



Northern Ireland Affairs Committee

Rt Hon Graham Stuart MP
Minister for Energy Security and Net
Zero

Sir Robert Buckland KC MP

By email only

7th December 2023

Dear Graham,

My Committee recently held an evidence session on the Northern Ireland Renewable Heat Incentive Scheme and the consequences of the 2023 Court of Appeal decision which upheld the 2019 change in payments from that scheme.

The purpose of this session was to:

- 1) understand what the consequences of the change in payments have been for Northern Ireland society four years on;
- 2) ascertain how the court decision has impacted the future of the renewable energy sector and trust in government-backed schemes; and
- 3) investigate feasible courses of action towards dealing with these consequences. To this end, the Committee heard from a range of stakeholders in NI.

The NI Renewable Heat Association (RHA) told the committee that NI has 'challenging climate change targets to be met, and the removal or termination of this scheme would exacerbate the drift away from adoption of bioenergy.' The RHA suggested that in order to make progress on climate change targets and restore government accountability, the solution was to 'level up' NI to the GB version of the scheme.

Concurring with this appraisal, the Ulster Farmers Union (UFU) said that under the current scheme agricultural emissions targets would not be met and their members were at a competitive disadvantage with the Republic of Ireland and Great Britain. The UFU added that as a consequence of the scheme's change in payments, people 'have had no choice but to go back to burning fossil fuels.' They claimed that '30% of boilers were turned off' in the agricultural sector and cited testimony from 'one of the major gas suppliers in Northern Ireland that the use of LPG—a fossil fuel—has increased by 20%.'



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NI's Federation of Small Businesses also voiced support for NI's adoption of the GB scheme and claimed Scotland and Wales's take-up of the programme offered encouragement that it would be successful in NI too.

In response, NI's Department for the Economy acknowledged that, following the 2019 change in payments, new tariff adjustments were a necessity and they were 'trying to find a way to move forward.'

The DfE said, however, that they disputed the idea the 2019 change in payments were erroneous, and told us that:

'When we appointed the external consultants Cornwall Insight to look at the 2019 tariffs, they came back to say that the methodology had been correct in calculating the tariffs, but that they should change again in 2020... The underlying principle is that, from April 2024, tariffs have to be set at a level that allows participants to get back on track to earning the 12% internal rate of return that they had expected when they joined the scheme.'

While the DfE saw 'a lot of merit', for 'equity', 'fairness', and 'administrative' reasons, in following the GB scheme, they noted:

'We have looked at the circumstances of the people in Northern Ireland, and the costs and the alternative fuels in Northern Ireland. It would be a Northern Ireland-specific solution.'

They added that differing capital costs between NI and GB are a key reason why tariff rates would have to be different in NI and GB to ensure a fair return on investment.

Based on this range of evidence my Committee recognises that a key point of contention is whether NI should create a bespoke RHI scheme or follow GB's scheme. To that end, I have some questions on the feasibility of both policy options.

We are aware that the Executive will make such adjustments according to Section 113 of the Energy Act 2011, but given DESNEZ's oversight over the remaining RHI payments for the GB scheme and the new Boiler Upgrade Scheme, my Committee would be grateful for a response to these queries:



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1. In what ways, if at all, can NI learn from GB's former RHI scheme's payment system in resolving its existing payment issues?
2. What assessment has DESNEZ, or its predecessor Departments, made of the effect of capital costs on tariff rates and, therefore, return on investment for the GB scheme?
3. What challenges may exist, if any, in applying the payment system from GB's former RHI scheme to NI?
4. What assessment has DESNEZ, or its predecessor Departments, made of the effectiveness of GB's former RHI scheme in Scotland and Wales?
5. What challenges may exist, if any, in implementing GB's Boiler Upgrade Scheme in NI?
6. Overall, do you see copying GB's Boiler Upgrade Scheme as a feasible way forward for NI in the longer term?

My Committee looks forward to hearing from you soon.

Yours sincerely,

Robert Buckland

Sir Robert Buckland KC MP
c/o Northern Ireland Affairs Committee