I think some people are still reaping the consequences of that. Mr Osborne, in relation to the situation on the ground at the minute and the impact for poultry users that have them installed, what is the difference between what a poultry farmer in Northern Ireland and a GB counterpart are getting? What is the figure on average? I know, obviously, that Andrew has gone into a lot of detail on the different elements of it, but just on average.



HOUSE OF COMMONS

Christopher Osborne: I might have to get back to you on an average figure for that, Carla, but I can give you figures from Ofgem in relation to non-domestic RHI payments for Northern Ireland as a whole for the period 2022-23. For Northern Ireland, it was £2,705,013. In England, Wales and Scotland, it was £887,433,839. You could probably do some rough sums on the back of a page and work out the average from that, but those figures are pretty stark.

- Q13 **Carla Lockhart:** My understanding is that some of our farmers would be obtaining somewhere in the region of £2,500 a year for their RHI business or system, vis-à-vis—what in GB?

Andrew Trimble: If the Clerk checks the website rhani.org, there is an assumed requirement of around 400,000 kilowatts, which is what a care home, or perhaps a small poultry system, might require. There is a comparison between the Northern Ireland scheme and the national scheme; I think it is of the order of £2,200 to around £50,000 difference. That £50,000 would go a long way to deferring your operational costs, your additional costs and your capital costs.

There is a supermarket in Northern Ireland which had a very large boiler installed, at several hundred thousand pounds of cost and capital. That supermarket chain has decided to remove its presence from a local shopping centre. The boiler was appraised yesterday at having nil capital value. So it is a sunk cost; it is a write-off.

- Q14 **Carla Lockhart:** For me, the headline figure that you are giving me there is—there is very much an average that has been detailed on that website that you referred to. Around £2,200 in Northern Ireland, and the same type of—

Andrew Trimble: In Larne, £2,200, and in Stranraer, £50,000.

- Q15 **Carla Lockhart:** Yes. That, in my mind, demonstrates the difference and the disadvantage that our people in Northern Ireland are experiencing. That is really helpful, and it is helpful for anyone listening in. I turn towards the impact that has had on RHI and renewables in Northern Ireland. How many, on average, would you say have transitioned away? We now have the perverse situation where people are back using fossil fuels, as opposed to RHI.

Christopher Osborne: I think I mentioned earlier that 30% had turned their boilers off.

- Q16 **Carla Lockhart:** Your assessment is that they have now reverted back to fossil fuels?

Christopher Osborne: As Andrew said, we are hearing on the ground that people are putting boilers on GUMTREE, etc. They are gathering dust, not working. For an industry in the 21st century to be seen to be increasing its fossil fuel use by 25%, through no fault of their own, is unbelievable.

- Q17 **Carla Lockhart:** What is your assessment of the reputational damage?



HOUSE OF COMMONS

My take is that this should mirror the GB scheme absolutely. It's proven, it's trusted, and it's worked here in GB; therefore, it should be replicated in Northern Ireland. Are you still getting a lot of feedback from wee families that are severely impacted by this? Who have made an investment on the back of what they were—

Andrew Trimble: Can I answer that question, because it goes to the hardship piece? The Department commissioned an independent reviewer of hardship, because various commitments were made in the upper House, and Lord Duncan took those commitments very seriously, to the point that he had the commitment written into the Library of the upper House, that there would be a review of the economic consequences of the 2019 legislation, which—as I said—mathematically and rationally could not have offered a 12% rate of return.

The review was conducted by an independent energy consultant of high repute, called Andrew Buglass. His report has been published on the Department for the Economy's website. It basically concluded that the regulatory impact process and assessments that had preceded the rushed 2019 legislation were wholly inadequate, and that significant economic hardship had been caused across the sector. Now, to alleviate that hardship, the then permanent secretary for the Department—a Department which had written to the banks encouraging them to lend against the guarantees contained in the 2012 scheme—the Department then called in the banks and said, "Look, a small number of your clients may be under stress. The small number is somewhere around 1,000. We encourage you to restructure their loans."

An HP loan cannot be restructured, but the wider business loans were restructured and fixed-rate mortgages were replaced with variable-rate mortgages. And then, for the privilege of restructuring the loan, the banks charged the client a further £3,000. So, rather than alleviating the hardship, the Department's actions—and this is the Department for the Economy! —the Department's actions perpetuated the problem. Previously loans on the plant were unsecured but, as the plant had no capital value any longer, the banks demanded land and property as security for the loans.

Christopher Osborne: I just want to add to what Andrew was saying, with maybe more of a broad brush in terms of the impact that it had upon the reputation of Northern Ireland agriculture. At its height, back in 2017, I was at the coalface with this. I had many stories of basically farming families in shops in Northern Ireland towns being forced to leave, because they were getting barraged by people in the shop, because they knew these people had poultry units and RHI boilers, and all they were seeing was the bad adverts and the headlines in the news and so on.

Once all that died down, at the end of the day the payments were reduced, the boilers were still there, and the financial commitments were still in place. They still had to pay off the loans, right up to this day. This is more of a summary of what Andrew was saying. Whilst the media uproar has died down, people are still feeling the financial pain on the ground.



HOUSE OF COMMONS

Q18 **Carla Lockhart:** And it is the genuine people—those who did not abuse the system.

Christopher Osborne: Yes.

Q19 **Carla Lockhart:** I suppose that is where my concerns lie—it is for those people who were genuine and entered into a scheme in a genuine fashion, looking to do their bit for renewables in Northern Ireland and the health benefits for the birds, etc. It is those people I feel for.

I have a very quick question, Chair, because you have been very good with the time today. Do you feel that there is a recognition from within the Department that the rate is unfair and unsustainable, and that moves are afoot to try and address it?

Andrew Trimble: We are in the seventh year of the problem. We have no political movement in Northern Ireland. In three instances, the Secretary of State for Northern Ireland has engaged in this issue. In 2018 and 2019, as I said, and then New Decade, New Approach contained a line that said the scheme should be shut down and replaced with a scheme which more effectively reduces carbon. That is a cut and paste from a comment from Ms Gray and it is a cut and paste from a political party speech in 2019.

The cost of terminating this scheme, and not continuing it, was initially reported by a political party as £6 million to the Exchequer. Ms Gray calculated that it would be £20 million. The Department for the Economy put forward a consultation in 2021, the outcome of which has still not been released, that it would cost £65 million.

We submitted in evidence in that public consultation the Grant Thornton report, which was referenced in the Lady Chief Justice's judgment. That said that the Department had miscalculated the sum due by a tune of four times. So, the cost of terminating the scheme and paying compensation to those affected is likely to be four times £65 million. The cost to the credibility of His Majesty's Government and the cost to the credibility of the Northern Ireland Executive is inestimable, it really is. It is a calamity. Back to Sir Patrick's comments: it should never have been allowed to happen.

Chair: I think you have answered the question I wanted to ask about trust and certainty, so I will ask Sir Robert Goodwill to come in.

Q20 **Sir Robert Goodwill:** Thank you. Some years ago, I visited a similar scheme in the north of England on a farm. It was a farm shop, and the farmer showed me the kit, which was measuring the heat and everything. It was a very complex system. He said, "Actually, it would pay me to leave the hot tap running down the drain because the subsidy I am getting is more. You get a very efficient plant using shredded wood waste rather than processed chips." Is there any evidence that, at the start of the scheme, people were using the scheme extravagantly because it was so generous?

Andrew Trimble: No. I am glad you asked that question point. If there is to be an investigatory scheme or an audit scheme—all of the participants



HOUSE OF COMMONS

have now been audited—the courts have universally decided that the rebate is a possession as per article 1 of protocol 1 of the Human Rights Act. If that is the case, then any sanction or any investigation must also be under article 6, and participants enjoy article 6 privileges. It is our understanding that the current mechanism being employed by the Department is not article 6 compliant.

In terms of auditing, we abhor anybody misusing the scheme; it is morally and functionally abhorrent, but the public inquiry found that there was no abuse of the scheme. There were suggestions that it would be possible for a farmer or a business to create a boiler; run it 24/7, 365 days a year; accepting that that would collapse every four years, replacing the core components. That would be possible in the national scheme, or was possible in the national scheme. The first collapse of the system in Northern Ireland would mean that the participant, whether or not they had been audited, was out of the scheme. So, the proposition put forward in various of the reports and in various of the audits of the Department—that it was possible for an empty shed to generate £1 million—was functionally inaccurate. It was just an impossibility. You are right—he could perhaps for a short time generate more than it was costing him to run his system; but he would destroy his system, so the long-term damage and his capital loss would outweigh the benefit.

Q21 Sir Robert Goodwill: We have been talking mainly about money today. We have not been talking a lot about carbon and the impact on the planet. Of these 800 abandoned schemes, 30% have been turned off. If the incentives were reinstated and it was possible to get them back into action, are these plants able to be recommissioned easily or are these things sort of stuck in the nettle bed at the back of the farmyard, never to be used again?

Andrew Trimble: On a case-by-case basis, an equivalent capacity to generate heat using fossil fuel would be around £5,000—full systems, and there is no system definition of what we are recouping or what we are counting as the capital cost under the Northern Ireland scheme. It is easy to revert to fossil fuel; it is less easy to reconnect. And then one would have to say, and this is to a point that was raised by another member, the installers and the maintenance firms have got huge burdens of spare parts in their store. Such is the rebate, it is now difficult to afford to replace anything that is broken. I will make one last point on that, because I know that Mr Pollen is very keen to interject. At the 10-year point, the heat meters must be recalibrated or replaced. That process alone will cost £1,000 out of the £2,000 rebate that is currently payable in Northern Ireland.

Roger Pollen: The Department has set out, under its sort of energy future, the objective of growing the green economy. There are two objectives in there that I picked out. One is to double the low-carbon and renewable energy economy turnover by 2030 and the other is to establish Northern Ireland as an energy decarbonisation innovation hub.



HOUSE OF COMMONS

That is a really laudable, lofty ambition, but underpinning it is that at the moment we have no incentives. A lot of people think that new incentives will come along, so they are holding back until they see whether there is a new landscape in which they will be operating. There is then also the concern about changing targets and changing incentives. Therefore, there is a complete environment of uncertainty, in which businesses are trying to meet those objectives and assist Government to meet them. That has been the longer-term damage done by this, aside from the damage to specific operators.

Christopher Osborne: To reply to what Sir Robert said in relation to getting boilers back up and running again, one thing that has not been touched on here is that there was an element of expertise and professional knowledge that was created on the back of boilers getting installed and the technology that surrounds that. That has gone now, but it wouldn't take very much for that to be rejuvenated. Again, it was an opportunity lost, in the sense that we had this knowledge base that was created, in terms of engineers, technologists and so on. If boilers were to be turned on or used to their capacity, we have the expertise available; it would just be a case of dusting it down and restarting it again.

Andrew Trimble: For those businesses that install and distribute the equipment in Northern Ireland, most of their turnover is derived from installations in GB or in the Republic of Ireland. There has been no new biomass boiler installed in Northern Ireland since 2017.

Q22 **Sir Robert Goodwill:** Mr Pollen, you said that the situation had chilled interest; Mr Osborne, I think you said there was a lack of appetite. Is it the case, basically, that the well has been poisoned and that it is very unlikely that new schemes would be attractive unless they were very generous? Of course, the whole point of schemes being very generous is that they are very expensive.

Roger Pollen: No, I don't think it is quite that. I don't think that they have to be very attractive or very generous; they just have to be there and there has to be a sense that there is longevity there—that this time lessons have been learned and that when a new scheme is announced it will continue to operate. I don't think that we are looking to get such a financial carrot; we just need a carrot and then some degree of stability around it. That is the information I am getting back from our members from the survey.

Christopher Osborne: I receive multiple calls every week from farmers saying, "When's there going to be a new scheme?" That is broad renewables—everything from solar panels to wind turbines to anaerobic digesters, or whatever it might be. I am almost hoarse from saying to people, "No." And is there any sign of it? That's the point—no, there's no sign of it, not even in the legislation.

Q23 **Sir Robert Goodwill:** I was at a farm last week in the North York Moors national park where they had a wood to electricity scheme. They have a pyrolysis plant; they were gasifying the wood and burning it in a big



HOUSE OF COMMONS

engine, and generating electricity for the grid. Would a scheme like that be possible to deliver in Northern Ireland under the current structures?

Andrew Trimble: There is no appetite. There is a small firm in Cloughmills that had 1,400 emails and forms of correspondence from the Department encouraging them to invest in such a scheme—a combined heat and power station. Ironically, the heat element was to be used to process pellets to satisfy the shortfall in the market. That firm expended half a million pounds on its feasibility studies, only to be told at the last minute, for reasons that were not explained, that that would not be a technology that the Department would support.

Q24 **Sir Robert Goodwill:** Is that because the scrutiny of that scheme would be so intense, given the history, that the officials would be embarrassed if even a perfectly reasonable scheme was splashed on the front page of a newspaper?

Andrew Trimble: Correct, which augurs in favour of the replacement scheme being of the national standard.

Q25 **Stephen Farry:** This is probably a fairly short question, to conclude, and I guess that I can anticipate all your answers to it. Do you think we need to learn lessons in terms of Parliament passing complex legislation like this in one day? Short answers.

Christopher Osborne: Yes.

Andrew Trimble: I would say yes, but then—[*Interruption.*] No. I think it is beholden on the Secretary of State for Northern Ireland, if the calculations were wrong in determining that 1.7 pence per kWh was the tariff payable in Northern Ireland, that there should be some redress. There should be some acknowledgment of that poor advice and some accountability with regard to the officials who provided that advice.

Roger Pollen: I do not think this is the only piece of legislation that we are regretting at our leisure, so your question leads to that very short answer—yes. We need to be very, very cautious. Even the climate change targets are ones that show that we have maybe set a target that we are going to fail to meet. That does not do anybody any good.

Chair: Thank you very much indeed, gentlemen. It is a pleasure to see you. In the words of the Lady Chief Justice in the litigation judgment earlier this year, we are looking for a “final, fair solution”. Thank you very much for your participation.