EXPLANATORY MEMORANDUM TO

THE RENEWABLE HEAT INCENTIVE SCHEME (AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2017

SR 2017 NO.

1 INTRODUCTION

1.1 This Explanatory Memorandum has been prepared by the Department for the Economy ("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 Scheme (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 further extended to the domestic sector through the Domestic Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2014 on 9 December 2014.

2.2 The Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015 introduced a number of changes to the RHI, including new tariffs for Combined Heat and Power (CHP), tiered tariffs for small and medium biomass boilers, change to the medium biomass boiler banding and an annual payment cap.

2.3 A number of further changes are now being introduced to the RHI. These changes are the first stage of cost control measures for installations accredited before 18th November 2015 and falling within the small and medium biomass tariffs which will also be introduced by this Statutory Rule putting in place a two tier tariff structure and an annual payment cap. These Regulations will cease to have effect on 31st March 2018.

2.4 The Statutory Rule prescribes matters relating to eligibility criteria 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. A target to increase the level of renewable heat to 10% by 2020 was included in the Strategic Energy Framework and an interim target of 4% renewable heat by 2015 was included in the then Programme for Government target in line with Northern Ireland's expected contribution to the United Kingdom's obligations under the EU Renewable Energy

Directive[1]. The target also supports the Department's wider energy policy goals of increased diversity of energy supply, reduced emissions and potential for 'green jobs' and skills.

3.2 These regulations put in place the first stage of cost control measures to permit further consideration of longer term cost control measures which are to be in place by the cessation of these Regulations on 31st March 2018.

4 CONSULTATION

4.1 There has been no opportunity to consult on the introduction of these first stage measures. As part of the next stage, the Department will give consideration to consultation.

5 EQUALITY IMPACT

5.1 As part of the next stage, an Equality Impact Assessment will be carried out.

6 REGULATORY IMPACT

6.1 As part of the next stage, a Regulatory Impact Assessment will be carried out.

7 FINANCIAL IMPLICATIONS

7.1 The Financial implications will be further examined as part of the next stage.

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 CO_2.

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 to this is in place in Great Britain in respect of the RHI scheme in operation there. Ofgem is responsible for developing and administering the scheme on behalf of the Department of Business, Energy and Industrial Stratety. However, whilst

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

Ofgem delivers the non domestic RHI scheme on behalf of DfE the specifically tailored Northern Ireland domestic RHI scheme is administered in-house by DfE.

11 ADDITIONAL INFORMATION

Commencement

11.1 The Statutory Rule shall come into operation on whichever is the later date, either 1st April or the day after the European Commission gives approval that the provision made by the Regulations, to the extent that it constitutes the granting of aid to which any of the provisions of Article 107 or 108 of the Treaty on the Functioning of the European Union applies, is, or would be, compatible with the internal market, within the meaning of Article 107 of that Treaty.