EXPLANATORY MEMORANDUM TO

The Renewable Heat Incentive Scheme (Closure) Regulations (Northern Ireland) 2026

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 Section 1(11) of the RHI (Closure of Non-Domestic Scheme) Act (Northern Ireland) 2026 and is subject to the draft affirmative resolution procedure.

2. Purpose

2.1. The regulations close the Northern Ireland Non-Domestic Renewable Heat Incentive Scheme ('NIRHI', or 'the Scheme') and introduce annual closure payments, based on deemed heat output using historical data (2017–2019), to eligible participants for the remainder of their original 20-year accreditation period.

3. Background

3.1. The former Department of Enterprise, Trade and Investment (DETI, which subsequently became the Department for the Economy (DfE) in 2016) introduced the Scheme for non-domestic use in 2012. Flaws in the scheme led to the establishment of the Public Inquiry which reported in March 2020.

3.2. The Scheme was suspended to new applicants in February 2016. It remains operational for installations accredited before that date, with regulations providing for tariff payments for generation of eligible heat for a period of 20 years from the date of accreditation. The final payments under the Scheme, in the absence of Scheme closure, would be expected in 2036.

3.3. In September 2025 the Executive agreed a pathway to close the Non-Domestic RHI Scheme, including agreement to:

(a) Introduce a Bill to provide the Department with the power to close the Scheme through regulations.

The RHI (Closure of Non-Domestic Scheme) Bill was introduced to the Assembly on 6 October 2025. It received Royal Assent on 17 June 2026.

(b) Consult on closure regulations.

Following an eight week public consultation on policy proposals for the closure regulations, which ran from 29 September 2025 to 24 November 2025, the Executive considered the Department's formal response to the consultation in January 2026, and agreed the proposed policy approach.

(c) Implement closure regulations post-consultation.

Following Royal Assent for the RHI (Closure of Non-Domestic Scheme) Act on 17 June 2026, the closure regulations will be laid before the

Assembly in draft.

(d) Introduce separate regulations to increase tariffs before winter 2025. The Renewable Heat Incentive Scheme (Amendment) Regulations (Northern Ireland) 2025, which increased the tariff for periodic support payments made under the Scheme to accredited small and medium biomass installations in order to support participants during the transition, were approved by the Assembly on 1 December 2025 and the updated tariffs took effect from 2 December 2025.

3.4. Closure will include a payment mechanism designed to protect the interests of scheme participants, the majority of whom have acted in good faith, and the taxpayer. The tariff rate used to calculate closure payments has been independently verified and approved by the Department of Finance. Payments will be based on historic usage (2017–2019) and staggered over the remaining accreditation period, rather than issued as a lump sum.

4. Consultation

4.1. A public consultation on the proposals for closure was launched on 29 September 2025 and closed on 24 November 2025. Following the conclusion of the consultation, the Executive considered the Department's formal response to the consultation in January 2026, and agreed the proposed policy approach.

4.2. A copy of the consultation document and the Department's response can be found on the DfE website.

https://www.economy-ni.gov.uk/consultations/closure-northern-ireland-non-domestic-renewable-heat-incentive-scheme

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 (RIA) has been completed. The RIA found that the preferred option does not impose direct costs on businesses.

7. Financial Implications

7.1. The estimated cost of the proposals is approximately £19.4m per annum. The total cost to 2035/36 is estimated to be £213m. The proposals are deemed to be affordable within existing budgets.

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.

11. Additional Information

11.1.