

EXPLANATORY MEMORANDUM TO
THE RENEWABLE HEAT INCENTIVE SCHEMES (AMENDMENT) REGULATIONS
(NORTHERN IRELAND) 2016

SR 2016 NO. 47

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 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 on 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 extended to the domestic sector through the Domestic Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2014 on 9 December 2014. Changes to the Non Domestic scheme were introduced on 18 November 2015 which provided for new tariffs for combined heat and power (CHP); cost control measures for small and medium biomass; a change in biomass banding; and an annual cap on payments.
- 2.2 The Minister indicated to the Assembly in November 2015 that further cost control measures might have to be introduced. Over the past 18 months the non domestic scheme in particular has seen significant uptake with applications rising from some 200 to over 1800 and this, together with a reduction in available funding, means that the budget for new applications has been exhausted. In these exceptional circumstances the Minister had to take immediate steps to prevent further overspend.

2.3 The Statutory Rule establishes a mechanism for the Department to suspend, by notice, both RHI schemes.

3 BACKGROUND AND POLICY OBJECTIVES

3.1 Heating accounts for around half of total energy consumption within Northern Ireland with over 95% of our heating fuels coming from imported fossil fuels. Increasing the level of renewable heat to 10% by 2020 is a Programme for Government (PfG) target and is in line with Northern Ireland's expected contribution to the United Kingdom's obligations under the EU Renewable Energy Directive^a. It also supports the Minister's wider energy policy goals of increased diversity of energy supply, reduced emissions and potential for 'green jobs' and skills. The interim PfG target of 4% by the end of 2015 has been met and exceeded. The current assessment is that around 6% of heat is provided through renewable heating technologies.

4. CONSULTATION

4.1 The Minister, with the support of the Executive, decided not to carry out a formal consultation on the legislative proposals. The available budget has been exhausted and the decision has been taken to close the RHI to new applications at the earliest opportunity to minimise further overspend. The Finance Minister has been consulted on the proposed legislation and decision to close and he concurs with the concerns and desire to minimise the exposure of the NI Block DEL.

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 proposal to establish a mechanism to suspend the RHI and to effect such suspension immediately has been the subject of a Regulatory Impact Assessment.

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

7 FINANCIAL IMPLICATIONS

7.1 Funding for scheme payments is via Annually Managed Expenditure (AME) allocated on the circa 3% Barnett principle with costs above that to be met from the NI block grant. Administration costs are met by DETI. Since the available budget has been exhausted, the schemes must be closed to new applications. Around £95m of funding will have to be found from the NI block grant over the next 5 years to meet existing RHI commitments.

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. 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, it is required to make a proportionate contribution to the overall UK target.

9.2 The Statutory Rule establishes a mechanism to suspend the RHI when funding is not available. However the Department acknowledges that the suspension of the scheme may impact on the level at which Northern Ireland contributes to the wider Member State level.

10 PARITY OR REPLICATORY MEASURE

10.1 There are separate but similar domestic and non domestic RHI schemes in GB and both the GB and the NI RHI schemes are underpinned by the Energy Act 2011.

11 ADDITIONAL INFORMATION

Commencement

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