EXPLANATORY MEMORANDUM TO

The Renewable Heat Incentive Scheme (Amendment) Regulations (Northern Ireland) 2024

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department for the Economy to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

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. These Regulations amend the Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 for the purpose of increasing the tariff for periodic support payments made under the Scheme to accredited small and medium biomass installations. The increases are for heat generated from 1 November 2024. These Regulations fix the tariffs for these installations for heat generated up to the end of March 2025, and those tariffs will then be adjusted in line with increases or decreases in the consumer prices index to give the tariffs for later financial years. These Regulations also alter the zero tariff for heat produced in excess of the (unchanged) initial heat allowance for a medium biomass installation, and set a cap of 400,000kWhth for medium biomass installations.

3. Background

3.1. This legislation introduces tariff revisions for small, lower medium and upper medium sized biomass installations. This is primarily as a consequence of significant changes in the relative costs of biomass fuel and the appropriate counterfactual—kerosene—since the Northern Ireland (Regional Rates and Energy) 2019 Act, which have impacted upon the typical IRR experienced by participants in the years following the introduction of the 2019 Act.

3.2. In February 2023, a Court of Appeal judgment placed an onus on government to work with renewed focus to settling a proper permanent solution for boiler owners who acted in good faith. As an interim step to closure, this revised tariff will be implemented for small and medium biomass installations.

4. Consultation

4.1. A tariff review was undertaken by Cornwall Insight ('Cornwall'), who reported in early 2020 with a recommendation that the medium biomass tariffs be increased, primarily as a consequence of fuel price movements. Cornwall did not examine the small biomass tariffs.

4.2. A public consultation in respect of the potential changes recommended by Cornwall concluded on 26 May 2020. 127 responses were received, of

which 96 were Scheme participants and 18 were non-participants. A large majority disagreed that the medium biomass tariffs should be amended to the levels recommended in the Cornwall Insight tariff review. Most of these respondents argued that the tariffs should be higher, with suggestions including a return to the original rates on the Scheme, the 2017 tariffs, or alignment with GB or RoI tariffs.

4.3. Revised tariffs were not implemented at the time, largely as a result of the January 2020 publication of New Decade, New Approach (NDNA), which signposted closure of the Scheme. A further public consultation on options for the future of the Scheme was undertaken in early 2021.

5. Equality Impact

5.1. An Equality Impact Assessment screen has been carried out. The screening concluded that an equality impact assessment should not be carried out as none of the proposed changes in the policy will have any direct impact on equality of opportunity for any of the Section 75 groups, nor is it likely to impact on good relations between people of any of the Section 75 groups.

6. Regulatory Impact

6.1. A Regulatory Impact Assessment has been completed. The RIA found that an increase in the tariff rates will have a positive impact on current participants in the non-domestic RHI Scheme with small and medium installations. An increase in RHI tariff rates will not result in any monetised costs to businesses within this group.

7. Financial Implications

7.1. The estimated cost of the proposals is approximately £10m per annum. The proposals are deemed to be affordable within the current ring-fenced Renewable Heat AME budget allocation.

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 Non-Domestic Scheme is a notifiable Scheme under State aid regulations.

10. Parity or Replicatory Measure

10.1. Schemes to incentivise the use of renewable heat also exist in GB and RoI. Although the schemes are similar in many ways, significant differences exist both in how the cost control and tariff structures were designed initially, and in adjustments made during the lifetime of the schemes. The Office of Gas and Electricity Markets (Ofgem) administers the non domestic RHI scheme on behalf of DfE.

11. Additional Information

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