

EXPLANATORY MEMORANDUM TO
THE RENEWABLE HEAT INCENTIVE SCHEMES (AMENDMENT) REGULATIONS
(NORTHERN IRELAND) 2015

SR 2015 NO.

1 INTRODUCTION

- 1.1 This Explanatory Memorandum has been prepared by the Department of Enterprise, Trade and Investment (“the Department”) to accompany the above Statutory Rule which has been laid before the Northern Ireland Assembly. The Explanatory Memorandum is designed to assist the reader in understanding the Statutory Rule. It does not form part of the Statutory Rule.
- 1.2 The Statutory Rule is made under Assembly under Section 113 of the Energy Act 2011 and is subject to the draft affirmative resolution procedure.

2 PURPOSE

- 2.1 The Northern Ireland Renewable Heat Incentive (RHI) was introduced in 1 November 2012, following the passage of the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012. This scheme provides long term incentive payments for new generators of eligible renewable heating in the non domestic sector. The RHI was further extended to the domestic sector through the Domestic Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2014 on 9 December 2014.
- 2.2 A number of further changes are now being introduced to the RHI. New tariffs are being introduced for Combined Heat and Power, (CHP), to coincide with changes to the NIRO and ROC’s. Cost control measures are also being introduced for small and medium biomass which will see a two tier tariff structure put in place, change in medium biomass banding, and an annual payment cap.
- 2.3 The Statutory Rule prescribes matters relating to eligibility criteria, requirements and obligations of participants of the RHI scheme as impacted by the scheme changes.

3 BACKGROUND AND POLICY OBJECTIVES

- 3.1 Heating energy accounts for around half of all total energy consumed within Northern Ireland. Over 95% of our heating fuels come from imported fossil fuels. Increasing the level of renewable heat to 10% by 2020 is a Programme for Government target and is in line with Northern Ireland’s expected contribution to the United Kingdom’s obligations under the EU Renewable Energy Directive¹. It also supports the Department’s wider energy policy goals of increased diversity of energy supply, reduced emissions and potential for ‘green jobs’ and skills.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:EN:PDF>

- 3.2 The regulations put in place new tariffs for CHP, (new renewable installations and those converting from fossil fuels) and also cost control measures for small and medium biomass through a two tier tariff structure and change in the medium biomass banding upwards to 199kW as with GB to encourage larger more efficient boilers. An annual payment cap of 400,000 kWh is also being introduced for new installations. These control measures are required to bring RHI spend back within budget and to ensure affordability of the scheme going forward.

4 CONSULTATION

- 4.1 DETI consulted on phase 2 of the RHI scheme from 22 July 2013 to 14 October 2013. Consultation seminars were held in Armagh, Belfast and Coleraine. A total of 50 responses were received and the vast majority of respondents were supportive of the proposals. These Regulations and changes are the further outworking from consultation that by way of new tariffs and cost control measures.
- 4.2 The final policy paper in relation to these scheme changes can be accessed at :- <https://www.detini.gov.uk/publications/final-policies-phase-2-rhi>

5 EQUALITY IMPACT

- 5.1 In accordance with the requirements of Section 75 of the Northern Ireland Act 1998, an equality screening exercise has established that the proposed Regulations do not have any significant equality impact.

6 REGULATORY IMPACT

- 6.1 The policies on the Renewable Heat Incentive (RHI) have been the subject of a Regulatory Impact Assessment (RIA).

7 FINANCIAL IMPLICATIONS

- 7.1 Funding for scheme payments is via Annually Managed Expenditure, (AME). Administration costs are met by DETI.

8 SECTION 24 OF THE NORTHERN IRELAND ACT 1998

- 8.1 This Statutory Rule does not contravene Section 24 of the Northern Ireland Act 1998.

9 EU IMPLICATIONS

- 9.1 The Renewable Energy Directive requires the UK to ensure that 15% of its energy consumption comes from renewable sources. The requirement extends beyond

electricity to heating and cooling and transport. Almost half of the final energy consumed in the UK is in the form of heat, producing around half of the UK's CO₂.

- 9.2 The requirement to meet the very challenging 15% renewable energy target falls at Member State level, not at Devolved Administration level. However, while energy is a devolved matter for Northern Ireland, each devolved administration is expected to contribute as much as possible to the overall UK target.

10 PARITY OR REPLICATORY MEASURE

- 10.1 Similar legislation has been introduced in Great Britain in respect of the RHI scheme in operation there. Ofgem is responsible for developing and administering the scheme on behalf of DECC. However, whilst Ofgem also delivers the non domestic RHI scheme on behalf of DETI the specifically tailored Northern Ireland domestic RHI scheme is administered in-house by DETI.

11 ADDITIONAL INFORMATION

Commencement

- 11.1 The Statutory Rule comes into operation on the day after it is made.