

Northern Ireland Affairs Committee

Oral evidence: [Changes to NI Renewable Heat Incentive payments](#), HC 2070

Monday 29 April 2019, Belfast

Ordered by the House of Commons to be published on 29 April 2019.

Members present: Dr Andrew Murrison (Chair); John Grogan; Lady Hermon; Kate Hoey; Nigel Mills; Ian Paisley; Jim Shannon.

Questions 92 - 291

Witnesses

[I](#): Thomas Douglas and Chris Osborne, Ulster Farmers' Union.

[II](#): Alan Hegan, Director, Hegan Biomass, Robert Carmichael, Avril Robson and Andrew Trimble, Chair, Renewable Heat Association Northern Ireland.

Examination of witnesses

Witnesses: Thomas Douglas and Chris Osborne.

Q92 **Chair:** Good morning, gentlemen. Thank you very much indeed for finding the time to come and speak to us this morning. As you know, we are conducting an inquiry into RHI. I hope we will be informing the Northern Ireland Office's thinking in this matter following comments made by the Secretary of State recently when she appeared before the House to discuss where things have been, where they are now and where, hopefully, things will take us in the future. The evidence that you are giving today will be considered very carefully and will form an important part of the report that we write and recommendations that we make in due course.

What I would like you to do is describe who you are and where you are coming from—very briefly, since we have already read any evidence that you have submitted—and what your organisation would like to see going forward. Perhaps you might like to start, Mr Douglas?

Thomas Douglas: I am Thomas Douglas. I am a poultry farmer from Dungannon, a member of the Ulster Farmers' Union, and also the chairman of the Moy Park Broiler Breeders Committee, where the vast majority of boilers that are in with the breeders are 199s. Basically, what we would like to see is going back to what we originally signed up for as a tariff in 2016.

Q93 **Ian Paisley:** For our benefit, can you tell me what 199 is—the technical jargon there?

Thomas Douglas: 199 is the size of the boiler. The 99 came into the scheme in 2012. Then they changed the scheme in October 2015 and brought in a capped scheme. On that capped scheme we could go up to 199 kilowatt boilers, and that is what most of the broiler breeder people have done. At that time, our maximum income from RHI was approximately £18,000 and, with the new tariff that they brought in, as from 1 April, that has been cut to about £3,000.

The other thing that a lot of people do not know is that the cut is not 1 April; it is actually your anniversary date, so for a fair few of the broiler breeder people the anniversary date would be January/February, and we will probably have our allowance for the year—the RHI payment for the year—already used up.

Q94 **Chair:** Thank you. Mr Osborne, do you have anything to add to that?

Chris Osborne: Thank you, Chairman. Chris Osborne, senior policy officer, Ulster Farmers' Union, representing 12,000 in Northern Ireland. As a bit of background to my position, as Senior Policy Officer I am responsible for renewable energy and all things renewable. I have been in the position since 2009. That means I have been involved in the Northern Ireland RHI since day one.



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As an overview on representation, we would have in the region of 300 members who have availed of the scheme. As things currently stand with this tariff that has been in place since 1 April, it is going to have a devastating effect upon these individual applicants. We have a number of people who have availed of the boilers of all sizes, the majority of which have been poultry farmers, but they have also been dairy farmers, arable growers and so on, so it has covered a varied range of people.

The message from today is that these tariffs are completely unacceptable. They are completely uneconomical and we feel that the decision that was made by DfE—in their consultation and the recommendations to the Secretary of State—has left people in a very bad position, particularly the Northern Ireland poultry industry that, on the back of the Moy Park announcement last week, has added to the very fragile state of the industry, in both competitiveness and efficiencies.

- Q95 **Chair:** What do you feel about the projected overspend from this scheme? I expect, being realistic people, you will understand that there is a need to work within a budget. This scheme most definitely has overspent—will overspend—and yet there is some dispute over the extent to which that will be the case, given the alterations to the scheme that have happened since 2015. It has been suggested that the overspend would be quite modest. There are other figures that are quite worrying. What is your own assessment? What is the Ulster Farmers' Union's assessment of the projected overspend on the scheme?

Chris Osborne: I think there is still to be some clarity as to the actual level of overspend. You must remember as well that, for a long time, there were a lot of figures that were bandied around that I think created a very negative impact upon the reputation of our industry. It was on social media, radio shows, television programmes, and we are still to see a hard and fast figure as to what the overspend actually is.

- Q96 **Chair:** The figure of £60 million has been bandied about. We are taking evidence from the Renewable Heat Association following you. It has been suggesting £60 million. That is a great deal of money, but it is considerably less than some of the figures that I think the Department for the Economy has been working off. What is your reaction to that?

Chris Osborne: I would need to see the figure in detail, but it is definitely a lot less than one figure that was mentioned at one stage, which was £800 million. I think if you spread that figure out over a number of years it is actually less. If you look at how it is funded and so on, it is definitely a lot more workable than the previous figures have been. I think my associates from RHANI will be better placed to explain that.

- Q97 **Chair:** We will certainly explore that with them. The other figure, I suppose, that has been driving a lot of this is the extent to which this conflicts with state aid rules. Obviously that brings in the moving piece, and that is the United Kingdom's relationship with the European Union,



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but we are obliged to work with what we have. The figure of 12% has been cited in general, that being at the lower end of the 8% to 22% level, which is generally accepted by the European Commission as being okay for state aid.

First, what is your reaction to 12% and, secondly, where does that place Northern Ireland in respect of GB and, particularly, the Republic of Ireland? I am acutely aware of competitive potential disadvantage, especially given the support scheme for renewable heat that has recently been announced in Dublin, which potentially rubs up against the self-same state aid rules. First, what are the fears of your sector in relation to what that might do? Secondly, why do you think it is that the Republic is apparently able to offer a scheme that is quite generous in relation to subsidy for farmers in the Republic of Ireland and which will place your members at a disadvantage?

Chris Osborne: Absolutely. I think Thomas has led on this again, Chairman, and made a comment that we met with DfE—whenever the announcement was made—at the end of February. Our deputy president put them on the spot and said, “Look, we are scratching our heads here to understand why, relative to, say, 12% state aid rules on rate of return here in Northern Ireland, there is a significantly higher payment in GB on ROI.”

We were scratching our heads even harder when, last week, the Dublin Government had state aid approval for their scheme, when they are getting quite significantly higher than we are at the moment. Of course, as an industry representative, we are alarmed that poultry growers in GB and the Republic of Ireland are going to receive significantly higher payments for their schemes and we will most definitely be left at a competitive disadvantage.

Q98 **Chair:** Have you quantified that in any way? I know the announcement—particularly in relation to the Republic—is fairly recent, so you may not have done a piece of work on it, but to what extent do you think this is going to cause you a problem?

Thomas Douglas: Can I come in there, please? I am a broiler breeder producer for Moy Park. Moy Park produces in the region of 6 million hatching eggs a week in Northern Ireland, of which it uses roughly 2.6 million in Northern Ireland and the rest is exported either to the GB mainland, Europe or the south. Moy Park built a new hatchery in Newark. We are competing on price with the English producer, and we are putting 1.8 million eggs a week into the Newark hatchery. With this change in tariff, we are competing against about £19,000 off a payment in England, and we are getting £3,000. That is putting us at a big disadvantage, and if we cannot put the eggs into the Newark hatchery as keen as the English operation, Northern Ireland will become a backwater as far as Moy Park and broiler breeders are concerned.

Q99 **Chair:** Given the dominance of Moy Park in the market, that is obviously



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a very serious consideration. You could find yourself very quickly being severely disadvantaged potentially, not just by the ability of English producers to serve the undertaking you have just described but also, presumably, the Republic of Ireland as well.

Thomas Douglas: Correct, because Moy Park has the franchise in Ireland, so they put chicks and hatching eggs into the south and England and Europe, and it is going to leave us in a very uncompetitive position. The worst-case scenario is that, as you know, Moy Park is American owned, and they will look at figures. They will put up houses in England, and the bottom-end producers, or a lot of the producers in Moy Park, will cease to exist.

Q100 **Chair:** What pressure has the Ulster Farmers' Union been placing upon policymakers—in particular, the Northern Ireland Office—in relation to the state aid rules? You will be aware of an exchange of correspondence between the Government and the European Commission on the level of this state assistance. Most of the advice that has come from the European Commission appears to be provisional in nature rather than definitive. I would therefore expect you to be lobbying on the part of your members in relation to that level to try to encourage the Government to push back, particularly given the scheme that has just been announced for the Republic.

Chris Osborne: I mentioned earlier on, Chairman, that, whenever the announcement was made, we had a three-hour meeting with DfE. I will be honest with you, we did not get satisfactory answers on the rate of return under the state aid rules. A week later we met with Kris Hopkins, who is the Secretary of State's senior adviser. Again, I don't think we got satisfactory answers in relation to state aid. I think they have most definitely taken their advice and direct correspondence from DfE because that was referred to during the meeting with Kris Hopkins.

Q101 **Chair:** You think that the Northern Ireland Office is pretty much taking the lead of the DfE—allowing the DfE to lead in this matter?

Chris Osborne: Correct.

Thomas Douglas: Can I come in, please? I had a meeting about two weeks ago with DfE, and the farmers have no confidence in DfE at all. DfE brought in this scheme in 2012. It has done the figures. I don't know if it expected that, if it overspent, the Treasury would fill that gap, but it was stated by one of its officials at the meeting I was at that it got the scheme wrong in 2012. It got the scheme wrong in 2016-17, and I would submit that it has the scheme wrong now. I honestly do not know what DfE is doing. That is my personal view and the view of a lot of farmers.

Q102 **Chair:** Presumably you have given evidence to that effect to the Coghlin review, have you?



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Thomas Douglas: I fed through to the Coghlin review through the Ulster Farmers' Union. I am on both the poultry committee and the environment committee, so my response was through the Farmers' Union.

Chair: All right. We are going to pick up on some of those points as we go through the session this morning. Before doing so, I am going to pass over to Jim Shannon.

Q103 **Jim Shannon:** I am a member of the Ulster Farmers' Union. I always say that the reason I am a member—there are many reasons—is, first of all, because it is local, but also because its insurance premiums are better than most. You have all my insurance policies, so you have done quite well out of it. It is nice to see you both here. Thank you very much for coming along. It is nice to see a Strangfordian here, and there is one on the second panel as well.

Last week when Moy Park attended at Westminster, it informed us that there was a 90% grant available for those who wished to go from the woodchips back to gas. Are you aware of that, and is it as much as was indicated at the Committee last week? That is the first question.

Thomas Douglas: On the broiler breeder end, at the minute they have not done anything. They want to see the outcome of this and then they will decide what will happen. Whether that is a housing bonus or whatever to change back to oil-fired boilers I honestly don't know. It is not a grant. It is a housing bonus and it is taxable. There is a difference.

Chris Osborne: Thank you, Thomas. As you can imagine, I am inundated with phone calls from various boiler owners. Everyone that rang me up was saying that they basically cannot afford to maintain the renewable heating system that they have and they have to revert to fossil fuels.

In relation to what Moy Park said last week, I am not 100% sure of the detail. That has not come across our desks as yet. It is all anecdotal, but there is definitely an urge to revert back to fossil fuels use.

Q104 **Jim Shannon:** I want to make sure that we have the information evidentially that was conveyed to us last Wednesday at the Northern Ireland Affairs Committee and that you yourselves—the Farmers' Union, representing a large number of farmers—have that information on board. Mr Chairman, maybe we could chase Moy Park to ensure that the scheme that was indicated to us last week is the one that is actually available. The understanding of it is, Thomas, that if it is a housing scheme there is a taxable effect to that?

Thomas Douglas: Yes.

Q105 **Jim Shannon:** It must be very difficult at the moment to give advice to your members, because it seems that it is not clear what is happening. Is that where we are at the moment? What advice can the Ulster Farmers' Union give to its members?



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Chris Osborne: The advice we have been giving is that, as an organisation, we have lobbied on their behalf and that is all we can do. It may be worth pointing out, Jim, that it is creating a real air of negativity for getting involved in any similar schemes going forward.

Q106 **Jim Shannon:** It seems to all of us on the Northern Ireland Affairs Committee—indeed, all of those involved who have been lobbied by a number of constituents in relation to it, both within the constituency and, to be fair, those outside of it as well—that the unfairness of the scheme is that you were led to believe that what they were putting forward was acceptable and, therefore, that people bought into the scheme and now find themselves in hardship because of that. What people are telling me—the people who have contacted me in my own constituency, but also elsewhere—is that they took loans from the bank on the scheme that was proposed to them. They then found that everything had changed, and that has also changed how they can make their repayments. How aggrieved are your members?

Chris Osborne: I think everyone who rings me, or who I have spoken to about it directly, is at the end of their tether. When they went to get a loan from a bank or finance house, they were told by the Government that it was going to be a 20-year scheme. They were lent the money on the basis of a 20-year payment, and for that rug to be pulled from underneath them has left them in a very dangerous financial situation. The banks themselves are concerned about how it is currently, and for the banks to use the language that they have—like Ulster Bank did a couple of weeks ago—shows the level of concern on the ground.

Q107 **Jim Shannon:** I know you have the Ulster Farmers' Union numbers that are involved in this scheme. Do you have any idea of the figures?

Chris Osborne: About 300.

Q108 **Jim Shannon:** The last question is in relation to the hardship scheme. What would the Ulster Farmers' Union like to see from a hardship scheme that might help its members?

Chris Osborne: The hardship scheme is something I am led to believe was mentioned during the House of Lords debate. The level of detail has not been clarified at this stage and there is no legislative grounding for it, so it would be very difficult to make a comment on that, Jim, without being difficult. We just do not know the detail, and we cannot comment until we see what is proposed.

Q109 **Jim Shannon:** Obviously you would want the Government to honour their commitment and ensure that farmers are not put into financial difficulty, which quite clearly they will be if this continues. Would that be—

Chris Osborne: Anything that would relieve financial difficulty, but, at the same time, anything that would maintain their position within the



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supply chain and their competitiveness as an industry would need to be considered as well.

Q110 Jim Shannon: We look very often at the farmers who have committed themselves. We also have a second row of people who participated in the system—those who were involved in the installation and the continual monitoring and making sure that the equipment was up to standard. We find that a lot of the people who committed themselves to secondary involvement in the scheme are also disadvantaged because of the scheme now falling back or not being encouraged in the way it was. I know that is separate from the Ulster Farmers' Union, but if you are in the scheme and there are not the same number of people to look after it, we will have problems in the future as well.

Chris Osborne: Obviously, because the boilers will need to be maintained if they are up and running. I think RHANI would be in a very good position to give you further details on that, following ourselves.

Thomas Douglas: Can I just come in there? The 199 for the broiler breeder mostly came in at the end of 2016, or February 2016, so we have had about three years of payments of RHI. Most of those farmers took out a 10-year loan to pay off their system. They have to go back to their banks and reschedule the loan.

The problem with the 199s at the minute is that we don't know exactly how this cut is going to hit us. We know it is going to hit us, but we haven't had time for it to come through yet. Another two to three months will show very clearly how it is going to affect us. Hindsight is a wonderful thing. When the RHI scheme closed, other broiler breeder farms in the Moy Park group still put hot water heating in, but they put it in with gas boilers. At the time RHI was available, a number of us availed of that. In hindsight, we should never have bothered, and should have put in gas or just burnt fossil fuels. We would have been far better off.

Q111 Chair: One of the unique features of this issue in Northern Ireland is the lack of availability of gas, which is why heating in Northern Ireland tends to be more reliant on kerosene and oil-based fuels. To what extent does that alter the dynamic? The Department for the Economy and the Northern Ireland Office will probably say that the delta—that is to say the difference in price between the default fuel in Northern Ireland and a renewable form of heat generation—is very different to that that would apply in GB, which we will come on to shortly, hence the apparent difference in the way Northern Ireland and GB have been treated in respect of this. What would your reaction be to that?

Thomas Douglas: To be quite honest, with the track record of the Department for the Economy, I would not put credence in any word, any figure or anything it comes up with.

Q112 Chair: It is certainly the case that Northern Ireland producers would be more reliant upon very expensive forms of fuel as the default position—



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that is to say, they would have less access to gas than oil-based fuel. Would that be right?

Thomas Douglas: No, in the Moy Park organisation—I could be wrong—I do not know of any farmer using kerosene. It is all gas heating.

Q113 **Chair:** It could be that smaller operators perhaps could—

Thomas Douglas: It could be smaller operators, but Moy Park bulk-buy gas and they pass that saving on to the farmers in their costings.

Chris Osborne: Chairman, it is worth pointing out as well that we have queried DfE on some of the figures that it has used for pellet prices and the price of LPG, in both the consultation and previous to that. The UFU stands by the figures that we have.

Q114 **Ian Paisley:** Gentlemen, it is good to see you here today. I want to focus my questions on the 1 April 2019 scheme that the Government have introduced. The Department told me that it had consulted widely before it introduced this legislation, and the Ulster Farmers' Union was part of that consultation. Does what emerged in the new legislation bear any resemblance to what it consulted with you about during the previous summer?

Chris Osborne: No is the very blunt answer, and I will elaborate on that. We started our response to the consultation process in June. We went to all our committees, and I read the consultation basically from beginning to end. I do not mind saying this in a public forum, but we feel that there was a predetermined response to the consultation. The outcome was predetermined.

On the eight options that remain available, some comments were made that, basically, a lot of them are not viable. We questioned many of them. It is worth pointing out that 83% of respondents were in favour of one of the options that was put on the table. For the Department to put a line through the will of 83% of recipients, I think, just relates back to the flaws that were in the consultation. We did draw upon the flaws during the public hearing and Sir Patrick Coghlin's inquiry as well.

Q115 **Ian Paisley:** Let's get this clear: there were eight options during the 2018 consultation and none of those options are ultimately contained in the April 2019 legislation?

Chris Osborne: I am sad to say that, yes.

Q116 **Ian Paisley:** Yes, and 83% of those members who were consulted during the consultation period did agree—overwhelmingly, clearly—with one of the options that was made available, but, again, that did not materialise in the April 2019 legislation. It is important to have that on the record. Thank you for being so clear.

Can we turn to the issue of the equivalence between the scheme operating now in Northern Ireland and that which operates in the rest of



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the United Kingdom and the new one that will be operating in the Republic of Ireland? Have you had any discussions whatsoever about state aid rules and how they apply in Northern Ireland with your equivalent bodies in GB, that is the National Farmers' Union of Scotland or the equivalent in the Republic of Ireland?

Chris Osborne: We have had discussions, but not with the Republic of Ireland, because, like I say, it was only clarified last week in relation to state aid. We were due to meet with them at the end of February, beginning of March, but that meeting had to be rearranged.

In relation to GB, yes, we have had discussions with our counterparts and, as far as they are concerned, their scheme is working well. Their scheme has been very successful. I think there are 20,000 boilers operating in GB. In relation to state aid, we have made it clear that we cannot understand why state aid rules are being applied here and yet not being applied in GB.

Q117 **Ian Paisley:** I understand the state aid rules are being applied in GB, but the interpretation in Northern Ireland appears to be very different. Have you had any discussion about that interpretation of the rules with your equivalent body, the National Farmers' Union?

Chris Osborne: Those discussions are ongoing.

Q118 **Ian Paisley:** For example, I understand that, if you break it into three silos, in the Republic of Ireland the scheme allows people to use as an allowable expense the cement that the machines will be setting up, the electricity and the fans that are available, as well as all of the subsidiary costs—that is legal planning and so on. Those are taken into the calculation of what state aid will allow you to calculate as a viable part of the scheme. In GB, with the exception of cement, I understand that all of those issues are liable calculations—your spark, your legal costs, your planning costs, your installation costs, the fans, the equivalent systems. But in Northern Ireland the only thing that is being calculated that is allowable under state aid rules is the actual purchase of the boiler.

Thomas Douglas: Yes, that is correct.

Chris Osborne: That is absolutely correct. RHANI has done a lot more detailed analysis of this, and it will be able to give you further detail, basically backing up what you have just said.

Q119 **Ian Paisley:** Does that suggest to you that our Department has interpreted the state aid rules correctly, or has it interpreted them incorrectly?

Thomas Douglas: Can I answer that, please? If you are working with state aid rules under Brussels, the whole package has to go to Brussels and it is signed off. I must be stupid or thick or something, but I cannot understand how, in the south of Ireland and the GB mainland, everything is covered. That is allowed under the state aid rules. In Northern Ireland,



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the Department for the Economy says it is only the boiler, and in fact the Department for the Economy would tell you that England and the south have it wrong. How do you work it out? I feel that I am absolutely stupid because I just cannot understand this.

Q120 Ian Paisley: It would be logical then, Thomas, to suggest that if GB has got this wrong, by now our civil servants in Northern Ireland should have informed the Cabinet Office that this is a huge error, that their colleagues in the mainland civil service have miscalculated the state aid rules and that this must now be stopped in the rest of GB. You would assume that that would be the obvious approach that is being taken by our civil servants. I am sure they have obviously picked up the phone and done that. What would be your assumption, then?

Thomas Douglas: My assumption, on the rumours, is that they have informed Europe that in GB and the south now tariffs are wrong, and that both GB and the south of Ireland have miscalculated, compared to them, what the state aid rules are. To me, it is very funny, because not only is there GB and the south, there are also European countries—like Holland and Portugal—that have brought out schemes that are completely different to the Northern Ireland scheme. That is why I say a lot of people in Northern Ireland that are farmers have absolutely no confidence in our Department for the Economy.

Q121 Ian Paisley: Thank you. I have in front of me the Brussels communication on the state aid regulations. For reference, it is 16 February 2018, and it is the Northern Ireland renewable heat incentive scheme state aid rules. Paragraph 8 makes it clear that in March 2017 the modifications implemented in 2015—that is what left farmers here with about £12,000 of payments each year—were notified to the Commission and were compatible with the internal market under article 107(3). That is a state aid rule on the Northern Ireland heat incentive.

A year ago, the payment of £12,000 or thereabouts, which farmers were receiving under RHI, was compatible entirely with the state aid rules. Now, suddenly, that is not compatible and we allow farmers to receive only £2,000, whereas during the same period of time, both GB and the Republic of Ireland schemes, which are considerably higher payments, are compatible. Who do you think has it wrong? Do you think maybe our Department in Northern Ireland has it wrong?

Thomas Douglas: That would be the feeling on the ground, to be quite honest, because, as I said earlier, one of the officials admitted that they got the scheme wrong in 2012. They got the scheme wrong in 2016, and I would think that they probably have the scheme wrong now. I do not think they are capable of running a scheme or running anything.

Chris Osborne: That point was made by you at a previous Northern Ireland Affairs Committee meeting. I had a chance to go and look at what you had said, and checked up on the facts. I think that, basically, if it is



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put in black and white like that, it does infer that somebody has got it wrong.

Q122 Ian Paisley: Chris, you mentioned that you have 300 farmers affected by this. I am trying to find out how many of them are really negatively affected to the point that their business is now in jeopardy as a result of the 1 April legislation. Of the 300, would you say it is half of them, a quarter of them, all of them? How many of them are looking at significant hardship as a result of this legislation?

Chris Osborne: Significant hardship can mean a lot of different things to different people. If it means basically that your business is under pressure, I think you could say a very large majority of those people are experiencing that. I would say every single call I have received has been somebody who does not know how to basically get through the next year on the basis of this particular tariff.

Q123 Ian Paisley: Let me just qualify that. When you say "every single call", are we talking about all of the 300 or are we talking about 150?

Chris Osborne: Nobody is happy. Nobody has rung me up and said, "Yes, I am happy with that tariff." I think that is a pretty safe thing to say.

Q124 Ian Paisley: Finally, you mentioned the anniversary date for payments. To be clear, Thomas, that means that, for you and farmers whose anniversary date is February, no one will receive a payment for the entirety of 2019. Am I correct?

Thomas Douglas: They will get £3,000 this year at some stage for their RHI if they have used the boilers.

Q125 Ian Paisley: Is that this financial year?

Thomas Douglas: This financial year, which will all probably fall in the February quarter, and then there will be nothing for a year's time.

Chris Osborne: From a cash flow point of view that is—

Thomas Douglas: On the 199, which most of the breeder people have, they will get one payment. Then, that is it, and they are under severe pressure with bank commitments and all going forward. I would say the biggest end of the broiler breeder men that have them will be under financial pressure.

Q126 Ian Paisley: Do you think this is the end of renewables in Northern Ireland?

Thomas Douglas: It is the end of trust for the Government when it comes to looking at renewables and offering incentives to put renewables in, because we have now learnt that you don't trust the Government. When they say, "You sign up to this, and we guarantee you 20 years," who is going to do it? That is not the biggest problem. What bank is going to lend money to anybody, whether it is farmers, hoteliers or factories,



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on the strength of a renewable payment going forward, when they have done this backward step with RHI? There is no credibility there.

Chris Osborne: The most overarching issue would be that guys were told to basically invest in this scheme in order to play our part or contribute towards a 10% target of getting heat from renewable sources. Needless to say, it has been confirmed by the Department for the Economy that the 2020 target will not be achieved in Northern Ireland. The 10% target will not be achieved and, as an industry, we are under pressure from an environmental point of view. There are issues to do with nitrogen, ammonia and so on, and as an industry we have always said that we are capable and willing to go ahead to do our bit in terms of addressing the environment through our own actions.

What we did was that farmers out there adapted their farm businesses to incorporate renewable boilers, and now it feels like we are going into reverse, with guys having to go and revert back to fossil fuels. From an industry point of view, from a reputational point of view, I think that we are under severe pressure as well.

Ian Paisley: Thank you very much.

Q127 **Chair:** This is quite useful in terms of a debate that will be held in the House of Commons on Wednesday in relation to climate change. I am interested in the evidence you have of farmers reverting back to fossil fuels because of the failure of this scheme, which is an extraordinary thing. We like to rail against China for building coal-fired power stations, but this is analogous in the sense that we are going from a renewable form of heating potentially to one that is deeply regressive. I am trying to get an idea of the scale of this particular thing. Are you able to give any figures, beyond which you have already hinted at, in relation to the number of your members who are reverting back to fossil fuels as the primary way of delivering heat for their undertakings as the result of the failure of this scheme?

Chris Osborne: You could probably say it is at least half, but that half is going to increase as this year goes forward, because any farmer that is going to survive through this will basically need to keep his business going.

Q128 **Chair:** Are you seriously saying that half of your members who have invested in this scheme have now reverted to fossil fuels?

Chris Osborne: No, sorry, Chairman, it would probably be more accurate to say that they are looking into reverting to that.

Q129 **Chair:** That is very different, isn't it?

Chris Osborne: It is, but—

Q130 **Chair:** I appreciate the timeframe is very tight and these things do not happen overnight, but how many would you say have actually reverted?



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Chris Osborne: I could not give you a precise figure. However, I will perhaps revert back to my associates from RHANI.

Q131 **Chair:** If you are able to find out something more specific than that, I would be most grateful. I appreciate how difficult it would actually be to achieve.

Thomas Douglas: I would say, on the broiler breeder end and 199, as the year goes on, and if the tariff does not return to what we signed up for, we will have to go into negotiations with Moy Park—as Jim talked about—about a housing bonus to put in gas boilers. Somewhere between 50 and 60 on the breeding side in Moy Park have boilers—RHI—and I would say that, within a year, you are probably looking at every one of them reverting to gas.

Q132 **Chair:** For those who can revert back to gas, which of course is relatively cheap, you would be inclined to feel that over time the bulk of membership in your sector—

Thomas Douglas: Yes. It makes economic sense. That is the bottom line of it.

Chair: Yes, which of course is the reason we brought in heat incentives in the first place, since gas is a far cheaper option. Thank you.

Q133 **Kate Hoey:** Thank you very much for being with us. Does the Ulster Farmers' Union have a research department and people who are spending time researching issues generally?

Chris Osborne: No. We would nod to Government scientific departments and so on. I do a bit of research myself, but it is very much on a lay basis.

Q134 **Kate Hoey:** I am wondering whether, back in 2012, anyone in the UFU looked at the scheme and thought, "Hang on, this might just be a little bit too good to be true." Or when the Government brings something in, do you assume it has all been checked and is correct?

Chris Osborne: Very much so. I would refer you back to the evidence we gave in a public inquiry—Patrick Coghlin's inquiry. Yes, it would have been the case that we would have assumed that, for a Government scheme, they had done all the relevant checks and rubber-stamped it.

Q135 **Kate Hoey:** As a union, did you send anything out to your members saying, "This looks like a good scheme. We are advising you to look into this carefully" or anything like that?

Chris Osborne: We would never give advice like that ever. As evidence that was given in October 2018 to the public inquiry, we did, through the press, refer people back to the scheme, to tell them that the scheme existed, but in no way did we ever encourage people to avail of it.

Q136 **Kate Hoey:** Now that you are in this situation, apart from giving them sympathy and making representations, are you doing anything as a union



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to help those 300 members who are suffering? For example, are you reducing their membership for a year? Are you doing anything as a union to support them?

Chris Osborne: Well, my day-to-day job is to lobby on their behalf. We also have a structured team of technical officers, for example, who would be able to provide advice and also to provide advice—that is probably with a capital “A”—in relation to any pressures they may be under, and revert them back to a third-party body if we think it is necessary and so on. That is the thing where we lobby and advise.

Q137 **Kate Hoey:** You are doing more than just being sympathetic?

Chris Osborne: Very much so.

Q138 **Kate Hoey:** Thomas, you are pretty clear that you think the Department has completely lost all confidence by members.

Thomas Douglas: They have lost all confidence in the north, and you have to remember that the scheme closed on 26 February. Up to very close to the closing date, you had DETI and the Department of Agriculture and Rural Affairs having roadshows and meetings around the country advising people to put RHI boilers in. You actually had two Government Departments advising to put them in when another Government Department was saying, “We have this wrong. This is all wrong. We are going to close it.” To me, there was no joined-up thinking in Government, never mind anything else.

Q139 **Kate Hoey:** Clearly, you feel very strongly about the Department. Have you also met with the Northern Ireland Office as such?

Thomas Douglas: I have emailed our Northern Ireland Office, and we got an e-mail back. That is about the height of it.

Q140 **Kate Hoey:** The Ulster Farmers’ Union has had a fairly close relationship with the Secretary of State and Governments over the years—I think you got a first look at the withdrawal agreement before anybody else did, practically, as I understand it. You have obviously met the adviser, Kris Hopkins, but have you asked to see the Secretary of State?

Chris Osborne: First and foremost, we start at the top any time we make such requests, and we did request to meet Karen Bradley, Secretary of State. That did not happen.

Q141 **Kate Hoey:** What did they say?

Chris Osborne: It was referred back to her senior adviser.

Q142 **Kate Hoey:** Are you saying that the Secretary of State—admittedly, she has only spent 30 nights here, apparently, since she has been appointed—has not met the Ulster Farmers’ Union on an issue that is hugely important, both politically and economically, for Northern Ireland?



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Chris Osborne: We should make it clear that she has not met me and my team. However, there were vague discussions whenever she met my senior colleagues—the chief executive and president.

Q143 **Kate Hoey:** She has met the chief executive?

Chris Osborne: I think that was a Brexit event, and I think RHI was mentioned on the edges of that meeting, but it was not a face-to-face meeting to specifically discuss RHI.

Kate Hoey: I think that particular issue should have been something that was a specific item, and actually to meet with—

Q144 **Ian Paisley:** Do you feel a little used, in the sense that, as a union, it was very beneficial for the Secretary of State to have your support on Brexit and the withdrawal agreement issues, and to have your ear, but when it came to something that actually affected your membership—back of the hand? Do you feel a little jilted by the national Government on how they have treated you on that?

Chris Osborne: On behalf of my members, I felt that we should have been warranted with a one-to-one meeting with the Secretary of State—absolutely.

Thomas Douglas: In answer to our email, she referred us back to the Department for the Economy.

Q145 **Kate Hoey:** That is very helpful. Basically, you have no confidence in the Department, and it sounds like you have almost no confidence in the Secretary of State.

Thomas Douglas: The Secretary of State did not appear in front of you and say that the Department for the Economy put the new tariffs in front of her. She never read it. She never took any consultation. She just signed it.

Q146 **Kate Hoey:** I think we will be meeting her again on this issue, but from what you have said, it sounds that you, like a lot of other people, do not have a great deal of confidence in her.

As the Ulster Farmers' Union, do you think that you are being militant enough on this issue? When you look around some parts of the rest of Europe and see what farmers do there, have you not thought of perhaps getting your farmers to be slightly more aggressive?

Chris Osborne: That is quite a difficult question to answer. I have been involved in the Ulster Farmers' Union now for the best part of 15 years. I am also responsible for the dairy sector and, whenever prices are bad, for example, people ring us up saying we should have tractors blocking the roads and so on to protest. We have a way of doing things in Northern Ireland and the United Kingdom, full stop. I think that we are effective in what we do and how we do it. We will continue to lobby on RHI and continue to make the case with all the relevant authorities, but, to be



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honest with you, I don't know what a militant form of action would actually achieve in this case.

Q147 **Kate Hoey:** No. You are not suggesting, like they do in France, bringing a whole pile of manure and dumping it on the steps of Stormont or anything?

Chris Osborne: No, but I think that—

Kate Hoey: Thank you very much. That is very helpful.

Chair: Thank you, Lady Hermon, for looking after our domestic needs. Over to you for questioning.

Q148 **Lady Hermon:** Thank you very much indeed, Mr Chairman. It is very good of the two of you, and the other team, to come along to give us evidence. This is a very important issue. It affects a great number of families and your members—you mentioned over 300. Many are from family-run businesses, and it is a time of great anxiety and worry for them.

That being the case, could I come back to a series of issues? Presumably the Ulster Farmers' Union, given the very large membership, has a hardship fund. Does the union have a hardship fund that its members can avail of in circumstances like this?

Thomas Douglas: No, we don't. As a board member, we do not have a hardship fund.

Q149 **Lady Hermon:** That is a very interesting fact to have established. I was intrigued and quite perturbed when asked by a colleague about the hardship that has been endured and has been inflicted on your members. Mr Osborne, when you were asked, you said you could not really comment on the scheme because it had only been mentioned in the House of Lords. But we, as a Committee, are taking evidence. We want to know what we could recommend for those who are experiencing hardship. Could you say something about what you would expect, bearing in mind that a Government Minister made a suggestion in the House of Lords about hardship and an independent chairman reviewing each individual case, as I understand it?

Thomas Douglas: Personally, I mentioned the hardship and the buy-out scheme to the Department for the Economy, and the answer was that, until you finish your investigation, "We can do nothing. We cannot set up a committee or group or anything, or even look at it."

Q150 **Lady Hermon:** Right. The Department has indicated to you that it is sitting tight until the Northern Ireland Affairs Select Committee—

Thomas Douglas: Correct.

Q151 **Lady Hermon:** Therefore, here is your opportunity to tell us what it is that would work for your members. I took down what you said. You mentioned it would be "devastating" for poultry farmers. You said that



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Northern Ireland could become—I think it was—a backwater for poultry production compared to others.

Thomas Douglas: That is right.

Q152 **Lady Hermon:** Given the seriousness of what you have indicated—and we accept that this is a very serious situation—how would you wish this Committee to structure hardship?

Thomas Douglas: To be quite honest—and this might sound incredible—I do not want a hardship fund. I do not want a buy-out fund. I want us to go back to the tariff that we signed up to in good faith with the Government. We on the 199s were on a capped scheme, so we could not be accused of abusing it.

Q153 **Lady Hermon:** You are saying quite clearly to us that you do not want this Committee to recommend a hardship fund or hardship—

Chris Osborne: No, sorry, Thomas—

Thomas Douglas: I am talking on 199s now. Chris is talking—

Chris Osborne: I am talking about everybody in the industry.

Thomas Douglas: Yes.

Chris Osborne: Sorry, Lady Hermon, I make it very clear that Thomas has said what he thinks you guys should actually recommend as a Committee. I think—

Q154 **Lady Hermon:** That was the question I asked. We are taking evidence here, so do you want to contradict each other? Is that what we are—

Chris Osborne: No, certainly not. I am adding to what Thomas is saying and basically complementing what Thomas is saying.

Lady Hermon: Right. Carry on.

Chris Osborne: However, if we were to see the details of a hardship fund, then, in principle, it would be possibly a minimum that we would basically buy into from this Committee. If we were to see the details of it, and it was to address some very real hardship that individual farmers are facing, it needs to be taken on an individual basis. We are not saying no to it, but it also needs to be considered in the grander scheme of things for the tariffs that we are looking at here today.

Q155 **Lady Hermon:** You are supplementing what Thomas has said?

Chris Osborne: Yes.

Q156 **Lady Hermon:** But Thomas was quite clear on what he said about the hardship fund. Thomas, if you had the choice, you want to revert to the tariffs at what rate?



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Thomas Douglas: At the capped rate that we came on to—approximately an income of £18,000 a year on RHIs. That is what our figures were all based on, what our bank commitments were based on, and that is what we would like to go back to.

Q157 **Lady Hermon:** Yes, and when you bought into the scheme, you had a legitimate expectation that this was a scheme that was backed by a Government Department, that it was a safe investment, and you went to the bank and—

Thomas Douglas: Correct. To be quite honest, you had no problem with the bank because the bank said, "It is backed by the Government. No problem. We will lend you the money."

Q158 **Lady Hermon:** Yes. What are the banks saying to you now?

Thomas Douglas: The banks have actually said that they had a meeting with the Department for the Economy, and it was a waste of time.

Q159 **Lady Hermon:** Are all of the banks saying that?

Thomas Douglas: Two of the banks are saying that. The four main banks in Northern Ireland went together to the Department for the Economy, and they came out of it very dissatisfied with the answers that they got. At the present minute—and time will tell—I have had no correspondence or pressure from my bank, but it will come.

Chris Osborne: Lady Hermon, it is worth pointing out that the Ulster Bank last week said that it was concerned about the fact that boiler owners in Northern Ireland have outstanding debt incurred by investing in something that is not generating any income. Also, they are beginning to receive increased overdraft applications and extensions to the loan applications because a lot of these loans were taken on the basis of five, six, seven years, and the applicants are now asking for it to be extended to 15 years. As well, guys are looking basically to borrow more money to invest in gas-fired boilers.

Q160 **Lady Hermon:** That is very interesting, because the distinct impression was given to us by the representative of Moy Park last week, who gave evidence to the Northern Ireland Affairs Select Committee, that every poultry farmer already had as a back-up—

Thomas Douglas: He was talking about the broiler producers.

Q161 **Lady Hermon:** Right, so be a bit more specific, because the indication was that this was just an easy thing to do—to switch from one boiler to an LPG gas boiler.

Thomas Douglas: The broiler producers would have gas boilers, because they would have replaced the gas boilers with RHI boilers and they would still have those boilers on site.

Q162 **Lady Hermon:** Yes, so it was easy enough to switch.



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Thomas Douglas: For the broiler men. The broiler breeders are different. Moy Park were taken by Abbey Gen to Sweden to see the best production of hatching eggs in Europe. They came back with two things. One of them was mash feed, and one of them was hot water heating. Moy Park invested £3 million into their mill at Randalstown to give us mash feed. I think a percentage of the breeder group invested in hot water heating. RHI was available at the time. We fulfilled the criteria to join it, and that is what we did. We actually have RHI boilers, but we have no gas back-up, so we are in a different ballgame.

Q163 **Lady Hermon:** How many of you are there that in fact have—

Thomas Douglas: There are 50 to 60 farms with RHI boilers in. There is—

Q164 **Lady Hermon:** Right, but you do not have a back-up LPG—

Thomas Douglas: We do not have a back-up.

Q165 **Lady Hermon:** That did not come out of last week's evidence, as you are probably aware. That is a serious issue.

Can I ask about the role of Ofgem in all of this? Ofgem was given a supervisory role, and the clearance was given by the EU Commission that Ofgem had the supervisory role. How often would you have seen Ofgem on the ground visiting farms?

Chris Osborne: Lady Hermon, I think it is worth pointing out that we had always called for a full audit process throughout the whole scheme. Ofgem was not forthcoming at the time, and it only seemed to be once this blew up that, basically, audits started happening. That is another issue. There are major issues on the ground in relation to these audits and how they are being conducted and administered by DfE.

Q166 **Lady Hermon:** Did you ever meet an Ofgem inspector at any stage?

Thomas Douglas: As far as I know, Ofgem never sent an inspector over to Northern Ireland from GB.

Q167 **Lady Hermon:** At the time of the RHI scheme being introduced, Ofgem had no presence in Northern Ireland. Is that correct?

Thomas Douglas: As far as I know, that is correct.

Chris Osborne: Up until recently.

Q168 **Lady Hermon:** What is the presence now of full-time members of Ofgem staff in Northern Ireland?

Chris Osborne: I am not sure about that. I could not give you an answer on that, but it is more to do with their interactions with DfE now. It would be a lot more evident in the day-to-day running of the scheme and the roll-out of the audits.



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Thomas Douglas: Ofgem still might not have anybody full-time, or a permanent presence, in Northern Ireland.

Chris Osborne: Despite our own efforts of communicating with Ofgem, seeking meetings and so on, whenever the scheme was actually run, it was usually a very drawn-out process trying to get hold of the right person.

Q169 **Lady Hermon:** How would you describe the role of Ofgem in relation to the RHI scheme?

Chris Osborne: I would say arm's length, possibly.

Q170 **Lady Hermon:** Ofgem is the one with the supervisory role, and it was, and still remains, apparently, at arm's length.

The other thing that you made quite clear, Mr Osborne, is the fact that you have a lobbying role. As we are aware, there is a confidence and supply arrangement between the Democratic Unionist party and the Conservative party, because we have a minority Government at the present time, and agriculture is written into that agreement. Presumably you are lobbying the DUP to lobby the Conservative party.

Chris Osborne: To give you an example, at the end of February, beginning of March, in our lobby of this whole process, we lobbied all MPs and all political representatives. It is not just the DUP. We lobbied everybody—all the relevant parties.

Q171 **Lady Hermon:** Right, so you lobby all relevant parties?

Chris Osborne: Yes.

Q172 **Lady Hermon:** Do you see the importance in this particular situation, where your members are being so seriously affected?

Chris Osborne: Yes.

Q173 **Lady Hermon:** Do you see the significance of the—

Thomas Douglas: Yes. While I know where you are coming from, Lady Sylvia, personally we have emailed all the political parties and, as you probably know, we personally have emailed all the members of this Committee, and we have had a response from a lot of the members of this Committee. We got a response from some of the political parties, but where it goes from there I just do not know.

Q174 **Lady Hermon:** Your preferred option is to go back to the tariff rate that you had, and that is the £13,000?

Thomas Douglas: No, the £18,000 we were on.

Lady Hermon: £18,000, I am sorry.

Thomas Douglas: The scheme that we signed up for. This might sound a very cheeky question, but at the end of the day, you are going away to



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do a report and make recommendations. Will those recommendations be listened to?

Lady Hermon: There is a very good question. We live in hope; we live in expectation of good news.

Q175 **Chair:** To answer your question, the usual way to deal with Select Committee reports is for the Department concerned to read it, examine it and respond specifically to recommendations that have been made. That response is then published, and we comment on it and we follow up things. This investigation has been given a special status in the House of Commons by the Secretary of State, so we take this particular investigation especially seriously, given the remarks made the Secretary of State, which are on the record and we take at face value.

In general—and comments made by Lord Duncan in the House of Lords would reaffirm this—we would expect what we say and recommend to be rolled out unless there are very good reasons why not. We would be looking for the Government to respond in that light. We therefore feel it incumbent on us to get this right, which is why I think Lady Hermon was pressing you on the hardship fund, for example, which Ministers have been talking about.

What I am getting from you is that you feel that is the wrong way of looking at this, because in the event that tariffs were correct in the way that you have described, there would presumably be no need for a hardship fund. A hardship fund is basically an admission of failure. If what you are saying, as the Ulster Farmers' Union, is that you do not feel that should be a central feature of our report, we are more than happy to reflect on that. Otherwise, we would be looking to you, as the representatives of probably the bulk of people who have been adversely affected by this, to make suggestions to us as to what that fund should look like and how it should be structured. Does that make sense?

Chris Osborne: It does, Chairman, yes.

Thomas Douglas: If the hardship fund came in, or a buy-out fund came in—whichever—

Chris Osborne: Sorry, make sure that we keep the two separate.

Thomas Douglas: It will be used, I would say, by the vast majority of the 199 farmers that I represent as a way of replacing the biomass boilers with gas boilers.

Q176 **Lady Hermon:** What is the cost of that replacement boiler?

Thomas Douglas: Depending on the size of your site, it is anywhere from £5,000 to £10,000.

Q177 **Chair:** That is quite a serious proposition, because that would give a definite structure to any such fund or proposition. It would also enable those who are going to ultimately have to fund this to get some sort of



grip on the cost of it. If you were to give that, as the Ulster Farmers' Union, some further thought to feed into this piece of work that we are doing, we would be very receptive to that.

I have to tell you that I suspect the Government, broadly defined, would be less than enthusiastic, given the regressive step that that would be in relation to its carbon targets. I do not think the optics of that would be very good. Nevertheless, the aim of what we are trying to achieve here and now is to make sure that your members—people who have invested in the scheme in good faith—are not disadvantaged. That has to be our principal consideration at the moment in relation to this matter.

Thomas Douglas: Personally I do not want to go to gas. I am very happy with RHI. If the payment structure reverted to what it was and was going right, I have absolutely no problem in keeping using RHI boilers.

Q178 **Lady Hermon:** Is that because of your commitment to reducing carbon emissions?

Thomas Douglas: We have put it in, and it is working well in the houses. It is probably dearer to maintain and look after, and there is more work with it, but it is doing the job. Why replace something that is working?

Q179 **Lady Hermon:** Is that the view of the majority of your members?

Thomas Douglas: It is the view, I would say, of the majority of the broiler breeder people that I represent.

Chris Osborne: Plus as well, Lady Hermon, there were a lot of production efficiencies that came about as a result of the switch to the new form of water heating.

Q180 **Lady Hermon:** Yes, but do you have in your head a time limit to this? If it does not revert back to the original tariff that you entered the scheme on, do you say to yourself, "Beyond six months I could not afford to carry on"?

Thomas Douglas: Six months to a year.

Lady Hermon: That is very helpful for us.

Thomas Douglas: That is the timeframe we are looking at, and then decisions will have to be taken.

Q181 **Lady Hermon:** Sooner would certainly be better.

Thomas Douglas: Sooner would be better.

Lady Hermon: Certainly, that is always very much business.

Thomas Douglas: Chris talked about efficiencies. We did a study in the broiler breeders. When we put the hot water heating in, the farms that were over 10 years of age that put hot water heating in saw an increase



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of six chicks per bird. There is a lot of efficiency. Again, this is coming back from what they have seen in Sweden.

Q182 John Grogan: Very briefly, to get it clear in my mind, can we go back to the buy-out and the hardship scheme and so on? On the buy-out scheme, in your written evidence—I will not quote it all—you referred to the costly bank loans and credit agreements that needed to be honoured. You said that that must be considered when assessing what constitutes hardship. You referred to the banks extending the terms of the loan being all that has happened so far. Then you said, “Consequently consideration should apply to a wider selection of solutions and options.” Did you mean, as we have been talking about, solutions and options beyond a buy-out scheme, or are there some ways in which the buy-out scheme could be improved? What did you mean by that?

Chris Osborne: Yes, absolutely, the buy-out scheme could be improved, because at the moment it is not a viable option for many businesses.

Q183 John Grogan: How could it be improved, exactly?

Chris Osborne: By taking into consideration the level of debt that has been incurred by such businesses and so on. It would need to be vastly improved before we would give it any sort of consideration.

Q184 John Grogan: It would have to consider all of the set-up costs and so on?

Chris Osborne: Direct costs and, more importantly, indirect costs as well.

Q185 John Grogan: Yes, I see. On the hardship scheme, and indeed on the buy-out scheme, when you had the meeting with the Government adviser, Kris Hopkins, were those on the agenda, or was it the tariffs?

Chris Osborne: It was the tariffs.

Q186 John Grogan: Just the tariffs. On the hardship scheme, this quote from Lord Duncan in the House of Lords, which is a bit vague, says, “My proposal is that the Department for the Economy in Northern Ireland—not on our instruction, but because it believes it to be the right course of action—sets up a unit” and on and on. Are we all basing our discussion about this on that statement? Have you had any other communication? If I am clarifying, the Department for the Economy officials said that they are waiting for us.

Chris Osborne: John, that is as much—that is what we are expecting.

Thomas Douglas: That is where we are at the minute: waiting on your report, and then deciding how this will be set up, who will chair it—who the independent chair will be. It is so woolly it is unbelievable.

Q187 Lady Hermon: But in principle they are quite happy to set it up?



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Thomas Douglas: In principle they are, but, again, as you said, John, Lord Duncan's comment is wishy-washy. He is not forcing the Department to set up a group; it is up to it to decide whether it does it or not.

Q188 **John Grogan:** This has been communicated orally to you; there is no letter about it?

Thomas Douglas: No.

Q189 **John Grogan:** No, okay. Then I have to ask the question: do you think that managing to get an Executive restored would help the situation?

Chris Osborne: I think absolutely it would.

Thomas Douglas: The problem is very simple. Northern Ireland as a country is being ruled by the civil servants, and we need a taskmaster above them to tell them to wise up and do what they should be doing. If you have a Minister, then you have constituents feeding into that Minister and, quite honestly, you are at him or her, whereas you have faceless civil servants who are running the country and who have actually no answer or no recourse to anybody, and that is the problem.

Chair: A marvellous description of the constitution.

Lady Hermon: In the absence of a functioning Assembly, senior civil servants are doing the best they can to run the country and to keep the show on the road.

Kate Hoey: Yes, unless we got direct rule, and then Karen Bradley would have to take responsibility.

Q190 **Nigel Mills:** Mr Douglas, I think you mentioned a few minutes ago that adding in the hot water heating raised productivity quite significantly—an extra six chicks per hen or something.

Thomas Douglas: Yes.

Q191 **Nigel Mills:** I have the impression that you used to do the heating a different way that was not very good for the birds or the environment.

Thomas Douglas: We had no heating in the broiler breeders. It was after Moy Park went to Sweden that we said to put the heating in.

Q192 **Nigel Mills:** When you say you decided, was that because they told you that you had to?

Thomas Douglas: No.

Q193 **Nigel Mills:** Did they not hint quite strongly that—

Thomas Douglas: No, they said that they had seen these increased performances in Sweden, and a lot of the breeder farmers decided that they would invest in this heating. It was helped by Moy Park.

Q194 **Nigel Mills:** When you looked at investing in the heating, did you look at



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the choice of doing it via biomass versus LPG or whatever else, and look to see which was the most cost-effective?

Thomas Douglas: At the time, the RHI was the most cost-effective.

Q195 **Nigel Mills:** Is that because of the grant? Were the up-front costs about the same to have an LPG one?

Thomas Douglas: No, no, no. A 199 RHI boiler is somewhere between £50,000 and £60,000, whereas you would have spent £10,000 on a gas boiler. It was the payment structure from RHI that made it economically viable to put RHI in and, again, you were not using fossil fuels.

Q196 **Nigel Mills:** There were no other efficiency advantages. Effectively, it was a choice of spending £40,000 or £50,000 more up front, which you thought you could get back through the RHI subsidies?

Thomas Douglas: Yes.

Q197 **Nigel Mills:** Was the life of the boilers the 20-year subsidy period?

Thomas Douglas: Twenty years. When you put in an RHI boiler, there is a serial number on it. For the lifetime of the scheme, the 20 years, you have to have that boiler with that serial number. If it packed up and you have to completely recondition it, it still has to be the boiler that went in at the start with that serial number.

Q198 **Nigel Mills:** You are basically spending £40,000 or £50,000 more up front and then you are hopefully making it back over 20 years from the subsidies?

Thomas Douglas: Yes.

Nigel Mills: That is about £2,000 or £2,500 a year you need to make, the up-front capital, without any interest costs?

Thomas Douglas: Yes, but then you have the costs of the boiler house, the pellet bin, the meters, the pipework. There are a lot more additional costs.

Q199 **Nigel Mills:** In the UFU submission, you talked about borrowing from a bank at base rate plus 3.5%, if I remember that right. Base rate is not very much at the moment, is it? Are you saying that is a 3.5% loan, or is that a bank base rate that was a higher percentage?

Chris Osborne: It was between 4.5% and 5%, wasn't it?

Thomas Douglas: It all depends on your circumstances and your bank. Some of the farmers are paying up to 7% to the bank on the interest rate.

Q200 **Nigel Mills:** Can you help my simple maths? If the buy-out option is to give you a 12% return, and your finance cost is somewhere between 3.5% and 7%, why do those maths not work for you?



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Thomas Douglas: We are talking about this buy-out scheme, but there have been no figures put on the ground. The Department for the Economy said the day we were in with it, or I was in with it, that it would give you the 12% return over the period, but it would also take off what you have already received in payments.

Q201 **Nigel Mills:** You, overall, would get a 12% return?

Thomas Douglas: Yes, overall. Probably at the end your buy-out is buttons.

Chris Osborne: Buttons, if anything.

Thomas Douglas: Buttons—not worth talking about. It sounds good, but when you get into the reality of it, it is—

Q202 **Nigel Mills:** That is what we do not know. Presumably, if your up-front was £75,000, on the example we had worked for us, or something like that—£76,237—what it gave you was basically that plus a 12% return. That would sound like it worked, to me. You would be able to pay your bank loan off.

Thomas Douglas: We were able to pay the bank loan off; we were able to run the system, pay everything. On the 199, if we made a maximum of £1,000 a year out of it at the start, that is what we were making. But as I said earlier, that boiler had to do 20 years. Somewhere down the line, you would have a major refit or expenditure on the boiler. The boiler, on the RHI, was not going to make the 199 men any money really. It was the efficiency gains and the welfare and environment gains that we were getting out of them.

Q203 **Nigel Mills:** I suppose I am a bit naive to think the alternative solution here is that Moy Park will have to pay you a bit more to do what you do for it.

Thomas Douglas: I do not know if it is up to you, but it was already put to us that Moy Park will not be footing the failed Government scheme.

Lady Hermon: It made that quite clear. It was asked, yes.

Q204 **Nigel Mills:** It needs you, to a certain extent presumably, to keep doing what you do, otherwise—

Thomas Douglas: As I said earlier, we are now part of an American group. The American group has no loyalty to Northern Ireland. If it is more cost-efficient to grow chickens and produce hatching eggs in England, that is where it will do it, and it will spend the money there doing it.

Q205 **Lady Hermon:** Moy Park was asked directly—forgive me, Nigel—to confirm on the record that it had a long-term commitment to Northern Ireland, and it did confirm that.



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Thomas Douglas: Yes, it has a long-term commitment to Northern Ireland, but did it commit to what size that long-term commitment was?

Q206 **Lady Hermon:** What is your worry about that?

Thomas Douglas: That we could shrink. It will still have a commitment here. As I said earlier, we are putting 1.8 million eggs a week into a Moy Park hatchery in England. With the economics of Northern Ireland, where we have the shipping of the eggs to England, we are doing it on efficiencies, on economics. If that does not work, the eggs going into the hatchery in England will be a lot dearer, and it will look at ways of reducing that cost. That is probably building units in England.

Q207 **Lady Hermon:** Is that your fear?

Thomas Douglas: That is my fear—that it will have a long-term commitment in Northern Ireland, but the size of that long-term commitment has not been specified.

Chris Osborne: Moy Park has already said it is stalling one of the lines of production in Ballymena, so there are moves afoot to rejig its business model maybe.

Thomas Douglas: It is hoping. It is saying that that line will be going again in January—its marketing associations—but that could slip. You just do not know.

Chris Osborne: Nigel, to pick up on a point there you made about the buy-out scheme, we said in our consultation response that a reservation we would have is that the budget that would be in place to buy out boiler owners could be spent very, very quickly. Added to that, we do have a severe number of reservations in relation to how that might be administered. That would be, furthermore, to the point about the buy-out scheme.

Q208 **Nigel Mills:** I was reading some of the reports of the, I guess, not enjoyable session you had at the RHI inquiry. It was a very unfortunate quote from the Ulster Farmers' Union that it was more profitable to burn oats than to sell them.

Chris Osborne: That was taken completely out of context. That was a conversation that was had in a committee meeting, and it was definitely not in relation to putting said oats into any boilers or anything like that. That was done more just as a matter-of-fact conversation that was happening.

Nigel Mills: When the minutes said it was, as an example, £130 a tonne at market value or £300 to burn them, that was not what—

Chris Osborne: No, that was not as a feedstock to put into an RHI boiler.

Q209 **Nigel Mills:** Do you regret that you did not spot that this scheme was



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fundamentally flawed and advise your members, "This is too good to be true, and there is so much risk that this will not run full term the way it has been structured, that we should just not touch it"?

Thomas Douglas: All I can say is the scheme I am on was a Government scheme worked out by the Department for the Economy. You had the principle that the Department knew what it was doing in how it worked out the scheme and that it was backed by the Government. You would not question it.

Q210 **Nigel Mills:** I was asking Mr Osborne, who is classed as being an expert in this area. I think the Ulster Farmers' Union was advocating for this sort of scheme, going back long before it started. Did you not realise this was not structured very well?

Chris Osborne: I want to make it very clear that I am certainly not an expert. Like I said, I cover other areas as well as renewables. Even renewable heat is a part within the context of the renewable sector. There is renewable electricity as well. At the time, we were basically told that the RHI was a way of meeting the targets that were held within the strategic energy framework directive, which is the overarching policy. To a large extent, my colleagues and I always rely upon the experts who work within the various Government Departments. If we had noticed that there was a problem at the time and challenged it, they probably would have turned their backs on us and told us that we do not know what we are talking—that, exactly as I said, we are not experts.

Q211 **Nigel Mills:** There was a report in 2011 that you attended a presentation from DETI and cautioned that introducing RHI in Northern Ireland would create a danger of over-incentivisation, which turned out to be quite prescient. I assume you did not spot early on that this was a flawed scheme that would allow exploitation to happen and thought, "This is too good to be true; let's just flog it." You presumably just did not spot until it was too late that these loopholes had been left in, and everybody else did not realise either.

Chris Osborne: It is worth pointing out that, up until 2014, the scheme was significantly underspent, and any analysis or any observations we made about the scheme were based upon the Government Department in question telling us that the RHI was under budget.

Q212 **Nigel Mills:** You were not marketing this to your members in any way, saying, "This is a great way of making money hand over fist" or anything? That was never what you were looking for?

Chris Osborne: It was always the position that sometimes you get people ringing in to tell you they have this product, for example, that is going to enhance production, wherever it may be within the agricultural sector, and we would never promote or give favour to any such technology. The same applies for the wider renewables. No farmer rang me up and said, "Would it be a good idea for me to put up a wind



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turbine?" We would never say yes or no. They go and do their own analysis and speak to their accountants or their lawyers.

Thomas Douglas: When you said the union met with DETI—in 2011, I think you said—and they brought this up, that was lobbying before the scheme was opened. You would have thought that the officials would have listened to what was said—that the union said you have to be careful in what way you set this up. As Chris has said, the scheme really took off in about 2014. That was because the poultry industry came in.

Q213 **Nigel Mills:** How did you hear about the scheme, Mr Douglas? Was it general—

Thomas Douglas: There was word of mouth, because we knew it was going on. It was the Moy Park agri project team, it was newspapers. As I said earlier, DETI and the Department of Agriculture were having roadshows and meetings right up until maybe December or January, promoting it. You had two Government Departments promoting it and another Government Department trying to close it down, all at the one time.

Q214 **Nigel Mills:** It is easy with hindsight, isn't it? It did not ring any bells that you could install a heating system for £10,000, or you could install one for £60,000 and get a load of subsidy, and it would all be fine over 20 years? You did not think that is not—

Thomas Douglas: It is not a load of subsidy. Don't get that into your head. The choice was fossil fuels or non-fossil fuels. The Government of the day was going towards non-fossil fuels.

Q215 **Nigel Mills:** The choice was £10,000 or £60,000, on the numbers you gave me.

Thomas Douglas: Yes, but the scheme was set up. That was the RHI scheme. They wanted to move away from fossil fuels. We applied to Ofgem, and Ofgem accepted us. At the end of the day, the scheme was there and was opened. Ofgem could have said, "No, go away and put it in gas boilers or whatever you want." We were using what was available at the time.

Q216 **Nigel Mills:** Did it never occur to you that this looks a bit whatever the opposite of frugal is—"I am spending £60,000 to do a job that I could have spent £10,000 on"?

Chris Osborne: No. You must remember, though, that there would have been a break-even period where, after a number of years, you would eventually break even after the initial capital investment. It is not simply a case of £10,000 for a fossil fuel boiler versus the £50,000 or £60,000 for a renewables boiler. You still have to go through a certain period, plus, for example, that breakeven period would probably get lengthier on the basis of market returns for the birds that you are producing and so



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on. Should there be a major downturn in the business, that would lengthen your break-even period, so there was an element of risk.

Q217 **Chair:** Gentlemen, thank you very much indeed. You have been very free and frank with us. If there is anything further you think might inform our deliberations in this matter, perhaps you might write to us. I know there are one or two points you might wish to follow up on. You have been really helpful this morning. Thank you very much indeed for your attendance.

Chris Osborne: Thank you very much for taking the time to hear from Thomas and me, but can I make one more comment? It is on the first question that you put in relation to the overspend. I want to draw attention to a comment made by David Sterling back in December 2016. This pretty much sums up the situation in relation to the overspend. When he was asked about what the overspend was, he said, "That will depend on a number of things, including future take-up of the scheme in England and the consequent impact on the AME," which is the annually managed expenditure. That should show you why the figure is variable and very difficult to put a finger on. I wanted to show you that.

Chair: Yes, thank you for that point. Thank you very much indeed, gentlemen.

Examination of witnesses

Witnesses: Alan Hegan, Robert Carmichael, Avril Robson and Andrew Trimble.

Q218 **Chair:** Welcome everyone. Thank you for coming to talk to the second panel that we are holding this morning on this important matter. As you are aware, we are investigating as a Committee the RHI issue, with the specific intention of producing recommendations, which we hope very much that those who are entrusted with policy in these times will follow through on and certainly will comment on and come back to us on with a response. That is the background to where we are today.

Clearly, you are right at the heart of this matter. Indeed, you owe your existence as an association to the mess that has been created over the past several years in relation to this particular piece of policy work. With that in mind, I welcome you here today. What you say will certainly be taken down and, I hope, used to produce our report and inform the recommendations that we make.

What I would like you to do, Mr Trimble, is introduce your panel—I know you have submitted evidence to us in writing this morning, which we have not had a chance to assimilate as a Committee—and say briefly what your take on this is, particularly dealing with what the Government should do now.

Andrew Trimble: Dr Murrison, good morning. Members of the Committee, thank you for inviting us. For those of you who travelled from afar and were on the red-eye this morning, particular commiserations. My



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name is Andrew Trimble. Since March 2017 I have chaired the Renewable Heat Association. I had no prior engagement in the sector or involvement with it until my appointment. I am qualified in managing programmes, projects and risk. I have been a programme director of a central Government Department with a programme of in excess of £1 billion of capital investment and an operational budget of just under £100 million per annum.

The broad stroke of governance and management is a sphere in which I am comfortable, but I will defer to my colleagues on the operation and investment in the various components of the scheme. Avril, would you care to do your three-point introduction?

Avril Robson: Good morning, everyone. I am Avril Robson. I have three business interests. I am director and owner of Corick House Hotel & Spa in Clogher. I am also a partner in Glenhoy Farms. My husband and I manage a commercial pedigree Angus herd, plus we invested three quarters of a million pounds in two broiler units last year. I also am a director of Glenhoy Energy, which was a business that I incorporated to do renewable energy for businesses to convert from fossil fuels to alternative renewable sources.

Robert Carmichael: Good morning, everyone. My name is Robert Carmichael. I run The Jungle. It is an outdoor adventure centre based in the centre of Northern Ireland. Originally I farmed a diversification project. We are 15 years old now, and I invested £136,000 into two boilers in 2015.

Alan Hegan: Good morning. Alan Hegan. I have been involved in renewable heat from 2004, so I have a wealth of experience over the last 15 years—everything from energy crops through to one of the first commercially viable biomass boilers in Northern Ireland, moving on through installation of two hundred plus commercial biomass boilers, in Northern Ireland and in GB. We also have a sister business that currently supplies about 12,000 tonnes of fuel annually to the non-domestic market in Northern Ireland.

Andrew Trimble: Mr Chair, thank you for finding the time to come to Northern Ireland at a time when the House is engaged in other strategic and significant issues, which of themselves cause business significant uncertainty in this province.

Let me may give a quick overview of the scheme and where we are. I am mindful that, while I enjoy absolute privilege, we are in legal proceedings against the Secretary of State and the Department, so I will be careful to avoid any mention of those, save for reference to this file, which is a critique of the Department's accounting methodology in calculating the rate of return. Perhaps if the Committee needs access to that, we could deal with that matter outside of these proceedings.



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Biomass and the renewable heat incentive are two separate but closely linked issues. Biomass in Northern Ireland is used as the primary heating fuel in two hospitals, in a wide variety of care homes, and across farming businesses, in poultry, but also in mushrooms, in dairy, where hot water heating is used for hygiene reasons, and in arable farming, where the production of bioenergy crops—more often than not, in Northern Ireland, short crop rotation willow—has since 2016¹ been a strategic objective for the Department of Agriculture in Northern Ireland. It is also used to heat retail premises. The largest showroom in Northern Ireland is in Boucher Road. It typically used, until this point, 500,000 litres of oil every year. It is in an area where there is a temperature inversion and one of the six environmental monitoring stations that are present in Northern Ireland to monitor air pollution.

In the public sector, biomass heats the swimming pools in a number of our councils. It heats the council buildings, MOT test centres, police stations, ambulance stations, sports clubs—both GAA golf and sailing—and is critical for the production of bioenergy crops. The cost of production of a bioenergy crop is basically you have to use a quarter of the weight of any crop to dry the next crop. It has been introduced across charities, including those for the homeless, and in churches.

As you have noted, I have submitted to the Committee a written submission hyperlinking to key critical documents. With your permission, I will go through the highlights of that because some of the questions that the Committee has fielded to date are directly relevant, including some of the questions you have asked about the extent of the overspend.

Q219 Chair: I think what we will do is deal with those as we go through questions. I am conscious of the time. If any of those points are not articulated in the course of questions, we can come back to it at the end. That might be the best way forward. I am going to start the questions with Jim Shannon, since I know he has to leave early.

Jim Shannon: First of all, lady and gentlemen, you are very welcome. I apologise in advance because I have to be away at 11.45 am. My flight is at 1.00 pm, and I want to be there and get through security in time.

One of the questions I asked the Ulster Farmers' Union before—and I think it is probably more applicable to you—is that an almost new industrial sector was created off the back of RHI. The Government here, when they were functioning, were very keen to present their centre of excellence off the back of that, and I think it was good to do so. The problem with the scheme now is that it has produced a rapid decline. I think the figure that has been given to us is that only some 30% of installers and engineers are now left. While we very clearly have been made aware of those who have bought into the scheme, there is also a spin-off, almost a second tier, of people—those who maintain the boilers, who look after them and make sure that they work correctly.

¹ Witness correction: 2006



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I am going to ask three questions at once, if you don't mind. The second one is, how many of your members have been negatively affected—you will speak for four different sectors or four different groups, in a way—and are in danger of financial difficulty? The third question is, what do your members and you think of the proposed buy-out scheme? I am sorry that was a wee bit rushed, but I apologise again for having to leave early.

Andrew Trimble: The Assembly approved a proposal prior to 2012. The ambition for climate change was very ambitious for Northern Ireland. The ambition was that, by this year, there would be 29,000 biomass fuel boilers in Northern Ireland. The unfortunate disconnect with that ambition is that it was not linked either to clear policy—overarching policy—and it was crosscutting and, very significantly, in no way related to the budget. No budget provision was made for the 29,000 boilers. When the scheme was closed and there was both a non-domestic and a domestic scheme, there were 2,700 boilers in the domestic scheme and 2,128 boilers in the non-domestic scheme.

In establishing that scheme, there were MCS-certified installers in Northern Ireland—somewhere in the region of 96 operators in 2015. MCS is not the certification for the larger boilers that Alan and others install, but it is an indication as to what the size of the installation sector was in Northern Ireland. There are today fewer than 10 operating businesses. Many of the others have gone into liquidation.

As regards the supply chain, the Government have backed the promotion of short crop rotation willow since 2006. I have provided in the brief all of the papers promoting that. Short crop rotation, which Alan's farming business is involved in, is a significant sector of the agricultural economy. So is the production of pellets by Balcas in Fermanagh, and so also, in order to sustain this heating system, is the importation of pellets, which are bought on a Copenhagen spot price market by a number of large entities that import. One of the gentlemen sitting behind me is a director in a business that had a turnover in 2015-16 of £5.4 million. He is making a strategic decision in the next few days as to whether it is appropriate and risk-free to purchase a £1 million shipload of pellets for the forthcoming year.

That is the significance across the sector. It is not just the installers who have gone out of business. It is the producers of bioenergy crops who now do not have a market, as well as the importers and producers of these—the pellets—that are standing with stock that they have no reason to believe they can expend. It is also the reason that so many of the businesses, Alan's included, are holding components in stock for boilers that may now never need to be serviced and will be taken out and simply decommissioned.

In the brief—and I will say it explicitly—I have a great feeling of déjà vu again. This is not the first renewable scheme that has got horrifically into trouble. In 2011-12 there was the solar panel scheme. I have given the



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Committee the briefs to that, and I understand from the Committee Clerk that Mr Sneyd, who was the founder and chief executive of HomeSun, who took the definitive case against the Department of Energy and Climate Change in 2012, will submit evidence to the Committee.

Alan, do you want to say something about the damage to your business?

Alan Hegan: Yes. I suppose we will start with the installation business. While I have been involved with biomass from 2004, we only started installing biomass boilers as a business in 2014. I would say this was ultimately related; it would not have been the only reason, but certainly there was encouragement at a conference that I attended in Dundalk in 2014. A departmental representative gave a talk at that conference, and I had an opportunity to speak to him afterwards. I was encouraged to start an installation business. I was told there would be 29,000 installations to go in between 2014 and 2020, that the market could only grow and that the Department needed more people taking up the technology and more people installing it. On that basis, I diverted business towards installations.

Come the end of February 2016, we had built the business up, with 10 to 15 staff, and a lot of subcontractors, albeit they were working largely towards us. With the management failures of the scheme in Northern Ireland, we were left with no option but to proceed over to GB. It would not have been my preferred market to operate in. The members here will all be aware of travel commitments in relation to that, but we were left with no viable option.

Things develop quite quickly. Our attention was diverted in 2017 towards the sister business. Some of us had invested heavily on the basis of the guarantees of the Department. While we had been supplying fuel for 10 years, we were always aware that RHI was coming down the line. There were commitments from Government towards 2020 and moving on to 2030 to divestment from fossil fuels.

The guarantees and the certainty that was provided by the Department allowed that business to make a decision to invest £1.2 million. That was largely into fuel-processing infrastructure—not only the boilers but ground facilities, handling facilities, screeners, shredders, wood chippers, bespoke delivery trailers, all of which still have a tangible debt attached to them. That was in 2015, so it was two years after the 20-year commitments were made that that promise, in our minds, was broken. We managed to survive through a lot of hard work, ingenuity, changing our business model, and growing an export model to the Republic of Ireland, albeit aided by a lower price of sterling from 2017 to present.

Now we are at the point where we do not know what fuel will be sold this year. We do not know what stock to buy, never mind having the cash-flow facilities to be able to hold that stock in place. We, very much like a pellet importer, are going to have to make very tough decisions in the next few weeks if not months as to where our long-term viability is. To



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reiterate, the decisions that we made in 2015 were looking at a 20-year programme that was backed up by a Government Department.

Andrew Trimble: Remind me of your last question, Mr Shannon.

Q220 **Jim Shannon:** The last one was, what do you think of the proposed buy-out scheme? What are your thoughts and maybe the way forward?

Andrew Trimble: One has to understand the Department's approach to this, which differs fundamentally to that of BEIS. The Department considers, in its accounting processes, internal rate of return rather than rate of return, and—this is not an indirect way of answering your question—it deals only with the additional costs.

The legislative proposal in the buy-out is that those parties who voluntarily take part in the buy-out scheme are repaid the additional cost, and the Department uses the actual cost of the boiler installed minus the cost of a comparative fossil fuel boiler, but it does not use the cost of a fossil fuel boiler in practical terms—it uses the list price of a fossil fuel boiler, which is significantly higher. It is the additional costs minus all of the peripherals that would make it work—that cost is totally discounted—minus any sums of money paid out.

As one of the previous speakers said, the Department, by its own admission, said at its press conference that the buy-out scheme will be unattractive and only 10% of the scheme participants, as it is currently constructed, would have an entitlement to any funds under that scheme. Those participants would be being bought out of a scheme that was for 20 years, while they retain their liability for debt.

Jim Shannon: Thank you. I have to go.

Q221 **Chair:** Avril, your business, or part of it, as I understand it, has to do with conversion from fossil fuels. I am interested, and we have heard in evidence in the panel before, that a lot of those who have subscribed to RHI are now in the process of converting back to fossil fuels, principally gas. Is that your experience? I pressed the Ulster Farmers' Union on exactly how many—or more or less how many—of its members were considering such action and how many had undertaken that conversion. They were unable to give me a figure, perfectly reasonably, but they did undertake to get back to me, once they had looked at this a little further, with something more specific. What sense do you have of people who had invested in the scheme now being in the process of regressively going back to fossil fuel?

Avril Robson: I have two hats there. The hotel would have previously used oil, kerosene, to heat the hotel, which works out at an average, roughly, depending on the efficiency of your boiler, of between 8p and 9p a kilowatt-hour. A woodchip boiler will work out at about 4p to 4.8p, depending again on price and whether it is woodchip or wood pellet. In the hotel, we would have to take into consideration maintenance costs, and you have your repayments to banks. It is a very different type of



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business to the poultry. In the hotel, we possibly will not revert back to fossil fuels because it is oil that we would use as the fossil fuel. If oil came back in price, we certainly would consider going to fossil fuels.

However, this is not what the big question is about. We all bought into the biomass for the renewable side of it, for our carbon footprint, for the future sustainability of our country, of our future, and to set up something that is going to be tangible for the next generation. It is the long-term effect. I listened very intently earlier, and you were all talking about the hardship now and the immediate effects now on a one-year basis, but we have to look at this on a 15-year basis, a 20-year basis. This is not what is just coming down the track for the next 12 months; this is what is going to be leaving us at a very unfair advantage to hotels in southern Ireland that are going to avail of this. They have a much more competitive VAT rate than we have. We are struggling, especially where I come from in the Clogher Valley, to get non-domestic tourist. We have to think of Brexit. There is so much stacking against hoteliers, not just from a renewable sense, our energy costs, our wage costs. It is a really big picture.

I sit on the board of the Hotels Federation, and the frightening thing is that there are a number of hotels that are afraid—maybe afraid is not the right word, but they are concerned—about lifting their head above the parapet to say that they have invested in biomass renewable energy. I find that very sad because they were bona fide business people who bought into a Government-backed scheme and who have now been persecuted. They are afraid to say that because of how it could affect their business.

On the side of the poultry business, we would convert back to gas because there is less work involved, there are fewer maintenance costs. Do we want to? No, we do not. We want to continue in the systems that we bought. A lot of the people that I speak to on the ground have that ethos. People did not just buy into this because of the incentives. There are also the environmental issues that are very much in favour of this new technology.

Q222 Chair: That is very commendable, and I would hope we would all try to do the best we can by the planet, but I suspect most people invested in this scheme because of the very obvious benefits that were sold to them when the scheme was set up, which have now not been fulfilled. It is that that we principally have to deal with as part of this inquiry, although the optics of reverting back to fossil fuels at such a time, when we are laying into China for building coal-fired power stations, are frankly not very good.

Perhaps, Andrew, I can come back to you—and please do feel free to pass any questions that we aim at you on to your colleagues—and ask you about the 12% state aid thing, because we are grappling with this at the moment. I have to say I am struggling with it, particularly in the light of the recently announced support scheme for renewable heat that



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relates to the Republic of Ireland. Avril, in her remarks, briefly touched upon the competitive disadvantage between the two jurisdictions on the island of Ireland. What comments do you have on the 12% in the light of what has been announced by Dublin? It seems to me that this 12%, apparently agreed by the Department for the Economy and nodded through by the Northern Ireland Office with the European Commission, is unnecessarily at the low end of the 8% to 22% range that the European Commission would normally use for its determination on state aid. That does not appear to apply in this instance to a similar scheme in the Republic of Ireland.

Andrew Trimble: Willingly, Chair. Can I please go back to a comment I need to make with regard to closing off on Mr Shannon's question, because something has just occurred to me that is very significant?

This is a deeply geeky, technical accounting conundrum. I have sent the Committee a series of vignette videos that are very short. Some of them are only 39 seconds long. One of them is of the very presentation by the Department that Alan Hegan attended, at which the programme manager explained the mechanics of calculating the 12%. I would commend the Committee to look at those videos and to listen very carefully to what is outlined by that programme manager and then to read very carefully the letter that the then Minister in the Department for the Economy—DETI, now DfE—wrote to the banks. The language at that point is of a rate of return, and the language now is of an internal rate of return, which is different in accounting formulas to an assumed rate of return or indeed an annual rate of return.

The scheme in the Republic of Ireland uses counterfactuals. The counterfactual is A compared with B: kerosene and liquid petroleum gas compared with wood pellets or woodchip.; it is a boiler of one type compared with a boiler in another type. The methodology that is approved by the European Commission is laid out in a series of documents as to what can and what cannot be included in the counterfactual equation.

You have two levels of complexity. First you have the IRR versus ROR. Secondly you have the inclusion in the equations of components. In my opinion the Irish scheme is absolutely compliant with state aid rules and is absolutely on target to produce a rate of return of 8%, which is within the 8% to 22% bracket that the Commission would authorise, and is absolutely likely to result in a repayment or a paydown of an extended investment that they acknowledge of around 3.4 years.

I do not say that without the assurance of being able to provide the Committee the Sustainable Energy Authority of Ireland's presentation on that, which was given to poultry farmers about six to eight weeks ago, where it was encouraging the poultry farmers to enter into production arrangements with a well-known monopoly in order that they could expand the base of poultry farming in the Republic of Ireland.



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Q223 **Lady Hermon:** Would you like to name the company that you have in mind?

Andrew Trimble: I believe that the market is very volatile and that any commercially sensitive operation would turn its production base, where it could, to its commercial advantage. The processing base might remain, or part of it might remain, in Northern Ireland, but the production base could move somewhere else.

Q224 **Ian Paisley:** Are you talking about Moy Park?

Andrew Trimble: I am.

Q225 **Chair:** You have not really explained the claim that the Republic of Ireland—or at least people resident and operating businesses in the Republic of Ireland—will be in receipt of a state aid subsidy that well exceeds that which is available to producers in Northern Ireland. I am a bit surprised and puzzled by your figure of 8%.

Andrew Trimble: Let me put it a bit more bluntly. The accounting methodology used by the Department for the Economy in Northern Ireland is to the methodology used by the European Union and the Sustainable Energy Authority in Ireland as apples are to oranges. The Department, I am afraid—

Q226 **Chair:** They cannot both be correct, so one is correct and one is not, and the whole aim of this—

Andrew Trimble: The Dutch scheme, the GB scheme, the—

Q227 **Chair:** I am not interested in the GB scheme. I am interested in the Northern Ireland scheme and what applies in Northern Ireland and what applies apparently, or is about to, in the Republic of Ireland, because, obviously, the competitive advantage vis-à-vis GB is one thing. The competitive advantage between one jurisdiction and the other on the island of Ireland is a completely different matter.

Andrew Trimble: Indeed.

Chair: That is a real concern, particularly given the apparent imminence of Brexit, because of Northern Ireland's need to sustain a competitive advantage. It looks like this is going to be a major problem for some producers.

Andrew Trimble: It is a horrific problem. It is a ruinous problem. I would like to get behind the Department's statistics and reasoning. I have drawn to the attention of the Committee the Department's admission that it did not have state aid approval, and therefore it may have incurred fines as a consequence of its failure to clear the 2015 regulations with the European Commission.

Q228 **Chair:** Is this all explained in the document to which you referred earlier?

Andrew Trimble: It is in my brief.



Q229 **Chair:** You mentioned some hyperlinks in the evidence that you gave.

Andrew Trimble: Yes, absolutely.

Chair: Is there a hyperlink contained within this document?

Andrew Trimble: Yes.

Chair: Good, thank you.

Andrew Trimble: As the Auditor General has indicated in his report on the Department's finances, the Department has incurred an irregular spend of £34.6 million, which is a statistic that has not hitherto hit the press. In answer to one of your questions—and I will willingly take detailed questions about it—the Comptroller and Auditor General gave evidence to the public inquiry that the extent of the overspend in total is £29 million, against an underspend in previous years of £25 million. If you can indulge me for just a second, he said something else that is absolutely critically important. I will read paragraph 18 of my brief to you: "CAGNI has commented definitively both on the uncertainty" of the £490 million overspend—the reference is WIT 115041 in the public inquiry—and then more definitively, at WIT 115024, where he said that, assuming that the 2017 regulations prevailed, "the amount to be funded from the NI budget would be projected to disappear from 2018-19 as the cost would be met in full from the AME allocation" and "In fact, under this scenario, there would be unused AME funding available for the scheme."

In the next paragraph of my brief to the Committee, "Irregular Spend & Unlawful State Aid—2015 cohort", of which the second witness before the Committee spoke, it says: "788 applications of the 2,128 processed by DfE when they had no financial authority to do so. The spend on these participants is irregular each and every year that they remain within the Scheme. As at March 2018, this amounted to £38.6 million. The Department's accounts must remain 'qualified' until this issue is regularised—potentially until 2036. The Department's promotion of the 2019 legislation may be a salve" to their problem.

Q230 **Chair:** Thank you for that. I am still grappling with the first proposition I put to you, which is the difference between the level of state subsidy that the Department for the Economy was apparently using in its negotiations with the European Commission, which was said to be at 12%, and the level of subsidy that appears to be being okayed by the European Commission in relation to the scheme that has just been announced for the Republic of Ireland. You were citing figures of 8% in respect of the latter, which seems to be right at the bottom of the permissible envelope that the European Commission uses and appears to be running to reports in the press that there is going to be a disadvantage sustained by producers and businesses in Northern Ireland in respect of the Republic.

Andrew Trimble: If I can unpack that, I believe that the 8% rate of return, which is the calculation that is critical to attaining state aid approval, is absolutely spot on. I believe that the Department in Northern



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Ireland has used different components, completely different counterfactuals from realism in Northern Ireland. To use an example—and it goes partially to Mr Shannon's question—in the establishment of the scheme in the Republic of Ireland, the proposition was put forward that to incentivise people to join the scheme, the circumstances needed to be created, and this was discussed and considered very carefully in their business case. If you have a boiler and it is operating reasonably well, why would you buy into a biomass boiler before the failure of the current one? In the Republic, the policy position is that an allowance is made for the residual economic value of the boiler that you own, so rather than deducting that from your calculated capital investment, that is added on to your sunk costs and your capital investment in their equation. That, therefore, affects the tariff.

Q231 Chair: The proposition is that the 12% is wrong and that presumably there will be extra leeway. We cannot use, necessarily, the 12%. The argument being used by the Secretary of State in the House of Commons was that this had to be done; it had to be done very quickly, if you recall, and passed through the House of Commons more or less as an emergency, otherwise the scheme would become ultra vires. From what you are saying, that is not the case.

Andrew Trimble: It is my opinion that it is absolutely not the case. Indeed, if I can read from the European legislation and the Official Journal of the European Union on 28.6.14. The document is entitled—if you can forgive me for a second—"Communication from the Commission—Guidelines on State aid for environmental protection and energy 2014-2020". I will read from paragraph (250): "Whenever a beneficiary—a scheme participant—"has received confirmation from a Member State that it will benefit from State aid under such a scheme for a predetermined period, such aid can be granted under the entire period under the conditions laid down in the scheme at the time of the confirmation".

To move back to a point that you put to me, in terms of the rate of return and the 12%, those are, I would suggest, entirely specious arguments, because the participant was not ever offered a document declaring their rate of return. The participant received from Ofgem, as do all participants in England, Wales and Scotland, an accreditation letter that says, "Your initial tariff will be X p per kilowatt-hour and that this will increase by RPI every year." During the consultation process, I say the Department seriously misused the legislation, as currently written, has changed that commitment from RPI to CPI and has adjusted the tariff, which is not in the spirit of the European Commission's regulations.

The Secretary of State spoke at some length, and I have studied very carefully the *Hansard* record of that. As an accountant, I would have expected her to absolutely understand the difference between rate of return and internal rate of return, and she spoke absolutely correctly to



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internal rate of return, but that was not the basis upon which the scheme was planned or sustained.

On Mr Shannon's point, the buy-out is a knee-jerk reaction, and it is attractive because of the hardship. Whatever, that is fine, but that will then perpetuate the problem that you have just raised with me—the enduring competitive and comparative disadvantage that operators in Northern Ireland would face. If they come out of the scheme, then they face the next 18 years—or however many years are left of their engagement—facing competition from just across the border on a completely different economic basis.

Q232 **Ian Paisley:** I want to take you back to the consultation in 2018 that led to this 2019 piece of legislation. We heard from the previous witnesses that there were eight options made available.

Andrew Trimble: Eight plus one.

Q233 **Ian Paisley:** Eight plus one, and 83% of those who were consulted were in favour of a particular option, but the Government then came up with legislation. First of all, for the record, was what they have come up with in their legislation part of the consultation scheme at all?

Andrew Trimble: No. The option that they selected bears a similarity to option 4², I believe—could I just be passed a piece of paper from behind?—which was a complex hybrid option that involved a negative tariff above a certain threshold, so it served to disincentivise people from using the equipment.

Q234 **Ian Paisley:** Would it be fair to say that your members were shocked by the proposals that ultimately came forward from Government, given that for the previous year there had been an ongoing consultation on eight plus one options?

Andrew Trimble: Yes. I am on record as having written to the permanent secretary saying that I believe that his withholding of information and his deviation from the proposals in the consultation are of such bad faith as to fatally flaw the consultation process upon which the legislation is absolutely dependent.

Q235 **Ian Paisley:** The Chairman asked you a number of questions about the state aid rule and the mechanics of the calculation or the arithmetic behind it. To put it in crude terms, it is asking the question of 12% of what. What is allowed, essentially, to be part of the overall calculation? What can or cannot be allowed in the calculation is critical to the mathematics of the 12%.

Andrew Trimble: Yes.

Q236 **Ian Paisley:** Is it that matter that makes the Northern Ireland scheme that now pertains totally different to the GB scheme and to the Republic

² Witness correction: option 6



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of Ireland scheme and other schemes, because, in their wisdom, the Department in the Northern Ireland has excluded practically everything except the cost of the boiler?

Andrew Trimble: That is exactly the issue. One of the questions from Mr Mills earlier was, "Isn't it great if you can invest in this and it is going to repay you over whatever period of time?" The Committee will not thank me, but there were only 260 responses to the consultation. We have somewhere between 500 and 600 members. I have encouraged each and every one of them to set their business circumstances out, so Ms McKinnon's in-tray will runneth over in terms of the financial detail. Mr Hegan has provided a complete analysis using a spreadsheet model of the Department's calculations of the internal rate of return, which of itself is incorrect.

Q237 **Ian Paisley:** I am going to come to Mr Hegan in a minute about that question, but is it right therefore to conclude that the Department in Northern Ireland has it right in its interpretation of state aid rules and everyone else who is involved in state aid rules has it wrong? Is that a fair conclusion?

Andrew Trimble: I would say that is representative of the way that some politicians in Northern Ireland think—everybody else is wrong and they have to be right. But if I was speaking truth to power, I would say, as ever, the Department has messed this up.

Q238 **Ian Paisley:** Is it fair to say that, given that the Department got it wrong the first time around, appears to have had it wrong the second time around and now appears to have it wrong this time around, everyone else interpreting state aid rules—whether they be in the Republic of Ireland, in GB or in Holland—appears to have it right, and our Department in Northern Ireland appears to have it wrong?

Andrew Trimble: I would say that is the null hypothesis. You have given me the null hypothesis and the hypothesis, and I would say that the hypothesis is proven.

Q239 **Ian Paisley:** What would you like the Department to do?

Andrew Trimble: To be honest, I do not know what component of their thinking relates to the attempt to protect senior civil servants, who were the accounting officers in that Department, from criticism by CAGNI. The irregular spend is greater than the overspend, and as I read from CAGNI's evidence, the 2.98 share of the GB scheme continues to grow, and CAGNI has indicated that, against the full complement—the full fleet of 2,128 boilers—which we now know not to exist, there is a surplus of income over liability. That is not to say that the money should be spent just because it is there, but one then goes full circle back to the argument that if you have a piece of paper that commits to X—and it is not, in this instance, from the Department for the Economy; the accreditation certificate is issued by Ofgem—what is a scheme participant to do?



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Q240 **Ian Paisley:** I want to go back to my question. Our inquiry has a special status, given what the Secretary of State and her counterpart in the House of Lords said at the Dispatch Box. It is the old thing of, "Do not bring me more problems; bring me an answer". What would you like the Department to do with this piece of legislation?

Andrew Trimble: If the Committee were to carefully consider the proposition that there may have been a procedural deficit, deficiency in reasoning, factual inaccuracy, manifest error in assessing the facts, or some misuse of power in expediting the bringing forward of the legislation, I would invite the Committee to say so.

Q241 **Ian Paisley:** What would it look like? What would the outcome look like if they find any or all of those matters?

Andrew Trimble: Mr Paisley, I promised not to get involved in matters that are before the courts, but the judicial review will determine whether or not the legislation of itself was compatible with European law, because we are in—

Q242 **Ian Paisley:** I understand that, but if you had a blank sheet of paper and you could write down what you think should happen to RHI users and operators in Northern Ireland, what would it be? I am asking for your Christmas wish list.

Andrew Trimble: The least worst outcome. The judgment in the judicial review that we ran in 2017 gave a direction to the Department for the Economy that where the market was shaped in favour of 99 kilowatt boilers, it should be levelled, so where the magic number of 1,314 hours comes, that is a 15% load. I will come back to the inappropriateness of that, but a 99 kilowatt boiler is approximately half the size of a 199 kilowatt boiler, which is what the 2017³ regulations favoured and enabled. An operator of a 99 kilowatt boiler therefore should not have a tariff that is based on hours but on energy output. That would go some way to redress.

The Committee may be of the opinion that the 2012 regulations were overly generous and were indeed in breach of state aid rules, but the submission by the Department for the Economy at the time of the 2017 regulations did not make mention of that—it said that the rationale for the 2017 regulations was that the Northern Ireland economy was paying for something that it had not expected to do.

Q243 **Ian Paisley:** With which the Auditor General has disagreed, ultimately.

Andrew Trimble: He has, and he said that that issue has gone away, but the rationale was, "We have to change the regulations to the 2017 regulations".

Q244 **Ian Paisley:** Can I put this in layman's terms? Are you asking for equilibrium with the rest of the UK on this for payments and structure?

³ Witness correction: 2015



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Andrew Trimble: Today, if participants—like many in the back of the room—joined the scheme in 2014 and were operating their businesses in England and Wales, they would receive a tariff of 9.6 p per kilowatt. In Northern Ireland, under this legislation, it is 1.7 p. The Committee will receive evidence from a care home group, or a party that provides energy to a chain of care homes, that have six or eight of their fleet of 100 in Northern Ireland; the balance of 92 is in GB. They have the same capital costs, the same operating costs. They are identical boilers, and they are all financed through Lombard. It mystifies me that the resolution of this issue is to have such a widely different tariff.

Q245 **Ian Paisley:** Is it your contention that if there was equilibrium with the payments that are made in the rest of the UK, or indeed in the Republic of Ireland, that, ultimately, the problems already identified, or claimed to have been there, have already disappeared, or would have disappeared by the end of the scheme anyway, according to the evidence that you have given?

Andrew Trimble: I am saying that, this year, there is more money coming to the Department for the Economy than they have liability to pay out under the 2017 tariff. That is what the Comptroller and Auditor General gave evidence on to the public inquiry.

Q246 **Ian Paisley:** You are a canny businessperson. Has the Republic of Ireland spotted a business advantage and business opportunity over Northern Ireland here?

Avril Robson: I would say most definitely. Especially in tourism, they always seem to hit it where it needs to be. On VAT reduction, I know they have raised VAT again, but their Government are very supportive of the tourism sector. There is the ADP on flights coming in as well. There definitely is more of a mechanism of wanting to support. Introducing the biomass boilers into heating hotels in the future is definitely going to leave them on a much better playing field.

Q247 **Ian Paisley:** Do you see that with poultry production as well—that they see this as an opportunity to attract a major 40-year investor in Northern Ireland to the south of Ireland? Do you see that as well?

Avril Robson: I would be very concerned about Moy Park. We have been working with Moy Park for a year now, and we bought into the contract. I would like to touch on that very lightly. When we initially went to look for finance for the poultry houses through the numerous banks in Northern Ireland, the very first thing that I was told by each bank—this was in early 2016—was, "Sorry, we will not be able to do anything for you. You do not own a biomass boiler." That was early 2016.

An investment was made into buying a biomass boiler with accreditation for our poultry house. Do I regret it? Yes, I do regret buying that biomass, but the banks at that stage would not have possibly moved forward with finance for the poultry units if we had not had that in place. That is quite frightening, because now, a full year later, we still have very



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high payments to make on asset finance to buy biomass that we still will have to pay for the next four years and that is encumbered on our business due to other financial situations with Moy Park.

We have heard briefly in the news, but nothing has been confirmed, about cutting crop and cutting flesh price. It is going to leave us in a very difficult position, and I do know of other people in the poultry industry who are in the same situation. That leaves the uncertainty with Brexit, as I spoke about earlier. Is there going to be a backstop? What is export going to be like? What is import going to be like? It is a very difficult time to be in business.

Q248 Ian Paisley: But as people look over the border, are they seeing opportunity here?

Avril Robson: Yes. If it is going to be a 15-year tariff—and as Dr Andrew addressed earlier, there also is the incentive scheme for it—you can look at ways of improving your business on the fact that there is an incentive there, there is going to be excess cash flow for businesses in southern Ireland that are investing in the scheme after about a three and a half year payback. They are going to have 12 and a half years of incentive to invest in their properties.

Q249 Ian Paisley: But it must seem quite ironic, in a 10-day period where we have had mass protests about environmental issues, that green energy is being effectively brought to an end in Northern Ireland by this Government contract. Yet, under state aid rules, it is being encouraged everywhere else, whether it is in the Republic of Ireland or in other parts of the UK.

Avril Robson: Yes. It does leave us, as I say, on a very unfair disadvantage. If I go back to Moy Park, we have had our first year over, and we have worked very well with Moy Park and have had great support from them. We talk about the hardship now, and there has been a lot of talk about what the hardship means. What does hardship mean? What it means to me will be very different to what it maybe means to Robert, and you cannot quantify that. How do you quantify hardship? Within five years, they could have made a decision—as we talked about earlier, they are an American-based company. They will look at the bottom line, and they will say we are very much at an unfair disadvantage. The GB scheme will still have its biomass subsidies for its poultry users—anybody that invested in it—and southern Ireland will also have that. It is going to leave us on a very unfair playing field.

Q250 Ian Paisley: Mr Hegan, I hope I have grasped your evidence correctly. The Government set a target of 29,000 to 30,000 biomass installations or thereabouts. At the end of the scheme, both domestic and non-domestic, there was a take-up of less than 5,000. However, you had to gear up for the target that Government set, which encouraged you to do that. At the end of this, you have achieved less than one sixth of an expectation of that target. Is that about right?



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Alan Hegan: That is my understanding, yes.

Q251 **Ian Paisley:** That is why, effectively, your company is looking at being done over by this?

Alan Hegan: Yes. Just to add to that, with the GB scheme, companies from the very inception of it were able to model uptake, were able to model the expenditure trails, were able to see how the budget was going. In some cases, they published newspaper advertisements based on that and based on the regression model. I think that has been covered to some extent in Sir Patrick Coghlin's report, so I will not go into it in any great detail.

However, the point I would make is that we as a business in Northern Ireland, because the Department failed to publish any firm details, had absolutely no idea of the amount of installation rates and what expenditure that was incurring. I do not speak specifically for myself—I speak for the industry as a whole—but we would not have had an opportunity to review the numbers, or to even go to the Department and say, "There is a problem here," because we did not know. Again, compared to GB, where the figures are published monthly, there were never any published figures. We struggle even with the figures that have been published to date, in comparison—comparing apples and oranges again—with what BEIS would publish. As I say, it is very difficult to get any rational figures from the Department.

Q252 **Ian Paisley:** Mr Trimble, is there a significant cost difference in terms of replacing an oil boiler or an LPG boiler that would explain why the Department locally had such a low amount of money available when they calculated the 12%?

Andrew Trimble: I am going to defer to Alan after a second. It is, again, apples with oranges and counterfactuals. The Department's agent, Ricardo, when producing its consultation document, went to a standard pricing matrix for the counterfactual oil and gas boilers. It did not go for real-world prices, and those recommended retail prices are significantly above the price that you can buy on the high street, but since Alan is an installer of both, I will defer to him in a second.

One thing that I will leave in evidence to the Committee is that the installers that installed upwards of 500 boilers, on the day that the legislation was passed by the House of Lords, wrote out to their customers saying, "Your boiler will now never pay for itself. You have to reduce your operating costs, and we encourage you to consider reversion."

In answer to the Chair's question to the Ulster Farmers' Union, I had a report on Friday from one installer who has had 300 approaches from poultry farmers who wish to avail of the Moy Park scheme. Just to explain the Moy Park scheme, they talk about it being grant funded. It is a cash advance to buy a boiler, which is repaid in 10 equal instalments



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amounting to 9.5% of the value of a base fossil fuel boiler. It is a form of HP. The farmer pays for the fossil fuel boiler, but he receives an income or a spend. On income, one thing that devastates me or astounds me is that, in discussions with the Department for the Economy, they had no appreciation that RHI income as it is repaid is taxable. They will say, "But the participants have received in real money as much as we say is the additional costs." The factual—

Q253 **Ian Paisley:** They have probably lost 40% of that. Would that be right?

Andrew Trimble: Indeed, 40%. Factually, they are absolutely correct, but in terms of detail and the spirit of the representation of the financial facts, they are wide of the mark. Alan, you have submitted that table with the dip point in counterfactual in evidence.

Q254 **Ian Paisley:** But the reason why I am asking this very specific question, Alan, is that I want to know if there is such a significant cost gap in terms of having a kerosene oil boiler versus an LPG boiler and replacing it with RHI that would explain why English or GB RHI biomass owners are now going to get—

Alan Hegan: It is one in about 30 or 40 different variances. So it is a variance. There is a Ricardo report that was produced specifically for DfE in 2018, and it uses the cost of a counterfactual boiler that comes from "Spon's Mechanical and Electrical Services Price Book 2018". That is £11,025, I believe. In the real world, the commercial market, it costs £5,000, so it is 50% of their guideline price. When it comes over to a biomass boiler in Northern Ireland, that report uses invoices of the direct cost only, then it compares it with GB, and the comparison with GB uses the participant-submitted figures on their online declarations. Each and every comparison, from the counterfactual, to the Northern Ireland cost, to the GB cost, is basically using different benchmarks and coming from different places. They are not consistent with each other.

Q255 **Ian Paisley:** Would you be surprised if GB was holding to the cost gap between oil boilers and LPG boilers as the one significant difference?

Alan Hegan: No. The biggest significant difference that the Department clings on to is that—there are actually two points to this, but both are to do with the cost of the fuel. The Department says that, in Northern Ireland, we are working on a counterfactual that is oil. While you may go out as a consultant and be able to say that there is more heating oil used in Northern Ireland than there is gas, it is not factually accurate to say that, on the RHI scheme, oil is the counterfactual. The counterfactual is in fact LPG. They also say that, in GB, the counterfactual is mains gas. I have seen documents produced by Ofgem that I can provide to the inquiry to show that that is not the case. The vast majority of installations in GB do not replace mains gas; they replace kerosene.

I listened intently to the conversation that was had last week when you had Moy Park in here. One of the things that you said yourself was that you had received a letter from BEIS, and you said it is wrong. Yes, it was



wrong in terms of the original inception of the scheme. It is probably correct now, but the bit that is wrong with it is that Northern Ireland is an LPG counterfactual and GB is an oil counterfactual. The bit that is wrong is that LPG costs less than oil.

Q256 Ian Paisley: If that calculation had been right, it might have made a difference?

Alan Hegan: Yes. In addition to that, there are three reports that Ricardo has done, that I have been able to find, in 2018. One is for BEIS, one is for DfE and one is for SEAI in the Republic. In two of those reports, there is a graph used, and it is referenced from forecast and analysis by FutureMetrics. It is headed, "Industrial Wood Pellets Spot Price in US Dollars (CIF ARA)" which is Rotterdam CAF spot prices. There is a trend line on it that says, "Average—2009 to Present" and it is marked out in US dollars. That reference point is used in the 2018 BEIS consultation and the 2018 SEAI consultation. It is absent from the 2018 DfE consultation. The graph is not there, but a spot price is used, and that spot price is at the very dip of the market. I have submitted this graph to the Committee, and I have annotated two points on it. One is the average trend line and the other is the point in time that was recommended by Ricardo as being the ongoing pellet price.

Q257 Ian Paisley: Are you saying to me that the Department has used different metrics in its calculations to the metrics used by GB?

Alan Hegan: I am saying that Ricardo, in the 2018 consultation, has recommended that the Department use different metrics. It has also not included the same graph with the same trend line that has been used for SEAI and BEIS. The rationale for that I cannot comment on.

Andrew Trimble: Mr Chair, just in terms of that graph, the point at which the valuation is given follows a cliff edge in the market. It is the historical—over how many years, Alan?

Alan Hegan: This graphs runs from May 2009, and there is an estimated trend line up to November 2020.

Andrew Trimble: It is the lowest price of this fuel in a 10-year period that they used for the counterfactual calculation.

Chair: That is a useful point to make, thank you.

Q258 Lady Hermon: Thank you so much for your evidence. It has been very detailed, if I may say so, but helpful in drafting our overall report.

Without going into the details, because the court case is ongoing, what stage is the court case presently at and when can we expect a judgment?

Andrew Trimble: Which of our court cases? In the first instance, the association brought a judicial review over the Department's handling of information because we were of the opinion that the naming and shaming of scheme participants was not in the spirit of the Data Protection Act and



served to deflect and distract public attention from the core issue, which is finance and good governance.

Q259 **Lady Hermon:** At what stage is that, then?

Andrew Trimble: We won that case, and the ruling was that the Department had to seriously consider the benefits of publishing the details, which they subsequently did.

We brought a judicial review in October 2017, and a judgment was handed down in December 2017. That said that the public interest, because the Department had indicated that the overspend was of the order of £700 million—now known not to be true—outweighed article 1, protocol 1, rights to those in receipt of the tariff. That appeal will be heard in the autumn, because on foot of this legislation, in an extraordinary development, we were granted initial leave—and the leave hearing was on 4 April—for this legislation to be judicially reviewed. The judge said, “It is going through the Houses of Parliament, and you cannot judicially review a matter in process.” That is absolutely true, but he said, “But since there seems to be an inevitability that the Secretary of State will force this legislation through, I will grant you a date for the leave hearing.” That judicial review will be on 17 and 21 June, and we anticipate, since it is before Mr Justice McCloskey, a judgment within six weeks, because he is very sharp with his judgments.

Uniquely, the Court of Appeal has said that, in the event of either party from that judicial review seeking leave to appeal, it will deal with both the 2017 regulations, which we hold to be unlawful and ultra vires the Department’s powers, and the 2019 legislation to be done—two for the price of one—in one Court of Appeal session.

Q260 **Lady Hermon:** That is very helpful. It gives us an overview of where the legal position is from RHANI’s point of view.

Can I take you back to something that was in fact mentioned and then was not referred to? It is the first time we have heard this mentioned. I have asked previous witnesses about the role of Ofgem in the RHI scheme. There was a reference in your evidence earlier to the Ofgem certificate. Each person, client, purchaser, businessperson, farmer, hospital, care home—as you indicated, it was wider than that, though not all care homes and certainly not all hospitals—

Andrew Trimble: Undertaker.

Lady Hermon: And undertaker. Each was issued by Ofgem with certificates. It would be very helpful for the Committee if someone or several of you were able to supply those certificates. What did they say? Ofgem was given the supervisory role by the European Commission when the European Commission approved this scheme as being in compliance with the state aid rules initially.



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Alan Hegan: While it may not be the exact words, it is a piece of paper or a certificate of acceptance on to the scheme—approval is probably a better word. It says, “Your installation has been approved. Your tariff rate will be X. There will be no changes in this throughout the duration of the scheme, with the exception that it will increase or decrease on 1 April every year in line with the rate of inflation or deflation, which is defined as RPI.”

Lady Hermon: That is very interesting.

Andrew Trimble: Paragraph 16 of my formal submission to the Committee says: “Tariff guarantee accreditation statement. Participants received an Accreditation letter stating the initial tariff and inflation indexing” with RPI would apply. It says that there is no mention of a rate of return and that a rate of return “featured only internally” within the Department and with its communications with banks. It says that participants—just to emphasise the point—were guaranteed a tariff; they were never guaranteed a rate of return.

Q261 **Lady Hermon:** Supplying the Committee with a copy—

Andrew Trimble: I have done.

Q262 **Lady Hermon:** Absolutely fine, that is very useful. Have you seen any Ofgem personnel?

Andrew Trimble: I have personally not encountered any Ofgem personnel. The Department took it upon itself to take back powers to inspect installations and engaged Ricardo for the pilot inspections. Ricardo are now part of the Ricardo-AEA group. AEA were the subcontractor to the now dismissed initial SEPA analysis of the marketplace.

Q263 **Lady Hermon:** What role does Ofgem have at the present?

Andrew Trimble: Ofgem has a regulatory and inspection role. So does the Department, and the Department committed in 2017 that it would audit every installation. I have drawn the Committee’s attention to Project Heat, which was the Department’s 2016 audit of 360 installations in Northern Ireland, and to the conditions under which the auditors found themselves. In the preamble to that, the auditors say this audit report is structured around four categories. Category 1 did not exist at the outset. Category 1 is fully compliant. We insisted as a benchmark that we be allowed to categorise the scheme participants as compliant. It is in evidence that I have given to the public inquiry. If you create an audit scheme where the explicit purpose would appear to be to debase and devalue the scheme participants, you can probably have a sense of the anger that is felt by many scheme participants. Not having a category where it was possible to categorise an audit as satisfactory just seems utterly bizarre.

Q264 **Lady Hermon:** The point I am making is, in fact, that it was a key



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component of the European Commission's original approval of the scheme and that was the role of Ofgem. Could I ask you to describe the involvement of Ofgem during the period that RHI was operational, from the very beginning? Would it be fair to describe it as—

Andrew Trimble: Maybe one of the others can.

Avril Robson: I have my application acceptance letter, my accreditation, here on file if you would like to have a quick look at it.

Lady Hermon: Well, since no one else can actually see it—

Avril Robson: Yes, but if you want I can pass it around at a later stage.

Q265 **Lady Hermon:** I want to know whether Ofgem, which had the supervisory role and was acknowledged as having the supervisory role, had a physical presence in Northern Ireland and carried out its role in accordance with the Commission's approval.

Robert Carmichael: Ofgem was simply there to upload periodic data, so meter readings. If there were any amendments to your system, that would be submitted to them and then subsequently approved if need be.

Q266 **Lady Hermon:** Yes, but could we describe Ofgem accurately as invisible?

Robert Carmichael: Yes, most certainly.

Q267 **Lady Hermon:** Has that changed?

Alan Hegan: To answer your question specifically as to presence in Northern Ireland, Ofgem has offices in London and in Glasgow. It does not have offices in Northern Ireland, so it has no physical infrastructure—

Q268 **Lady Hermon:** Even now, even after all of the bad publicity about the RHI scheme and the criticism of Ofgem, it still has no full-time presence in Northern Ireland?

Alan Hegan: Ricardo-AEA is subcontracted by Ofgem to do its audit work, and typically the auditor will fly in for a few days and fly back out.

Q269 **Lady Hermon:** Have you met one of these fly-in auditors?

Alan Hegan: I have met several auditors, yes. Are there any specific questions about them you would like me to answer?

Q270 **Lady Hermon:** What really interests me is that we as a Committee are looking at one specific issue, and that is the legislation that was taken through the House of Commons. We cannot really revisit all that has happened before. We have had the public inquiry. We are looking forward to the publication of the conclusions of that public inquiry, presumably within the next month or two.

What I am particularly interested in is, having listened to the Secretary of State in the House of Commons explaining this new legislation, which was, as the Chairman has indicated, taken through under the emergency



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procedure, with all of its stages in the one day, we were distinctly given the impression that this was an emergency, because Northern Ireland would face a financial penalty if the RHI scheme was in breach of state aid rules. *[Interruption.]* Thank you, Chairman, you are nodding in agreement. Has there been any evidence that you have seen from the European Commission that has been sent to the Department for the Economy, to the Northern Ireland Office or to the Government warning that Northern Ireland is going to be fined because the RHI scheme continues to be in breach, allegedly, of state aid rules?

Andrew Trimble: Lady Hermon, I have seen no such evidence, but more importantly—

Lady Hermon: Well, that is important.

Andrew Trimble: There is precedent. Her Majesty's Government and the Department of Energy and Climate Change found themselves in a near identical situation—in my brief I say this is just déjà vu all over again—in 2011 and 2012, where a feed-in tariff was offered of 43.3 p and the then Secretary of State sought to reduce that to 21 p. Indeed, it included a point of retrospectivity, which is abhorrent in British law, and I would like to talk about retrospectivity if given the chance. Whenever the Court of Appeal proceedings concluded, the Government then wrote to the European Union and said, "Can you help us out here? We think that you are going to have to instruct us not to comply with the Court of Appeal ruling, because we are breaching state aid rules". It is my understanding from sight of the correspondence from the European Union at that time that, further to my reading of the European Union regulations, if we approve something and you put forward a business case, and a reasons business case, we will not retract that approval, even if it is subsequently found to be over-generous and may breach state aid rules.

Q271 **Lady Hermon:** But what has been the main driving force for the Department for the Economy in the latest reduction in the tariffs?

Andrew Trimble: I think that that question should be asked, but perhaps I can answer in terms of the emergency procedure. The 2017 regulations were silent as to what would happen when the sunset clause came into existence. I interacted with the Northern Ireland Office to ask what the Secretary of State was minded to do, since the Assembly had fallen. I was told at that point that the Secretary of State would take detailed independent legal advice as to the way forward but would protect the public purse. At that stage, the public understanding of the overspend was £700 million, and I entirely understand why it would be prudent to quell such a haemorrhage.

The 2018 legislation was passed, and it was co-joined with reduction of MLA pay and also with the Northern Ireland regional rate. There is probably nobody in the House who would object to those other components of the Bill and, therefore, seek to unpack it. The 2019 legislation was brought forward, again co-joined with the regional rate.



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Q272 **Lady Hermon:** The driving force?

Andrew Trimble: The Secretary of State was right. The Department had no lawful authority come 31 March to make any payment because the 2018 legislation had set a sunset clause on the restriction that was introduced in 2017. What could she have done?

Q273 **Lady Hermon:** But the 2019 legislation that went through the House a few weeks ago also introduced reduced tariffs.

Andrew Trimble: It did.

Q274 **Lady Hermon:** That is the point I am asking about. What is the Department's justification for that? Is it state aid?

Andrew Trimble: I don't believe so.

Q275 **Lady Hermon:** You don't believe so. Then what do you believe it to be?

Andrew Trimble: I believe that what should have happened is that, in compliance with the accreditation certificate, the Secretary of State should have adjusted the 2018 tariff based upon the 2017 regulations. To have done so would not have resulted in this inquiry and would not have resulted in the cash flow shock.

If the Chair would agree to me addressing the retrospectivity aspect—

Chair: Very briefly.

Andrew Trimble: Okay. The anniversary of the installation of the boiler is the date from which the allocation in the financial year runs. The previous speakers' cohort joined a scheme just before it closed in February of 2016. For the 2012 cohort, the spike—and it occurs in solar panels and in every other incentivised scheme—occurred in the autumn, so by passing the legislation against a requirement of about 400,000 kilowatt-hours for a poultry shed, Parliament gave a third of the required energy entitlement, backdated to the previous financial year. The cash flow shock that parties will experience in Northern Ireland is that their 1,314 hours began in October of 2018. They have done their meter readings. They will now not receive any rebate payment quarterly, six weeks in arrears, probably until February 2020, and that is the egregious part about retrospectivity.

Q276 **Lady Hermon:** Being such a serious issue, as you have described it, can I take it that, bearing in mind that the DUP is currently in a confidence and supply arrangement with the Conservative party, RHANI has specifically lobbied the DUP to bring pressure to bear on the Government over this issue. Yes or no?

Andrew Trimble: Yes, and every other political party. I have met with every other political party in the Assembly. I travelled to Augher to speak to the MP—who does not take her seat—for Fermanagh and South Tyrone and had an hour-long presentation and discourse. I have had phone calls



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also from very senior members of Sinn Féin, saying, “We can’t solve this for you and, furthermore, the ball is now in Westminster.”

Chair: I am going to ask my two remaining colleagues whether they can be very brief because we are running out of time.

Q277 **Kate Hoey:** Avril, could I ask you about something you said, just to clarify? You mentioned something about the banks and said, as I understood it, that the banks were not so keen to give money unless you were using the biomass. Is that right?

Andrew Trimble: Yes, absolutely.

Avril Robson: Yes. I am relatively new in poultry—I have had 23 years in hospitality, and I am pretty new to poultry. During the course of the year, my husband and I have tried to be a little more frugal with our heat, and it has not worked very well. When a bird gets to 21 days, it produces its own heat, and unfortunately these houses need ventilation. They need heat to circulate, and the heat pushes the humidity up and round and out through the vents. If you do not have good litter, you get penalised and you do not receive your bonuses. Those bonuses can be up to £3,000 a crop, which is a significant amount of money. If you are not in a position to keep the heat in your house circulating, you will then be on—I am just going to revert back to it, because my husband gave me—

Q278 **Kate Hoey:** I am interested really in the role of the banks in this because they seem to be getting away quite lightly. I wondered if you felt that the banks had been—

Andrew Trimble: I can speak to that if I may. I am sorry to—

Avril Robson: I just want to finish off on this. Basically, the banks were saying that I would have been in a situation where I would not be on a level playing field with the rest of the growers and I would have found it more difficult to support the payments through the next 10 years of the capital expenditure on the purchase of the houses. They were concerned that I would not be on a level playing field with the rest of the producers in Northern Ireland and across GB, and that was the main reason that they thought that it would not be advisable if we did not have a biomass.

Q279 **Kate Hoey:** They encouraged you to do it in your interest?

Avril Robson: They would have said it would have been more acceptable.

Andrew Trimble: I have two points on that. First, the public inquiry heard evidence from a party who, when they were engaged with their banks on the change to the 2016 tariff, saw the bank adjust that farm’s overdraft limit.

The second point is that, in addition to lobbying the political parties, writing to the Secretary of State, writing to Mr Lavery—and I am happy to share all the correspondence with the Committee—we lobbied the



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banks to see what their understanding of the issue is. Ulster Bank's assessment is that the turnover of 30% of poultry farmers in Northern Ireland will, under this rebate and the current regime operated by Moy Park—which will reduce their turnover, and you had evidence about the market shrinking and Moy Park losing a commercial contract—reduce by one sixth because one crop a year is being taken out of that. The value of the turnover will reduce because market trends are that meat is cheaper. A large number of those who retrospectively installed the boilers did not take a loan from the bank; they took a loan from finance companies. The APR of those loans ranges from 8% to 12%. Those loans cannot be restructured. Those loans are over five years.

Q280 **Kate Hoey:** That was their choice. They chose to do that.

Andrew Trimble: They had no alternative because if you are in Avril's position, you would probably be maxed out if you had built two poultry sheds for Moy Park as part of your contract to supply. You have already taken a secured bank loan of £750,000, so these are additional loans with finance companies. A finance company wrote to me last week telling me that the default rate in GB on biomass—and they have a loan fund of £100 million in biomass—is 1.2%. In Northern Ireland the current default rate under the 2017 regulations is in excess of 11%.

Q281 **Kate Hoey:** That is pretty high. I have one final thing. A lot of the publicity about this originally was around people who were allegedly simply burning money—burning to make money. Are you very careful about your membership, or do you take anyone? Do you have people who you know? Are we being honest that there were people who deliberately set out to abuse the system, whether it was an official scheme or not?

Andrew Trimble: I will answer that. First, I have no knowledge of anybody who is abusing the scheme. We have rules within the association that anybody who is found so guilty is excluded. I will then put a corollary to that point. In the Auditor General's report on DfE in 2015-16, his attention had been drawn by the Department to a number of infractions that would cause the Department to seek the exclusion of people from the scheme. Those infractions included taking Carbon Trust loans. All 10 of those parties who were identified at that stage were excluded from the scheme and a demand made for the repayment of all of the funds—£132,000 in one instance. All 10 of those parties took the unreasonableness of the question that they had been asked about a grant by Ofgem through a review and then a statutory review. All 10 of those parties—who, inconveniently for us, are a statistic of people who are supposedly abusing the scheme—have been reinstated into the scheme, but the statistic and the reputational damage of participants is a consequence if you have an audit where people can't pass.

A Sinn Féin MLA told me that, in a briefing from the Department, he was told that, in on-site audits, 85% had some form of observation on their audit. I asked him what the extent was. He said he did not know whether



the observations were significant. The public inquiry heard Ofgem brief that an auditee was unaware of the length of guarantee of his heat meter. That was an infraction and that was recorded in an audit report. If you have an audit scheme that is designed to fail people, you will have statistics that will look very bad against the participants.

Robert Carmichael: Can I come in on that point? I feel aggrieved, given the fact that I am a 100% legitimate user. I was privileged to have a meeting with the Department for the Economy a few weeks ago. I am frustrated at the fact that there were suggestions that there would be, first of all, a full 100% inspection on site, as you mentioned, where Ofgem would come out and it could see my facility, read my meter readings, see my fuel history, see my set-up, and have a full understanding without looking at the schematics and various pieces of information. That has not been done. I have been potentially tarnished because of that—"He's potentially a fraudulent user".

Q282 **Kate Hoey:** That is very damaging.

Robert Carmichael: Yes, enormously so. During the meeting that I had with the Department for the Economy, I put it to Richard Rodgers. I said, "Is there evidence of fraudulent use?" and he said, "Yes, Robert, there is." He explained to me that they had users whose heat consumption was consistent all year round, and he said, "It doesn't work." I said, "Well, that's me." I run an activity centre. Through the winter, I do not have showers running, but I have extra heat in my office and in my café facilities and buildings like that. However, outside of the winter months, so when the heating is lower or off in some of those spaces, my showers and my hot water is running. Typically, my quarterly meter runnings were, within a few thousand kilowatts, consistent all year round. I said, "By your own admission, you have just indicted me of being potentially one of those fraudulent users, and I am perfectly legitimate." It is entirely unfair. I would welcome anyone to come and visit my site to see my installation and get a full understanding of it.

Lady Hermon: I think that is a great idea, to be invited.

Chair: It is a great invitation. It possibly plays into our next inquiry.

Q283 **Nigel Mills:** Can I explore the buy-out proposal that the Government have come up with? I was going back through the original state aid submission, which said that what the UK authorities have considered in terms of how you work out what the subsidy would be is the up-front capital costs, the further costs affected by the barriers to the adoption of non-renewable heat—or hassle costs, as they call them—ongoing operational expenses and a forecast of the yearly fuel expenditure. That calculation was a sensible one at that point. You worked out what the extra cost is of having biofuel over carbon fuel, and then you spread that over the 20 years, and that is how you get your subsidy per heat unit. That is right, isn't it?



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Alan Hegan: No. In the original 2012 calculation, the counterfactual of the additional cost of the price of the fuel was actually minus 1 p per kilowatt. It was all the other factors that made it up. It was not the additional cost of the fuel. In a very gross—

Q284 **Nigel Mills:** That whole calculation was sensible at that point?

Alan Hegan: Yes, so it was hassle cost, technology cost, fuel costs, which were also a minus figure. There was heat users' discount rates, which is a technical accountancy term for the interest rates that we just talked about, so you were allowed your interest rates and then your 12% return on top of that.

Q285 **Nigel Mills:** But you are not disputing that that was a sensible way of working out how much subsidy you ought to get?

Alan Hegan: I would agree, originally, that that is correct. The problem is that a lot of that has been stripped out.

Q286 **Nigel Mills:** How is that different to what is in the buy-out offer?

Alan Hegan: The costs of planning permission aren't allowed. Ricardo states that most biomass boilers do not need planning permission. However, whenever they go out to audit a site, it is a failure if you do not have planning permission.

Q287 **Nigel Mills:** What is the cost of that?

Alan Hegan: In its report—and I have all this in hard copy here—Ricardo states that £80 is sufficient to cover planning fees, architect fees, NI water regulation, contractor fees, building control and exemption fees, your labour hassle and your opportunities—

Q288 **Nigel Mills:** We do not have much time. I am just trying to work out whether the problem is in the buy-out calculation that they have messed up—

Andrew Trimble: Again.

Nigel Mills: The principle of what they are trying to do is to say, "We will give you a 12% return on the extra amount you spend to have biomass rather than LPG or oil." That, in principle, would have been a sensible thing to try to do if you were trying to do a buy-out, but they have messed up the calculation. Is that—

Andrew Trimble: I commend that you watch the video vignettes that I have provided, because the Department explains very carefully its calculations and its methodology in the offer. If you then use a different methodology for the buy-out—

Q289 **Nigel Mills:** Your point is that the basis they have used is not the right one; is that what you are saying? It just confuses me that they appeared to have the right basis back in 2011-12 to get approval for the scheme and are now presumably just trying to rerun that calculation a few years



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later and buy people out—

Andrew Trimble: If I may, they are not rerunning that calculation. In the legislation, it says additional capital cost, minus your payment to date. You have a boiler and a legacy liability to maintain it and run it, and your debt over the balance of the period that you have taken your loan. It is a point calculation that is valueless in terms of practicality.

Q290 **Nigel Mills:** Presumably, it would not be valueless if you were trying to pay off the loan you took out, would it, to be giving—

Andrew Trimble: Sorry to interrupt you. The Carbon Trust loans are extended to every part of the United Kingdom other than Northern Ireland. If the Department was to allow the scheme participants to, for example, adjust the tariff back to the 2017 regulations, regulated for the different size of boiler, and transfer the loan indebtedness to Carbon Trust, that would be one mechanism of solving the issue. But as someone said after one of our meetings with the Department, “Do you ever feel it is like trying to reason with a two-year-old?”

Q291 **Chair:** I think that that is probably a suitable place at which to finish. Thank you very much indeed for being with us.

Avril Robson: Can I just close on one remark? Would you mind?

Chair: Very quickly, please.

Avril Robson: Mr Ian Paisley asked what, as stakeholders, we want to get as the outcome of this affair. I cannot speak on behalf of all the stakeholders, but I can speak on behalf of myself. I do not want to be going to court. I do not want to be taking the Secretary of State to court for the tariff cut that she caused. Would I like the tariff reinstated that we originally bought into? Yes, of course I would, but I am on an understanding that maybe that might not be possible. We are people who are in business and we are happy to negotiate. There has not been a negotiation from Karen Bradley, Secretary of State. There has not been a negotiation from Mr Lavery. There has been negotiation from nobody.

We bought into a grandfathered scheme, a bona fide scheme, set up by the Government. We feel very betrayed. We feel ostracised by the community because we were seen to be pariahs and all the rest. What would we like? We would like to go back to the original tariff, but, if that is not the case or that is not possible, let's have a negotiation of what we really can have—a happy ground for all the stakeholders to be happy with moving forward. As I say, I do not speak on behalf of all the stakeholders. I can only speak on behalf of myself, but I think that there is a real appetite out there for a common ground to be found that is going to make everybody happy.

Chair: All right, thank you. On that happy note, thank you very much indeed for being with us today. Most certainly what you say will be used to inform the recommendations that we intend to make shortly.