

Northern Ireland Affairs Committee

Oral evidence: Renewable Energy and Net Zero in Northern Ireland, HC 428

Wednesday 6 March 2024

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[Watch the meeting](#)

Members present: Sir Robert Buckland (Chair); Stephen Farry; Sir Robert Goodwill; Claire Hanna; Carla Lockhart; Jim Shannon; Kelly Tolhurst.

Questions 47 - 78

Witnesses

I: David Blevings, Ireland Manager, OFTEC; John Boyce, Wind Development Director, Renewable Energy Systems; Mark Fitch, Corporate Development Director, Transmission Investment; Paddy Larkin, CEO, Mutual Energy.

Written evidence from witnesses:

- [\[REN0015\]](#) – OFTEC
- [\[REN0042\]](#) – Renewable Energy Systems
- [\[REN0038\]](#) – Transmission Investment
- [\[REN0023\]](#) – Mutual Energy

Examination of witnesses

Witnesses: David Blevings, John Boyce, Mark Fitch and Paddy Larkin.

Q47 **Chair:** This is a meeting of the Northern Ireland Affairs Select Committee. We are having another session in our inquiry into renewable energy and net zero. I am delighted to be joined by our first panel this morning, all in person. We have David Blevings, the Ireland manager of OFTEC. We have John Boyce, who is the wind development director of RES. We have Mark Fitch, the corporate development director of Transmission Investment. We have Paddy Larkin, the CEO of Mutual Energy. Welcome to you all.

I will start by asking you a pretty fundamental question. The evidence that we have had thus far suggests that planning policy is “disjointed, unsupportive and incoherent” and is a barrier to Northern Ireland’s achievement of its net zero targets. I am going to ask each one of you for a very straightforward yes or no answer, first of all, on whether you agree with that characterisation.

David Blevings: Yes.

John Boyce: Yes.

Mark Fitch: Yes, that is right.

Paddy Larkin: I could not say anything else. Yes.

Q48 **Chair:** There we are. We have a unanimous jury verdict of yes. That does not come as a surprise to us, by the way, but it is very good that we start off with specific answers. I am really grateful to you.

As you have said that in the affirmative, I would like to know more about what you think are the aspects of the planning regime that make it so ineffective. What needs to change and what do you think good looks like in the planning landscape with regards to energy in Northern Ireland?

David Blevings: Good morning. Thank you for the invitation to be here in the first instance. I personally think that it was a good move that planning policy was moved back to district councils, but you have 11 councils, all with elected members and all with vested interests. That slows down the process. Please take this the right way. Where is the accountability for Civil Service? Where are the fines if policy is not delivered on time? In the private sector, if you do not deliver, there are penalties. In the public sector, I do not believe that those are there.

We need a very fast, streamlined process for energy policy. How that can be delivered, with 11 district councils and 11 individual district chief executives is a very difficult one. If Government are serious about speeding up the planning process, we need something to be interjected into that system to make it work better.



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John Boyce: Thanks very much for the opportunity to speak today. Following on from David's comments, we see some of the highest planning fees in Northern Ireland but some of the slowest timeframes in terms of decision-making. Since the strategic planning for schemes above 30 MW was moved back to central planning in 2015, I believe, there have not been any decisions made without going through an appeals system. That in itself tells the story that the policy is not fit for purpose and not being delivered on the ground.

We see delays of three or four years there for planning systems. We also see a really long delay now in the appeals system. The policy needs to be there to allow decision-makers to make those decisions. It needs to be joined up between central planning and the local councils. We need more resource into those Departments to deliver on the timeframes.

Mark Fitch: For our type of project, which is an interconnector, there are the number of bodies that you have to interact with, looking at marine as well as on land. It is trying to make sure that all those decisions come through in a timely way, such that we can progress the project.

Small delays in some of these decisions create long additions to programmes for delivery of big infrastructure. For example, a delay to a decision that means we may miss a seabed survey season, because it can only be done in good weather, means that we push the whole project back by a year. There is some amplification of delay that happens that you probably do not realise when the planning and all those consenting bodies act that then extends the length of time to deliver infrastructure.

Paddy Larkin: We would not have as much involvement as the likes of John and Mark. The key thing is resourcing and that the due process is properly resourced so we get speedy decisions.

The other thing is that we are supposedly in a climate emergency. In an emergency, I do not think that planning for renewable generation or on the supply side is really any different from that part of the economy that is not in an emergency. We need to consider whether there are particular standards that can be applied that can allow that aspect of due process to behave as if it is in an emergency.

On planning, I would like to mention one other thing. The planning tends to focus on the supply side, so generation. Planning also needs to consider demand and the demand side, particularly in Northern Ireland, where systemically we emit far more CO₂ emissions per head of population than GB or anywhere else. On that side of things, planning needs to start bringing climate action and decarbonisation into decisions, so decisions on where people or services locate and in terms of the involvement of public transport. That whole aspect of planning is another matter where eyes are off the ball. There are things being built that are going to be around for 100 years, so it really needs to be addressed as well.



Q49 Jim Shannon: Gentlemen, you are very welcome. If you do not mind, I give a special welcome to David. Long time no see, David. Your relationships with us in the Ards council area is one that we have much enjoyed over the years and your contribution is still there.

Over the years, I have been very keen to pursue the issue of a sea turbine at the Narrows in Strangford Lough when it comes to producing a green energy project that can deliver. I am old enough and have been on the council for a long enough period of time to remember the SeaGen pilot project that was there at the Narrows between Strangford and Portaferry. The tidal movement there is incredible. There is someone from Queen's University here on the second panel. I have had an engagement with Queen's University biology station over the years as well. It has been keen to support us.

We referred to financial investment in the renewables sector as a barrier. Back in the time of SeaGen and that pilot scheme, the energy could not be produced efficiently and cheaply enough, but today it can if that project was in place. My discussions with private enterprise in the past and the present have indicated that there are a number of companies that are interested in investing in these types of projects in Northern Ireland. Some of them are Canadian and some are Norwegian, I understand. There is also a lot of interest from the Republic of Ireland.

It seems to me that, while the question is a lack of financial investment, I am aware personally of at least three companies that are very interested, but they do not seem to be going anywhere. Now that we have a working Assembly back in place again, the responsibility falls, I understand—tell me whether I am right or wrong—on the Minister for DETI. It used to fall on the shoulders of Gordon Lyons, but he is no longer the Minister for that Department. It seems to me that there are projects possible. There are companies that are keen to invest. I would love to get your opinion, gentlemen, on where you think we can move it forward as well.

David Blevings: You have lack of investment because of red tape. Colleagues will know better than me, but it takes too long to get a project from conception to on the ground. There are issues over policy about return on that investment, a guaranteed price, but I would have limited knowledge on that aspect. That is what I perceive as the barrier, Jim.

Q50 Jim Shannon: Is that the contracts for difference scheme we are referring to? Apologies for interrupting you, David. On that subject matter, I want to bring in one of my supplementary questions. I had the present Minister, Graham Stuart, over this time last year to visit the Portaferry project and get an idea of it. He told me that, when the Northern Ireland Assembly was up in place, here in Westminster there would be a keenness to work alongside the Assembly in Northern Ireland to make sure projects happen. If there is a problem with red tape, the Minister here has committed to moving those things forward.

The contracts for difference scheme is a scheme that leads to the net zero targets for the whole of the United Kingdom. It is a really great



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scheme and I cannot understand why we cannot do better. Now that the Assembly is back, there is no reason to hold it up anymore. Sorry, I interrupted you. Apologies for that there, but I wanted to get that in.

John Boyce: I can pick up a little bit on that one too. We see three barriers to investment, or three things that are turning off investors into Northern Ireland at the minute in terms of renewables. There is that red tape, the delay in delivering projects through any amendments or changes to those projects being dragged back through that delayed system. It is turning people off.

There is the lack of a support scheme, so we have mentioned the CfD, which I know is now hopefully in chain, with the Assembly back up and running. For the last number of years we have had a CfD in GB for onshore wind. We have had RESS in the Republic of Ireland, but Northern Ireland has not had either of those. It is handicapped and is obviously dealing in the same market. We are also seeing a lot of constraints in the system in Northern Ireland at the minute because we have not had the investment in transmission upgrades to get the power flows correct through the country to make sure that the renewable assets can be utilised efficiently.

Mark Fitch: I would support those points. As we discussed in our written evidence, one thing that secures financial investment in Transmission Investment—it works with financial investors to bring the money into the projects—is that you need stability in policy and regulation for these things. That might be a support scheme in terms of CfDs, knowing where it is going and being sure that it is stable and predictable. That is very important to get investors to commit to a market.

That is in a sense that the capital is global, so it can go anywhere. The Canadians, as you were mentioning earlier, can go and put their capital anywhere, unless you present an attractive, stable environment in which they can invest in the long term. These projects take many years to develop. If the policy is moving within that timeframe, investors start to feel uncertain and therefore are less willing to invest at the rates that make it competitive. Those two points are important.

There is also what John said around there being a GB scheme and now a Northern Ireland scheme. There is a bit here about how we bring this together for the benefit of the whole of the UK, as you said, Jim. I think you said that we are trying to tackle this as the UK, but we are making decisions in parts and in isolation, with some boundaries around these decisions that were set up a long time ago when the systems were established, but actually probably do not fit now with trying to get UK net zero, with all of the resources we have, to the best of our ability. That is a bit of a mindset shift that we need to think about.

Paddy Larkin: To follow on, all investments in electricity production now are underpinned with support schemes, all of them, be it building wires, power stations or green generators. We do not have any in Northern



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Ireland. It is as simple as that, so we will not have any investment. Sorry, we do. We have a RAB scheme for the network investments, so that will carry on. We have a support scheme for power stations and power stations are being built at Kilroot. We do not have a support scheme for renewable generation, so there is not any being built. There are support schemes in GB and the Republic, and people are building there, so it is quite simple. We need a support scheme.

Customers underrate this anyway in the long term. In terms of how the industry has moved, it is all about infrastructure now. The developer or a provider puts all their money in on day one and has to recover it over 25 years. It is just too risky to recover that over 25 years for a developer, so a customer smoothes it out with a contract for difference. The contract for difference gives an assured price over that period of time, regardless of where the actual market goes.

Q51 Jim Shannon: This is probably to you, Mark, and maybe Paddy as well. I suppose that I get frustrated because we do not seem to be moving it along. The obstacle in the past was a non-functioning Assembly, which was a problem to move this project forward. Now we have that in place. I would be keen to have an idea from you of how we get solutions. My whole life—indeed, everybody's life as an MP around this table—is to do with solutions. I have the solutions in my mind, jumping around inside, about what needs to be done. It would be helpful for us as a Committee in this inquiry to have your thoughts on how we progress the project through the Minister's Department here at the Assembly and through the Minister here in Westminster.

There is no reason, in my humble opinion, for any obstacles to be put in front of anybody now that we have a working Assembly to move it along. With that being the case, what are your thoughts on how we do that? Northern Ireland is the only place in the United Kingdom that has no sea turbine project. It seems ludicrous that we do not have one when we potentially have one. With respect to all other constituencies in Northern Ireland, my one in Strangford has the thing right on its doorstep, so to speak. I want to get the right way to take it forward. What are your thoughts on how we move things?

There are companies, by the way. You all know them. I am not smarter than anybody else around this table. There are companies down south that have some finance to invest. I know that my colleague Carla and I had meetings with them. They are very clear that they need to have some financial incentives to bring the projects along as well. What are your thoughts on how that happens? That would be really helpful for us in our inquiry.

Paddy Larkin: There are a few different schemes. There are CfDs, which are bringing forward renewable energy. There are other schemes here in GB, such as the cap and flow mechanisms that have been used to bring forward interconnectors. There are RAB-based schemes, for example,



that are used to bring forward nuclear power. There are different types of schemes.

We do not need to reinvent the wheel; that is for sure. We just copy what is done elsewhere, but we take account of what is different in Northern Ireland. We are a small region. Where you are running auctions, for example, it is fine if you have 20 participants. You get a good, competitive outcome, but, if you run an auction with very little, with one party or whatever, you can get a distorted outcome. You need to take these things into account going forward.

On cap and flow regimes, GB wants lots and lots of interconnectors. Northern Ireland is too small to want lots and lots of interconnectors, so I do not think that one interconnector against another is what you would do. You would do one interconnector against another solution. There may be three or four different solutions that might warrant support that you need to go into.

Generally, this problem has been solved by our neighbours. Learn from that and just tweak it to suit what we do in Northern Ireland. Here in GB, there is a low-carbon contracts company that acts as the counterparty for all this. We do not have that in Northern Ireland. I do not know whether we can tag on the back of what is done here or not. There are practical things to be resolved to do it, but I do not think that it is that difficult.

Mark Fitch: I would agree. The more that we can copy what is already being done and is tried and tested and mature the better. On the degree to which it can be dealt with, I would ask whether we can look to make it a UK-wide scheme. Can we make it apply so we do not have the narrowness of the competition necessarily but it looks more broadly?

I would probably disagree slightly with Paddy in terms of the amount of interconnection that is needed for connecting the SEM to wider markets. Work done by the Republic of Ireland Department of the Environment, Climate and Communications recently showed that it was looking at needing something like 16 GW of interconnection to support its offshore renewable energy needs. There is probably plenty of opportunity for needing interconnection. We do not have the scale that we need to support the decarbonisation of Northern Ireland at all.

Copying what is there, using those mechanisms and riding off the back of them seems the obvious thing because we are trying to solve a UK problem. It is not that the climate targets are a bit Northern Ireland's problem and a bit GB's problem. We are trying to solve it together, so I would suggest that that is the tactic in terms of taking what is already there and mature and where how it works is already understood and it has gone through the learning process and just use that.

Q52 **Sir Robert Goodwill:** We are making great progress in decarbonising our electricity system. We heard that the technology is fairly mature and just needs rolling out in greater volume, but the majority of homes



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receive more energy through the gas main or delivered by an oil tanker than through the electricity supply. If we were to switch from gas to electricity using air source or ground source heat pumps, is that really the solution to the problem? Is there enough capacity in the grid? Are the homes well enough insulated to do that?

Mark Fitch: I can certainly talk about the capacity on the grid side of things. That is going to be one of the biggest challenges. The amount of energy, as you said, is almost staggering. That is the amount of energy needed to heat homes and heat water. Therefore the infrastructure that we have built on the electricity side does not meet that need and will struggle to meet that need. Yes, there is substantial additional infrastructure needed to move the energy from where it is produced. Whether it is within Northern Ireland or it is coming from GB, it has to get to where it is needed and that is going to need more wires.

Q53 **Sir Robert Goodwill:** I think that the figure I saw was that seven times as much power goes through the gas main as through the electricity wire in a typical house. Even if you insulate the house, that is still going to be a four times multiplication. Is that sort of figure one you recognise?

Mark Fitch: Yes, and it is the peakiness of it as well, in terms of when you need the heat. Everyone needs it at the same time, so you have a very large amount. Not only is the quantum of energy large but the capacity need is very high, unless you can store locally into grids. Yes, the infrastructure is going to be a significant challenge and that also brings issues for those that deliver that infrastructure. The Northern Ireland networks are relatively small and the scale of investment could be very large.

How do they deliver that? How do you help to deliver all of that infrastructure over a relatively short period of time? You are going to need to diversify those that deliver it. It cannot just be one party delivering it because they will not have the bandwidth and capacity to deliver it. Potentially, there is a resilience question about the programme? Would you ask one person to deliver everything? Possibly not. There is a group of people here that are bringing all their brains to achieve this outcome, so bringing more parties into the delivery of infrastructure will be important as well to meet that challenge.

Q54 **Sir Robert Goodwill:** When you say a relatively short period of time, are we looking at a decade or two, or could increasing the generation and distribution capacity be done within the space of a few years?

Mark Fitch: You are looking at decades for distribution capacity, because otherwise you are digging up every street in the country to relay the wires.

David Blevings: The simple answer is no, we are not fit for that purpose. We heard about a climate emergency. If we are serious about meeting our carbon budgets, we need to do something different. The answer to your question is that we have 526,000 homes using liquid fuel.



It is over 60% of the market in Northern Ireland. It is a good product, but we need to decarbonise and the liquid fuel sector wants to play its role in that. The paper I submitted to this Committee shows that we need to use all low-carbon and no-carbon technologies to meet the budgets.

Q55 Sir Robert Goodwill: I think that we have a later question coming up on liquid fuels.

David Blevings: That is fine. To answer your question, the answer is no. We would say that we need to look at alternatives to meet those budgets. I am happy to discuss that.

Sir Robert Goodwill: We have a lot of questions.

Q56 Stephen Farry: Good morning to our witnesses. I want to ask you about the issue about the grid capacity we have in Northern Ireland and how much this is going to be a restricting factor in the future in terms of meeting our climate change net zero targets. What sorts of steps do we need to take to improve the grid?

Paddy Larkin: We are not in a position where we are applying for grid capacity, but we know that it is very difficult to get grid capacity, both for demand for factories and for supply for generation. It needs to be resolved. There is no way around it. It needs to be resolved. It needs to be pre-emptive, because the last answer explained that this is 10 years, so you need to get ahead of it. All that I am saying is that it is a problem and we need to get ahead of it.

It comes back to planning. We talked earlier about, if this is a climate emergency, what we are doing to make sure the grid gets there in place quickly. The grid capacity needs to be built out for renewable generation. I think that in the last inquiry you had NIE and it explained that currently we have about 1.9 GW of renewable generation. As we go forward, we are looking to have about 5 GW, but we only have a demand of about 1.5 to 2 GW. Are we going to build a grid to take all of that extra generation and move it somewhere, or are we going to put it into hydrogen, or store it in some way locally so that we do not need that level of grid? There is a problem with the grid build-out. We need to get on with it and get it done quickly.

Mark Fitch: I agree with those points. It is important that, again, we recognise that this is not unique to Northern Ireland. It is happening everywhere as the energy transition is happening and people are coming forward with solutions that could equally apply here in Northern Ireland as they do elsewhere. I would say, "Let us look at our close neighbours and what they are doing" and seek to copy the mature things that are going on there to bring more people in to deliver it more quickly, cheaper and better.

John Boyce: I would certainly echo all the comments made so far. The one that I would add is that I think a lot of this starts with a change at the utility regulator level. We need to see a proper net zero mandate for



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the utility regulator, so that they are doing anticipatory development and having the grid ready to deliver projects. At the minute, it is very much "Bring the projects and then we will think about the grid". We have to get out in front of that. We have to deliver the grid that is there, ready for the projects. Then you have to bring a mix of technologies to utilise that grid as well as you can, such as battery storage, green hydrogen, so that you really maximise the grid investment that you have.

David Blevings: I have nothing to add. I suppose that the only thing I would say is cost. We have only 1.9 million customers in Northern Ireland compared to 65 million in GB. That is a big issue that the Committee has to be wary of. There are huge cost implications for consumers.

Q57 **Claire Hanna:** We were just commenting that, unlike politicians, you do not all repeat the good answers. You are very good at just saying "He has made the point", whereas we would want to say it ourselves as well. We are moving along nicely.

I want to talk specifically about wind and I will start with you, John. How reliant are we in Northern Ireland on wind to meet our net zero targets? What challenges does that pose for security of supply throughout our transition?

John Boyce: It is undoubtedly the best resource that we have in Northern Ireland, so it will always play the most major part in the energy mix, but it has to be an energy mix. There have to be other technologies in there. I touched a little bit on how we can better store and utilise those through battery storage schemes or green hydrogen, where we can convert that renewable electricity into hydrogen and then it becomes very dispatchable and storable. It will play a major part in that, as it should as the best resource, but it has to be part of a balanced mix to make sure we maximise the system.

Q58 **Claire Hanna:** I think that one of our witnesses had talked about the fact that we are double running. We are trying to bring all this new energy on stream while maintaining the security of supply. How are we doing on that?

John Boyce: We are struggling a little bit on that. We are struggling because of the points I have made around that anticipatory development in grid. We see a lot of constraints in Northern Ireland at the minute. Quite crudely, that is caused by a lot of flows coming from GB across the Moyle interconnector. We have taken Kilroot offline, so there is a lot of flow then coming from Coolkeeragh in the north-west, which is where there is a concentration of renewables. You are trying to take a lot of that demand and a lot of that supply through the same lines. A more anticipatory development of grid to counteract that and make sure that we get the right energy to the right places at the right time is absolutely essential for Northern Ireland.

Q59 **Claire Hanna:** You think that is anticipatory, i.e. the grid, rather than being responsive to development applications. Okay. What about offshore



wind? How are we doing with that? How important a part could it be? What opportunities exist for us to make that part of our mix?

John Boyce: I am not as well qualified to speak on offshore. We do not operate in that part of the industry. At a high level, it will definitely play a part. It is a longer-term investment. In reality, it will not play a part in our 2030 targets. It may play a part in our longer-term net zero targets and will definitely play a part in that energy mix. In the short term, we have onshore wind schemes, solar projects and battery storage projects in the planning system ready to be delivered. We need to concentrate and focus on the task at hand.

Q60 **Claire Hanna:** I think that we heard from witnesses that without it we were not going to be able to make those numbers. We are playing with what is in front of us. Does anybody else want to add anything to that?

Paddy Larkin: In terms of renewables, we have to make the most of what we have. We have lots of wind and lots of agriculture, so wind power and biomethane production are things we can do and do well. We need to get on with it and get them done, but both of those bring security of supply issues. Biomethane is not as bad because it is quite easily stored, but wind is an unpredictable, intermittent resource. To have security of supply, you need to make that dispatchable. You need to be able to turn it up and down and use it whenever you need to use it.

To bring that in, it needs a mix of technologies. Interconnection is one where, if your neighbour needs it and can supply you whenever they do not need it, that is great, but our neighbours are fairly well focused on wind as well. You are into storage then. Storage is really important, even for 2030. We will see lots of curtailment in wind because we cannot store it and bring it back. Also, we are getting less value out of the wind we are building because we cannot use it as much.

We need to bring storage in, including short, medium and long-term storage. Batteries play a part, but it is tiny in comparison to the amount that we need. Our own estimates look at the fact that, just to decarbonise the electricity network, we need about 600 GWh of storage. Turlough Hill, the only pump storage scheme on the island, is 3 GWh, so it gives you an idea of what we need. We are not going to do it with the likes of batteries or pump storage, although we need as much of that as we can.

We are going to need chemical storage and that is probably in the form of hydrogen. We are actually well placed for hydrogen. We can produce lots of wind, and we have the salt at Islandmagee, which is a fantastic resource. For example, the south does not have that at all and it is really struggling: "How are we going to store chemical energy?" It is going to have to turn it into liquid fuels. We are well placed to do that so there are things we can do there.



Coming back to your question about offshore wind, the answer is that this energy transition is a big change. We need big, transformative projects. Offshore wind is needed, but it is transformative. It is 10 years down the line. It is transformative. It is probably going to be floating turbines for us, but it will give us a step change to really get there.

There are other projects, for example storage, that are needed as well to make that transformation. We need to get use of that salt strata to store biomethane—it is a lot easier stored and used—and hydrogen whenever we produce it. Then that hydrogen can be used to produce e-fuels or liquid fuels or whatever. We have just got some funding in a consortium to look at that for marine boats coming out of roll-on roll-off ferries in Larne, to look at a study for producing hydrogen and then making that into e-fuels.

Mark Fitch: I will add to that. I think that that all those things are going to be great in the mix in time. The key for me is that this security of supply question is, again, not a unique question. Every other market is saying, “We need to interconnect more with our neighbours and integrate more broadly to bring that diversity of generation now”. Interconnection has to be part of that solution and is an obvious part of that solution, given, again, what we talked about earlier about the scale of this problem. This is gigawatt scale of what we need to achieve here.

Some of these technologies that will solve the problem and elements of the problem are yet to come into commercial reality. They also need regulatory support to get them there or to mature them. I would suggest that interconnection is that ready-to-go technology that we can bring now and address that security of supply problem that most of the rest of Europe and the world is looking at.

When you look at the actual correlations between wind in Northern Ireland and wind in GB, it is not fully correlated, as in wind fronts go through and Northern Ireland get the wind first and then Scotland gets the wind. You get this nice slosh of wind back, so there an element of it being mutually beneficial. How the energy can slosh between the two markets is part of the thing if you have the capacity between the two, because weather moves across.

Claire Hanna: There is a joke in there. I just cannot find it.

Chair: Sloshing wind.

Mark Fitch: Sorry, surely it should be sloshing tidal, should it not?

Chair: It should be, really. It is the whooshing wind.

Q61 **Kelly Tolhurst:** Thank you for being here. We touched on it a bit earlier, but I want to hear from you about the extent to which the Government-backed renewable support schemes are necessary for Northern Ireland to achieve the net zero target. Has the lack of Government-backed renewable support schemes affected your



organisations' ability to work towards those targets? Also, we have had a number of schemes proposed to us, but what do you believe would look like best practice, in terms of developing those support schemes?

John Boyce: It is absolutely essential. We talked about the investment and that investment is a global commodity. When we have a support scheme in GB through the CfD, we see a support scheme in ROI and we have Northern Ireland in the middle without that, the investment just goes either side. That is pretty plain to see and the stats completely support that since the removal of NIRO in 2016-17. The levels of renewables delivered in Northern Ireland have just dropped off the scale.

There is maybe one point to note on that when we talk about the CfD scheme. Where we saw really high energy prices a few years back, those CfD schemes in GB paid back hundreds of millions of pounds to the Government, so we should not think about this as a really subsidised thing. It is a support mechanism. It provides that floor to the price to attract investment in. If we compare the levels of those CfDs against any other energy supply, whether it be from natural gas, coal, fossil fuels or whatever, it is still massively cheap. It is great. It provides great value for the Northern Ireland consumer.

Paddy Larkin: Carbon and the cost of carbon is not reflected in electricity or heating prices. It is not properly reflected. Fossil fuels took 60 million years or whatever, with all the creatures that had to live, die and be crushed. The price of that is not reflected in carbon fuels. Renewable electricity is much cheaper if it was properly reflected, but it is not properly reflected. It is difficult to properly reflect it because you have the affordability issues and everything else. In that circumstance, you need a support scheme to allow renewables to come on and compete.

It is not necessarily about cost. I think that that is the point John is making. It is about risk. Over the life of the asset, it will perform well, produce what it is supposed to do and be good value for customers, but there is a chance it might not be. A developer coming along will say, "I am not going to take that chance, because it is too risky for me taking that chance on that one project". For customers as a whole, taking a risk on all the projects smoothes all that out. Typically, it does not cost over time.

We run the Moyle interconnector and it is underpinned with a support scheme from customers. At times, customers had to pay money for it, but over the long term it does not cost customers anything. We pay money back to customers with it. The support schemes are absolutely needed to remove risk from developers and to compete with our neighbours in terms of attracting finance and capital into the country. You need to have the similar support scheme to your neighbours, but it does not necessarily cost customers over the long term. It has a smoothing effect.

Q62 **Kelly Tolhurst:** That is great. What would be the biggest benefit for



organisations? Would it just be at that one point being able to develop schemes that de-risk it? Do you think that would charge an immediate increase in investment if there were those schemes available, just that de-risking element?

Paddy Larkin: I think so. There is the planning issue that you have to be able to build it.

Q63 **Kelly Tolhurst:** Yes, it is planning everywhere, not just in Northern Ireland.

Paddy Larkin: If a support scheme was in place and an auction was held or some form of competition was held and it was open season for people to come forward—John would probably be able to answer it better—definitely the projects would come forward.

John Boyce: Yes, undoubtedly. I think that RNI has some really key stats on that. It did some surveys with investors. Very crudely speaking, "Are you willing to invest in Northern Ireland renewables as of today without a support scheme?" 20% was yes and 80% was no. "Would you be willing to invest if a proper support scheme similar to CfD or RASS was available?" 80% to 90% was yes. It completely inverted the stats.

In terms of one thing that we could do really quickly that would have a really large effect, the introduction of a proper support scheme is undoubtedly it. Other things that we talk about are around improvement of the planning system and building of transmission lines. They are longer-term deals. They require a lot of resource, a lot of planning and will take time to filter through. That support scheme is a really quick fix.

Q64 **Carla Lockhart:** Thank you to the panel for your engagement so far. I want to talk a little bit about interconnection and the importance of it for achieving net zero, so this one is probably for Mark and Paddy. How important do you think interconnection is for achieving net zero? Then we will maybe just walk through a few things on that particular issue.

Mark Fitch: Thank you for that question. It is absolutely essential. I do not think that any market is going to achieve its net zero targets without it. It lowers the cost of achieving net zero because you share capacity and security of supply resources between markets. I would broaden that point to the wider infrastructure as well. It is not just interconnection. Interconnection is one part of it that helps you share with your neighbours, but you need to share all resources across the market that you are in, so internal infrastructure needs to be developed as well.

Interconnection provides a way to maximise the revenue of your renewable resources, because they can export their excess when it is available, if it is not being absorbed by storage or hydrogen production. It allows you to import power when you need it when you have a shortfall, enhancing security of supply and provides the flexibility a system operator needs in order to try to avoid curtailment of wind through a day.



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Back to the point on scale, our project is looking to be 700 MW. As I said earlier, the need identified by the Republic for the SEM market is more like 16 or 17 GW, so multiple times what we are proposing here in order to allow the renewables to be exported and used in the right way. Interconnection is entirely essential to achieving the net zero aims.

Q65 Carla Lockhart: Would you say that the Republic of Ireland would be much better prepared? I know that it has an interconnection policy. Do you think that the Northern Ireland Assembly should work at pace on something of that nature to try to ensure that it gives you guys a framework?

Mark Fitch: There are two things. One is that we need to get on with what everyone is doing now. We cannot stop and wait for a perfect policy to be developed. There are no-regret investments that can be made now into interconnection, but we need that interconnection policy to understand the broadest need over the long term for what needs to be developed for the best interest of Northern Ireland and the UK more generally.

The thing that is one of the difficulties in developing interconnection is that it always looks better from one end or the other. The decision that came out from Ofgem last week on our project says that it is not so much of interest to GB consumers and therefore it is not willing to support it. From a UK perspective, it is absolutely essential. We have these artificial boundaries of decision-making that are there for history that we probably need to look at to make sure that the UK is using all of its resources to the maximum possible.

Putting in the infrastructure between the parts of the UK therefore is very important, whether that is between GB and Northern Ireland, Scotland and England, Wales and England or Wales and Northern Ireland. All those things are essential, whether they are termed interconnector or infrastructure. They are all doing the same job. They are making sure the energy surpluses can be taken to where the energy is needed. That, for me, is part of solving the net zero problem.

Q66 Carla Lockhart: You are sitting in the UK Parliament. You have the ear of Government. I am sure that they are all listening intently. What more could this Government do to help with interconnection and making sure that Northern Ireland is ahead of the curve on this?

Mark Fitch: We need a way of making better decisions and looking at those decisions between how the utility regulator looks from Northern Ireland to GB and how Ofgem looks from GB to Northern Ireland and go, "Let us come together and find out what is the best for the UK". Otherwise, we are at risk of achieving net zero for the UK but doing it in a way that advantages or disadvantages one or the other bits of the UK, whether it is Northern Ireland or East Anglia. Somebody is potentially going to not get the benefit.



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There needs to be that kind of forum to allow regulators to make decisions sensibly for the UK when the rules of their game are, "You are the GB regulator", or "You are the Northern Ireland regulator". There is another layer here that goes, "We are all trying to get to UK net zero climate change targets, so why are we not making decisions that are best for that?"

Clearly, there is the step that has been made, and I think somebody referenced it for the UR as well. Ofgem now has a net zero objective. That has been changed recently in the Energy Act. That is about UK climate change targets. Is it making its decisions with that in mind and the best interests of the UK climate change targets? That is the real question that we need to get at. How can it make those best decisions? That might need the Government to allow them to make those broader decisions about how it is best for the UK, rather than having to almost stick within its lane as history has set out for it.

Carla Lockhart: That is very helpful. That will be very helpful for our end report in terms of that better connection even with the regulators, so thank you.

Paddy Larkin: I could not agree more with what Mark was saying there in terms of working together regionally on both electricity and gas. When we were in the EU there was a project of common interest that looked at how a project in one area actually advantaged another area. They were supported by the EU. We had a number of projects that had project of common interest status. That has fallen away now, but we need to keep the co-operation and keep working across the regions to make sure it works.

Coming back to your question about interconnection, we run the Moyle interconnector, which is 500 MW each way to Scotland. It is crucial. It is used daily. If the wind is not blowing so much, we are importing. If the wind picks up at all, we are either exporting or the wind is turned off. It is simple as that. If we are not available, it is turned off. We have worked hard over the last few years to get the capacity of that up in the Scotland area. Interconnection is essential.

As I was saying earlier, the Northern Ireland demand averages about 900 MW. Our interconnection is 500 MW. It is a big part of it. Putting any scheme on in Northern Ireland makes a big change. You need to get it right. Here in GB 60,000 MW is what you are into. If you put a 1 MW interconnector on, it does not make that much of a big difference. At home it makes a big difference, so you need to make sure you get it right.

You also have to think about diversification, not putting all your eggs in one basket and whether there are diminishing returns the more you put on one particular thing. Even for wind energy, the more you put on wind energy the more it is going to be curtailed at the minute, unless you have interconnection, storage or whatever else. All those things have to come



together at the same time to make sure we get the best use out of the infrastructure we are building.

- Q67 **Sir Robert Goodwill:** Mr Blevings, we have already heard that Northern Ireland is much more dependent on liquid heating oil than other parts of the UK, and other parts of the world, for that matter. We are used to putting E10 petrol in our cars or B5 diesel, which is just basic biofuel. What is the potential for using much higher levels of naturally agricultural oils in this way? Is there real potential? Is there enough oil in the world derived from oilseed rape oil, palm oil or wherever it might come from to make that switch?

David Blevings: We do not talk about palm oil. That is a big no-no. I welcome the question and I am delighted to hear Paddy talk about diversification. We have talked a lot about electricity generation and grid upgrades. We are forgetting about the consumer and the carbon budget. We need to act before 2030. Your question is well timed and I thank you for it.

In our paper we submitted, we believe that there is a solution that will reduce the demand on the increased electricity generation requirement. You made the point about transport fuels. That has been working extremely well since 2008 and is responsible for a third of the transport reductions in carbon emissions. We think that should be replicated into the renewable liquid fuel heating obligation. If you remember, last year George Eustice put forward an amendment to the Energy Act 2023. There will be a consultation, I believe this summer, on a renewable liquid fuel heating obligation.

Again in the paper we have submitted, we have said that we can introduce a blend to the current liquid fuel heating. Cost to consumer would be less than 2p per litre.

- Q68 **Sir Robert Goodwill:** What percentage inclusion are you looking at?

David Blevings: We can introduce a 20% blend from 1 April 2025, which will mean that the UK meets its carbon 4 and 5 budgets for off-grid homes. Again, cost to consumer is approximately 2p per litre. We think that it is an excellent opportunity. We would like the certificates to be traded between RTFO and RLFHO. There is no reason why that could not be introduced very quickly.

- Q69 **Sir Robert Goodwill:** You will require a lot of vegetable oil to do that and the UK rape acreage is down 60% because of pest and disease problems. Will we have to import a lot more triglyceride oil?

David Blevings: I will submit this paper later to the Committee. We commissioned a report by Portland Analytics using data from Imperial College London and the US energy centre, which again concludes that there is more than enough feedstock to supply the UK and Ireland heating requirements using biofuel and, in this instance, hydro-treated vegetable oil. HVO is the one we are currently working with.



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We already have co-processing in Teesside and Humber. We have two companies in Northern Ireland talking to Invest Northern Ireland about producing it locally in the north-west, Derry/Londonderry for the audience. We believe that there is a real potential. We think about the consumer. You look at the business upgrade scheme that we have in GB. You look at the problems they are having with retrofits. We talk a lot about the supply-side electricity generation but we have to think of the consumer.

The average cost to install a heat pump in a retrofit is £24,000. I do not need to tell the Members around this table that people in Northern Ireland do not have that sort of disposable income. The recent *MoneyWeek* in January 2024 said that 35% of UK people had less than £1,000 in savings. Was it 63% or something who said that they could not last more than—

Q70 **Sir Robert Goodwill:** Are you saying that you can buy a lot of oil at 2p a litre more for £20,000?

David Blevings: We think that it is an easier solution. We would advocate that there is no panacea for decarbonisation. Putting all your eggs in one basket for electricity is not a sensible option.

Q71 **Sir Robert Goodwill:** Would that need a subsidy?

David Blevings: It will cost Government nothing. The RTFO costs Government nothing.

Q72 **Sir Robert Goodwill:** You would have to bring legislation to compel, would you?

David Blevings: It is an order, as I understand it, the energy order. I will look to Jim to back me up here or help me out. There is a consultation on a renewable liquid fuel heating obligation coming from George Eustice's amendment last year. My understanding is that, if that is agreed and Government put it in place, there would be an order similar to the renewable transport fuel obligation order. Industry would then deliver that on behalf of the Government.

Q73 **Claire Hanna:** I wanted to talk about the potential of mutualisation of assets. Paddy, you raised that in your written evidence to us. Could you outline what you think the benefits would be and any initial costs and risks?

Paddy Larkin: We are a mutual company so we do not have any shareholders. All of our assets have been financed with debt, 100% debt. We have had supportive licences from the regulator to allow that to happen, so there is a risk transfer to customers, a bit like what we were talking about earlier, that there is a risk transfer on CfDs or grid development. We are unique, I guess, in the UK, in terms of the fact that Northern Ireland is the only place that has energy companies that are mutual.



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Q74 **Claire Hanna:** We are the only region that has them.

Paddy Larkin: We are the only region that has mutual companies providing energy infrastructure.

Q75 **Claire Hanna:** Yes, and multiple mutual companies.

Paddy Larkin: They are all within our group, yes. We work across both electricity and gas. Coming into the energy transition, because we do not have any shareholders we do not have that vested interest. There are other things. We do not have that vested interest, so we can comment on things. We also work across electricity and gas. We own the Moyle interconnector, the gas links to Scotland and the gas to the west pipeline. We do not have a vested interest in terms of heat pumps, gas or what have you. We work across both.

It has performed well in Northern Ireland. We have returned over £200 million to customers in comparison to if you were required to give a return. It is typically about 2%. The cost of debt compared with the cost of an equity-debt mix is typically about 2% better on infrastructure costs. For long-life, strategic assets that is really important. Those are not assets that are changing all the time but assets where you have to invest, so the interconnector. We spent £130 million building it and it is there for 30 years. The gas pipelines were £100 million each and they are there for 30 years without a lot more investment needed.

It fits the bill, but it is horses for courses so we would not advise it for everything. It certainly provides an option for infrastructure ownership. It is also particularly for strategic ownership, where Government want to have a bit more control or customers want to have a bit more control or ownership.

The other thing is that it returns. There is the risk on offshore wind here, or indeed wind turbines. Customers underwrite it but at the end of the term it goes back to the developer, the power stations in Northern Ireland being an example. With the mutualised assets at the end of the term, whenever the debt is repaid, they belong to the customers. It belongs to society and they get any further value. Any residual value is all used for customers.

We believe that there is a role for mutualisation going forward. In the energy transition we need high-cost, long-life strategic infrastructure, where the cost for customers of paying for that infrastructure is primarily the cost of financing it. If we have a way to bring assets forward where the cost of financing can be lowered, that is a lower cost for customers. It does not work for all assets but it certainly works for the ones that we have been involved in so far. We believe that there are others going forward where it could be applied.

Q76 **Claire Hanna:** That is very compelling. On something somebody said earlier, at the moment it is all on the consumer, so it might as well be invested in a more sustainable and retainable way. Mark, would you have



any thoughts or a response on that?

Mark Fitch: As Paddy said, it is horses for courses. Effectively, in mutualisation consumers are the equity party. If anything goes wrong, they fund that and they get the return. As Paddy said, £200 million has been returned. Consumers are the equity owners in that process and take all of the ups and downs. That is great where you have an established asset that is mature and built. I do not know whether consumers would be willing to take all of the construction, development and delay risk when you are developing new assets. That is a very different kind of risk profile to buying a ready-made asset that is already operating and known.

It is a bit like Transmission Investment, which is another thing. We own offshore transmission in GB. We manage that but they are already built. Therefore, when they are acquired the cost of capital, the amount that we have to pay for financing, is very low because they are known and low risk. If you are developing an interconnector, you have to go through a development stage where lots of decisions by Government bodies, authorities and planning are unknown at the start. That means that you take a lot of risk. That is possibly not a risk that should be borne by consumers.

For example, in a cap and floor or another regime that is available, that is held by the equity holder. The equity holder takes that risk and does not expose the consumer to that risk. If an interconnector is late, the consumer does not pay. If construction goes over the cost, the consumer does not pay. If something fails in the future on a cap and floor interconnector, the consumer does not pay. They are immune from the cost. They just protect the interconnector from market fluctuations.

They are exposed to the risk of the market not delivering but not to the cost of the interconnector's operations. That is quite an important distinction about what risks the consumers are taking. The cap and floor shares the market risk, but the equity holder takes all of the cost risk, the future refurbishment risk and all those kinds of things over the 25-year life of the interconnector plan.

The reason why the market risk is shared is that what flows over the interconnector is dependent on energy policy on both ends of the interconnector and, therefore, is outside of their control, but they are completely on the hook for things that they control, which is the design and the operation of the interconnector. There are horses for courses, but it is possibly not in where you are developing and constructing new assets. Mutualisation is not necessarily an ideal model for that, because there is no incentive to manage the equity risk, since the consumer does not have any control at that point.

Paddy Larkin: Mutualisation is a risk transfer to customers. There is no doubt about it. Customers are taking that risk and also get the upside. Most of the assets are those that we own and operate and those that we



think are applicable for customers to implicitly take the risk anyway. For example, you have to think about whether customers would accept particular assets that are owned by a private company falling into a heap without them coming back to fix them. If you are implicitly underwriting them, you can get an advantage for something that you are underwriting anyway by putting it explicitly.

Mark made a good point in terms of the development and construction risk, which is much more difficult to manage, and there is a premium needed for that. It is not impossible. We have just built the Gas to the West pipeline, which we took through from development and construction and built. We did the construction and development with a partner, which took the risk on that, as well as a premium and a return, but it takes a few years to get it built. It is going to operate for 40 to 50 years, during which time there is not that risk, so it can be mutualised and can return in that way. It is possible to do but not as straightforward as an existing functional asset.

Claire Hanna: Thanks a million. I am sure that we will delve into it in our report.

Q77 Stephen Farry: In our written evidence, we have received some calls for the creation of an independent energy commissioner with statutory powers to hold the Northern Ireland Executive accountable for its energy commitments to provide a clear pathway for energy strategy. Is this a necessary component in terms of the overall approach to net zero?

Perhaps I can also ask the question in a different way. I am conscious that there are a wealth of organisations and structures out there that are all part of the pitch in dealing with renewable energy. Is there a way in which that could be better streamlined or rationalised to make the system work more easily, up to and including the fact that we have one Department with lead responsibility for energy in the form of the Department of the Economy, and others that have roles to play in terms of how that works? Could it be better consolidated under one Department or could there be better joined-up working between the different structures?

David Blevings: To answer your question, it depends on the defined role and what power they would be given. I would agree with you. Look at the plethora of players—ESB, SONI, the Utility Regulator, the oil industry and the gas industry. Take the layers of Government that we have, with the different Departments and responsibilities, from DAERA to the Department for the Economy. In my humble opinion, looking from the outside, there does not seem to be very good joined-up thinking. If an independent body could come in, pull those people together and give them direction and the authority to make decisions, I would certainly be an advocate for that.

John Boyce: I would echo all of that. It is so important to have something. We have talked a lot about energy mix, the different



technologies, the planning and the transmission lines. You have to have somebody there who is going to pull all those strings together, focused on net zero. There has to be an accelerating renewables or net zero task force—whatever you want to call it. As David said, it needs to be somebody with proper decision-making and a proper mandate to really deliver change here. That is absolutely essential.

Mark Fitch: I would agree. Again, I would reflect the experience in Great Britain, where they are establishing the NESO—the National Energy System Operator. That is starting to bring together electricity and gas, and probably hydrogen. It deals with storage and probably will look at where strategic investments in interconnection might be needed. It is doing part of that, but I do not think that it is fully answering the net zero question.

It comes back to the point that I raised earlier in terms of how we best solve this for the UK and whether that commissioner needs to be looking at how we do it more broadly. If you have another body that is trying to optimise for Northern Ireland, one that is optimising for Scotland, one that is optimising for Wales and one that is optimising for England, how do we solve that for the UK? Where does maximising all of our resources come together?

The key thing for the success of a commissioner, whatever level they are at, is the need to have access to the capability, which we can see in the formation of the NESO in GB. They are very clear that they do not have all of the capabilities that they need to be able to make those strategic decisions on what is best to invest more in, or less.

Paddy Larkin: If it speeds up infrastructure delivery, helps to integrate the energy industry and the various players—for example, system planning on electricity or on gas, so that they work together, or on heat provision—and provides reassurance to the public that the industry is doing the right thing in the right ways, it will be a good thing.

Q78 **Chair:** Just to sum up, which requires a succinct answer, what specific actions would each of you want from UK Government, Executive and Northern Ireland Assembly? Is there a specific request that you would have that you think would make a difference?

Mark Fitch: I would reiterate the same point. We need some way of bringing together the key decision-makers across the nations towards a UK that is solving the climate change problem and looking at all of the infrastructure and the support schemes that we need to make that happen, so that we do not get competition between nations with historical boundaries that were set up, with good intentions. Do they apply now when we are trying to solve a much broader problem, not only in the UK but with our neighbours as well?



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David Blevings: I would like to see the UK Government put out the renewable liquid fuel heating obligation consultation before the summer. That would be a real plus for our industry.

John Boyce: I would reiterate earlier points: a joined-up planning system, anticipatory investment in grid, and a renewable support scheme to help deliver those projects.

Paddy Larkin: The Government need to bring forward the climate action plan that will meet our targets. That will drive a lot of things, even in anticipation that we need to get renewable support schemes in place and consider storage, because the curtailment is going to be a big issue.

Chair: Thank you very much indeed for those succinct and clear answers and for being a very helpful panel this morning. I am grateful to you all. I am going to now invite the second panel to take your place, so I will allow you to leave with our thanks and good wishes.