

Northern Ireland Affairs Committee

Oral evidence: [The electricity sector in Northern Ireland](#), HC 51

Wednesday 7 December 2016

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Members present: Mr Laurence Robertson (Chair); Mr Stephen Hepburn; Lady Hermon; Danny Kinahan; Mr Gregory Campbell; Jim Shannon; Dr Alasdair McDonnell; Nigel Mills; Mark Pritchard.

Questions 616 - 659

Witness

I: Simon Hamilton MLA, Minister for the Economy, Northern Ireland Executive

Examination of Witness

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Q616 **Chair:** Mr Hamilton, thank you very much for joining us to give evidence to the Committee. We are looking at the electricity sector in Northern Ireland. We have looked quite a bit at renewables but not exclusively. We are very grateful to you for joining us. Is there any brief opening statement you would like to make?

Simon Hamilton: Yes. Thank you very much, Chair, for the invitation to be here, and apologies for taking a bit of time to get to the Committee. I thank the Committee for its ongoing interest in this area. If members were not aware beforehand, they probably are much more aware of the importance of electricity in the sphere of the whole arena of energy to the economy in Northern Ireland. Please stop me if I am going on too long. I have always viewed from afar energy, electricity and policy issues as quite complex, tricky, sometimes very technical and exceptionally interlinked. That has been exacerbated in the six months that I have been Minister for the Economy in the Northern Ireland Executive.

Very shortly after taking up post I was introduced to what I consider to be an awful phrase, but it does sum up the difficult balance that there is within energy, which is the energy trilemma. It is an awful phrase, but it does sum up the issues that you are conjuring with. A lot of focus has been on the one leg of the trilemma, which is the issue around affordability, and there is certainly a perception in Northern Ireland that electricity prices are very high. That is certainly the case for some customers, particularly large and very large industrial and commercial users, who would be paying towards the higher end of the EU median.

For domestic customers, they are just below the EU average and certainly well below counterparts in the Republic of Ireland and in England. The average domestic bill in Northern Ireland at this moment in time is about £475. That is down about 32% from when it was about £700 back in 2008. That fall has also been replicated with industrial and commercial customers. As members will know, the fabric of Northern Ireland's economy is very much an SME-led economy. Around two thirds of the 80,000 non-domestic customers are paying a tariff that is just slightly over the EU average.

There is this perception around cost that electricity prices right across the board are very high in Northern Ireland. I acknowledge and accept that they are higher for large and very large users, and very large users would be around 20 users in total. It is useful to distinguish that it is a small, albeit very important in terms of our economy, bracket of customers who are paying a lot higher than they should be. I have limited ability as Minister to affect electricity prices, but I want to ensure members of the



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Committee that I look for and take all opportunities that I possibly can within my remit to place a downward pressure on prices.

You mentioned renewables, and that is the second leg of the trilemma around sustainability. Northern Ireland has a very good record in terms of generating electricity from renewable sources. When the renewables obligation was introduced back in 2005 we were producing about 3% of our electricity consumption from renewable sources. That has risen. The latest figures are now 25.4% of electricity coming from renewable sources.

In that sense it has been a very successful policy. About 900 megawatts is already connected. We have around 700 megawatts of grid connections for renewables with offers, and we have about 200 megawatts to get offers. Once all of that is done and works its way through, I am confident that will allow us to hit the Executive's target of 40% of electricity consumption from renewable sources by 2020. In fact we should at that stage have the capability to generate 100% of our electricity from renewable sources to meet peak demand. Peak demand is around 1,800 megawatts. We should have that by that stage into the system.

I am considering, now that the NIRO is no longer in place, what the future renewables policy in Northern Ireland should be, but there are a range of factors that I have to consider. First is gaining access to the grid, which I treat and view as a scarce and precious resource, and should be treated as such. There are some issues in terms of pressures with the grid, accessing the grid and getting renewable connections to the grid. I have to also bear in mind that at this minute in time there are not the energy storage facilities that we would like and we would need if we were going to go beyond the capability to generate peak demand.

The third and most important factor that I have to bear in mind is the cost of any future support and, allied to the affordability issue, what that would do for both domestic and non-domestic customers. Finally there is in terms of security of supply, which is the final leg of the trilemma. This in my mind is perhaps the most important issue. That is not to downgrade any of the others, but it is probably the most important issue in terms of the electricity sector in Northern Ireland.

As things sit at this moment in time I have no concerns about security of supply up to 2020. Our conventional power stations are in place. The Moyle interconnector is back up to full speed with its 450 megawatts of capacity. There is also a reserve contract which SONI have in place with AES, which is worth about 250 megawatts. Yes, there is an issue with Kilroot and the coal power station there post-2020 potentially, but as things currently stand I have no concerns up to 2020. There is an issue potentially beyond 2020 if nothing is done.

If nothing happens, and I stress if, there are a few things working their way through the system like the north-south interconnector, which is a



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key piece of energy infrastructure. It makes the proposed integrated and single electricity market work. It sends a clear signal to investors in generation capacity. There are already some indicators that there is potentially new generation coming forward. There is a company called Evermore Energy, for example, which has come forward with a proposal for a new gas-fired power station in the Belfast Harbour estate. Then there are interesting and exciting proposals around battery storage, which AES is looking at and also the Gaelectric compressed air storage facility.

I am working very closely with the Utility Regulator and with SONI, the system operator, to make sure that we secure our energy and electricity supply moving forward. I am deliberately not being alarmist as some have sort to be around this issue. What I can say and what I will do is take whatever further actions are required to secure our electricity supply. There are a lot of options there, which are working their way through the system, and believe that if all of those materialise in the way that we hope that they will then there will not issues with security of supply post-2020.

Finally, the new draft programme for government had an indicator, which is that we want to have a secure, sustainable and cost efficient energy supply. That illustrates the Executive's commitment to having exactly that, and dealing as best we can with all those issues around affordability, maintaining stability and maintaining security of supply. It is very interwoven and interlinked policy area, as I said at the start, and I am very mindful of the fact that whenever you take a decision in one area it has an impact on maybe a couple of other areas.

I do not want to, and I have deliberately not rushed to a decision in one particular area, say sustainability, without properly considering the ramifications for affordability or security of supply, and vice versa. That is why I want to develop a comprehensive energy for Northern Ireland. That is something that we are looking forward to coming forward with in the not too distant future.

Q617 Chair: Thank you very much for running through those issues. Picking up on the security of supply, you broadly said that something has to happen. When we took evidence from SONI, they were somewhat treating it perhaps more urgently by saying that they cannot be confident that they can keep the lights on beyond 2021 without the second north-south interconnector. Do you accept that?

Simon Hamilton: Obviously SONI is charged with taken forward the north-south interconnector. It is, as I have said already and repeatedly, perhaps the key piece of new energy infrastructure in Northern Ireland. I do view it very seriously. It is beneficial. As you know, Northern Ireland's electricity market is small and not as efficient as we would like it to be. We need a much more efficient market. We have had integration of that market to a degree with the Irish Republic for coming close to 10 years now.



The integrated single electricity market has been proposed to take that forward in a wider context, and to help us to better integrate with Great Britain as well. The interconnector is important to ensure security of supply. It also helps to make integrated single electricity market work. If you have the I-SEM and the interconnector in place then you send very clear signals to the market in terms of potential investment and new generation capacity, and you are already seeing that happen.

I am mindful of course that the interconnector has to go through a planning process. There is a hearing due. It is already running through its process in the Irish Republic, and the potential decision is imminent on their leg of it. The hearing is due in February in Northern Ireland through the Planning Appeals Commission. It obviously has to run through all of that, and anything I say in terms of support for it does not take away from the fact that it has to go through the proper process, but it is a key piece of energy infrastructure for all of the reasons that I have outlined. I do agree with SONI to the extent that it is critical for future security of supply.

Q618 Chair: The obviously question then is: what is plan B if there are planning problems or for whatever other reason it does not look like it will be built or built on time? What is plan B?

Simon Hamilton: I like to take an optimistic view on life rather than a pessimistic view, but I would be foolish not to consider it at least. To be frank, there have been issues in the past with planning around this project. It is a big project, and we all know from our constituencies, no matter where they are, that with big infrastructure projects people can obviously take a big interest in them, and it is not always a positive interest. We have to let it work its way through the process. I think everybody sees the importance of the issue, and a lot of work has been done, particularly by SONI, to ensure that people are aware of the criticality of this piece of infrastructure.

We have a good track record, even in the recent times when the Moyle interconnector went down, of stepping in and putting the reserve contract in place to ensure that we did have security of supply. While I would not want to prejudge exactly what we would have to do in such circumstances, I would point to the track record that we have. Where there are decisions required to ensure that we have a secure supply of electricity, we have taken decisions like putting the reserve contract in place. I am not saying that another reserve contract would be the answer. We would look at the full range of options that would be available at that time.

Obviously the interconnector is there. There is work on storage that I mentioned as well, which is something that we would obviously want to see develop, as well as having the potential to at least alleviate some of the problem in the medium to long term. Sometimes when we talk about interconnection we only talk about the north-south interconnector, which is kind of understandable. I am meeting with Jesse Norman, the Energy



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Minister, later. I hope to talk to him about increasing and improving the interconnection on an east-west basis. I am very focused on that as well.

I know that the previous Prime Minister talked extensively about potentially getting connection to Iceland, to use some of their hydroelectricity. There is an opportunity geographically to bring that into the UK. That is a big, long-term project obviously, but when we talk about interconnection I do not think we should see it as just north-south. In the short-term, absolutely, but we should also be looking at improving east-west interconnection and looking at new and more ambitious options like Iceland as well.

Chair: Okay. We may well return to this subject in a few minutes. I want to bring one or two members in first though.

Jim Shannon: It is always nice to see you here, Minister, not just because you are from Strangford, but that is one good reason, I have to say.

Simon Hamilton: Strangford is well represented today.

Q619 **Jim Shannon:** Absolutely, and on all sides of this chamber. You mentioned in your introduction to us about better co-operation and better communication. The evidence so far from witnesses to this inquiry and indeed this Committee—you will know from outside your remit—has said that a number of Westminster policies, such as the carbon price floor and closure of the renewables obligation, have had perhaps unintended but very negative consequences for the electricity sector in Northern Ireland. In particular, there is a lack of consultation, co-operation and joined-up thinking. The UK Government should have engaged with the Northern Ireland Executive before announcing their decision on the RO scheme. They did not.

You are keen to find a way forward in relation to this inquiry. We as a Committee are very keen to have that as well, but can you tell us where you see the improvement coming in respect of communication with Westminster and with the Northern Ireland Assembly, which has been, with the greatest respect, absent in the past?

Simon Hamilton: It has been patchy, and you have highlighted some examples there. In response, I suppose from the other side there has been good, decent co-operation in areas such as developing policies and thoughts around the integration of markets. DECC and now BEIS have led the way in respect of that, and not just in the UK but wider and further afield as well. I mentioned the Galectric project and the other projects of common interest. There has been a commonality of approach and close co-operation between us and the UK Government on that.

There have been examples of good co-operation. There have been examples of not so good co-operation. Sometimes when input is asked from Northern Ireland it can be quite late in the process. I understand that; sometimes needs must. It takes a while for things to work through



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here. Maybe Northern Ireland or another devolved Administration has been asked for input late, which means that it has not always necessarily fed into the process, and perhaps decisions are almost made. We would like to see some of that engagement happening earlier. You mentioned the carbon price floor, and Sammy Wilson was in charge of finance at the time when an exemption to that was agreed.

You are right that the end of the renewables obligation does have implications for Northern Ireland. We have now closed our scheme but we are not part of the wider UK scheme. We were not really consulted properly in my view in terms of how we might be involved and what the shape and nature of a future scheme might take. It is a bit of a curate's egg in terms of engagement: parts good and parts bad. It could do with improvement, particularly given how important this issue is for the competitiveness for our economy.

Q620 Jim Shannon: The improvement to the consultation process would be one of earlier communication to enable that to take place. Would that be something that the devolved Administrations, and you as a Minister, would see as a way forward? Indeed, being fair, are there also lessons for the Executive in how best they can connect with Westminster Departments? I will submit a supplementary, if you do not mind Chair, on the issue of the Northern Ireland Office. There has been heavy criticism of them and the role that they have played in representing the viewpoints of those in Northern Ireland. Would the Minister like to comment on that?

Simon Hamilton: It does not matter what the policy area is. We would all benefit from it. While the various devolutions settlements have now been in place for some time, there is always a degree of bedding in. There have been changes, particularly in recent times in terms of which Department is responsible for energy policy, and it has shifted and moved around. That will inevitably have some consequence as different people take on responsibility. Sometimes that is natural, but it is not an excuse by any means. We would all benefit from greater co-operation across all policies areas, not least in many of the areas that my Department is responsible for in Northern Ireland.

I would not be critical of any Department in terms of what they have done or have not done. You have mentioned the NIO. While they will take an interest in energy, I am not entirely sure that they would have the capacity or expertise within the NIO to look at electricity policy. That is understandable, because they are not actually responsible for it. There is perhaps a duty and an onus on us to not just look at working with the Department for Business, Energy and Industrial Strategy but also, as we do in many issues, to use the NIO as a friend and an enabler in terms of developing wider policy too.

Q621 Lady Hermon: Minister, it is very good of you to come and give us evidence; we do appreciate it. You stressed at the very beginning, and I think I am quoting you directly here, "The importance of electricity and



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energy to the Northern Ireland economy could not be underestimated.” That being the case, and I agree entirely with that, why do you think that it was that energy policy was omitted from the draft programme for government?

Simon Hamilton: The first iteration of the programme for government was published back around the early summer time. It was a draft framework. The first actual draft programme for government is the one that was published a couple of weeks ago.

Q622 **Lady Hermon:** Yes. Witnesses have expressed disappointment that it was not mentioned.

Simon Hamilton: There was criticism of previous programmes for government as being quite large and having targets that were not as meaningful as we would want them to be. This was a very different, outcomes-based approach that was taken. One of the objectives was to reduce that down, as we have, to 14 outcomes and around 40 indicators. There are a lot fewer than there were previously.

Q623 **Lady Hermon:** Do you regret that it was omitted?

Simon Hamilton: I am content that in the current draft we have an indicator and a measure in respect of a secure, affordable and sustainable energy supply. We could go through a lot of different areas. This is always a risk with the type of approach that was taken to the new programme for government. When you are trying to pare it down and make it slim and more straightforward, there will always be areas that are debated: “That should be in and that should be in as well.”

Lady Hermon: But, as Minister, you stressed its importance.

Simon Hamilton: I am glad that the draft programme for government has a very clear indicator and a very good measure, which is around generation capacity and improving that generation capacity. That goes back to the point that I made back to the Chair around the importance of security of supply in particular.

Q624 **Lady Hermon:** Maybe a word of regret that it was not originally in the first draft might help, but there we go. That brings me neatly on to the joint letter from the First and the Deputy First Ministers to the new Prime Minister, Theresa May. That was dated 10 August 2016. You will know that the First and the Deputy First Ministers emphasised that energy is a key priority. I am quoting from the letter: “Nothing in the negotiations process” should undermine this “vital aspect of our economy”, meaning the Northern Ireland economy. When did you last raise electricity and energy with the Brexit Secretary?

Simon Hamilton: I met with David Davis. I cannot remember the precise date but it was certainly over the summer. I am meeting him later on today in a meeting of the Joint Ministerial Council on European Negotiations. I hope I will have the opportunity to raise a range of



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issues, including energy and its importance to the Northern Ireland economy. It is an issue that, by the very fact that it was inserted into the First and Deputy First Ministers' letter to the Prime Minister, is one that we are very mindful and acutely aware the importance of as we move into negotiations at some stage next year. I have spoken to Greg Clark about it as well, the Business Secretary. I have spoken to Jesse Norman already about it, and it is something that I will relay to him again later today when I speak to him.

There are lots of issues, but it is one of the key and critical issues, not least because the drive towards a better integrated system has been driven by UK HMG policy and wanting to have a broader integration of electricity markets, not just within the British Isles but further afield as well. In raising it as a critical issue, there is an understanding at government level here in London that this is something that we need to have on our radar and to get a good resolution on. That is certainly the feedback that we have been having, and it has been positive in that regard.

Q625 Lady Hermon: How is this going to work? This is a laudable aim and certainly a key priority for the Northern Ireland economy. The Republic of Ireland, our nearest neighbour, is going to remain in the EU long-term. The UK, including Northern Ireland, is going to leave the EU so the regulations governing the electricity market will be different in the Republic of Ireland compared to those in the UK. How do we protect energy in the Brexit negotiations? What is the strategy for doing that?

Simon Hamilton: We are not into the negotiations yet, as you know. We are preparing for those. What we are doing is informing, gathering together evidence and views, and feeding them into the process. We have been very successful so far in doing that, and the engagement that we have had with the Government, across a range of issues, not just this one, has been very good, very positive and Northern Ireland's message is getting across. I am very clear in my view and the Executive are very clear in their view that what we want to get is the best possible deal for Northern Ireland on all aspects, not least in terms of electricity and energy.

Clearly it is something that is going to be subject to negotiations. You are right that there are going to be potential implications from Brexit, but there are lots of areas where you can say there are potential implications. Those all have to be worked through in the upcoming negotiations. Our job at this stage, as the First and Deputy First Ministers did in their letter to the Prime Minister, is to emphasise the critical importance of this to Northern Ireland. Then we have to back that up with evidence and inform David Davis's negotiating position as he enters into negotiations next year.

Q626 Lady Hermon: Am I right in thinking that there is a hotline, as I might describe it: that you could lift the telephone and phone the Brexit Secretary?



Simon Hamilton: There is very good, positive and open engagement.

Q627 **Lady Hermon:** How often do you do that? You met him in the summertime.

Simon Hamilton: You will understand and appreciate that Ministers will engage when they need to, but there has been very high level official engagement as well. There has been an ongoing engagement from senior officials, within my Department and indeed across lots of Departments within the Northern Ireland Executive, on the range of issues that are coming to the fore as we prepare for negotiations. I absolutely feel that there would not be a difficulty in picking up the phone or coming and meeting the Business Secretary or the Brexit Secretary. We have benefited from incredibly positive engagement so far.

Q628 **Lady Hermon:** But you have not actually phoned.

Simon Hamilton: We have. In fairness, we have had meetings and we will continue to have meetings. You will remember a time when we would not have got a terrible lot of engagement from Cabinet Ministers of any Administration. I have seen more engagement in Northern Ireland from Cabinet Ministers over the last six months than I can recall in a long time.

Q629 **Lady Hermon:** Could you quantify that in terms of how often, how many meetings and which Ministers?

Simon Hamilton: We are straying well beyond electricity now. I personally, and I cannot account for all the Ministers, have met with and had discussions with the International Trade Secretary, the Business Secretary, the Brexit Secretary and the Defra Secretary, and lots of other Ministers of State as well.

Lady Hermon: That is very reassuring.

Simon Hamilton: If I was to compare that with my time in other Departments, it is massively more over a much shorter period of time. That is positive and that shows Her Majesty's Government are mindful of the concerns that Northern Ireland would have on a range of issues, including electricity.

Q630 **Lady Hermon:** We have had conflicting evidence about whether Brexit would affect the north-south interconnector going forward. Have you got concerns around that issue?

Simon Hamilton: It is something that will have to be part of discussions and negotiations. That is why it was raised as an important issue by the First and Deputy First Ministers, to put it on the radar to make sure that Her Majesty's Government saw, as we did, the importance of it. That message is positively filtering through. Clearly, there were concerns, but we have to identify all of the challenges and all of the opportunities that come from exiting the European Union. That is what we have been



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doing. It has been on a range of different issues. We want to see the interconnector.

We want to see the integrated single electricity market in place. That is something that we have been encouraged by the UK Government to do. It is also something that the Irish Government want to do, because we should not look at the interconnector or the I-SEM as just a Northern Ireland issue. The Irish electricity market is a little bigger than ours, yes, but it is not a hugely efficient market either. When you put their market together with the Northern Ireland market you get a bigger and a lot more efficient market. It is every bit as much in their interest as it is in Northern Ireland's interest. They are in a very similar position to us in wanting to have a positive and successful outcome on this issue, as indeed they do on a range of different issues as well.

Q631 Lady Hermon: Would you accept that the new north-south interconnector coming into play is absolutely critical for the Northern Ireland economy, and that nothing must be allowed to delay its introduction?

Simon Hamilton: I am sure you would agree with me that a piece of infrastructure of that scale and magnitude has to go through due process in terms of planning.

Lady Hermon: Of course.

Simon Hamilton: I would not wish to say that anything absolutely has to happen. It has to go through its due process. I would say that it is an absolutely critical piece of energy infrastructure for the reasons that I outlined previously. It helps to make the integrated single electricity market work. It sends a clear signal to investors, which will then have a beneficial impact on generation capacity and therefore secure supply. This will also help to reduce cost within the market, and there are a range of different estimates as to what cost could be taken out as a result of the I-SEM and the interconnector.

As I was saying before, there is not a lot that I can personally do as a Minister or any Minister can do to reduce cost given the way that electricity prices are constructed. However, getting a much more efficient market is the best thing that we can do to keep a downward pressure on prices. Clearly, the interconnector is a key part of doing that.

Q632 Lady Hermon: I wonder whether you or your Department have given any thought to the possibility of introducing schemes in neighbourhoods and communities that would be affected. This is a huge interconnector. It is a major structure. It is going to run for quite a long way. I think it is in Northern Ireland for 44 miles and most of it is in the Republic of Ireland, but it is a large structure. Has any consideration been given to compensating or making available funding for communities that will be adversely affected by the interconnector running through fields and lovely



countryside?

Simon Hamilton: Yes, and you will be aware that there is a compensation scheme in place for land. For example, if a pylon goes up somewhere, there will be a compensation scheme for that.

Lady Hermon: Yes, but in addition to that.

Simon Hamilton: Yes, and I have heard mooted a community fund, which would be akin to some of the things that have been done around renewables, wind turbines and particularly wind farms. That is something that I have heard suggested. I listened to it and am considering it. It would undoubtedly require some legislative change.

Q633 **Lady Hermon:** Is that a yes or a no?

Simon Hamilton: It is something that I am considering in the context that if you do it for one it has implications for others in the future potentially as well. It is something that I have to bear in mind. It is another one of these examples of where you do something with the best intentions here and it has ramifications elsewhere. There are ramifications of doing that: while it would be honourable and noble, and this is not me saying this in a negative sense, it would have an impact on the affordability. There would be a price associated with that.

I am not saying "no"; far from it. I am saying it is one of those things where, in trying to achieve something here, there is an implication and knock-on effect elsewhere, so we just need to balance all of those things. It is by no means a negative comment on it. It is an interesting idea and one which has merit.

Q634 **Lady Hermon:** This is the last topic for the moment. I would like to hear you say something about fuel poverty and how you are going to tackle it. The scale of fuel poverty in Northern Ireland is absolutely scandalous. It is so high. It is something that was highlighted to us by the Consumer Council for Northern Ireland. What is the policy? What is the strategy for reducing the still remarkably high levels of fuel poverty in Northern Ireland?

Simon Hamilton: It is very high and remains so even though, as I was pointing out before, domestic electricity bills in Northern Ireland are at their lowest levels since 2008. We have had low electric prices and energy prices compared to a decade ago. Yet those figures around fuel poverty persist at a worryingly high level.

Lady Hermon: Around 42%.

Simon Hamilton: Of course, as you appreciate, there are a range of other factors. Income would be a factor in all of that. Never mind where prices of fuel are at, incomes have not been rising, particularly during the economic downturn. Thankfully, average earnings have increased in two consecutive years now by 2.5%. Clearly it is a problem. There has been a range of interventions put in place by the old Department for Social



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Development, which have now been taken forward by the Department for Communities. The warm home scheme and interventions like that have been doing some fantastic work. My own Department currently has the Northern Ireland sustainable energy programme. We are looking at a new policy in terms of energy efficiency. Part of the problem is houses and homes that are not properly insulated and then having to burn more fuel than they need, which is then not having an impact on fuel poverty. It is a big and worrying concern. It is worrying particularly given the amount of money that we have spent on it through a range of different programmes over the last number of years.

Q635 Lady Hermon: Do the Northern Ireland Executive have a strategy to reduce it?

Simon Hamilton: There is a fuel poverty strategy in place, and there has been a significant volume of support in terms of putting programmes for energy efficiency in place, putting better and more efficient boilers in homes. There have been a range of different interventions, but those figures are still worryingly and troublingly high. It is another issue that I consider as part of what I do in terms of energy efficiency and my responsibility in that respect.

It is a bit similar to the previous point. I can develop a pretty big, ambitious and bold scheme on energy efficiency that will have to be paid for. Then it becomes an issue of how we pay for that. If we pay through bills, then it has another impact on both domestic and non-domestic customers. It is another one of those issues that, as we consider them, we have to be mindful on affordability, which for some is the crux of the problem.

Q636 Dr Alasdair McDonnell: You are very welcome, Simon. A lot of ground has been covered, and forgive me if some of the stuff I repeat or double back on. To put it simply, and I am not getting into the political ramifications, does exiting the EU have a significant impact on energy, or do you feel that things will be relatively the same?

Simon Hamilton: There are a range of different policy areas, which would be under the responsibility of my Department or indeed other Executive Ministers' Departments, where there will be an impact. We are in that phase in advance of negotiations of scoping out the full extent of those challenges and identifying potential opportunities. Energy is one that, as I said in response to Lady Hermon, the First and Deputy First Ministers have put into their letter to the Prime Minister. This highlights the importance that they place on this issues and the need to get a resolution to it in upcoming negotiations.

The answer to your question is, yes, there are areas of broad energy policy that could well be impacted on by the UK exiting the European Union. That is why we are scoping those issues out to the fullest possible extent, so that we are fully aware of the potential ramifications—and at this stage they are only potential ramifications—and using that to inform



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Her Majesty's Government as they prepare for negotiations. I reiterate the fact, as is the case on a range of different issues, that those most directly affected, including the UK Government, the Northern Ireland Executive and also the Irish Government, are of a very similar mind of wanting an integrated single electricity market and wanting an interconnector to be in place. It is helpful going into those negotiations that you do not have a divergence of views in respect of it, and I hope that would help to get a successful outcome for us.

Q637 Dr Alasdair McDonnell: You mentioned a successful outcome. What would you see as the perfect or the ideal outcome? Would things remaining nearly the same be the objective?

Simon Hamilton: You have to go back to first principles, and the first principle on the market in Northern Ireland is, as I was saying before, that the market is too small. It is not as efficient as we would want it to be. When you integrate it with a bigger market in the south, you get a much more efficient market. That, for me, is not the end game in respect of integrating markets. That is the first step to allow Northern Ireland and the Republic of Ireland to better integrate with the Great Britain market, which has a lot of challenges in respect of electricity as well. You create a much bigger and much more efficient British Isles model. For me, it is not just about what happens on a cross-border basis. It is actually what happens across the Irish Sea and integrating much better the whole of the British Isles. Continuing down the road of integrating the markets and having the infrastructure in place to do that so, yes, the north-south interconnector but also better integration on an east-west basis as well is what we would like to see happening as we move forward.

Q638 Dr Alasdair McDonnell: On that point again, I will come back on it. Mutual Energy told us a couple of months ago that the Moyle interconnector had been restricted by the Scottish Grid. Capacity has been reduced and will be reduced further. Can we do anything about that?

Simon Hamilton: There are a range of different issues with the Moyle interconnector. It was beset by some infrastructure problems that had taken it offline at different stages. It was offline earlier this year for significant repairs. I met with Mutual Energy a couple of week ago. I sought reassurance that the same problems would not happen again. They assured me that they made significant investment and the problems were happening in a particular area and particular part of the interconnector. A lot of money has been spent to resolve that. They do not anticipate any further problems there. It is back up to its full capacity but you are right that there are some negotiations going on at this moment in time.

I do not want to perhaps comment or prejudge the outcome of those negotiations but suffice it to say that having that interconnection between Northern Ireland and Great Britain is incredibly important. That is



especially because the interconnector that goes from the Republic of Ireland to Wales is also down at this moment in time. It is difficult at the best of times, and particularly difficult when you are laying the cables across the sea. What has happened and what has been discussed and negotiated on with Moyle, and what has happened with the Irish to Welsh one, emphasises the importance of having more interconnection and not having less and having less capacity and less flow between them.

Q639 Dr Alasdair McDonnell: Where do you think we might be able to have more interconnection?

Simon Hamilton: That is a technical answer in the infrastructure area. I am not aware of any firm proposals at this point in time but I would certainly encourage consideration of more interconnection. I suspect it is a bit "chicken and egg". You are not going to get proposals for more interconnection if you do not have that integration of the markets that I was talking about before. If we continue to progress along the lines that we have in better integrating the markets right across the British Isles, that will encourage more interconnection and more projects to come forward. I do think that we should be think ambitiously about further afield as well, to ensure that we have security of supply and put a downwards pressure on prices as best we can.

Q640 Dr Alasdair McDonnell: We would all agree with you about thinking further afield and getting the wider market because we are probably 10 or 12 million people at a reasonable market. You mentioned Iceland. What would it cost to put an interconnector to Iceland and what is the risk of that interconnector? There was somewhere last week where a ship sank or tore up one of the interconnectors somewhere.

Simon Hamilton: As I said, these are intricate, difficult pieces of equipment at the best of circumstances. This is where I think the Committee can help in terms of making recommendations to the Departments here in London. We should not think just about the north-south interconnector. We should think more about east-west but we should also look at opportunities. I am not saying that they are simple, easy or low-cost options. I recall a previous Prime Minister talking openly about this option and I am just making the point that I think Northern Ireland would be a good destination to land an interconnector. If that was something that was being taken forward, it would not be being taken forward by the Northern Ireland Executive but if it was being taken forward at a UK Government level, I think Northern Ireland would be a good option to land that into and connect into the rest of GB. That would be to everybody's benefit.

Q641 Dr Alasdair McDonnell: Have you any intentions or any plans to upgrade the energy division both in terms of numbers and expertise? This is not in any way critical of your stewardship there, because I think you have done a good job. I have long believed that basically we needed a much more powerful, if not a full-blown Department taking focus of energy, certainly a team of expertise. I am struck by the expertise that



we have in this city and the Government and Whitehall and even to some extent the expertise that we have in Dublin in some of the Departments there. I have often felt that perhaps we needed to focus because my sense was, going back some years, that when we developed some expertise, that expertise was quickly snapped up by the private sector or somewhere else and moved on.

Simon Hamilton: It is an interesting point that you make. We have the right departmental model. Having energy policy responsibility in the Department for the economy is the right place to have it. It is hugely important to the growth and competitiveness of the Northern Ireland economy. The fact that the current Government have replicated that and brought energy back into the business Department I think shows that that is the current train of thought on all of this. Northern Ireland, as you know, is a small place and certainly does not have as big an energy sector as other parts of the UK or Ireland. However, the fact that it is a small place means that we are well connected and there is a range of advice. You make an interesting point around the Department. Of course, we are always looking to ensure that we get the best advice inside the Department but also that we avail of all of the advice from the range of people that this Committee would have had coming forward to it. Northern Ireland is a small, tight-knit place and it is not too difficult to speak to any of the many actors that there are within the electricity and energy sector within Northern Ireland. I do and I have, in my time in office, sought to avail of that at every opportunity. I found everybody to be very forthcoming in wanting to come forward and give advice and answer questions and to assist me in developing my thoughts and future policies.

Q642 **Danny Kinahan:** Simon, it is very good to see you here and also very good to hear a comprehensive energy strategy coming forward. The big, simple question of the lights going out in 2020 and we had a question from the Chair on plan B. 2020 is only four years away. The interconnector, if all goes well and if I understand correctly, will be ready in 2021. If you look at all the other options, whether it is renewables, Moyle, grid, they are all actually quite a long time and quite big cost before we get them there. Can you guarantee that the lights will not go out? At the same time, when it comes to the options when is the timing of when another critical one needs to be put in place, whether it is storage or renewables? We do need a plan B.

Simon Hamilton: You are right. I do not think anything is gained from being alarmist about the issue, but that does not mean that we should not be mindful of the importance of this issue. I do not want in any way to give the impression that I am not concerned about having a sustainable supply of electricity or affordable electricity. All of these issues are equally important but the one that is probably to the forefront of my mind, regarding future energy and future electricity policy, is security of supply. That is not least because there is an impact. If the interconnector and the I-SEM are in place, then it does have a downward



pressure on generation costs, which will have a knock-on and positive impact for prices.

As I said before, I am not concerned up to 2020. I accept that there are challenges post-2020, if nothing happens. That is the important thing. We would be in a far worse position if there were not a range of different possibilities. I accept your point that, even if everything was given the go-ahead now, each of those takes some time to construct and they are not even in that position just yet. We would be in a far worse and more troubling position if we did not have the interconnector in development. The interest of Evermore Energy in a new gas power station in Belfast is probably the most interesting development that we have had in recent times. That is not me prejudging it or saying it is a favourite in any way, shape or form. It shows that there is a growing cognisance within the electricity and energy sector of the need to do something around this problem. So, that is a very interesting development. I would be surprised if that was the last of its kind.

AES are working on some very interesting battery storage ideas. They are very small at this stage, only about 10 megawatts. The Gaelectric proposals are very interesting and exciting. If we get all of those in place and perhaps some other things, with new generations passing in particular, then we will look back and say we were worrying about nothing because we will have lots of spare capacity in that circumstance and we will be able to put that into a much broader, wider, better integrated market. I am mindful that there are a range of challenges to make that be the case. We have a good track record, as I was saying earlier, of where there have been issues and difficulties and we have been facing up to those. We have stepped in and taken decisions around particularly the reserve contract, which was put in place. AES did a remarkable job in what they did with their plant. We have not required that as much as we thought because the Moyle interconnector is back up and running at full steam. It shows that when we have faced challenges we have been able to step in and take decisions to make sure that we have a secure supply of electricity. At this point, you are right; it is not that far off. I do not want to say exactly what we would do in such circumstances where things did not happen exactly the way we want them to but we will take whatever appropriate steps are required to make sure that we get a secure supply of electricity. That will require some very difficult choices probably, in those circumstances. I am not planning for that. I am aware that we need to think about it but I think we have sufficient options that will ensure that we do have a secure supply of energy post-2020 and post-2021.

Q643 Danny Kinahan: I am really just pushing here. There must be critical dates when we suddenly have to start looking at other options rather than knowing there is a whole mass of them.

Simon Hamilton: I do not think there is a specific date. It is probably more driven by events. Again, I do not want to sound negative or be



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downbeat or doom and gloom about any of the potential options that I have outlined. Certainly if events transpire in a particular way that would be clearly a trigger to move from conceptual stage to starting to take some action on it. In my view, we are not there yet.

Q644 Danny Kinahan: If I could move to the renewables, which you talked about as possibly being able to do 100% one day, with everything that has gone array with the renewable heat initiative, can you ensure that not only are we going to find out what went wrong, who got it wrong and have a really open discussion so we learn in every Department, whether it is Civil Service or Ministers, so that it does not happen again, so we do not waste the money, and, most importantly, so that we protect the whistle-blowers and people that have bought it forward.

Simon Hamilton: Mr Chairman, I am mindful that this is not an electricity issue. It is not an issue to which I am accountable to this Committee on. There is also a live Public Accounts Committee investigation into this issue in the Northern Ireland Assembly. I am sure no Member would wish to prejudice the ongoing investigation that is taking place and the very important work that is being done. I am very aware of the seriousness of this issue and the need to take corrective action in terms of cost to the public purse and I am on record saying that I am shocked by the allegations that have been made around abuse and the bad administration of this scheme by officials. We take this issue very seriously. We have been investigating it. We will continue to investigate it and not only learn lessons, which are incredibly important, but I am also in the process of developing a plan to deal with the cost implications of the RHI scheme so that the burden to the tax payer in Northern Ireland is limited as much as we can possibly make it.

Q645 Danny Kinahan: I was just keen that it is open and we all learn from it. If I can go to something else, Sylvia mentioned the fuel poverty scheme. When we talked about this with the pensioners' parliament, their great push for the warm home scheme was to try to get it worked in with the whole of the UK. If I have the costs right, if we do it in Northern Ireland within our own system it is £100 a head. If we do it within the UK it is £13. Are we looking at any way of all working together so we have a better relationship?

Simon Hamilton: Policy responsibility for the warm home scheme resides now within what is now the Department for Communities. I am trying to think back to the warm homes discount scheme, which is being implemented here. If I am right, this is an issue that perhaps also highlights the point that Jim was making earlier, around sometimes disconnect with policy emanating from Westminster without properly thinking about the ramifications for Northern Ireland.

This goes back to the other points I was making: for us to put in a similar scheme would be three times the cost and would be prohibitive in terms of customers in Northern Ireland. We would all want to do a similar scheme; I do not think anybody would want to do a scheme that was as



costly as that. It is something that I am still considering in the context of wider policy. It would be incredibly difficult for us to bring forward a scheme of our own, and we will continue to have discussions about the GB scheme. We have some difficulties in getting onto that. I am happy to come back to the Committee about exactly what those difficulties are. Clearly I do not want to put in place a scheme that has good intentions but ends up with sky-rocketing costs for customers, whether they are domestic or a business.

Q646 Mr Gregory Campbell: I appreciate you coming along today, Minister, particularly when you have alluded to a number of ministerial meetings that you have. I will not prolong the proceedings unnecessarily. On the wider issue, economy-wise, both of potential inward investment and expansion of existing businesses, I continually get energy prices being raised, as I am sure other Members do. That is particularly by large employers—Particularly where those employers are part of an international conglomerate and they are continuously looking at bottom-line costs and therefore they are looking where they can get best productivity and the lowest cost-base. Continually, the cost of power is brought up. I am just wondering, in your six months as Minister, to what extent have you had that feedback both in potential inward investment and the existing companies who may be potentially looking at either expanding or expanding elsewhere if the cost-base does not add up?.

Simon Hamilton: It is a very good point and I am glad you have raised it. We do become a little bit transfixed about affordability, without thinking about the impact that it has on the competitiveness of the economy. You will have heard from some manufacturers, including some that have indicated that they are going to close their Northern Ireland operations citing energy cost and electricity cost as being a factor in those decisions. Northern Ireland's investment proposition is thankfully, I suppose, not solely on the basis of electricity prices. We are a lower-cost destination and it is a factor in competitiveness for companies. Electricity prices absolutely are, but so are labour costs, which are lower in Northern Ireland, and property and transportation costs, which will be lower in Northern Ireland. We have a competitive cost advantage in some other areas but clearly for energy-intensive industries, it is a particular problem or it can be a particular problem.

We have seen a response from some manufacturers in Northern Ireland who are totally or in part taking themselves off grid. For example, look at Bombardier, with their energy from waste plant, which is well advanced at this moment in time. In one sense, this is a great sign of their confidence in Northern Ireland but on the other side they are obviously clearly indicating that this is a problem for them and they are going to have to do something about it. It also takes them off grid; it is a large customer and large user that comes off grid, which has affordability impacts for other customers. The costs they will be absorbing are then spread across others. I was at an agri-food



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processing business last week and they were taking themselves off grid with wind turbines and anaerobic digestion.

It does not matter whether you are Bombardier or a much smaller business. Lots of businesses are looking at that and in some senses that is something to be encouraged but there are ramifications for it. At this moment in times, being completely candid, the type of investors that we are getting into Northern Ireland are not those big energy users. That could change in part, particularly with corporation tax being reduced. Again, that is something that has to be a factor in my mind as we develop future strategy. We need to start to get this right and put as much downward pressure as we possibly can on cost.

There is probably more of a concern, I suppose, for me in terms of getting access to the grid for many existing companies. I have lost count of the number of companies in different constituencies that I have been to, where companies are saying that it has been very costly for them to get onto the grid or it has taken them a long time to get onto the grid. I have spoken with NIE networks about this and I have spoken to SONI about this. There are a lot of companies who are in growth mode, as the Northern Irish economy is performing exceptionally well at this moment in time. We have really good export figures published yesterday with the highest increase in exports in the whole of the United Kingdom in the last year. I do not want that sort of growth to be inhibited in any way by an inability to get an efficient or an effective quick connection to the grid. Yes, there are issues for those big users and absorbers of energy but there are also issues at the lower end as well. I should say, although it is not electricity, we are continuing the expansion of the natural gas network to the west of the province. Strabane will get natural gas next year and a range of towns in Tyrone and Mid-Ulster. Fermanagh and South Tyrone will get gas by the tail end of 2018. There are a lot of big manufacturing companies in that area so it gives them an energy choice as well. It is not just in terms of electricity; we are working on the gas side as well and the Executive intends to make a £35 million investment in that scheme to make it happen. There is a range of different ways in which we are intervening, as well, to extend broader energy choice as well as just electricity.

Q647 Lady Hermon: We received evidence from a witness, Dr Dobbin, who chaired a really useful committee. That committee of experts have been established by a colleague of yours, the then Minister for DETI. That was established in December 2015. The chair of the Energy and Manufacturing Advisory Group, Dr Dobbin, made it quite clear to us that that group of experts had made and had given lengthy consideration to 24 recommendations. I have two questions: are you going to implement them in full and will that committee of experts continue?

Simon Hamilton: I am very grateful to EMAG for the work that they did and the recommendations that they came forward with on a range of different issues. I thought it was a useful piece of work and very focused



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on the effect of energy costs on competitiveness in manufacturing specifically. I think they came forward with a very good report and very good recommendations, which I am considering and will help to inform wider policy decisions that I will take. It is entirely back into that space that I mentioned before. They made very clear recommendations in certain areas. The implementation of those would have knock-on consequences in other parts of the energy system and other aspects of affordability. As I take decisions on future energy policy, I have to consider those recommendations in the round. If I was to implement every recommendation that I got from different people, it would be not only potentially contradictory in some respects, depending on where they were coming from, but it could potentially be damaging and counterproductive. I am not saying that that is the case with the EMAG recommendations but I just need to rightly consider them in the round of all of the areas that I need to.

As I said before, movement in one area of energy has implications and knock-on effects elsewhere. I need to make sure that I am very clear in what the purpose and principles of the decisions that I am taking are, so that I am doing what I believe to be the right thing for future electricity and future energy policy for everyone in Northern Ireland.

Q648 Lady Hermon: When do you think they will know which recommendations are going to be accepted? Is it an ongoing process?

Simon Hamilton: It is not an ongoing process. They have delivered their work, their work is being considered and, as I indicated previously, I intend to bring forward some views on future energy strategy for Northern Ireland in the not too distant future. It will certainly inform the decisions that I will make in respect of that.

Q649 Lady Hermon: The not too distant future—can we narrow that down? We have to make a report, so it would be nice to know what you are intending to do and the timescale.

Simon Hamilton: Yes, what is most important for me given my responsibilities for energy policy is that I take the right decisions and that I take my time to get the right decisions and not be rushed into taking the wrong decisions. I am carefully considering what the EMAG has recommended. I am considering a range of inputs from different stakeholders in the sector and will come forward with comprehensive views as quickly as I possibly can.

Lady Hermon: So that is not an indication of the timeframe.

Simon Hamilton: No, and I am not going to give one. I want to take my time and get it right and come forward with proposals for future energy policy that are robust. I want to make sure that I get that right.

Q650 Lady Hermon: I listened really carefully this morning and you have been very generous in replying to all of the questions put to you. We are moving towards the end of this session. I do not have a clear idea of



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your priorities for energy and electricity in Northern Ireland. I live there, I represent people there, and colleagues of yours also do and you do. I have the highest regard for you as a Minister, so this is not to be taken as a personal criticism but could you just identify your priorities moving forward?

Simon Hamilton: I will sum up pretty quickly, I hope. I want to have a secure supply of electricity at the most affordable price for customers, with the maximum amount of sustainability. That is what I want to have. That is what the new draft programme for Government is focusing on. That is what future energy policy developed by my Department will focus on. However, what I am increasingly aware of is that as I spend a lot of time in this area, a lot of policy within my Department is interlinked and interwoven. It is very interconnected.

Q651 **Lady Hermon:** That cannot be an excuse for not taking action to address the really serious problems, like fuel.

Simon Hamilton: No, absolutely not. You would not thank me and no one would thank me for rushing into decisions in respect of this, such as the criticality of addressing issues around security of supply and of addressing issues around affordability and sustainability. To get that complex mixture of issues right does take some time. Would I like to come forward with proposals and a vision for the future of energy in Northern Ireland quicker than I have? Yes, absolutely. Who would not? However, equally I am content that I think it is right that I should take my time to come forward with the best possible policy that I can develop in the circumstances that we are in.

Q652 **Lady Hermon:** Will this expert group remain in place and will you take advice from them?

Simon Hamilton: I do not think they are currently. They are no longer in place. The work that they have done has ended but that does not preclude me from going back to the members of that group and including Mr Dobbin, in particular, to take their advice on it. I anticipate that I probably will in advance of saying something in the not too distant future about a future energy policy. I daresay I will be in close contact with the likes of Mr Dobbin and indeed the wide myriad—you have had most of them here before the Committee during your inquiry—of key stakeholders within the electricity and energy sector of Northern Ireland.

Q653 **Lady Hermon:** While I appreciate the response to my colleagues, Mr Kinahan, that you referred to the inquiry that is ongoing by the Public Accounts Committee, could you just identify off the top of your head the lessons that have been learned from the financial disaster of the renewable heat incentive scheme?

Simon Hamilton: There is a live Public Accounts Committee investigation in the Northern Ireland Assembly into this. I do take this issue seriously and have given this issue the seriousness that it deserves. There have been a range of different investigations that are taking place,



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and continue to be ongoing. A whole range of lessons are being identified and will be learned from. They will not just be learned from within my Department; it will be spread across the whole of the Northern Ireland Executive. As I said before, we are developing a plan of which the aim will be to significantly reduce the cost of the RHI scheme to the Northern Ireland taxpayer and rate-payer.

Chair: I understand that it is largely a devolved issue. Danny, do you want to come in very briefly, given that it is a devolved issue?

Q654 **Danny Kinahan:** I accept your point. You talk about sustainability and everything is interwoven so it does become relevant. It is really about ensuring that we are going to learn from it; if we are going to move into renewables and put another £200 million into renewables, will we guarantee that we have learned the lessons and that we are going to get something that is linked into the grid and does work? Will we actually get to know what went on at the DETI Committee and why the whistle-blower was ignored? There is a whole lot hiding in there. We do need to learn from it; it is interconnected.

Simon Hamilton: It is an entirely devolved matter and it is being dealt with through the appropriate channels, through the PAC. As I consider future renewable electricity policy, clearly there will be lessons learned. It will not even be in the area purely of energy that lessons will be learned. There will be lessons to be learned right across the development of policy in probably every single Department. As I look at developing a future renewables policy, not only will we learn lessons from previous schemes that have been put in place but I am focused on, as I said before, issues around access to the grid and capacity of the grid to take more renewables. Where we are with the issues around storage that we were talking about earlier, clearly if we have more storage capacity then you can increase where you have got renewables. There are some of those renewables to go to and also then there is the cost of placing any support. I am very aware that if we were to replicate the Northern Ireland Renewables Obligation, the scale of it for Northern Ireland alone would be costly. The old NIRO scheme was spread across UK customers as a whole, so the cost to Northern Ireland was lower as a result of that. To do something just for Northern Ireland with the same scale and to have the same impact could be incredibly costly for customers. Again, that is another one of those many balancing acts that we have to perform in respect of energy policy.

Q655 **Nigel Mills:** Simon, you just went through the Energy Trilemma and pretty much said that all three were your top priorities. You want it to be clean, cheap and secure. Which one of those would you accept probably has to get least priority to get the other two? It is very hard to have clean, secure and cheap. Presumably you can have secure and cheap or clean and secure.

Simon Hamilton: You are right. As I was just saying, it is an incredibly difficult balancing act to perform. Governments everywhere have



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struggled to balance them and have at times placed more emphasis on one over another or the other two. Apologies if it sounded the way that you said it. I do not think that I would want to give the impression that we can do all of these and achieve all of these very easily. It is incredibly difficult to achieve all of them. This is not to say that I am unconcerned about affordability issues or having the maximum amount of sustainability, but what I am probably most focused on is the security of supply. That is probably the issue. There are a lot of people, and perhaps a lot of people who have given evidence to this Committee, who are much more focused on the affordability side of it. I completely understand. I am Minister for the Economy. I want businesses to do well and be competitive, and clearly for a lot of businesses lower costs and controlled costs will help that. However, as I survey the full landscape of energy policy, it is probably security of supply where in the short term most focus needs to be applied.

In doing so, in getting a better and more integrated market and in getting better interconnection in place, that has a positive impact on affordability. The single electricity market has taken cost out of the system. To have a single electricity market with an interconnector and more efficient generation and capacity attracted by that will then help to put a downward pressure on prices. So, in that sense that is not an either/or; it is one to achieve the other.

Q656 **Nigel Mills:** Earlier this year you closed the renewables obligation scheme early. Do you have a plan for what replacement incentive scheme might be created?

Simon Hamilton: We are viewing that in the context of overall future energy policy. As I was saying before, we are in a position where with electricity generation from renewables in Northern Ireland, we have a very good track record. We have had success. As I said before, we have taken that from 3% on 2005 to over 25%, and we are on track with the offers that have been made and those offers that are to be made to get to our 40% consumption target by 2020 if all of those work through the system. That should then take us to a position where we have 100% capability through renewables. We are in a good position with a record of success.

The factors that I am considering are those factors that I mentioned before, around grid capacity to take further connections from renewables. That is an increasing issue. If we were in a position where the storage projects we were talking about were better in place or were in place or moving along, then that would be a positive factor. There is then also the point around the cost of supporting and developing a scheme. This is back to the point that you were talking about around the trilemma; wanting to do something on sustainability will inevitably have an impact on the cost of electricity. We need to bear that in mind to ensure that any future cost is not prohibitive.

Q657 **Nigel Mills:** The question at the moment for you is whether you want or



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need to have more incentives for renewables or do you have enough in the pipeline.

Simon Hamilton: That is a fair summary.

Q658 **Nigel Mills:** Presumably you are not planning currently to join the UK-wide Contracts for Difference scheme?

Simon Hamilton: Some of the evidence that you received suggests, and I would agree with some of the evidence, particularly from Ulster University, that Contracts for Difference does not really work for Northern Ireland. It would have a significantly high cost. There would be no guarantee that it would benefit our economy and Northern Ireland schemes would have to be part of a wider bidding process. It is a scheme, going back to Jim's earlier point, but the scheme is not necessarily designed with Northern Ireland in mind.

Q659 **Nigel Mills:** Can I just take you back to Brexit? It is a bit beyond my understanding about the internal energy market or the single electricity market, which you were talking about. Is that something that you would like to stay a part of? Is that something that you realistically think the UK will stay a part of and therefore Northern Ireland will be a part of? Do you think Northern Ireland can stay in it but let the rest of us leave it?

Simon Hamilton: The drive for more integration has actually come from London. Clearly it is a good thing for both sides of the border in Ireland—for Northern Ireland and for the Republic—to have a bigger and therefore more efficient electricity market in operation. However, the drive for wider integration has come from Her Majesty's Government and for good reason. Clearly it is something that is impacted upon by the UK exiting the European Union and therefore has to be something that has to be considered in upcoming negotiations. We certainly would want to see us continue to be a part of a more and increasingly integrated market. As I said before, sometimes there is a tendency or view that it is just a north, south and an Irish thing but it is much broader across the British Isles. ...

Q660 **Nigel Mills:** I have one final little hobby horse I like to ask about. If you were casting your gaze a little further into the future, if we were really serious about our climate commitments and I am sure we are, we need to start getting cars onto being electric cars and at some point we need to find a solution to how we heat houses without using gas. This presumably means that we have to get them on the electric heating somehow. You are looking ahead 10 or 15 years and thinking, "How do I get enough capacity in my electricity supply to be able to have large numbers of cars on the grid", and thinking about how we start encouraging home owners to change their heating supply. Is that just completely not on the radar?

Simon Hamilton: That is something that, as you develop an energy strategy, would have to be alongside it. There is a risk and perhaps even a danger of being very short-term-focused on it. As we were discussing earlier, we have absolutely got to be focused on the short-term



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challenges around security of supply. We have got to make sure that we get those right in the immediate future. That should not preclude us from taking a long-term vision of what we want to see future energy policy and the future energy landscape in Northern Ireland look like. We do have a good track record around renewables and sustainability, and I do very much envisage a future where Northern Ireland has a very green and clean energy future. That will necessitate getting the right infrastructure in place, never mind the right policies and incentives in place and perhaps, in the long term, not needing incentives at all. I do think that Northern Ireland has the potential around renewables. If we can get some of those storage opportunities in place and better interconnection, I think Northern Ireland actually can have a very positive energy future.

There are always going to be challenges from being an island off an island off a continent and being at the end of every pipeline that there is and at the mercy of all sorts of geopolitics. There are always big risks and challenges with that but we do have short-term issues around security of supply to deal with, which will, if we get them right, as I believe we will, have a positive impact on affordability. Once we get that infrastructure in place, that will allow us then to go to the next stage of developing that green and clean sustainable energy future for Northern Ireland and potentially be in a place, with better interconnection, to be a much greater exporter of electricity in years to come.

Lady Hermon: Like the rest of the UK?

Simon Hamilton: Yes.

Chair: I am conscious, Minister, you have another meeting to get to. Thank you very much for giving evidence to us today. It has been very useful.